

RIVIERA ADRIA d.d.



Poreč, April 2012.

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RIVIERA ADRIA d.d.

MANAGEMENT BOARD REPORT

MANAGEMENT BOARD REPORT

According to the provisions of the Companies Act, Accounting Act and the Capital Market Law, the Management Board of Riviera Adria d.d. represents the annual report of business for the period from January 01, 2011 to December 31, 2011.

SIGNIFICANT BUSINESS MATTERS

On August 31, 2011, with legal effect from September 1, 2011, in the Commercial Court Rijeka Permanent office Pazin merger of companies RABAC d.d. and ZLATNI OTOK d.d. to company RIVIERA POREČ d.d. was recorded, all based on previously conducted legal prescribed procedures and decisions of General Assembly of ZLATNI OTOK d.d. since June 27, 2011, General Assembly of RABAC d.d. since June 28, 2011 and General Assembly of RIVIERA POREČ d.d. since June 29, 2011, as well as based on the Merger Agreement concluded on June 29, 2011. At the same time company changed name from RIVIERA POREČ d.d. to **Riviera Adria d.d.** (hereafter: Company) and that was also recorded.

Until August 31, 2011 Management Board composed of: Veljko Ostojić – President, Tihomir Nikolaš – Member and Marko Čižmek – Member, and from September 1, 2011 one new MB Member was appointed - Edi Černjul. In this composition MB operated until mandate expiration on December 31, 2011. Supervisory Board for new mandate of four years, starting from January 1, 2012, appointed MB that is composed of three members: Edi Černjul – President and Marko Čižmek and Tihomir Nikolaš – Members.

After merger of companies ZLATNI OTOK d.d. and RABAC d.d., company Riviera Adria d.d. became the biggest tourist company in Croatia with a possibility of accommodation up to 34.000 guests in one day. In its unique portfolio Company has 17 hotels, 7 camps and 8 tourist villages on west and east Istria coast and Kvarner. During high season, the Company will have up to 2.100 employees, thus being one of the biggest employers in Istria and Croatia. Mentioned facilities, plus capacity of Dubrovnik Babin Kuk d.d. represent more than 10% of all categorized accommodation capacities of hotels, apartments and camps in Croatia, except private accommodation.

Company's permanent aim is continuous growth and development in all business segments. Expand of tourism and other assets portfolio due to merger allows further specialization and more clearer positioning of tourist facilities and thus even better market recognition.

OVERVIEW OF RIVIERA ADRIA d.d. BUSINESS RESULTS

In Company's financial statements for 2011 are included all items – book balances merged companies RABAC d.d. and ZLATNI OTOK d.d. starting from September 1, 2011 so all significant changes in these statements have to be observed as a result of this merger. We note that merged companies ended their regular business on August 31, 2011 when also their books were closed with cumulative net profit of 15,4 million kuna (gross profit 18,9 million kuna) what affected capital profit of Company through merge effects. Relatively high showed net profit of merged companies is a result of extraordinary seasonal results of their business (majorly high seasonal revenues), while expected lower results of season end (September to December) were directly included in revenues and expenses of Riviera Adria d.d.

Riviera Adria d.d. in period from January 1 to December 31, 2011 realized more than 531 million kuna of operating revenue, which is more than 85,6 million kuna in relation to previous year and represents an increase of 19,2%. Out of that 33,5 million kuna refers to revenues of merged companies in period from

September to December (Branch office Rabac 23,5 million kuna, Branch office Zlatni otok 10 million kuna). **Compared to numbers from published unaudited temporary yearly financial statements, and as a result of final recording, operating revenues item recorded change and is greater for 1,45 million kuna (of which the revenue relating sales is 0,21 million, and other operating revenue is 1,24 million kuna).**

In mentioned period from January 1 to December 31, 2011 Company realized 515,3 million kuna of operating expenses what is for 90,8 million kuna more according to previous year and represents increase of 21,4%. Of that on the merged companies relate 36,5 million kuna (Branch office Rabac 26,6 million kuna, Branch office Zlatni otok 9,9 million kuna). Operating expenses increase is mostly result of increase of input costs of raw materials, personnel costs and other costs. **Compared to numbers from unaudited temporary yearly financial statements, and as a result of final recording, operating expenses item is greater for 0,2 million kuna** (material costs, personnel costs and other costs are slightly higher, and other operating expenses are lower).

Financial revenues amount 8,2 million kuna what is 3,6 million kuna less according 2010 (30% lower), of which 4 million kuna is less revenues from foreign exchange gains from loans, 0,6 million kuna more revenues from interests and 0,2 million kuna less of other financial revenues.

Financial expenses amount 24,3 million kuna what is 21,7 million kuna (47%) less regarding 2010, of what is 25,9 million kuna less out of foreign exchange losses, 1,6 million kuna more from loan interests (loan interests of Branch offices included – 0,4 million kuna), 0,1 million kuna more of other financial expenses and 2,5 million kuna more not-realized losses from fair value of rate and currency risks hedging instruments.

In mentioned period Riviera Adria d.d. realized 539,7 million kuna of total revenues what represents 17,9% increase in relation to 2010 (82 million kuna more of which 34,2 million kuna relates to Branch offices). Total expenses amounted 539,6 million kuna what represents increase of 14,6% in relation to previous year (69 million kuna more of which 36,9 million kuna relates to Branch offices). **Compared to numbers from published unaudited temporary yearly financial statements, and as a result of changes in revenues and expenses mentioned above, gross profit is shown in amount of 74.394 kuna instead of earlier published loss in amount of 1,1 million kuna. By admitting delayed tax assets in amount of 1.717.469 kuna (based on temporary differences under concessions, fair values of derivatives and transferred tax loss), Company concluded this year with net profit amounting 1.791.863 kuna, while in 2010 loss amounted 12,8 million kuna.**

In 2011 Company realized 18,5 million kuna greater total revenues in relation to planned what is an increase of 3,55% (in relation to comparable planned amounts which include whole year revenues of destination Poreč and revenues of destination Rabac and Krk in September-December period). At the same time total expenses were higher for 13,9 million kuna (2,64%) in relation to what was planned.

In 2011 over 3,2 millions of overnights were realized what is an increase of 4,56% in relation to 2010 (destination Poreč 4%, destination Rabac 5,4%, destination Krk 6,8% more overnights). Mentioned realization is for 1,5% more regarding 2011 plan what is exactly 47.593 overnights.

Total Company's assets value on the end of 2011 business year amounted 2,1 billion kuna and is for 476 million kuna higher in relation to previous year (28,6%), primarily as a result of merger. **Compared to numbers from published unaudited temporary yearly financial statements, and as a result of changes of final recording, total assets changed and is greater for 4,6 million kuna. The most significant changes are under the item of tangible and intangible assets amounting 1,7 million kuna, deferred tax assets amounting 1,7 million kuna and current assets (buyers and state receivables) in amount of 1,1 million kuna.**

Largest changes are shown in items of long-term assets which amounts 1,9 billion kuna what is for 357,8 million kuna more in relation to previous year (also assets of merged companies by input of initial balance on September 1, 2011 included along with all changes till end of the year). Changes are shown also in current assets which is for 113,5 million kuna higher in relation to 2010 and amounts 186,1 million kuna. Within current assets the highest growth is on the cash equivalent item (204%, that is 106,3 million kuna more) and amounts 158,6 million kuna. Current assets make 8,7% of total assets, while in previous year were making 4,3%.

Equity and reserves on the end of the year amounted 1,7 billion kuna what is for 453,6 million kuna more in relation to previous year (36%) what is a result of share capital decrease of 30,6 million kuna (described in the following section), capital reserves increase for 478,8 million kuna, reserves from profit decrease for 8,9 million kuna, with significant better final result of 14,6 million kuna (realized profit 1,79 million in relation to loss of 12,8 million kuna from previous year). **Compared to numbers from published unaudited temporary yearly financial statements, and as a result of changes of final recording, share capital and reserves are higher for 2,6 million kuna as a result of decrease of revalorization reserves for 0,3 million kuna and significantly better result of 2,9 million kuna (1,1 million loss from temporary statement versus 1,79 million kuna profit as explained above).**

In the structure of equity, under the item share capital and reserves, is shown share capital decrease as a result of share capital decrease of Riviera Poreč d.d. from the amount of 1.096.055.100,00 kuna to amount of 730.703.400,00 kuna and consequently share capital increase by new shares emission for amount of 334.760.000,00 kuna because of merger of Rabac d.d. and Zlatni otok d.d.

Short and long term Company's liabilities on 31 December, 2010 amounted 412,9 million kuna what is slightly higher in relation to 2010, only for 1,6% (including also merged companies liabilities). Long-term liabilities are greater for 32,5%, and long-term liabilities are lower for 33% in relation to previous year. Company is stable and solvent and pays its liabilities in time. **Compared to numbers from published unaudited temporary yearly financial statements, short and long term liabilities are higher for 3 million kuna due to 0,2 million kuna more of deferred tax assets and 2,5 million kuna more payables and 0,3 million kuna of other short term liabilities.**

CONSOLIDATED REPORTS OF THE GROUP

Explanations listed below include merger effects in the same way as shown in the previous section that deals with the results of Riviera Adria d.d. Changes regarding numbers from the published unaudited temporary yearly financial statements are a result of the final book entries in both companies.

The Riviera Group consisting of Riviera Adria d.d. and Dubrovnik Babin Kuk d.d. from Dubrovnik (further in this report: Group) **from January 1, 2011 to December 31, 2011 realized 739,5 million kuna in operating revenues what is an increase of 18,8% according to previous year. Operating expenses increased for 16,4% according to 2010 and amount 719,5 million kuna. Compared to numbers from published unaudited temporary yearly financial statements, and as a result of changes of final recording, operating revenues are higher for 1,68 million kuna (1,45 million refers to Riviera Adria d.d., 0,23 million kuna refers to Dubrovnik Babin kuk d.d.) as well as operating expenses which are higher for 0,94 million kuna (0,2 million kuna refers to Riviera Adria d.d., 0,74 million refers to Dubrovnik Babin kuk d.d.).**

Financial revenues decreased for 9,2 million kuna and financial expenses for 41,6 million kuna in relation to 2010 what is an influence of foreign exchange differences both in revenues and in expenses, interest revenues and non-realized losses from fair value of rate and currency risks hedging instruments.

Group realized 749,1 million kuna of total revenues what is an increase of 16,8% (108 million kuna) and 781,2 million kuna of total expenses what is an increase of 8,3% (60 million kuna) in relation to 2010. Under the influence of revenues increase and slower expenses increase the Group loss was reduced for 49,3 million kuna. **Compared to numbers from published unaudited temporary yearly financial statements, and as a result of changes in revenues and expenses, loss before tax is 32,1 million kuna instead of earlier loss of 32,7 million kuna. By recognition of deferred tax assets amounting 1,71 million kuna in parent company (temporary differences on concession basis are determined as well as fair value of derivatives and transferred tax loss), Group concluded business year with loss of 30,3 million kuna (as a result of parent company profit of 1,79 million kuna and loss of Dubrovnik Babin kuk d.d. of 32,1 million kuna). Loss is 30,3 million kuna, of which loss attributed to parent company is 28,4 million kuna and to minority 1,9 million kuna. Loss in 2010 amounted 79,7 million kuna (of which loss attributed to parent company was 74,3 million and to minority 5,4 million).**

In 2011 Group realized more than 3,7 million of overnights what represents increase of 4,52% (Istrian and Kvarner destinations increase of 4,56%, Dubrovnik 4,29%) what is 1,1% overnights more regarding planned.

Total value of the Group assets on December 31, 2011 is 2,7 billion kuna what is for 424,9 million (18,3%) greater than 2010. Greatest changes are recorded in items of non-current assets which amounts 2,5 billion kuna and is for 303,7 million kuna higher than the last year and on items of current assets which is for 114,7 million higher and amounts 198 million kuna. Within current assets the biggest growth is recorded on cash equivalents (206,7%, that is 109,4 million kuna) which now amount 162,38 million kuna. **Compared to numbers from published unaudited temporary yearly financial statements, and as a result of changes of final recording, total assets are higher for 4 million kuna. The most significant changes are under the item of tangible and intangible assets amounting 1,7 million kuna, deferred tax assets in amount of 1,7 million kuna and current assets in amount of 0,6 million kuna (most significant change is under item of buyers and state receivables).**

Changes in total liabilities are primarily a result of mentioned merger, as already explained above. **Compared to numbers from published unaudited temporary yearly financial statements, and as a result of changes of final recording, share capital and reserves are higher for 2 million kuna as a result of revalorization reserves decrease for 0,3 million kuna and significantly better result of 2,3 million kuna.**

Total liabilities on December 31, 2011 amount 1 billion kuna what is a decrease of 1% according to 2010. Long-term liabilities increased for 10,8%, short-term liabilities decreased for 30,6% regarding 2010. **Compared to numbers from published unaudited temporary yearly financial statements, and as a result of changes of final recording, total Company's liabilities are higher for 2 million kuna, while inside structure of individual items came to reclassification, for example from long term to short term liabilities, what is obvious in financial statements.**

HUMAN RESOURCES AND THEIR DEVELOPMENT

On December 31, 2011 Riviera Adria d.d. had 1.233 employees, of which 726 permanently employed. After successfully merger process new organization in central business functions has been established, that is in finance and accounting sector, controlling, IT sector, legal affairs and human resources.

Existing collective agreements of merged companies remain on force until union negotiations will be completed, what guarantees all current acquired employee rights, and all until introduction of new collective agreement. Proposal for a unique collective agreement is made and union negotiations are currently in process.

In 2011 Company continued continuous development of human resources through educations and training programs as important preconditions and factors for high-quality hotel services. Company fully executes all obligations in accordance with contracts and conditions of collective agreements.

OTHER INFORMATION

Ownership structure on December 31, 2011.

Owner:	Number of shares	% shares
1. Valamar Adria holding d.d. Miramarska 24, 10000 Zagreb	74.856.662	70,26%
2. Hypo Alpe-Adria-Bank d.d./SZIF d.d. / Skrbnik, Slavonska avenija 6, 10000 Zagreb	4.539.244	4,26%
3. Auctor d.o.o. Dežmanov prolaz 5, 10000 Zagreb	1.929.533	1,81%
4. Hypo Alpe-Adria-Bank d.d./Raiffeisen obvezni mirovinski fond/Skrbnik, Slavonska avenija 6, 10000 Zagreb	1.479.080	1,39%
5. Hypo Alpe-Adria-Bank d.d./PBZ Croatia osiguranje-obvezni mirovinski fond/Skrbnik, Slavonska avenija 6, 10000 Zagreb	1.278.220	1,20%
6. Hrvatska poštanska banka d.d./Kapitalni fond d.d./Skrbnik, Jurišićeva 4, 10000 Zagreb	1.268.107	1,19%
7. Societe generale-Splitska banka d.d./AZ obvezni mirovinski fond/Skrbnik, Ruđera Boškovića 16, 21000 Split	1.205.240	1,13%
8. Republika Hrvatska/Zastupnički račun Agencije za upravljanje državnom imovinom, Ivana Lučića 6, 10000 Zagreb	763.301	0,72%
9. Nexxe grupa d.d.. Braće Radića 200, 31500 Našice	442.620	0,41%
10. Bastion upravljanje d.o.o., Miramarska 24, 10000 Zagreb	432.942	0,41%
11. Other small shareholders + own shares	18.351.391	17,22%
TOTAL	106.546.340	100 %

In period from January 1, 2011 to August 31, 2011, when nominal value of share was 300,00 kuna, the highest share price was 259,65 kuna and the lowest was 167,70 kuna. In period from September 1, 2011 to December 31, 2011, after share's nominal value decrease and corporative action of share splitting based on what nominal value of each new share is reduced to 10,00 kuna, the highest price was 12,99 kuna, and the lowest was 9,30 kuna.

This difference in prices in these two periods is not the result of actual fall of share price, but is primarily a result of corporate action of share division where one share split on 20 new shares. This division was made because of expected positive impact on liquidity and the availability of shares; this action is practically just a technical intervention and will not affect future cash flows and will not change the ownership structure of the Company or any associated owner rights.

Based on Decision of General Assembly from July 8, 2010, and with the purpose of employee rewarding according to performance management projects, in 2011 Company acquired and released own shares. Company in 2011 on the organized market acquired 11.597 shares what represents 0,0108% of share capital, for what was given 124.976,16 kuna. On December 31, 2011 Company had 347.634 own shares what is 0,326% of its share capital. Since January 1, 2012 to this report day, with the same purpose and in accordance with mentioned Decision of General Assembly, Company acquired 24.778 own shares for what was given 235.782,08 kuna and represents 0,0233% of share capital.

RISK EXPOSURE

Riviera Adria d.d. is exposed to several financial risks which are usually for business and tourism companies in the Republic of Croatia. Those are market risk (foreign currency risks, interest risk of cash flow and price risk), credit risk and liquidity risk.

The Company operates on international level and is exposed to currency risk, so the movements of euro, franc or kuna can have an impact on future operating results and cash flows, especially on operating revenues and credit liabilities.

Interest rate risk mainly arises on the basis of long-term loans. Loans issued at variable rates expose the Company to cash flow interest rate risk.

In order to reduce and limit currency and interest risk, the Company uses derivatives available on the market.

The Company has no significant concentration of credit risk. Company's sales policy ensures that sales are made to customers with appropriate credit history.

Price risk exposes the Company to changes in input prices in the business.

Wise liquidity risk management implies maintaining sufficient cash amount, the availability of an adequate financial amount of credits and the ability of permanent obligations paying. During the year the Company has paid all liabilities in time and indicated exceptional level of financial stability.

IMPLEMENTATION OF THE CORPORATE GOVERNANCE CODEX

Riviera Adria d.d. and the Group has been developing continuously and acting in accordance with good corporate governance practices, and, with its corporate strategy, policies, key internal acts and procedures strives to contribute to the transparent and efficient business and quality relations with the business environment in which it operates. For the purpose of further strengthening and establishing high standards of corporate governance and that is accordance with the above good corporate governance practices, the Company adopted its own Corporate Governance Codex. The Management Board adheres fully to the provisions of the adopted Codex. Company also applies Corporate Governance Codex published by the Croatian Agency for Supervision of Financial Services and the Zagreb Stock Exchange and publishes it in accordance with regulations.

Significant direct shareholders according to data from the Central Depository and Clearing Agency are listed in the table under "Other information".

There is a time limit in relation to the use of voting rights at the General Assembly in accordance with the provisions of the Companies Act - the shareholders are asked to report their participation in the specified term.

There is no case in which the right of financial security is separated from holding these securities.

Company has no securities with special control rights and there are no restrictions on voting rights.

Rules on the appointment and dismissal of Management Board and Supervisory Board members are established by the Statute, in accordance with the provisions of the Companies Act.

Company's Management Board is authorized to acquire own shares according to decision of the General Assembly from July 8, 2010.

The rules on Statute modification of the Articles of Association have been established by the Companies Act and the Statute has no additional restrictions.

Authorities of Management Board members are also fully harmonized with the provisions of the Companies Act.

Company has:

Management Board: Edi Černjul (President), Tihomir Nikolaš, Marko Čižmek

Supervisory Board: Franco Palma (President), Gustav Wurmböck, Franz Lanschützer, Georg Eltz (vice president), Mariza Jugovac.

Audit committee: Franz Lanschützer (President), Vicko Ferić, Tihomir Nikolaš, Gustav Wurmböck and Georg Eltz who performs duties in accordance with Audit Law.

Management and Supervisory Board work through meetings and making decisions without holding meetings in accordance with the provisions of Laws.

During 2011 Management Board performed all actions according to Law and Statute in managing business operations and representing the Company as well as planning business policy that is performed with proper care and diligence. Management Board also supervised through permanent internal control.

RELATED COMPANIES

In 2011 several transactions have been realized with related companies within the Valamar Group on ordinary commercial terms and conditions and at market price. We affirm in accordance to Article 497 of Companies Act and that all relations with the related companies are presented in the notes to financial statements (Note 33).

THE COMPANY BRANCHES

On the September 2, 2012 in Commercial court Rijeka Permanent office Pazin establishment of branch-offices was recorded: Branch office RABAC, headquarters Rabac, Slobode 80 and Branch office ZLATNI OTOK, headquarters Krk, Vršanska 8. Branches are economic initiators in their local communities and they continue to operate in their destination by supporting their further investments, creation of tourist attractions and participating in their social and business activity.

SUSTAINABLE DEVELOPMENT

Regardless the hospitality and tourism industry generally does not belong in activities that may significantly affect the environment, the Company is continuously working on improving environmental protection and sustainable development with the aim of building a recognizable environmentally oriented tourist destination. The business objects of the Company apply: Environmental Management System according to ISO 14001:2004, Quality Management System according to ISO 9001 and HACCP standards by the Codex Alimentarius.

The objects of the Company uses the waste heat of refrigeration systems for heating and domestic hot water systems are installed to monitor the consumption of electricity and water, and management systems employed peak power. On many beaches of camps and hotels the Company has the Blue flag, symbol of purity distinctive ecological environment. With the responsible management of nature and the environment we fulfill the expectations of guests and contribute to the protection of natural resources.

MANAGEMENT AND INVESTMENTS

In accordance with the management agreement on the Management of hotels and tourist facilities and contents from 2004, Company entrusted managing of hotels and other tourist facilities to company Valamar Hotels & Resorts, a leading local company for management of tourism facilities with the largest tourism portfolio under single management in Croatia. The company continually adapts to new market trends and demands and needs of guests.

According to development plans of the Company in the preparation of 2012 tourist season significant investment operations have been realized in all destinations in which the Company operates. With permanent investment and enhancing the quality level of services for greater satisfaction of our guests, we create new values, protect our employees, contributing to employment, to the overall development and achievement of business goals.

IMPORTANT BUSINESS MATTERS AFTER END OF THE BUSINESS YEAR AND EXPECTED DEVELOPMENT IN THE FUTURE

Thanks to high-quality knowledge management, corporate culture, quality of services and products, and especially good preparation for the 2011 we can declare it as a successful year. The business objective is the Company's continuous growth and development and building brand identity as a tourist destination with high-quality services, which is consistent with the highest environmental standards.

Further business will be demanding and for Company undoubtedly a new challenge, including the effects of changes in fiscal and monetary policy (part of the VAT and other taxes and contributions, para-payments, fees, exchange rates, etc.) as important factors of competitiveness and investment activities. Using synergies of the merger and applying best practices, costs rationalization, improving the quality of products and services, designed investments and raising the quality of the environment and the beaches, in the coming period we will strive to achieve even better business results.

On the February 28, 2012, General Assembly was held and approved Contract on management of hotels and other tourist facilities and contents with Valamar hotels and resorts d.o.o. what improved mutual relations and business, modernized contractual arrangements and specified more precise provision of the contract.

Yearly audited, consolidated and non-consolidated financial statements for 2011 were determined by Management Board on April 12, 2012.

Management Board proposes that the profit for 2011 amounting 1.791.862,88 kuna allocated to other Company reserves.

Management Board sincerely thanks shareholders, business partners and guests for their confidence and all employees for their hard work and effort.

The Management Board

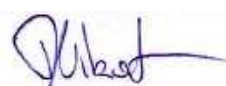
Edi Černjul
President



Marko Čizmek
Member



Tihomir Nikolaš
Member



RIVIERA ADRIA d.d.

RIVIERA ADRIA d.d.
ANNUAL FINANCIAL STATEMENTS BY REGULATIONS IN USE FOR FINANCIAL
AGENCY

Balance sheet
Statement of comprehensive income
Cash flow statement

Razdoblje izvještavanja: 1.1.2011

do

31.12.2011

Završni dan računa dobiti i gubitka je ujedno i datum stanja u bilanci

Vrsta poslovnog subjekta: 4 Dioničko društvo

Referentna stranica

Vrsta posla: 777

GODIŠNJI FINANCIJSKI IZVJEŠTAJ
PODUZETNIKA

za 2011. godinu

36.878.893.704,13

Kontrolni broj

Vrsta izvještaja: 10

Matični broj (MB): 03474771

Matični broj suda (MBS): 040020883

Osobni identifikacijski broj (OIB): 36201212847

Naziv obveznika: Riviera Adria d.d.

Poštanski broj i mjesto: 52440

Poreč

Ulica i kućni broj: Stancija Kaligari 1

Adresa e-pošte: uprava@riviera.hr

Internet adresa: www.rivier-porec.com

Šifra općine/grada: 348 Poreč

Šifra županije: 18 ISTARSKA

Šifra NKD-a: 5510 Hoteli i sličan smještaj

Konsolidirani izvještaj: NE

Obveza revizije: DA OIB rev.: 81744835353

Šifra svrhe predaje: 2 Predaja samo u svrhu javne objave

Oznaka veličine: 3 Veliki poduzetnik

Oznaka vlasništva: 41 Mješovito vlasništvo s preko 50% privatnog kapitala

Porijeklo kapitala: 100 (domaći kapital, %) 0 (strani kapital, %)

Broj zaposlenih: 859 (krajem razdoblja) 1233 (u prethodnoj godini) 1233 (u tekućoj godini)

Broj zaposlenih: 1143 (na temelju sati rada) 1625 (u prethodnoj godini) 1625 (u tekućoj godini)

Broj mjeseci poslovanja: 12 (u prethodnoj godini) 12 (u tekućoj godini)

Evidencijski broj
(popunjava Registar)

Popis dokumentacije

DA Bilanca i Račun dobiti i gubitka

NE Dodatni podaci

DA Bilješke uz financijske izvještaje

DA Izvještaj o novčanom tijeku

DA Izvještaj o promjenama kapitala

DA Revizorsko izvješće

DA Godišnje izvješće

DA Odluka o raspodjeli dobiti ili pokriću gubitka

DA Odluka o utvrđivanju godišnjeg financijskog izvještaja

DA Godišnji financijski izvještaj prema MSFI-u (nestandardni izvještaj)

Matični brojevi pripojenih subjekata:

Matični brojevi sudionika statusnih promjena spajanja:

Knjigovodstveni servis: (matični broj servisa)

(naziv servisa)

Osoba za kontaktiranje: Anka Sopta (unosi se samo prezime i ime osobe za kontakt)

Telefon: 052408188

Telefaks: 052408110

Adresa e-pošte: anka.sopta@riviera.hr

Prezime i ime: Černjul Edi, Čizmek Marko (osoba ovlaštene za zastupanje)

Verzija Excel datoteke: 2.0.1.

RIVIERA ADRIA D.D.
POREČ
(4)

M.P.

(potpis osobe ovlaštene za zastupanje)

BILANCA
stanje na dan 31.12.2011.

Obrazac
POD-BIL

Obveznik: 36201212847; Riviera Adria d.d.

Naziv pozicije	AOP oznaka	Rbr. bilješke	Prethodna godina (neto)	Tekuća godina (neto)
1	2	3	4	5
AKTIVA				
A) POTRAŽIVANJA ZA UPISANI A NEUPLAĆENI KAPITAL	001			
B) DUGOTRAJNA IMOVINA (003+010+020+029+033)	002		1.586.424.684	1.944.266.434
I. NEMATERIJALNA IMOVINA (004 do 009)	003		418.135	1.551.530
1. Izdaci za razvoj	004		0	0
2. Koncesije, patenti, licencije, robne i uslužne marke, softver i ostala prava	005		418.135	1.551.530
3. Goodwill	006		0	0
4. Predujmovi za nabavu nematerijalne imovine	007		0	0
5. Nematerijalna imovina u pripremi	008		0	0
6. Ostala nematerijalna imovina	009		0	0
II. MATERIJALNA IMOVINA (011 do 019)	010		1.273.537.825	1.623.191.432
1. Zemljište	011		170.481.607	280.045.825
2. Građevinski objekti	012		969.128.207	1.212.190.559
3. Postrojenja i oprema	013		68.765.712	84.252.281
4. Alati, pogonski inventar i transportna imovina	014		18.039.113	20.724.954
5. Biološka imovina	015		0	0
6. Predujmovi za materijalnu imovinu	016		475.003	214.853
7. Materijalna imovina u pripremi	017		36.509.666	16.216.563
8. Ostala materijalna imovina	018		10.138.517	9.546.397
9. Ulaganje u nekretnine	019		0	0
III. DUGOTRAJNA FINACIJSKA IMOVINA (021 do 028)	020		311.998.950	317.189.296
1. Udjeli (dionice) kod povezanih poduzetnika	021		309.087.297	314.265.550
2. Dani zajmovi povezanim poduzetnicima	022		0	0
3. Sudjelujući interesi (udjeli)	023		120.000	140.000
4. Zajmovi dani poduzetnicima u kojima postoje sudjelujući interesi	024		0	0
5. Ulaganja u vrijednosne papire	025		2.791.653	2.783.746
6. Dani zajmovi, depoziti i slično	026		0	0
7. Ostala dugotrajna financijska imovina	027		0	0
8. Ulaganja koja se obračunavaju metodom udjela	028		0	0
IV. POTRAŽIVANJA (030 do 032)	029		469.774	616.707
1. Potraživanja od povezanih poduzetnika	030		0	0
2. Potraživanja po osnovi prodaje na kredit	031		0	0
3. Ostala potraživanja	032		469.774	616.707
V. ODGOĐENA POREZNA IMOVINA	033		0	1.717.469
C) KRATKOTRAJNA IMOVINA (035+043+050+058)	034		72.591.881	186.107.076
I. ZALIHE (036 do 042)	035		3.288.438	4.029.233
1. Sirovine i materijal	036		2.228.949	3.153.762
2. Proizvodnja u tijeku	037		0	0
3. Gotovi proizvodi	038		740.909	740.909
4. Trgovačka roba	039		318.580	134.562
5. Predujmovi za zalihe	040		0	0
6. Dugotrajna imovina namijenjena prodaji	041		0	0
7. Biološka imovina	042		0	0
II. POTRAŽIVANJA (044 do 049)	043		17.136.127	21.436.127
1. Potraživanja od povezanih poduzetnika	044		182.988	568.087
2. Potraživanja od kupaca	045		7.789.426	9.936.171
3. Potraživanja od sudjelujućih poduzetnika	046		0	0
4. Potraživanja od zaposlenika i članova poduzetnika	047		124.797	230.742
5. Potraživanja od države i drugih institucija	048		7.840.627	8.239.944
6. Ostala potraživanja	049		1.198.289	2.461.183
III. KRATKOTRAJNA FINACIJSKA IMOVINA (051 do 057)	050		0	2.089.119
1. Udjeli (dionice) kod povezanih poduzetnika	051		0	0
2. Dani zajmovi povezanim poduzetnicima	052		0	0
3. Sudjelujući interesi (udjeli)	053		0	0
4. Zajmovi dani poduzetnicima u kojima postoje sudjelujući interesi	054		0	0
5. Ulaganja u vrijednosne papire	055		0	996.275
6. Dani zajmovi, depoziti i slično	056		0	0
7. Ostala financijska imovina	057		0	1.092.844
IV. NOVAC U BANC I BLAGAJNI	058		52.167.316	158.552.597
D) PLAĆENI TROŠKOVI BUDUĆEG RAZDOBLJA I OBRAČUNATI PRIHODI	059		6.616.419	11.396.314
E) UKUPNO AKTIVA (001+002+034+059)	060		1.665.632.984	2.141.769.824
F) IZVANBILANČNI ZAPISI	061		99.239.905	99.165.729

PASIVA				
A) KAPITAL I REZERVE (063+064+065+071+072+075+078)	062		1.250.142.197	1.703.745.606
I. TEMELJNI (UPISANI) KAPITAL	063		1.096.055.100	1.065.463.400
II. KAPITALNE REZERVE	064		0	478.814.684
III. REZERVE IZ DOBITI (066+067-068+069+070)	065		165.571.872	156.620.161
1. Zakonske rezerve	066		70.645.522	57.792.194
2. Rezerve za vlastite dionice	067		10.517.027	9.425.815
3. Vlastite dionice i udjeli (odbitna stavka)	068		10.687.516	8.721.280
4. Statutarne rezerve	069		0	0
5. Ostale rezerve	070		95.096.839	98.123.432
IV. REVALORIZACIJSKE REZERVE	071		1.368.553	1.055.498
V. ZADRŽANA DOBIT ILI PRENESENI GUBITAK (073-074)	072		0	0
1. Zadržana dobit	073		0	0
2. Preneseni gubitak	074		0	0
VI. DOBIT ILI GUBITAK POSLOVNE GODINE (076-077)	075		-12.853.328	1.791.863
1. Dobit poslovne godine	076		0	1.791.863
2. Gubitak poslovne godine	077		12.853.328	0
VII. MANJINSKI INTERES	078		0	0
B) REZERVIRANJA (080 do 082)	079		0	358.217
1. Rezerviranja za mirovine, otpremnine i slične obveze	080		0	0
2. Rezerviranja za porezne obveze	081		0	0
3. Druga rezerviranja	082		0	358.217
C) DUGOROČNE OBVEZE (084 do 092)	083		214.540.965	284.387.861
1. Obveze prema povezanim poduzetnicima	084		0	0
2. Obveze za zajmove, depozite i slično	085		0	0
3. Obveze prema bankama i drugim financijskim institucijama	086		214.540.965	281.940.655
4. Obveze za predujmove	087		0	0
5. Obveze prema dobavljačima	088		0	0
6. Obveze po vrijednosnim papirima	089		0	0
7. Obveze prema poduzetnicima u kojima postoje sudjelujući interesi	090		0	0
8. Ostale dugoročne obveze	091		0	2.183.331
9. Odgođena porezna obveza	092		0	263.875
D) KRATKOROČNE OBVEZE (094 do 105)	093		191.763.323	128.534.270
1. Obveze prema povezanim poduzetnicima	094		0	231.884
2. Obveze za zajmove, depozite i slično	095		0	54.457
3. Obveze prema bankama i drugim financijskim institucijama	096		158.960.558	75.958.566
4. Obveze za predujmove	097		1.813.837	4.909.660
5. Obveze prema dobavljačima	098		22.686.722	33.846.768
6. Obveze po vrijednosnim papirima	099		0	0
7. Obveze prema poduzetnicima u kojima postoje sudjelujući interesi	100		0	0
8. Obveze prema zaposlenicima	101		5.358.102	7.880.192
9. Obveze za poreze, doprinose i slična davanja	102		2.483.815	3.625.968
10. Obveze s osnove udjela u rezultatu	103		0	0
11. Obveze po osnovi dugotrajne imovine namijenjene prodaji	104		0	0
12. Ostale kratkoročne obveze	105		460.289	2.026.775
E) ODGOĐENO PLAĆANJE TROŠKOVA I PRIHOD BUDUĆEGA RAZDOBLJA	106		9.186.499	24.743.870
F) UKUPNO – PASIVA (062+079+083+093+106)	107		1.665.632.984	2.141.769.824
G) IZVANBILANČNI ZAPISI	108		99.239.905	99.165.729
DODATAK BILANCI (popunjava poduzetnik koji sastavlja konsolidirani godišnji financijski izvještaj)				
A) KAPITAL I REZERVE				
1. Pripisano imateljima kapitala matice	109			
2. Pripisano manjinskom interesu	110			

RAČUN DOBITI I GUBITKA
za razdoblje 01.01.2011. do 31.12.2011.

Obrazac
POD-RDG

Obveznik: 36201212847; Riviera Adria d.d.

Naziv pozicije	AOP oznaka	Rbr. bilješke	Prethodna godina	Tekuća godina
1	2	3	4	5
I. POSLOVNI PRIHODI (112+113)	111		445.854.206	531.488.234
1. Prihodi od prodaje	112		440.203.911	522.658.106
2. Ostali poslovni prihodi	113		5.650.295	8.830.128
II. POSLOVNI RASHODI (115+116+120+124+125+126+129+130)	114		424.494.167	515.355.304
1. Promjene vrijednosti zaliha proizvodnje u tijeku i gotovih proizvoda	115		0	0
2. Materijalni troškovi (117 do 119)	116		146.940.285	179.472.536
a) Troškovi sirovina i materijala	117		81.935.162	96.916.512
b) Troškovi prodane robe	118		1.425.004	1.757.657
c) Ostali vanjski troškovi	119		63.580.119	80.798.367
3. Troškovi osoblja (121 do 123)	120		109.053.104	133.344.469
a) Neto plaće i nadnice	121		65.868.056	80.973.932
b) Troškovi poreza i doprinosa iz plaća	122		27.473.816	33.179.775
c) Doprinosi na plaće	123		15.711.232	19.190.762
4. Amortizacija	124		99.074.868	113.247.896
5. Ostali troškovi	125		64.704.769	85.292.946
6. Vrijednosno usklađivanje (127+128)	126		453.449	148.621
a) dugotrajne imovine (osim financijske imovine)	127		0	0
b) kratkotrajne imovine (osim financijske imovine)	128		453.449	148.621
7. Rezerviranja	129		2.018.728	519.465
8. Ostali poslovni rashodi	130		2.248.964	3.329.371
III. FINANCIJSKI PRIHODI (132 do 136)	131		11.815.476	8.236.451
1. Kamate, tečajne razlike, dividende i slični prihodi iz odnosa s povezanim poduzetnicima	132		260	197
2. Kamate, tečajne razlike, dividende, slični prihodi iz odnosa s nepovezanim poduzetnicima i drugim osobama	133		11.223.022	7.861.845
3. Dio prihoda od pridruženih poduzetnika i sudjelujućih interesa	134		0	0
4. Nerealizirani dobici (prihodi) od financijske imovine	135		0	0
5. Ostali financijski prihodi	136		592.194	374.409
IV. FINANCIJSKI RASHODI (138 do 141)	137		46.028.843	24.294.987
1. Kamate, tečajne razlike i drugi rashodi s povezanim poduzetnicima	138		153	0
2. Kamate, tečajne razlike i drugi rashodi iz odnosa s nepovezanim poduzetnicima i drugim osobama	139		45.831.850	21.475.516
3. Nerealizirani gubici (rashodi) od financijske imovine	140		0	2.477.965
4. Ostali financijski rashodi	141		196.840	341.506
V. UDIO U DOBITI OD PRIDRUŽENIH PODUZETNIKA	142		0	0
VI. UDIO U GUBITKU OD PRIDRUŽENIH PODUZETNIKA	143		0	0
VII. IZVANREDNI - OSTALI PRIHODI	144		0	0
VIII. IZVANREDNI - OSTALI RASHODI	145		0	0
IX. UKUPNI PRIHODI (111+131+142 + 144)	146		457.669.682	539.724.685
X. UKUPNI RASHODI (114+137+143 + 145)	147		470.523.010	539.650.291
XI. DOBIT ILI GUBITAK PRIJE OPOREZIVANJA (146-147)	148		-12.853.328	74.394
1. Dobit prije oporezivanja (146-147)	149		0	74.394
2. Gubitak prije oporezivanja (147-146)	150		12.853.328	0
XII. POREZ NA DOBIT	151		0	-1.717.469
XIII. DOBIT ILI GUBITAK RAZDOBLJA (148-151)	152		-12.853.328	1.791.863
1. Dobit razdoblja (149-151)	153		0	1.791.863
2. Gubitak razdoblja (151-148)	154		12.853.328	0
DODATAK RDG-u (popunjavanje poduzetnik koji sastavlja konsolidirani godišnji financijski izvještaj)				
XIV. DOBIT ILI GUBITAK RAZDOBLJA				
1. Pripisana imateljima kapitala matice	155			
2. Pripisana manjinskom interesu	156			
IZVJEŠTAJ O OSTALOJ SVEOBUHVATNOJ DOBITI (popunjavanje poduzetnik obveznik primjene MSR-a)				
I. DOBIT ILI GUBITAK RAZDOBLJA (= 152)	157		-12.853.328	1.791.863
II. OSTALA SVEOBUHVATNA DOBIT/GUBITAK PRIJE POREZA (159 do 165)	158		-20.656	-49.180
1. Tečajne razlike iz preračuna inozemnog poslovanja	159			
2. Promjene revalorizacijskih rezervi dugotrajne materijalne i nematerijalne imovine	160			
3. Dobit ili gubitak s osnove ponovnog vrednovanja financijske imovine raspoložive za prodaju	161		-20.656	-49.180
4. Dobit ili gubitak s osnove učinkovite zaštite novčanog toka	162			
5. Dobit ili gubitak s osnove učinkovite zaštite neto ulaganja u inozemstvu	163			
6. Udio u ostaloj sveobuhvatnoj dobiti/gubitku pridruženih poduzetnika	164			
7. Aktuarski dobici/gubici po planovima definiranih primanja	165			
III. POREZ NA OSTALU SVEOBUHVATNU DOBIT RAZDOBLJA	166			
IV. NETO OSTALA SVEOBUHVATNA DOBIT ILI GUBITAK RAZDOBLJA (158-166)	167		-20.656	-49.180
V. SVEOBUHVATNA DOBIT ILI GUBITAK RAZDOBLJA (157+167)	168		-12.873.984	1.742.683
DODATAK Izvještaju o ostaloj sveobuhvatnoj dobiti (popunjavanje poduzetnik koji sastavlja konsolidirani godišnji financijski izvještaj)				
VI. SVEOBUHVATNA DOBIT ILI GUBITAK RAZDOBLJA				
1. Pripisana imateljima kapitala matice	169			
2. Pripisana manjinskom interesu	170			

IZVJEŠTAJ O NOVČANOM TIJEKU - Indirektna metoda
u razdoblju 01.01.2011. do 31.12.2011.

Obrazac
POD-NTI

Obveznik: 36201212847; Riviera Adria d.d.				
Naziv pozicije	AOP oznaka	Rbr. bilješke	Prethodna godina	Tekuća godina
1	2	3	4	5
NOVČANI TIJEK OD POSLOVNIH AKTIVNOSTI				
1. Dobit prije poreza	001		-12.853.328	1.791.863
2. Amortizacija	002		99.074.868	113.247.896
3. Povećanje kratkoročnih obveza	003			38.223.425
4. Smanjenje kratkotrajnih potraživanja	004			
5. Smanjenje zaliha	005			
6. Ostalo povećanje novčanog tijeka	006		1.758.635	
I. Ukupno povećanje novčanog tijeka od poslovnih aktivnosti (001 do 006)	007		87.980.175	153.263.184
1. Smanjenje kratkoročnih obveza	008		2.814.243	
2. Povećanje kratkotrajnih potraživanja	009		4.639.433	5.296.274
3. Povećanje zaliha	010		291.601	740.795
4. Ostalo smanjenje novčanog tijeka	011			6.019.672
II. Ukupno smanjenje novčanog tijeka od poslovnih aktivnosti (008 do 011)	012		7.745.277	12.056.741
A1) NETO POVEĆANJE NOVČANOG TIJEKA OD POSLOVNIH AKTIVNOSTI (007-012)	013		80.234.898	141.206.443
A2) NETO SMANJENJE NOVČANOG TIJEKA OD POSLOVNIH AKTIVNOSTI (012-007)	014		0	0
NOVČANI TIJEK OD INVESTICIJSKIH AKTIVNOSTI				
1. Novčani primici od prodaje dugotrajne materijalne i nematerijalne imovine	015			
2. Novčani primici od prodaje vlasničkih i dužničkih instrumenata	016			
3. Novčani primici od kamata	017			
4. Novčani primici od dividendi	018			
5. Ostali novčani primici od investicijskih aktivnosti	019			
III. Ukupno novčani primici od investicijskih aktivnosti (015 do 019)	020		0	0
1. Novčani izdaci za kupnju dugotrajne materijalne i nematerijalne imovine	021		96.433.977	464.034.900
2. Novčani izdaci za stjecanje vlasničkih i dužničkih financijskih instrumenata	022			6.907.815
3. Ostali novčani izdaci od investicijskih aktivnosti	023			
IV. Ukupno novčani izdaci od investicijskih aktivnosti (021 do 023)	024		96.433.977	470.942.715
B1) NETO POVEĆANJE NOVČANOG TIJEKA OD INVESTICIJSKIH AKTIVNOSTI (020-024)	025		0	0
B2) NETO SMANJENJE NOVČANOG TIJEKA OD INVESTICIJSKIH AKTIVNOSTI (024-020)	026		96.433.977	470.942.715
NOVČANI TIJEK OD FINANCIJSKIH AKTIVNOSTI				
1. Novčani primici od izdavanja vlasničkih i dužničkih financijskih instrumenata	027			
2. Novčani primici od glavnice kredita, zadužnica, pozajmica i drugih posudbi	028		7.365.189	
3. Ostali primici od financijskih aktivnosti	029			452.107.430
V. Ukupno novčani primici od financijskih aktivnosti (027 do 029)	030		7.365.189	452.107.430
1. Novčani izdaci za otplatu glavnice kredita i obveznica	031		33.032.871	15.547.845
2. Novčani izdaci za isplatu dividendi	032			
3. Novčani izdaci za financijski najam	033			
4. Novčani izdaci za otkup vlastitih dionica	034			124.977
5. Ostali novčani izdaci od financijskih aktivnosti	035			313.055
VI. Ukupno novčani izdaci od financijskih aktivnosti (031 do 035)	036		33.032.871	15.985.877
C1) NETO POVEĆANJE NOVČANOG TIJEKA OD FINANCIJSKIH AKTIVNOSTI (030-036)	037		0	436.121.553
C2) NETO SMANJENJE NOVČANOG TIJEKA OD FINANCIJSKIH AKTIVNOSTI (036-030)	038		25.667.682	0
Ukupno povećanje novčanog tijeka (013 – 014 + 025 – 026 + 037 – 038)	039		0	106.385.281
Ukupno smanjenje novčanog tijeka (014 – 013 + 026 – 025 + 038 – 037)	040		41.866.761	0
Novac i novčani ekvivalenti na početku razdoblja	041		94.034.078	52.167.316
Povećanje novca i novčanih ekvivalenata	042			106.385.281
Smanjenje novca i novčanih ekvivalenata	043		41.866.761	
Novac i novčani ekvivalenti na kraju razdoblja	044		52.167.317	158.552.597

RIVIERA ADRIA d.d.

RIVIERA ADRIA d.d.
ANNUAL FINANCIAL STATEMENTS BY REGULATIONS IN USE FOR ZAGREB
STOCK EXCHANGE d.d. AND CROATIAN FINANCIAL SERVICES SUPERVISION
AGENCY

Balance sheet
Statement of comprehensive income
Cash flow statement
Statement on equity change
Comments

Prilog 1.

Razdoblje izvještavanja:

01.01.2011.

do

31.12.2011.

Godišnji finansijski izvještaj poduzetnika GFI-POD

Matični broj (MB): 3474771

Matični broj subjekta (MBS): 040020883

Osobni identifikacijski broj 36201212847

(OIB):

Tvrtka izdavateljca: Riviera Adria d.d.

Poštanski broj i mjesto: 52440

Poreč

Ulica i kućni broj: Stancija Kaligari 1

Adresa e-pošte: uprava@riviera.hr

Internet adresa: www.riviera-adria.com

Šifra i naziv općine/grada: 348 Poreč

Šifra i naziv županije: 18 Istarska

Broj zaposlenih: 1.233

(krajem godine)

Konsolidirani izvještaj: NE

Šifra NKD-a: 5510

Tvrtke subjekata konsolidacije (prema MSFI):

Sjedište:

MB:

Knjigovodstveni servis:

Osoba za kontakt: Sopta Anka

(unos se samo prezime i ime osobe za kontakt)

Telefon: 052 408 188

Telefaks: 052 408 110

Adresa e-pošte: anka.sopta@riviera.hr

Prezime i ime: Černjul Edi, Čižmek Marko

(osoba ovlaštene za zastupanje)

Dokumentacija za objavu:

1. Revidirani godišnji finansijski izvještaji s revizorskim izvješćem s revizorskim izvještajem
2. Izvještaj posloводства
3. Izjava osoba odgovornih za sastavljanje godišnjeg izvještaja, u PDF formatu
4. Odluka nadležnog tijela (prijedlog) o utvrđivanju godišnjih finansijskih izvještaja
5. Odluka o prijedlogu raspodjele dobiti ili pokriću gubitka

M.P.

(potpis osobe ovlaštene za zastupanje)

RIVIERA ADRIA D.D.
POREČ (4)

BILANCA			
stanje na dan 31.12.2011.			
Obveznik: RIVIERA ADRIA d.d.			
Naziv pozicije	AOP oznaka	Prethodna godina (neto)	Tekuća godina (neto)
1	2	3	4
A) POTRAŽIVANJA ZA UPISANI A NEUPLAĆENI KAPITAL	001		
B) DUGOTRAJNA IMOVINA (003+010+020+029+033)	002	1.586.424.684	1.944.266.435
I. NEMATERIJALNA IMOVINA (004 do 009)	003	418.135	1.551.530
1. Izdaci za razvoj	004		
2. Koncesije, patenti, licencije, robne i uslužne marke, softver i ostala prava	005	418.135	1.551.530
3. Goodwill	006		
4. Predumjovi za nabavu nematerijalne imovine	007		
5. Nematerijalna imovina u pripremi	008		
6. Ostala nematerijalna imovina	009		
II. MATERIJALNA IMOVINA (011 do 019)	010	1.273.537.825	1.623.191.433
1. Zemljište	011	170.481.607	280.045.825
2. Građevinski objekti	012	969.128.207	1.212.190.559
3. Postrojenja i oprema	013	68.765.712	84.252.281
4. Alati, pogonski inventar i transportna imovina	014	18.039.113	20.724.954
5. Biološka imovina	015		
6. Predumjovi za materijalnu imovinu	016	475.003	214.853
7. Materijalna imovina u pripremi	017	36.509.666	16.216.563
8. Ostala materijalna imovina	018	10.138.517	9.546.398
9. Ulaganje u nekretnine	019		
III. DUGOTRAJNA FINACIJSKA IMOVINA (021 do 028)	020	311.998.950	317.189.296
1. Udjeli (dionice) kod povezanih poduzetnika	021	309.087.297	314.265.550
2. Dani zajmovi povezanim poduzetnicima	022		
3. Sudjelujući interesi (udjeli)	023	120.000	140.000
4. Zajmovi dani poduzetnicima u kojima postoje sudjelujući interesi	024		
5. Ulaganja u vrijednosne papire	025	2.791.653	2.783.746
6. Dani zajmovi, depoziti i slično	026		
7. Ostala dugotrajna financijska imovina	027		
8. Ulaganja koja se obračunavaju metodom udjela	028		
IV. POTRAŽIVANJA (030 do 032)	029	469.774	616.707
1. Potraživanja od povezanih poduzetnika	030		
2. Potraživanja po osnovi prodaje na kredit	031		
3. Ostala potraživanja	032	469.774	616.707
V. ODGOĐENA POREZNA IMOVINA	033		1.717.469
C) KRATKOTRAJNA IMOVINA (035+043+050+058)	034	72.591.881	186.107.075
I. ZALIHE (036 do 042)	035	3.288.438	4.029.233
1. Sirovine i materijal	036	2.228.949	3.153.762
2. Proizvodnja u tijeku	037		
3. Gotovi proizvodi	038	740.909	740.909
4. Trgovačka roba	039	318.580	134.562
5. Predumjovi za zalihe	040		
6. Dugotrajna imovina namijenjena prodaji	041		
7. Biološka imovina	042		
II. POTRAŽIVANJA (044 do 049)	043	17.136.127	21.436.127
1. Potraživanja od povezanih poduzetnika	044	182.988	568.087
2. Potraživanja od kupaca	045	7.789.426	9.936.171
3. Potraživanja od sudjelujućih poduzetnika	046		
4. Potraživanja od zaposlenika i članova poduzetnika	047	124.797	230.742
5. Potraživanja od države i drugih institucija	048	7.840.627	8.239.944
6. Ostala potraživanja	049	1.198.289	2.461.183
III. KRATKOTRAJNA FINACIJSKA IMOVINA (051 do 057)	050	0	2.089.118
1. Udjeli (dionice) kod povezanih poduzetnika	051		
2. Dani zajmovi povezanim poduzetnicima	052		
3. Sudjelujući interesi (udjeli)	053		
4. Zajmovi dani poduzetnicima u kojima postoje sudjelujući interesi	054		
5. Ulaganja u vrijednosne papire	055		996.274
6. Dani zajmovi, depoziti i slično	056		
7. Ostala financijska imovina	057		1.092.844
IV. NOVAC U BANCII I BLAGAJNI	058	52.167.316	158.552.597
D) PLAĆENI TROŠKOVI BUDUĆEG RAZDOBLJA I OBRAČUNATI PRIHODI	059	6.616.419	11.396.314
E) UKUPNO AKTIVA (001+002+034+059)	060	1.665.632.984	2.141.769.824
F) IZVANBILANČNI ZAPISI	061	99.239.905	99.165.729

PASIVA			
A) KAPITAL I REZERVE (063+064+065+071+072+075+078)	062	1.250.142.197	1.703.745.606
I. TEMELJNI (UPISANI) KAPITAL	063	1.096.055.100	1.065.463.400
II. KAPITALNE REZERVE	064		478.814.683
III. REZERVE IZ DOBITI (066+067-068+069+070)	065	165.571.872	156.620.162
1. Zakonske rezerve	066	70.645.522	57.792.194
2. Rezerve za vlastite dionice	067	10.517.027	9.425.816
3. Vlastite dionice i udjeli (odbitna stavka)	068	10.687.516	8.721.280
4. Statutarne rezerve	069		
5. Ostale rezerve	070	95.096.839	98.123.432
IV. REVALORIZACIJSKE REZERVE	071	1.368.553	1.055.498
V. ZADRŽANA DOBIT ILI PRENESENI GUBITAK (073-074)	072	0	0
1. Zadržana dobit	073		
2. Preneseni gubitak	074		
VI. DOBIT ILI GUBITAK POSLOVNE GODINE (076-077)	075	-12.853.328	1.791.863
1. Dobit poslovne godine	076		1.791.863
2. Gubitak poslovne godine	077	12.853.328	
VII. MANJINSKI INTERES	078		
B) REZERVIRANJA (080 do 082)	079	0	358.217
1. Rezerviranja za mirovine, otpremnine i slične obveze	080		
2. Rezerviranja za porezne obveze	081		
3. Druga rezerviranja	082		358.217
C) DUGOROČNE OBVEZE (084 do 092)	083	214.540.965	284.387.861
1. Obveze prema povezanim poduzetnicima	084		
2. Obveze za zajmove, depozite i slično	085		
3. Obveze prema bankama i drugim financijskim institucijama	086	214.540.965	281.940.655
4. Obveze za predujmove	087		
5. Obveze prema dobavljačima	088		
6. Obveze po vrijednosnim papirima	089		
7. Obveze prema poduzetnicima u kojima postoje sudjelujući interesi	090		
8. Ostale dugoročne obveze	091		2.183.331
9. Odgođena porezna obveza	092		263.875
D) KRATKOROČNE OBVEZE (094 do 105)	093	191.763.323	128.534.270
1. Obveze prema povezanim poduzetnicima	094		231.884
2. Obveze za zajmove, depozite i slično	095		54.457
3. Obveze prema bankama i drugim financijskim institucijama	096	158.960.558	75.958.566
4. Obveze za predujmove	097	1.813.837	4.909.660
5. Obveze prema dobavljačima	098	22.686.722	33.846.768
6. Obveze po vrijednosnim papirima	099		
7. Obveze prema poduzetnicima u kojima postoje sudjelujući interesi	100		
8. Obveze prema zaposlenicima	101	5.358.102	7.880.192
9. Obveze za poreze, doprinose i slična davanja	102	2.483.815	3.625.968
10. Obveze s osnove udjela u rezultatu	103		
11. Obveze po osnovi dugotrajne imovine namijenjene prodaji	104		
12. Ostale kratkoročne obveze	105	460.289	2.026.775
E) ODGOĐENO PLAĆANJE TROŠKOVA I PRIHOD BUDUĆEGA RAZDOBLJA	106	9.186.499	24.743.870
F) UKUPNO – PASIVA (062+079+083+093+106)	107	1.665.632.984	2.141.769.824
G) IZVANBILANČNI ZAPISI	108	99.239.905	99.165.729
DODATAK BILANCI (popunjava poduzetnik koji sastavlja konsolidirani godišnji financijski izvještaj)			
A) KAPITAL I REZERVE			
1. Pripisano imateljima kapitala matice	109		
2. Pripisano manjinskom interesu	110		

RACUN DOBITI I GUBITKA u razdoblju 01.01.2011. do 31.12.2011.			
Obveznik: RIVIERA ADRIA d.d.			
Naziv pozicije	AOP oznaka	Prethodna godina	Tekuća godina
1	2	3	4
I. POSLOVNI PRIHODI (112+113)	111	445.854.206	531.488.234
1. Prihodi od prodaje	112	440.203.911	522.658.106
2. Ostali poslovni prihodi	113	5.650.295	8.830.128
II. POSLOVNI RASHODI (115+116+120+124+125+126+129+130)	114	424.494.167	515.355.304
1. Promjene vrijednosti zaliha proizvodnje u tijeku i gotovih proizvoda	115		
2. Materijalni troškovi (117 do 119)	116	146.940.285	179.472.536
a) Troškovi sirovina i materijala	117	81.935.162	96.916.512
b) Troškovi prodane robe	118	1.425.004	1.757.657
c) Ostali vanjski troškovi	119	63.580.119	80.798.367
3. Troškovi osoblja (121 do 123)	120	109.053.105	133.344.469
a) Neto plaće i nadnice	121	65.868.056	80.973.932
b) Troškovi poreza i doprinosa iz plaća	122	27.473.817	33.179.775
c) Doprinosi na plaće	123	15.711.232	19.190.762
4. Amortizacija	124	99.074.868	113.247.896
5. Ostali troškovi	125	64.704.769	85.292.946
6. Vrijednosno usklađivanje (127+128)	126	453.449	148.621
a) dugotrajne imovine (osim financijske imovine)	127		
b) kratkotrajne imovine (osim financijske imovine)	128	453.449	148.621
7. Rezerviranja	129	2.018.728	519.465
8. Ostali poslovni rashodi	130	2.248.963	3.329.371
III. FINANIJSKI PRIHODI (132 do 136)	131	11.815.476	8.236.451
1. Kamate, tečajne razlike, dividende i slični prihodi iz odnosa s	132	260	197
2. Kamate, tečajne razlike, dividende, slični prihodi iz odnosa s	133	11.223.022	7.861.845
3. Dio prihoda od pridruženih poduzetnika i sudjelujućih interesa	134		
4. Nerealizirani dobiti (prihodi) od financijske imovine	135		
5. Ostali financijski prihodi	136	592.194	374.409
IV. FINANIJSKI RASHODI (138 do 141)	137	46.028.843	24.294.987
1. Kamate, tečajne razlike i drugi rashodi s povezanim poduzetnicima	138	153	
2. Kamate, tečajne razlike i drugi rashodi iz odnosa s nepovezanim	139	45.831.850	21.475.516
3. Nerealizirani gubici (rashodi) od financijske imovine	140		2.477.965
4. Ostali financijski rashodi	141	196.840	341.506
V. UDIO U DOBITI OD PRIDRUŽENIH PODUZETNIKA	142		
VI. UDIO U GUBITKU OD PRIDRUŽENIH PODUZETNIKA	143		
VII. IZVANREDNI - OSTALI PRIHODI	144		
VIII. IZVANREDNI - OSTALI RASHODI	145		
IX. UKUPNI PRIHODI (111+131+142 + 144)	146	457.669.682	539.724.685
X. UKUPNI RASHODI (114+137+143 + 145)	147	470.523.010	539.650.291
XI. DOBIT ILI GUBITAK PRIJE OPOREZIVANJA (146-147)	148	-12.853.328	74.394
1. Dobit prije oporezivanja (146-147)	149	0	74.394
2. Gubitak prije oporezivanja (147-146)	150	12.853.328	0
XII. POREZ NA DOBIT	151		-1.717.469
XIII. DOBIT ILI GUBITAK RAZDOBLJA (148-151)	152	-12.853.328	1.791.863
1. Dobit razdoblja (149-151)	153	0	1.791.863
2. Gubitak razdoblja (151-148)	154	12.853.328	0
DODATAK RDG-u (popunjava poduzetnik koji sastavlja konsolidirani godišnji financijski izvještaj)			
XIV. DOBIT ILI GUBITAK RAZDOBLJA			
1. Pripisana imateljima kapitala matice	155		
2. Pripisana manjinskom interesu	156		
IZVJEŠTAJ O OSTALOJ SVEOBUHVAATNOJ DOBITI (popunjava poduzetnik obveznik primjene MSF-a)			
I. DOBIT ILI GUBITAK RAZDOBLJA (= 152)	157	-12.853.328	1.791.863
II. OSTALA SVEOBUHVAATNA DOBIT/GUBITAK PRIJE POREZA (159 do 165)	158	-20.656	-49.180
1. Tečajne razlike iz preračuna inozemnog poslovanja	159		
2. Promjene revalorizacijskih rezervi dugotrajne materijalne i	160		
3. Dobit ili gubitak s osnove ponovnog vrednovanja financijske	161	-20.656	-49.180
4. Dobit ili gubitak s osnove učinkovite zaštite novčanog toka	162		
5. Dobit ili gubitak s osnove učinkovite zaštite neto ulaganja u inozemstvu	163		
6. Udio u ostaloj sveobuhvatnoj dobiti/gubitku pridruženih poduzetnika	164		
7. Aktuarski dobiti/gubici po planovima definiranih primanja	165		
III. POREZ NA OSTALU SVEOBUHVAATNU DOBIT RAZDOBLJA	166		
IV. NETO OSTALA SVEOBUHVAATNA DOBIT ILI GUBITAK	167	-20.656	-49.180
V. SVEOBUHVAATNA DOBIT ILI GUBITAK RAZDOBLJA (157+167)	168	-12.873.984	1.742.683
DODATAK Izvještaju o ostaloj sveobuhvatnoj dobiti (popunjava poduzetnik koji sastavlja konsolidirani godišnji financijski)			
VI. SVEOBUHVAATNA DOBIT ILI GUBITAK RAZDOBLJA			
1. Pripisana imateljima kapitala matice	169		
2. Pripisana manjinskom interesu	170		

IZVJEŠTAJ O NOVČANOM TIJEKU - Indirektna metoda			
u razdoblju 01.01.2011. do 31.12.2011.			
Obveznik: RIVIERA ADRIA d.d.			
Naziv pozicije	AOP oznaka	Prethodna godina	Tekuća godina
1	2	3	4
NOVČANI TIJEK OD POSLOVNIH AKTIVNOSTI			
1. Dobit prije poreza	001	-12.853.328	1.791.863
2. Amortizacija	002	99.074.868	113.247.896
3. Povećanje kratkoročnih obveza	003		38.223.425
4. Smanjenje kratkotrajnih potraživanja	004		
5. Smanjenje zaliha	005		
6. Ostalo povećanje novčanog tijeka	006	1.758.635	
I. Ukupno povećanje novčanog tijeka od poslovnih aktivnosti (001 do 006)	007	87.980.175	153.263.184
1. Smanjenje kratkoročnih obveza	008	2.814.243	
2. Povećanje kratkotrajnih potraživanja	009	4.639.433	5.296.274
3. Povećanje zaliha	010	291.601	740.795
4. Ostalo smanjenje novčanog tijeka	011		6.019.672
II. Ukupno smanjenje novčanog tijeka od poslovnih aktivnosti (008 do 011)	012	7.745.277	12.056.741
A1) NETO POVEĆANJE NOVČANOG TIJEKA OD POSLOVNIH	013	80.234.898	141.206.443
A2) NETO SMANJENJE NOVČANOG TIJEKA OD POSLOVNIH	014	0	0
NOVČANI TIJEK OD INVESTICIJSKIH AKTIVNOSTI			
1. Novčani primici od prodaje dugotrajne materijalne i nematerijalne imovine	015		
2. Novčani primici od prodaje vlasničkih i dužničkih instrumenata	016		
3. Novčani primici od kamata	017		
4. Novčani primici od dividendi	018		
5. Ostali novčani primici od investicijskih aktivnosti	019		
III. Ukupno novčani primici od investicijskih aktivnosti (015 do 019)	020	0	0
1. Novčani izdaci za kupnju dugotrajne materijalne i nematerijalne imovine	021	96.433.977	464.034.900
2. Novčani izdaci za stjecanje vlasničkih i dužničkih financijskih instrumenata	022		6.907.815
3. Ostali novčani izdaci od investicijskih aktivnosti	023		
IV. Ukupno novčani izdaci od investicijskih aktivnosti (021 do 023)	024	96.433.977	470.942.715
B1) NETO POVEĆANJE NOVČANOG TIJEKA OD INVESTICIJSKIH	025	0	0
B2) NETO SMANJENJE NOVČANOG TIJEKA OD INVESTICIJSKIH	026	96.433.977	470.942.715
NOVČANI TIJEK OD FINACIJSKIH AKTIVNOSTI			
1. Novčani primici od izdavanja vlasničkih i dužničkih financijskih instrumenata	027		
2. Novčani primici od glavnice kredita, zadužnica, pozajmica i drugih posudbi	028	7.365.189	
3. Ostali primici od financijskih aktivnosti	029		452.107.430
V. Ukupno novčani primici od financijskih aktivnosti (027 do 029)	030	7.365.189	452.107.430
1. Novčani izdaci za otplatu glavnice kredita i obveznica	031	33.032.871	15.547.845
2. Novčani izdaci za isplatu dividendi	032		
3. Novčani izdaci za financijski najam	033		
4. Novčani izdaci za otkup vlastitih dionica	034		124.977
5. Ostali novčani izdaci od financijskih aktivnosti	035		313.055
VI. Ukupno novčani izdaci od financijskih aktivnosti (031 do 035)	036	33.032.871	15.985.877
C1) NETO POVEĆANJE NOVČANOG TIJEKA OD FINACIJSKIH	037	0	436.121.553
C2) NETO SMANJENJE NOVČANOG TIJEKA OD FINACIJSKIH	038	25.667.682	0
Ukupno povećanje novčanog tijeka (013 – 014 + 025 – 026 + 037 – 038)	039	0	577.327.996
Ukupno smanjenje novčanog tijeka (014 – 013 + 026 – 025 + 038 – 037)	040	41.866.761	470.942.715
Novac i novčani ekvivalenti na početku razdoblja	041	94.034.078	52.167.316
Povećanje novca i novčanih ekvivalenata	042		106.385.281
Smanjenje novca i novčanih ekvivalenata	043	41.866.761	
Novac i novčani ekvivalenti na kraju razdoblja	044	52.167.317	158.552.597

IZVJEŠTAJ O PROMJENAMA KAPITALA			
	za razdoblje od	1.1.2011	do 31.12.2011
Naziv pozicije	AOP oznaka	Prethodna godina	Tekuća godina
1	2	3	4
1. Upisani kapital	001	1.096.055.100	1.065.463.400
2. Kapitalne rezerve	002		478.814.683
3. Rezerve iz dobiti	003	165.571.872	156.620.162
4. Zadržana dobit ili preneseni gubitak	004		
5. Dobit ili gubitak tekuće godine	005	-12.853.328	1.791.863
6. Revalorizacija dugotrajne materijalne imovine	006		
7. Revalorizacija nematerijalne imovine	007		
8. Revalorizacija financijske imovine raspoložive za prodaju	008	1.368.553	1.055.498
9. Ostala revalorizacija	009		
10. Ukupno kapital i rezerve (AOP 001 do 009)	010	1.250.142.197	1.703.745.606
11. Tečajne razlike s naslova neto ulaganja u inozemno poslovanje	011		
12. Tekući i odgođeni porezi (dio)	012		
13. Zaštita novčanog tijeka	013		
14. Promjene računovodstvenih politika	014		
15. Ispravak značajnih pogrešaka prethodnog razdoblja	015		
16. Ostale promjene kapitala	016		
17. Ukupno povećanje ili smanjenje kapitala (AOP 011 do 016)	017	0	0
17 a. Pripisano imateljima kapitala matice	018		
17 b. Pripisano manjinskom interesu	019		
Stavke koje umanjuju kapital upisuju se s negativnim predznakom Podaci pod AOP oznakama 001 do 009 upisuju se kao stanje na datum bilance			

Bilješke uz financijske izvještaje							
(1) Bilješke uz financijske izvještaje sadrže dodatne i dopunske informacije koje nisu prezentirane u bilanci, računu dobiti i gubitka, izvještaju o novčanom tijeku i izvještaju o promjenama kapitala sukladno odredbama odgovarajućih standarda financijskog izvještavanja. (2) Bilješke uz godišnji financijski izvještaj objavljuju se u punom sadržaju sukladno odgovarajućim odredbama standarda financijskog izvještavanja.							

RIVIERA ADRIA d.d.

RIVIERA ADRIA d.d.

Auditor's Report
Commentary

RIVIERA ADRIA d.d., Poreč

**INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS
31 DECEMBER 2011**



Independent auditor's report

To the Shareholders and the Management Board of Riviera Adria d.d.

We have audited the accompanying financial statements of Riviera Adria d.d. (the 'Company'), which comprise the balance sheet as at 31 December 2011 and the statements of comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

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

Emphasis of matter

We draw attention to Note 31 to these financial statements that describes the Company's contingencies with respect to ownership of land not evaluated in the transformation and privatisation process. Problems with respect to land ownership disputes are common for the majority of tourism companies in the Republic of Croatia. Their resolution is expected in the future upon completion of the process of obtaining concessions and establishing ownership rights in accordance with and pursuant to the provisions of the Law on Tourist and Other Construction Land, not evaluated in the transformation and privatisation process, which entered into force on 1 August 2010. Although the Company is not in a position to estimate reliably the outcome of these disputes and contingencies in these financial statements, in addition to incurring additional liabilities with respect to concessions, the Company may also lose a part of operating assets, if the disputes are resolved unfavourably for the Company. Our opinion was not qualified in this respect.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers d.o.o.'.

PricewaterhouseCoopers d.o.o.
Zagreb, 3 April 2012

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

<i>(all amounts are expressed in thousands of HRK)</i>	Note	2011	2010
Sales	5	522,047	439,909
Other income	6	5,814	5,745
Cost of materials and services	7	(210,772)	(172,405)
Staff costs	8	(154,722)	(126,445)
Depreciation and amortisation	14,15	(113,248)	(99,075)
Other operating expenses	9	(32,789)	(25,588)
Other (losses)/ gains – net	10	(450)	698
Operating profit		15,880	22,839
Finance income	11	3,967	3,301
Finance costs	11	(19,773)	(38,993)
Finance costs – net	11	(15,806)	(35,692)
Profit /(loss) before tax		74	(12,853)
Income tax	12	1,717	-
Profit/(loss) for the year		1,791	(12,853)
Other comprehensive income:			
Change in value available- for- sale financial assets	18	(50)	(20)
Total comprehensive income/(loss) for the year		1,741	(12,873)
Earnings/(loss) per share (in HRK) – basic and diluted	13	0.0214	(0.177)

The financial statements set out on pages 3 to 63 were approved by the Company's Management Board on 2 April 2012.

President of the Management Board:

Edi Černjul



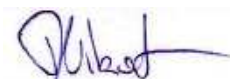
Member of the Management Board:

Marko Čizmek



RIVIERA ADRIA D.D.
POREČ (4)

Tihomir Nikolaš



The following notes form an integral part of these financial statements.

BALANCE SHEET

AS AT 31 DECEMBER 2011

		31 December	
(all amounts are expressed in thousands of HRK)	Note	2011	2010
ASSETS			
Non-current assets			
Property, plant and equipment	14	1,623,623	1,273,538
Intangible assets	15	1,120	418
Investments in subsidiaries	16	314,266	308,903
Available-for-sale financial assets	18	2,882	2,912
Loans and deposits	19	658	470
Deferred tax assets	25	1,717	-
Derivative financial instruments	23	593	-
		1,944,859	1,586,241
Current assets			
Inventories	20	4,029	3,288
Trade and other receivables	21	32,336	21,449
Income tax receivable	12	490	2,297
Loans and deposits	19	6	6
Financial assets at fair value through profit or loss	22	996	-
Derivative financial instruments	23	500	-
Cash and cash equivalents	24	158,553	52,167
		196,910	79,207
Non-current assets held for sale and discontinued operations	16/i/	-	184
Total assets		2,141,769	1,665,632
EQUITY			
Share capital	26	1,065,463	1,096,055
Treasury shares	26	(11,955)	(12,623)
Share premium		482,049	-
Reserves	27	166,397	179,564
Retained earnings /(accumulated loss)	27	1,791	(12,853)
Total equity		1,703,745	1,250,143
LIABILITIES			
Non-current liabilities			
Borrowings	28	281,941	214,541
Derivative financial instruments	23	2,286	-
Deferred tax liability	25	264	-
Provisions for other liabilities and charges	30	358	-
		284,849	214,541
Current liabilities			
Trade and other payables	29	69,240	39,051
Borrowings	28	76,013	158,960
Derivative financial instruments	23	1,285	-
Provisions for other liabilities and charges	30	6,637	2,937
		153,175	200,948
Total liabilities		438,024	415,489
Total equity and liabilities		2,141,769	1,665,632

The following notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

<i>(all amounts are expressed in thousands of HRK)</i>	Note	Share capital	Treasury shares	Share premium	Legal reserves	Other reserves	Retained earnings / (accumulated loss)	Total
Balance at 1 January 2010		1,096,055	(6,179)	(6,444)	70,645	98,850	10,089	1,263,016
Loss for the year		-	-	-	-	-	(12,853)	(12,853)
Other comprehensive loss	18	-	-	-	-	(20)	-	(20)
Total comprehensive loss for the year		-	-	-	-	(20)	(12,853)	(12,873)
Transfer to other reserves	27	-	-	-	-	10,089	(10,089)	-
Balance at 31 December 2010		1,096,055	(6,179)	(6,444)	70,645	108,919	(12,853)	1,250,143
Profit for the year		-	-	-	-	-	1,791	1,791
Other comprehensive loss	18	-	-	-	-	(50)	-	(50)
Total comprehensive income for the year		-	-	-	-	(50)	1,791	1,741
Differed tax liabilities	25	-	-	-	-	(264)	-	(264)
Coverage of loss for 2010	27	-	-	-	(12,853)	-	12,853	-
Decrease in registered capital	26/ii/	(365,352)	1,988	363,364	-	-	-	-
Issue of ordinary shares related to merger	26/iii/	334,760	-	-	-	-	-	334,760
Effect of merger	34	-	-	116,697	-	-	-	116,697
Reissue treasury shares related to merger	26/iii/	-	11	17	-	-	-	28
Reissue and purchase of treasury shares		-	704	(64)	-	-	-	640
Total contributions by and distributions to owners of the company, recognised directly in equity		(30,592)	2,703	480,014	(12,853)	(264)	12,853	451,861
Balance at 31 December 2011		1,065,463	(3,476)	473,570	57,792	108,605	1,791	1,703,745

The following notes form an integral part of these financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

<i>(all amounts are expressed in thousands of HRK)</i>	Note	2011	2010
Cash flow generated from operating activities			
Cash generated from operations	32	120,521	115,357
Income tax paid	12	(490)	(3,678)
Interest paid		(8,403)	(7,259)
Net cash generated from operating activities		111,628	104,420
Cash flow from investing activities			
Cash agreed upon merger	34	129,471	-
Purchase of property, plant and equipment		(40,101)	(92,780)
Purchase of intangible assets	15	(600)	(163)
Proceeds from sale of property, plant and equipment	32	496	298
Purchase of additional interest in subsidiary	16	(5,363)	-
Liquidation of subsidiary	16	184	-
Loans granted		(188)	-
Loan repayments received		-	133
Interest received		1,583	3,554
Dividend received	6	123	104
Net cash from/(used in) investing activities		85,605	(88,854)
Cash flow from financing activities			
Proceeds from reissued of treasury shares		764	-
Purchase of treasury shares		(124)	-
Proceeds from borrowings		87,796	-
Repayments of borrowings		(180,939)	(59,142)
Net cash from/(used in) financing activities		(92,503)	(59,142)
Net increase/ (decrease) in cash and cash equivalents		104,730	(43,576)
Cash and cash equivalents at beginning of year		52,167	94,034
Foreign exchange gains on cash and cash equivalents		1,656	1,709
Cash and cash equivalents at end of year	24	158,553	52,167

The following notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 1 – GENERAL INFORMATION

Riviera Adria, ("the Company") is a joint-stock company for hospitality and tourism services incorporated in the Republic of Croatia. The Company is registered at the Commercial Court in Rijeka – Pazin office. The ownership structure as at 31 December 2011 is disclosed in Note 26.

The registered office of Riviera Adria d.d. is in Poreč, Stancija Kaligari 1, Croatia.

As at 31 December 2011 and 2010, the Company's shares were listed on the regular joint stock company listing on the Zagreb Stock Exchange.

As at 29 June 2011, a merger Agreement was concluded, whereby companies ZLATNI OTOK d.d. and RABAC, d.d. were merged into RIVIERA POREČ d.d. The merger was registered in the Court Registry of the Commercial Court in Rijeka, Pazin office as at 31 August 2011, with legal effect as of 1 September 2011. By this registration, merged companies ZLATNI OTOK d.d. and RABAC, d.d. ceased to exist, and company RIVIERA POREČ d.d. as the takeover company, which simultaneously with the registration of the merger changed its name into Riviera Adria d.d., took over all assets, all rights and all liabilities of the merged companies in exchange for shares of the takeover company – Riviera Adria d.d. and is their universal legal successor. The effect of the merger is set out in Note 34.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

The Company has also prepared consolidated financial statements in accordance with IFRS for the Company and its subsidiaries (the "Group"). In the consolidated financial statements, subsidiary undertakings - which are those companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations - have been fully consolidated. The consolidated financial statements can be obtained from Riviera Adria d.d., Stancija Kaligari 1, Poreč.

Users of these stand-alone financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2011 in order to obtain full information on the financial position, results of operations and changes in financial position of the Group as a whole.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.2 Changes in accounting policy and disclosures

- a) During the year, the Company adopted the following new and amended IFRSs and guidelines of the International Financial Reporting Interpretations Committee (IFRIC). If the application of standards or guidelines impacted the Company's financial statements or result, the impact is stated.

Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for financial years beginning on or after 1 February 2010).

The amendment allows rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The adoption of the amendment did not have any impact on the financial position and performance of the Company, as the Company does not have such instruments.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for financial years beginning on or after 1 July 2010)

The interpretation clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The adoption of the interpretation did not have any impact on the financial statements as the Company does not negotiate such terms with its creditors.

Amendment to IFRS 1 First time adoption – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for financial years beginning on or after 1 July 2010)

The amendment clarifies that first time adopters do not need to provide comparative disclosures as introduced by the IFRS 7 amendment issued in March 2009. The adoption of the amendment did not affect the financial position of the Company.

Amendments to IAS 24 Related Party Disclosures (effective for financial years beginning on or after 1 January 2011)

The amendments simplify the definition of a related party and modify certain related-party disclosure requirements for government-related entities. An executory contract was added in the related parties' disclosures.

Amendment to IFRIC 14 The Limit On A Defined Benefit Assets, Minimum Funding Requirements And Their Interaction (effective for financial years beginning on or after 1 January 2011)

Removes unintended consequences arising from the treatment of pre-payments where there is a minimum funding requirement. Results in pre-payments of contributions in certain circumstances being recognised as an asset rather than an expense. The Company is not subject of minimum funding requirements; therefore the amendment of the interpretation did not have any effect on the financial position and performance of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures

b) Improvements to International Financial Reporting Standards (issued in May 2010)

The International Accounting Standards Board (IASB) issued a set of amendments to IFRSs. Adopted amendments derived from improvements to IFRSs to the following standards had no impact on the Company's accounting policies, financial position or result:

IFRS 1 First Time Adoption (effective for annual periods beginning on or after 1 January 2011)

- (a) *Accounting policy changes in the year of adoption* - Clarifies that, if a first-time adopter changes its accounting policies or its use of the exemptions in IFRS 1 after it has published an interim financial report in accordance with IAS 34, *Interim financial reporting*, it should explain those changes and update the reconciliations between previous accounting standards and IFRS.
- (b) *Revaluation basis as deemed cost* - Allows first-time adopters to use an event-driven fair value as deemed cost, even if the event occurs after the date of transition but before the first IFRS financial statements are issued. When such remeasurement occurs after the date of transition to IFRSs but during the period covered by its first IFRS financial statements, any subsequent adjustment to that event-driven fair value is recognised in equity.
- (c) *Use of deemed cost for operations subject to rate regulation* - Entities subject to rate regulation are allowed to use carrying amounts of property, plant and equipment or intangible assets according to previous accounting standards as deemed cost on an item-by-item basis. Entities that use this exemption are required to test each item for impairment under IAS 36 at the date of transition.

IFRS 3 Business combinations (effective for annual periods beginning on or after 1 July 2010)

- (a) *Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS* - Clarifies that the amendments to IFRS 7, *Financial instruments: Disclosures*, IAS 32, *Financial instruments: Presentation*, and IAS 39, *Financial instruments: Recognition and measurement*, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).
- (b) *Measurement of non-controlling interests* - The choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by IFRS.
- (c) *Un-replaced and voluntarily replaced share-based payment awards* - The application guidance in IFRS 3 applies to all share-based payment transactions that are part of a business combination, including un-replaced and voluntarily replaced share-based payment awards.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures

IFRS 7 Financial Instruments - Emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments.

IAS 1 Presentation of financial statements - Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

IAS 27 Consolidated and separate financial statements - Clarifies that the consequential amendments from IAS 27 made to *IAS 21, The effect of changes in foreign exchange rates*, *IAS 28, Investments in associates*, and *IAS 31, Interests in joint ventures*, apply prospectively for annual periods beginning on or after 1 July 2009, or earlier when IAS 27 is applied earlier.

IAS 34 Interim financial reporting - Provide guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around: the circumstances likely to affect fair values of financial instruments and their classification; transfers of financial instruments between different levels of the fair value hierarchy; changes in classification of financial assets; and changes in contingent liabilities and assets.

IFRIC 13 Customer loyalty programmes - The meaning of 'fair value' is clarified in the context of measuring award credits under customer loyalty programmes.

c) Standards and interpretations that have been issued but are not yet effective

Below is a list of standards/interpretations that have been issued and are effective for periods after 1 January 2011:

Amendments to IFRS 7 Financial Instruments: Disclosures on Derecognition (effective for annual periods beginning on or after 1 July 2011)

This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The amendment only affects the presentation and therefore any impact on the Company's financial position or result is not expected. The Company plans to adopt the new standard as of the effective date.

Amendments to IFRS 1 First Time Adoption: Fixed Dates and Hyperinflation (effective for annual periods beginning on or after 1 July 2011)

These amendments include two changes to *IFRS 1 First-time adoption of IFRS*. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to IFRSs', thus eliminating the need for entities adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. Amendments will have no impact on the Company's financial position or result as the Company is not a first-time adopter.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures

IAS 12 Income Taxes – Deferred Taxes (effective for annual periods beginning on or after 1 January 2012)

IAS 12 *Income taxes*, currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 *Investment property*. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21 *Income taxes - recovery of revalued non-depreciable assets*, will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. It is not expected to have any impact on the Company's financial statements, as the Company currently does not hold investment assets recognised under the revaluation model that are not depreciated.

Amendment to IAS 1 Financial Statement Presentation Regarding Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012)

The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendment only affects the presentation and therefore any impact on the Company's financial position or result is not expected.

Amendment to IAS 19 Employee Benefits (effective for annual periods beginning on or after 1 January 2013)

These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. The amendment might have an impact on the Company's financial position or result.

IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2015)

IFRS 9 is the first standard issued as part of a wider project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. It is not expected to have any impact on the Company's financial statements. The Company plans to adopt the new standard as of the effective date.

IFRS 10 Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013)

The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. Defines the principle of control, and establishes controls as the basis for consolidation. Set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. Sets out the accounting requirements for the preparation of consolidated financial statements. The Company expects that IFRS 10 has no impact on its financial statements. The Company plans to adopt the new standard as of the effective date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures

IFRS 11 Joint Arrangements (effective for annual periods beginning on or after 1 January 2013)

IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Company expects that IFRS 11 has no impact on its financial statements. The Company plans to adopt the new standard as of the effective date.

IFRS 12 Disclosures of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2013)

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is currently assessing the impact of IFRS 12 on the financial statements. The Company plans to adopt the new standard as of the effective date.

IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013)

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company is currently assessing the impact of IFRS 13 on the financial statements. The Company plans to adopt the new standard as of the effective date.

IAS 27 (revised 2011) Separate Financial Statements (effective for annual periods beginning on or after 1 January 2013)

IAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The Company is currently assessing the impact of IAS 27 on the financial statements. The Company plans to adopt the new standard as of the effective date.

IAS 28 (revised 2011) Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2013)

IAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 10. The Company expects that IFRS 28 has no impact on its financial statements. The Company plans to adopt the new standard as of the effective date.

IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine, (issued in October 2011 and effective for annual periods beginning on or after 1 January 2013)

The interpretation clarifies that benefits from the stripping activity are accounted for in accordance with the principles of IAS 2, *Inventories*, to the extent that they are realised in the form of inventory produced. To the extent the benefits represent improved access to or, the entity should recognise these costs as a 'stripping activity asset' within non-current assets, subject to certain criteria being met. This amendment is not applicable to the Company's operations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014).

The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The Company is assessing the impact of this amendment.

Disclosures—Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013)

The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amendment will have an impact on disclosures but will have no effect on measurement and recognition of financial instruments.

2.2 Investments in subsidiaries

Subsidiaries are those entities in which Riviera Adria d.d., directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies. The Company carries subsidiaries disclosed in Note 16 according to the cost method, less impairment, where required. The Company does not control any other enterprises.

2.3 Merger of entities from parties under common control

Merger of entities from parties under common control are accounted for using the pooling of interest method. Under this method, the assets and liabilities of the entity under common control transferred at the predecessor entity's carrying amounts. Related goodwill inherent in the predecessor entity's original acquisitions is also recorded in these financial statements. Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the consideration paid is accounted for in these financial statements as an adjustment to equity.

2.4 Foreign currencies

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The chief operating decision-maker is the Company's Management and the company Valamar hoteli i ljetovališta d.o.o. in the main segment (Tourism).

2.6 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. The cost of replacement of larger items of property, plant and equipment is capitalised, and the carrying value of the replaced parts are derecognised.

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

Buildings	10 – 25 years
Plant and equipment	4 – 10 years
Furniture, tools and horticulture	3 – 10 years

Depreciation is calculated for each asset until the asset is fully depreciated or to its residual values if significant. The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Company expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount, and are recognised within 'other (losses)/gains-net' in the statement of comprehensive income.

2.7 Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of up to 4 years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Non-current assets held for sale

Non-current assets are classified in the balance sheet as 'Non-current assets held for sale' if their carrying amount will be recovered principally through a sales transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying value and fair value less costs to sell. The assets should be available for immediate sale in their present condition and their sale should be very likely. Gains/losses realised upon disposal of non-current assets held for sale are recognised in 'other (losses)/gains-net' in the statement of comprehensive income.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (19 hotels, 9 apartments and 8 campsites as cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

2.10.1 Classification

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

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

This category includes financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets except derivative financial instruments stated in Note 2.12.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet (Notes 2.15 and 2.16).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the balance sheet date. Available-for-sale financial assets are carried at fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets (continued)

2.10.2 Measurement and recognition

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are presented in the statement of comprehensive income within ‘other (losses)/gains- net’ in the period in which they arise. Gain and losses arising from changes in the fair value of interest rate swap are presented in the statement of comprehensive income within ‘financial costs/income’. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of ‘other income’ when the Company’s right to receive payment is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity (other comprehensive income). When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as ‘gains and losses from investment securities’.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other income when the Company’s right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions and references to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2.11 Impairment of financial assets

(a) Assets carried at amortised cost

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Impairment of financial assets (continued)

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the statement of comprehensive income within "other operating expenses". Subsequent recoveries of amounts previously written off are credited against 'other operating expenses' in the statement of comprehensive income.

(b) Assets classified as available for sale

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of comprehensive income.

2.12 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. All derivatives are through profit or loss.

The fair values of derivative financial instruments are disclosed in Note 23.

The full fair value of derivative is classified as a non-current asset or liability when the remaining maturity of the contract is more than 12 months, and as a current asset or liability when the remaining maturity of the contract is less than 12 months.

Derivative financial instruments include foreign currency forward contracts and interest rate swaps (replacement of variable interest rates by fixed ones) in foreign currencies. Derivative financial instruments are recognised in the balance sheet at fair value. The fair value is determined according to the market value or MTM (Mark to market) value of market transactions at the valuation date. All derivatives are recorded in the balance sheet as assets when their fair value is positive, and as liabilities when their fair value is negative.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Leases

Leases in which a significant portion of risks and rewards of ownership are not retained by the Company are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

The Company leases certain property, plant and equipment. Leases of property, plant and equipment, where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of fair value of the leased property or the present value of minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other non-current liabilities. The interest element of the finance costs is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life or the lease term.

2.14 Inventories

Inventories of raw materials and spare parts are stated at the lower of cost, determined using the weighted average method, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs.

2.15 Trade and loan receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.16 Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

2.18 Share capital

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

2.19 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

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

2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In that case tax is also recognised in other comprehensive income or directly in equity.

The current income tax charge is calculated at a rate of 20% according to Croatian laws and regulations. Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Current and deferred income tax(continued)

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

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

2.21 Employee benefits

(a) Pension obligations and post-employment benefits

In the normal course of business through salary deductions, the Company makes payments to mandatory pension funds on behalf of its employees as required by law. All contributions made to the mandatory pension funds are recorded as salary expense when incurred. The Company does not have any other pension scheme and consequently, has no other obligations in respect of employee pensions. In addition, the Company is not obliged to provide any other post-employment benefits.

(b) Termination benefits

Termination benefits are recognised when the Company terminates employment contracts of employees before their normal retirement date in accordance with pension and labour regulations. The Company recognises termination benefits when it has made an individual decision on the termination of an employment agreement due to business or personal reasons, whereby the liability to pay termination benefits is objectively determined, in accordance with regulations and by-laws. Benefits falling due more than 12 months after the balance sheet date are discounted to the present value.

(c) Short-term employee benefits

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below.

(a) Sales of services

Revenue from hotel and tourist services is generally recognised in the period the services are provided.

Revenue from fixed-price contracts for services is generally recognised in the period the services are provided, using a straight-line basis over the terms of contracts with tourist agencies and tour operators.

b) Rental of services

Revenue for rental services is generally recognised in the period the services are provided, using a straight-line basis over the terms of contracts with lessees.

(c) Interest income

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

(d) Dividend income

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

2.23 Provisions

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Earnings per share

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

2.25 Value added tax

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

NOTE 3 – FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Company's activities expose it to variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Company does not have a written risk management programme, but overall risk management in respect of these risks is carried out by the Company's Management. Meanwhile, the Company actively hedges interest rate and foreign exchange risks through instruments available in the market for the purpose of decreasing these risks. Internal objectives and policies of risk management relate to a hedge of foreign-currency inflows during the seasonal activity and a partial interest hedge of the loan principal.

(a) Market risk

(i) Foreign exchange risk

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

The majority of foreign sales revenue and long-term debt is denominated in EUROS and Swiss francs (Note 28). Therefore, movements in exchange rates between the EURO, Swiss franc and Croatian kuna may have an impact on the results of future operations and future cash flow. The Company uses derivative instruments in accordance with operating estimates and expected market movements (Note 23).

At 31 December 2011, if the EURO had weakened/strengthened by 2% against the HRK, with all other variables held constant, the net profit for the year would have been HRK 397 thousand higher/(lower) mainly as a result of foreign exchange gains/(losses) on translation of EURO denominated trade receivables, borrowings, trade and other payables, foreign cash funds and bonds of Republic of Croatia and including the impact of fair value gains/ (losses) from forward contracts in EUR.

At 31 December 2010, if the EURO had weakened/strengthened by 1.2% against the HRK, with all other variables held constant, loss for the year would have been HRK 1,560 thousand (lower)/higher) mainly as a result of foreign exchange gains/(losses) on translation of EURO denominated trade receivables, borrowings, trade and other payables, foreign cash funds and bonds of Republic of Croatia.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

At 31 December 2011, if the CHF had weakened/strengthened by 4% against the HRK, with all other variables held constant, the net profit for the year would have been HRK 1,578 thousand higher/(lower) mainly as a result of foreign exchange gains/(losses) on translation of CHF-denominated borrowings and foreign cash funds and including the impact of fair value gains/ (losses) from forward contracts in CHF.

At 31 December 2010, if the CHF had weakened/strengthened by 2.5% against the HRK, with all other variables held constant, loss for the year would have been HRK 3,342 thousand (lower)/higher), mainly as a result of foreign exchange gains/(losses) on translation of CHF-denominated borrowings and foreign cash funds.

(ii) Cash flow and fair value interest rate risk

The Company has interest-bearing assets (Note 19 and 24) and the Company's income and operating cash flows are influenced by changes in market interest rates. The Company's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company uses derivative instruments to actively hedge cash flow and fair value interest rate risk.

At 31 December 2011, if interest rates on currency-denominated borrowings had been higher/lower by 0.23%, with all other variables held constant, the net profit for the year would have been HRK 517 thousand (lower)/higher, mainly as a result of higher/lower interest expense on variable-rate borrowings and including the impact of fair value adjustment of bank borrowings attributable to interest rate swap.

At 31 December 2010, if interest rates on currency-denominated borrowings had been higher/lower by 3.5%, with all other variables held constant, loss for the year would have been HRK 10,458 thousand higher/(lower), mainly as a result of higher/lower interest expense on variable-rate borrowings.

At 31 December 2011, if interest rates on currency-denominated deposits had been higher/lower by 0.48% and 2% for 2010, with all other variables held constant, the effect on the net profit for the year would have been HRK 283 thousand higher/(lower) (2010: loss for the year would have been HRK 128 thousand (lower)/higher), mainly as a result of higher/lower interest income on variable-rate deposits.

(iii) Price risk

The Company owns equity securities and is exposed to price risk of listed equity securities, which are classified as financial assets available for sale and bonds of the Republic of Croatia and is exposed to price risk of listed debt securities, which are classified as financial assets at fair value through profit or loss. The Company invests in securities listed on the Zagreb Stock Exchange (ZSE).

As at 31 December 2011 and 2010, if the indices of the ZSE had been higher/lower by 4.59 % for 2011 and 4 % for 2010 (which was the average index movement), with all other variables held constant, reserves within equity and other comprehensive income would have been HRK 101 thousand (2010: HRK 89 thousand) higher/lower as a result of fair value gains/losses on equity securities available for sale.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

As at 31 December 2011, if the index of the ZSE had been higher/lower by 1.59%, (31 December 2010: 7%) with all other variables held constant, the net profit for the year would have been HRK 13 thousand (31 December 2010: HRK 0 thousand) higher/(lower) as a result of gains/losses on financial assets at fair value through profit or loss.

(b) Credit risk

The Company has no significant concentrations of credit risk. Credit risk arises from cash, time deposits and trade receivables. The Company has policies in place to ensure that sales of products are made to customers with an appropriate credit history, i.e. the Company's policy ensures that sales to customers are settled through advance payments, in cash or by major credit cards (individual customers). The Company holds advances, bills of exchange, promissory notes and periodically mortgage security for collection. Provisions for impairment of trade, loan and other receivables have been made based on credit risk assessment. Management monitors the collectability of receivables through weekly reports on individual balances of receivables. Impairment of trade receivables is performed when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of all trade and other receivables has been written down to their recoverable amount. The Company has policies that limit the amount of credit exposure to any financial institution. Cash transactions are carried out through high quality Croatian banks. The Company has only short-term highly liquid instruments with maturity periods of three months or less. For further presentation of credit risk, see Notes 17b and 21.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash (Note 19 and 24), the availability of funding through an adequate amount of committed credit facilities (Note 28) and the ability to meet all obligations. The Company aims to maintain flexibility in funding by keeping committed credit lines available. Management daily monitors available cash resources based on reports on the balance of cash and liabilities.

The table below analyses financial liabilities of the Company according to contracted maturities. The amounts stated below represent undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

	Less than 3 months	3 months- 1 year	1-2 years	2-5 years	Over 5 years
As at 31 December 2011					
Trade and other payables	40,321	2,616	-	-	-
Borrowings	13,937	70,973	143,441	148,858	13,492
Derivative financial instruments	1,206	79	1,272	1,014	-
Total liabilities (contractual maturity dates)	55,464	73,668	144,713	149,872	13,492
As at 31 December 2010					
Trade and other payables	18,610	4,486	-	-	-
Borrowings	13,194	155,462	126,890	88,071	14,595
Total liabilities (contractual maturity dates)	191,752	126,890	126,890	88,071	14,595

The Company included foreign currency forward contracts with negative fair value at fair value in the amount of HRK 261 thousand within the period 'less than 3 months'.

3.2 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the owner and to maintain an optimal capital structure to reduce the cost of capital. In accordance with the Companies Act, the Company is committed to maintain the level of capital above HRK 200 thousand as required for joint stock companies. Over the past years, the Company seeks to realise positive financial results that are used to increase shareholder's equity.

3.3 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Quoted market prices for similar instruments are used for long-term debt. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation(continued)

Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

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

The following table presents assets measured at fair value as at:

	Level 1	Level 2	Level 3	Total
At 31 December 2011				
Available-for-sale financial assets:				
-equity securities	2,742	-	-	2,742
Financial assets at fair value through profit or loss:				
-trading securities	996	-	-	996
Derivatives financial instruments	-	1,093	-	1,093
Total assets	3,738	1,093	-	4,831
Derivatives financial instruments	-	3,571	-	3,571
Total liabilities	-	3,571	-	3,571
At 31 December 2010				
Available-for-sale financial assets:				
-equity securities	2,792	-	-	2,792
Total assets	2,792	-	-	2,792

Available-for-sale investment securities are carried at cost and include a small interest in an unlisted Croatian company. The stated company represents a strategic investment whose fair value cannot be measured reliably. There is no similar company and there was no distribution of profits to members, so their fair valuation is not possible.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES

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

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

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

Based on historical information, and in line with the technical department, the useful life of buildings was assessed by Management to be 10-25 years. The useful lives of equipment and other assets have also been assessed as disclosed in Note 2.6.

The useful lives will be periodically revised to reflect any changes in circumstances since the previous assessment. Changes in estimate, if any, will be reflected prospectively in a revised depreciation charge over the remaining, revised useful life.

If the depreciation rates on property, plant and equipment had been 5% higher/lower, with all other variables held constant, the profit for the year would have been HRK 5,662 thousand lower/higher (2010: loss for the year would have been HRK 4,954 thousand higher/lower), and the net carrying amount of property, plant and equipment would have been HRK 5,662 thousand (2010: HRK 4,954 thousand) lower/higher.

In accordance with the accounting policy stated in note 2.6, the Company tests whether property, plant and equipment has suffered any impairment through the expected cash flow based on an updated business plan. The recoverable amount test includes a forecast Euro exchange rate of HRK 7.681028 for 2012. If the EURO had weakened/strengthened by 2% against the HRK, over the forecast period, value in use would be, on average, HRK 64,565 thousand lower/higher. No need for impairment was identified.

Value in use is calculated based on cash flow plans (5 years plus residual value and average growth rate of 5%) using a discount rate for hotels of 10.5%.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES (continued)

(b) Land ownership

The Law on Tourist and Other Construction Land not evaluated in the transformation and privatisation process (Official Gazette No. 92/10, hereinafter the Law), which entered into force on 1 August 2010, mandates companies to submit the relevant requirements under this law within six months from the date of its entry into force (up to 1 February 2011) related to land not evaluated or not recorded in companies' registered capital. On 28 January 2011, regulations were issued elaborating in more detail the manner of complying with the stated law (Official Gazette No. 12/11). On 31 January 2011, in line with provisions of the Law and mentioned regulations for property not evaluated in the transformation and privatisation process (tourist land), the Company submitted the relevant requirements to the governing authorities for concessions on the tourist land in camps, hotels and tourist resorts and requirements for determining the forms and sizes of land (plots) that are in line with the ground plans of evaluated buildings constructed on them and land for regular use of these buildings. During 2011, in the procedures initiated, and in line with requirements of the governing authorities, the Company delivered various statements, documentation, made propositions for dividing the land, etc. Until 31 December 2011, none of the procedures according to the Law on Tourism and Other Construction Land was finalised. At this point, due to outstanding issues and implementation of the Law on Tourism and Other Construction Land, it is not possible to reliably anticipate the outcome of these proceedings (see Note 31).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 5 – SEGMENT INFORMATION

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Company's Management and the company Valamar hoteli i ljetovališta (the chief operating decision-makers), which are responsible for allocating resources to the reportable segments and assessing its performance.

The Company records the operating revenue and costs by types of services provided in two basic segments: tourism and other business segments. Other business segments include tourist agency services, "à la carte" services and other services. The chief operating decision-maker individually manages every hotel, apartment and campsite, which are organised as profit centres. They are presented below as one reporting segment - 'Tourism'.

The segment information provided to the Company's Management and the company Valamar hoteli i ljetovališta d.o.o. for the year ended 31 December 2011 is as follows:

<i>(in thousands of HRK)</i>	Tourism	Other business segments	Total
Total sales	536,379	9,099	545,478
Inter-segment revenue	(23,425)	(6)	(23,431)
Revenue from external customers	512,954	9,093	522,047
Restated GOP	226,898	(46,217)	180,681
Depreciation and amortisation (Note 14 and 15)	105,573	7,675	113,248
Income tax expense	-	-	-
Total assets	1,487,228	146,096	1,633,324
Total liabilities	410,733	4,427	415,160

The segment information for the year ended 31 December 2010 is as follows:

<i>(in thousands of HRK)</i>	Tourism	Other business segments	Total
Total sales	450,932	6,539	457,471
Inter-segment revenue	(17,559)	(3)	(17,562)
Revenue from external customers	433,373	6,536	439,909
Restated GOP	193,653	(31,635)	162,018
Depreciation and amortisation (Note 14 and 15)	94,003	5,072	99,075
Income tax expense	-	-	-
Total assets	1,161,020	121,803	1,282,803
Total liabilities	388,722	9,280	398,002

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 5 – SEGMENT INFORMATION (continued)

Reconciliation of GOP with profit/(loss) before tax is as follows:

	2011	2010
	<i>(in thousands of HRK)</i>	
Restated GOP by segments	226,898	193,653
GOP by other segments	(46,217)	(31,635)
Total segments	180,681	162,018
Other income	2,388	2,642
Result from financial activities	(15,998)	(34,318)
Total fixed costs	(171,736)	(142,819)
Of this:		
- Depreciation and amortisation	113,248	99,075
- Management compensation	30,761	25,458
- Other fees + leasing	23,468	14,150
- Other fixed costs	4,259	4,136
Result from other operations	4,738	(376)
Profit/(loss) before tax	74	(12,853)

The Company reports to Management using the Uniform System of Accounts for the Lodging Industry (USALI) method. This methodology is an internationally recognised uniform hotel reporting system, which meets the preconditions for the comparison of data in an international setting. Reporting is performed on several hierarchical and organisational levels in the company, whereby the basis comprises responsibility centres that may be organised as cost, revenue, profit and investment centres. The Company's responsibility centres are profit centres whose operating results, i.e. profit is the responsibility of their directors. For the purposes of reporting under the USALI method the Company implemented an integral IT system, which is based on a detailed accounting system supported by an appropriate IT application software. The operating performance indicator based on this method is the restated GOP (Gross operating profit) as stated above.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 5 – SEGMENT INFORMATION (continued)

The reconciliation of segment assets and liabilities with the Company's assets and liabilities is as follows:

(in thousands of HRK)	2011		2010	
	Assets	Liabilities	Assets	Liabilities
Segment assets/liabilities	1,633,324	415,160	1,282,803	398,002
Tourism segment	1,487,228	410,733	1,161,020	388,722
Other segment	146,096	4,427	121,803	9280
Unallocated:	508,445	22,864	382,809	17,487
Investments in subsidiaries	314,266		309,087	
Other financial assets	3,878	-	2,912	-
Loans and deposits	664	-	476	-
Cash and cash equivalents	158,553	-	52,167	-
Inventories	4,049	-	3,288	-
Income tax receivable	490	-	2,297	-
Other receivables	23,735	-	12,582	-
Deferred tax asset/liability	1,717	264	-	
Derivative financial instruments	1,093	3,571	-	3,571
Other liabilities	-	18,441	-	14,550
Provisions for other liabilities and charges	-	588	-	2,937
Total	2,141,769	438,024	1,665,632	415,489

The Company's services and sales are provided to customers from the Republic of Croatia and abroad. The Company's sales revenues can be classified according to the customers' origin.

	2011	2010
(in thousands of HRK)		
Domestic sales	82,069	71,101
Foreign sales	439,978	368,808
	522,047	439,909

Foreign sales revenues can be classified according to the number of overnights based on the customers' origin, as follows:

Foreign sales	2011	%	2010	%
EU members	404,285	91.89	341,009	92.46
Other	35,693	8.11	27,799	7.54
Total	439,978	100.00	368,808	100.00

All assets and capital expenditures are located in the Republic of Croatia.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 6 – OTHER INCOME

	2011	2010
	<i>(in thousands of HRK)</i>	
Insurance and court claims recovered	3,286	3,146
Interest income	57	133
Dividend income	123	104
Other fee income	1,318	1,411
Other income	1,030	951
	5,814	5,745

NOTE 7 – COST OF MATERIALS AND SERVICES

	2011	2010
	<i>(in thousands of HRK)</i>	
Raw materials and supplies		
Raw materials and supplies used	52,281	46,037
Energy and water used	33,104	27,313
Small inventories	9,495	6,541
	94,880	79,891
External services		
Management services	30,761	25,458
Maintenance services	28,455	18,186
Utility services	19,706	18,058
Marketing, promotion and fairs	9,707	9,892
Telecommunication and other transportation services	3,912	3,764
Recreation services	4,680	4,045
Rentals	7,376	5,847
Mediation services (agencies and credit cards)	9,464	5,813
Other services	1,831	1,451
	115,892	92,514
	210,772	172,405

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 8 – STAFF COSTS

	2011	2010
	<i>(in thousands of HRK)</i>	
Net salaries	79,938	65,868
Pension contributions	22,508	18,835
Health insurance contributions	19,446	16,204
Other costs (contributions and taxes)	10,416	8,146
Termination benefits	670	976
Other staff costs /i/	21,744	16,416
	154,722	126,445
Number of employees at 31 December	1,233	859

/i/ Other staff costs comprise fees and transportation costs, jubilee awards etc. and remunerations for temporary services.

NOTE 9 – OTHER OPERATING EXPENSES

	2011	2010
	<i>(in thousands of HRK)</i>	
Municipal and similar charges and contributions	21,749	12,788
Professional services	5,062	3,245
Insurance premiums	3,136	2,823
Travel and entertainment costs	1,957	1,509
Provision for legal proceedings-net (Note 30)	(1,162)	1,818
Provisions for trade and other receivables (Note 21)	148	453
Collection of receivables previously written-off (Note 21)	(1,614)	(75)
Bank charges	1,156	955
Impairment charge for property, plant and equipment	434	1,092
Other	1,923	980
	32,789	25,588

NOTE 10 – OTHER (LOSSES)/GAINS – NET

	2011	2010
	<i>(in thousands of HRK)</i>	
Gains on sale of property, plant and equipment-net	172	48
Foreign exchange (losses)/gains – net	(327)	650
Fair value losses from forward contracts – net	(295)	-
	(450)	698

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 11 – FINANCE COSTS AND INCOME

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
Interest income	3,967	3,301
Interest expense	(8,827)	(7,228)
Fair value losses– interest rate swap(Note 23)	(2,183)	-
Foreign exchange losses on financing activities – net	(8,762)	(31,765)
	<u>(19,773)</u>	<u>(38,993)</u>
Finance costs – net	<u>(15,806)</u>	<u>(35,692)</u>

NOTE 12 – INCOME TAX

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
Total deferred tax(Note 25)	<u>(1,717)</u>	<u>-</u>
Income tax credit	<u>(1,717)</u>	<u>-</u>

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate of 20% (2010: 20%) as follows:

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
Profit /(loss) before taxation	74	(12,853)
Income tax (20%)	15	(2,571)
Effect of income not subject to tax	(116)	(131)
Effect of expenses not deductible for tax purposes	727	359
Effect of utilized tax losses	(2,238)	-
Effect of unutilized tax losses	(105)	-
Effect of tax losses for which no deferred income tax asset was recognised	-	2,343
Income tax credit	<u>(1,717)</u>	<u>-</u>
Prepayment	490	2,297
Income tax payable	-	-
Income tax receivable	490	2,297

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 12 – INCOME TAX (continued)

In accordance with the regulations of the Republic of Croatia, the Tax Authority may at any time inspect the Company's books and records within 3 years following the year in which the tax liability was reported, and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect. Tax review for 2010 of company Rabac d.d., which was merged with company Riviera Adria d.d. as of 1 September 2011, is in progress. Management of Group companies are currently not able to determine the amount of a potential liability.

NOTE 13 – EARNINGS /(LOSS) PER SHARE**Basic**

Basic earnings/(loss) per share is calculated based on profit/(loss) for the year and the weighted average number of shares ordinary in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares.

	2011	2010 <i>(restated)</i>
	<i>(in thousands of HRK)</i>	
Profit/(loss) for the year (basic)	1,791	(12,853)
Weighted average number of shares (basic)	83,852,669	72,604,620
Earnings/(loss) per share (basic)	0.0214	(0.177)

Diluted

Diluted earnings/(loss) per share for 2011 and 2010 is equal to basic earnings/(loss) per share, since the Company did not have any convertible instruments and share options outstanding during both years.

Basic and diluted loss per share for 2010 was restated to adjust the number of share for the effect of share split performed in 2011. (see Note equity-26 /iii/).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT

<i>(in thousands of HRK)</i>	Land and buildings	Plant and equipment	Furnitur e, tools and horticult ure	Assets under construction	Total
At 1 January 2010					
Cost	2,100,084	179,737	99,141	30,490	2,409,452
Accumulated depreciation and impairment	(946,238)	(115,849)	(71,181)	-	(1,133,268)
Net book amount	1,153,846	63,888	27,960	30,490	1,276,184
Year ended 31 December 2010					
Opening net book amount	1,153,846	63,888	27,960	30,490	1,276,184
Transfer from account to account	(165)	165	-	-	-
Additions	64,229	18,246	7,750	7,388	97,613
Disposals and impairment	(66)	(196)	(187)	(893)	(1,342)
Depreciation (Note 32)	(78,234)	(13,338)	(7,345)	-	(98,917)
Closing net book amount	1,139,610	68,765	28,178	36,985	1,273,538
At 31 December 2010					
Cost	2,163,816	195,026	104,981	36,985	2,500,808
Accumulated depreciation and impairment	(1,024,206)	(126,261)	(76,803)	-	(1,227,270)
Net book amount	1,139,610	68,765	28,178	36,985	1,273,538
Year ended 31 December 2011					
Opening net book amount	1,139,610	68,765	28,178	36,985	1,273,538
Transfer from account to account					
Additions	43,906	12,770	5,534	(24,917)	37,293
Effect of merger (Note 34)	397,315	19,312	5,317	4,561	426,505
Disposals and impairment	(3)	(412)	(146)	(197)	(758)
Depreciation (Note 32)	(88,593)	(16,183)	(8,179)	-	(112,955)
Closing net book amount	1,492,235	84,252	30,704	16,432	1,623,623
At 31 December 2011					
Cost	2,950,921	267,889	137,080	16,432	3,372,322
Accumulated depreciation and impairment	(1,458,686)	(183,637)	(106,376)	-	(1,748,699)
Net book amount	1,492,235	84,252	30,704	16,432	1,623,623

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT (continued)

Additions under 'Land and buildings' relate to various constructions work in hotels and campsites which were completed in 2011 and 2010.

As at 31 December 2011, the carrying amount of buildings pledged by the Company as collateral for borrowings amounted to HRK 622,729 thousand (2010: HRK 489,001 thousand). See Note 28.

The carrying amount of the Company's property, plant and equipment leased under an operating lease contract is as follows:

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
Cost	108,716	96,392
Accumulated depreciation as at 1 January	(68,958)	(56,467)
Depreciation charge for the year	<u>(3,955)</u>	<u>(3,851)</u>
Net book amount	<u>35,803</u>	<u>36,074</u>

The operating lease relates to the lease of hospitality facilities and shops to third parties. During 2011, the Company realised rental income in the amount of HRK 23,127 thousand (2010: HRK 20,847 thousand).

Operating lease commitments – where the Company is the lessor. The future minimum lease payments receivable from operating leases are as follows:

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
Up to 1 year	15,235	13,206
From 2 to 5 years	37,417	37,752
Over 5 years	<u>6,771</u>	<u>9,760</u>
	<u>59,423</u>	<u>60,718</u>

In 2011 and 2010, there were no contingent rents recognised as income in the statement of comprehensive income. All lease agreements are renewable and the existing lessees have a priority right with respect to the extension of the lease agreement. There is no purchase option.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 15 – INTANGIBLE ASSETS

Intangible assets are comprised by software.

	Total
	<i>(in thousands of HRK)</i>
At 1 January 2010	
Cost	4,859
Accumulated amortisation	(4,446)
Net book amount	413
Year ended 31 December 2010	
Opening net book amount	413
Additions	163
Amortisation (Note 32)	(158)
Closing net book amount	418
At 31 December 2010	
Cost	4,928
Accumulated amortisation	(4,510)
Net book amount	418
Year ended 31 December 2011	
Opening net book amount	418
Additions	600
Effect of merger (Note 34)	395
Amortisation (Note 32)	(293)
Closing net book amount	1,120
At 31 December 2011	
Cost	8,321
Accumulated amortisation	(7,201)
Net book amount	1,120

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 16 – INVESTMENTS IN SUBSIDIARIES

	2011	2010
	<i>(in thousands of HRK)</i>	
At beginning of the year	309,087	309,087
Purchase additional shares	5,363	-
Liquidation of subsidiary	(184)	-
At end of the year	314,266	309,087

Ownership	2011	2010
	<i>(in thousands of HRK)</i>	
Istria Camping & Resorts, Germany /i/	-	184
Dubrovnik-Babin kuk d.d., Dubrovnik /ii/	314,266	308,903
	314,266	309,087

/i/ As at 19 August 2011, the finalisation of the liquidation process and elimination of company Istria Camping & Resorts, Germany (ICR) was registered with the Court Register. During 2011 the Company purchased an additional 1.98% shares in Dubrovnik-Babin kuk d.d., Dubrovnik for cash consideration of HRK 5,363 thousand.

NOTE 17a – FINANCIAL INSTRUMENTS BY CATEGORY

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

<i>(in thousands of HRK)</i>	Loans and receivables	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Total
31 December 2011				
<i>Assets at the balance sheet date</i>				
Trade and other receivables	14,395		-	14,395
Loans and deposits	664	-		664
Available-for-sale financial assets	-	2,882	-	2,882
Financial assets at fair value through profit or loss	-	-	996	996
Derivative financial instruments	-	-	1,093	1,093
Cash and cash equivalents	158,553	-	-	158,553
Total	173,612	2,882	2,089	178,583

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 17a – FINANCIAL INSTRUMENTS BY CATEGORY (continued)

<i>(in thousands of HRK)</i>	Loans and receivables	Available-for-sale financial assets	Total
31 December 2010			
<i>Assets at the balance sheet date</i>			
Trade and other receivables	8,540	-	8,540
Loans and deposits	476	-	476
Available-for-sale financial assets	-	2,912	2,912
Cash and cash equivalents	52,167	-	52,167
Total	61,183	2,912	64,095

The above-mentioned balances of financial assets represent the Company's maximum exposure to credit risk at the reporting date. The carrying values approximate their fair value due to their short-term maturity.

Liabilities as per balance sheet:*Financial liabilities – at amortised cost:*

	2011	2010
	<i>(in thousands of HRK)</i>	
Trade and other payables	42,937	23,096
Borrowings	357,954	373,501
	400,891	396,597

Financial liabilities at fair value through profit or loss:

Derivative financial instruments	3,571	-
	404,462	396,597

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 17b – CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	<u>2011</u>	<u>2010</u>
Trade and other receivables	<i>(in thousands of HRK)</i>	
Existing customers – past payments within maturity period	2,824	3,528
Existing customers – with defaults in the past of up to 1 month	150	369
	<u>2,974</u>	<u>3,897</u>

	<u>2011</u>	<u>2010</u>
Deposits	<i>(in thousands of HRK)</i>	
Financial institution – without rating	664	476
	<u>664</u>	<u>476</u>

According to Standard & Poor's, cash held with banks has the following credit rating:

	<u>2011</u>	<u>2010</u>
Cash at bank	<i>(in thousands of HRK)</i>	
BBB- (ZABA)	538	8,602
Other banks without rating*	157,986	43,550
	<u>158,524</u>	<u>52,152</u>

None of the financial assets that are fully performing has been renegotiated in the last year. According to rating by FitchIBCA, bonds of the Republic of Croatia that the Company classified as financial assets held for trading in the amount of HRK 996 thousand (2010: HRK 0 thousand) have credit rating BBB-.

*Other banks without rating are high quality Croatian banks which are subsidisers of foreign banks with high external credit rating.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 18 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>Ownership</u>	<u>2011</u>	<u>2010</u>
		<i>(in thousands of HRK)</i>	
Investments in banks and other financial institutions	/i/	2,742	2,792
Other		140	120
		<u>2,882</u>	<u>2,912</u>

/i/ Investments in banks represent less than 1% ownership interests and are carried at fair value.

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
At beginning of year	2,912	2,932
Revaluation loss recorded in equity (Note 27)	(50)	(20)
Transfer at merger	20	-
At end of year	<u>2,882</u>	<u>2,912</u>

Available-for-sale financial assets are as follows:

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
<i>Securities</i>		
- listed	2,742	2,792
<i>Securities</i>		
- unlisted	140	120
	<u>2,882</u>	<u>2,912</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 19 – LOANS AND DEPOSITS

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
Loans	-	1,533
Provision for loan impairment	--	(1,533)
Loans – net	-	-
Deposits	664	476
	664	476
Less: non-current portion	(658)	(470)
Current portion	6	6

Deposits are interest-free and given as a collateral for operating leases over a 5-year term.

The carrying amounts of short-term loans and deposits approximate their fair value. The fair value of non-current deposits and loans is HRK 614 thousand (2010: HRK 433 thousand). The fair values of loans and deposit receivables are based on cash flows discounted using an interest rate of 4.9% (2010: 4.71%). All loans and deposits are denominated in HRK.

NOTE 20 – INVENTORIES

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
Raw materials and supplies	3,258	2,357
Trade goods	209	369
Provision for impairment of slow-moving inventories	(179)	(179)
Finished products – apartments	741	741
	4,029	3,288

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 21 – TRADE AND OTHER RECEIVABLES

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
Domestic	12,603	10,400
Foreign	4,686	1,419
Trade receivables – related parties (Note 33)	588	534
Provision for impairment of trade receivables	<u>(7,475)</u>	<u>(4,399)</u>
Trade receivables – net	10,402	7,954
Accrued income not yet invoiced	1,179	213
Interest receivable	<u>2,814</u>	<u>373</u>
<i>Total financial assets</i>	14,395	8,540
Prepayments	3,467	3,475
VAT receivable	7,343	5,237
Advances to suppliers	5,134	3,411
Due from employees	229	125
Other current receivables	<u>1,768</u>	<u>661</u>
	<u>32,336</u>	<u>21,449</u>

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

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
At 1 January	4,399	4,004
Transfer at merger	3,009	-
Additional provision	148	453
Payment	<u>(81)</u>	<u>(58)</u>
At 31 December	<u>7,475</u>	<u>4,399</u>

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
Trade receivables:		
Neither past due nor impaired	2,974	3,897
Past due, but not impaired	7,428	4,057
Past due and impaired	<u>7,475</u>	<u>4,399</u>
	<u>17,877</u>	<u>12,353</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 21 – TRADE AND OTHER RECEIVABLES (continued)

As of 31 December 2011, trade receivables in the amount of HRK 7,428 thousand (2010: HRK 4,057 thousand) were past due but not impaired. The maturities of these receivables are as follows:

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
Up to one month	1,634	452
One to two months	942	1,337
Two to three months	1,169	1,037
Over three months up to one year	<u>3,683</u>	<u>1,231</u>
	7,428	4,057

The carrying amounts of the Company's trade and other receivables are denominated in the following currencies:

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
EUR	2,644	2,337
HRK	<u>11,751</u>	<u>6,203</u>
	14,395	8,540

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Company holds advances, bills of exchange, promissory notes and periodically mortgage security for collection.

NOTE 22 – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
Bonds of the Republic of Croatia	<u>996</u>	-
	996	-

As at 31 December 2011, the interest rate on bonds was 4.25%. Financial assets are held for trading. Bonds of the Republic of Croatia are denominated in HRK (with EUR currency clause).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 23 – DERIVATIVE FINANCIAL INSTRUMENTS

	2011		2010	
	Receivables	Liabilities	Receivables	Liabilities
	(in thousands of HRK)		(in thousands of HRK)	
Fair value of interest rate swap	-	2.183	-	-
Market value of foreign currency forward contracts	1.093	1.388	-	-
Total	1.093	3.571	-	-
Less: non-current portion:	(593)	(2.286)	-	-
Fair value of interest rate swap	-	1.024	-	-
Market value of foreign currency forward contracts	500	261	-	-
Current portion	500	1.285	-	-

(a) Foreign currency forward contracts

As at 31 December 2011, the contracted value of foreign currency forward contracts amounts to HRK 196,934 thousand (2010: HRK 0) at high quality Croatian banks.

Highly probable forecast transactions denominated in foreign currency are expected on various dates during the following 3 years (final contract maturity is 29 October 2014). Changes in fair value of foreign currency forward contracts as at 31 December 2011 are recorded in statement of comprehensive income in other (losses)/gains.

(b) Interest rate swaps

As at 31 December 2011, the contracted value of outstanding interest rate swaps amounts to HRK 91,180 thousand (2010: HRK 0)

As at 31 December 2011, total interest rates fixed by interest rate swap contracts ranged from 2.09% to 3.41%, while key variable interest rates (EURIBOR) for EUR borrowings ranged from 2.156% to 2.606%, and for CHF borrowings (CHF LIBOR) from 1.202% to 1.552%. Fair value gains and losses on interest rate swaps are recorded directly in comprehensive income within finance costs until the repayment of borrowings with final maturities as at 31 March 2016 and 31 July 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 24 – CASH AND CASH EQUIVALENTS

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
Giro-accounts and current accounts	3,138	736
Cash in hand	29	15
Foreign currency accounts	2,060	9,887
Time deposits up to one month	153,326	41,529
	<u>158,553</u>	<u>52,167</u>

The interest rate for cash and cash equivalents is between 0.50%-5.00% (2010: 0.50%-5.00%)

The carrying amounts of the Company's cash and cash equivalents are denominated in the following currencies:

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
HRK	23,167	8,751
EUR	134,894	42,850
CHF	20	15
Other	472	551
	<u>158,553</u>	<u>52,167</u>

NOTE 25 – DEFERRED TAX ASSETS

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

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	1,717	-
Deferred tax assets to be recovered within 12 months	-	-
	<u>1,717</u>	<u>-</u>
Deferred tax liabilities	264	-
	<u>264</u>	<u>-</u>
Deferred tax asset (net)	<u>1,453</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 25 – DEFERRED TAX ASSETS (continued)

<i>(in thousands of HRK)</i>	Impairment of financial assets	Provisions for concessions	Tax loss carried forward		Total
At 1 January 2011	-	-	-	-	-
Credited to the statement of comprehensive income	714	898	105	-	1,717
At 31 December 2011	714	898	105		1,717

Temporary differences between accounting profit and tax base arose due to expenses not recognised for tax purposes for impairment of financial assets, provisions for cost of concessions and tax loss carried forward.

In previous years temporary differences giving rise to deferred taxation were immaterial and accordingly, no provision for deferred taxation was considered necessary.

DEFERRED TAX LIABILITIES

<i>(in thousands of HRK)</i>	2011	2010
Deferred tax liabilities – revaluation reserves (Note 27)	264	-

Deferred tax liabilities relate to accumulated fair value gains/losses of available-for sale financial assets recorded in revaluation reserves.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 26 – EQUITY

- /i/ The authorised and registered share capital of the Company until 31 August 2011 amounted to HRK 1,096,055 thousand and comprised 3,653,517 ordinary shares, with a nominal value of HRK 300 per share. All shares are fully paid. After a decrease in the registered capital and split of shares, and after the merger of companies RABAC d.d. and ZLATNI OTOK d.d., all in line with decisions of the Company's General Assembly held on 29 June 2011, starting from 1 September 2011, upon the registration in the court registry, the Company's registered share capital amounts to HRK 1,065,463,400 and comprises 106,546,340 ordinary shares, with a nominal value of HRK 10 per share.
- /ii/ The ownership structure as at 31 December 2011 was as follows:

	Number of shares	Nominal value (in thousands of HRK)	%
Valamar Adria Holding d.d., Zagreb(Dom Holding d.d.)	74,856,662	748,566	70.26
Treasury shares	347,634	3,476	0.32
Other shareholders-free float	31,342,044	313,420	29.42
Total	106,546,340	1,065,463	100.00

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

	Number of shares	Nominal value (in thousands of HRK)	%
Dom Holding d.d., Zagreb	2,851,557	855,467	78.05
Treasury shares	20,595	6,179	0.56
Other shareholders-free float	781,365	234,409	21.39
Total	3,653,517	1,096,055	100.00

- /iii/ Based on the decision of the Company's General Assembly held on 29 June 2011, registered capital was decreased from HRK 1,096,055,100.00 by HRK 365,351,700.00 to HRK 730,703,400.00.

The registered capital was decreased by decreasing the nominal value per shares from HRK 300.00 by HRK 100.00 to the amount of HRK 200.00. Also, the Decision on split of shares was made, so that one share with a nominal value of HRK 200.00 was divided into 20 ordinary shares with a nominal value of HRK 10.00 per share. For the purpose of merging companies RABAC d.d. and Zlatni Otok d.d., the registered capital was increased from HRK 730,703,400.00 by HRK 334,760,000.00 to HRK 1,065,463,400.00. The registered capital was increased by issuing 33,476,000 new ordinary shares with a nominal value of HRK 10 per share. As compensation for transferred assets of the merged companies, new shares were acquired by shareholders of the merged companies as follows: for 1 share of merged company RABAC, with a nominal value of HRK 370, they acquired 24.59 shares of the Company with a nominal value of HRK 10 (ratio 24.59:1), and shareholders of ZLATNI OTOK for 1 share with a nominal value of HRK 360 acquired 24.01 shares of the Company with a nominal value of HRK 10 (ratio 24.01:1). For shareholders of the merged companies that did not acquire a whole number of shares following the calculation, the Company rounded the appropriate number of shares for exchange to the next highest whole number and additional shares required for the purpose of merger were secured from the Company's treasury shares. For this purpose, 1,083 treasury shares were used, with a value, including share premium of HRK 28,099, and resulted in total consideration in shares transferred of HRK 334,788,000. All of the aforementioned changes were entered in the Court Registry, and corporative transaction was performed by SKDD in line with effective regulations.

NOTE 26 – EQUITY (continued)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Based on the decision of the Company's General Assembly from 8 July 2010, in 2011 the Company, for the purpose of awarding employees according to the projects of work efficiency management, acquired and reissued treasury shares. In 2011, on the organised market a total of 11,597 treasury shares were acquired, which comprise 0.0108% of the Company's registered capital, and 82,000 treasury shares were reissued, which comprise 0.076 % of the Company's registered capital. As of 1 January 2011, 361 unallocated shares from the previous period were added to the total number of shares.

As at 31 December 2011, the Company holds 347,634 treasury shares, nominal value of HRK 3,476 thousand (2010: 20,595 treasury shares, nominal value of HRK 6,179 thousand), which represents 0.326% (2010: 0.56%) of the Company's registered capital. As at 31 December 2011, share premium for relating treasury shares amounted to HRK 8,479 thousand (2010: HRK 6,444 thousand).

NOTE 27 – RESERVES AND RETAINED EARNINGS

	2011	2010
	<i>(in thousands of HRK)</i>	
Legal reserves	57,792	70,645
Other reserves	108,605	108,919
Retained earnings / (accumulated loss)	1,791	(12,853)
	168,188	166,860
Changes in reserves:		
Legal reserves		
At beginning of the year	70,645	70,645
Coverage of losses	(12,853)	-
At end of the year	57,792	70,645
Other reserves		
At beginning of the year	108,919	98,850
Differed tax liabilities (Note 25)	(264)	-
Revaluation of available-for-sale financial assets (Note 18)	(50)	(20)
Transfer from retained earnings	-	10,089
At end of the year	108,605	108,919
Retained earnings /(accumulated loss)		
At beginning of the year	(12,853)	10,089
Profit /(loss) for the year	1,791	(12,853)
Transfer to other reserves	-	(10,089)
Coverage from legal reserves	12,853	-
At end of the year	1,791	(12,853)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 27 – RESERVES AND RETAINED EARNINGS (continued)

The legal reserve is required under Croatian law and must be built up at a minimum of 5% of the profit for the year until the total legal reserve reaches 5% of the Company's share capital. As at 31 December 2011, legal reserves amounted to HRK 57,792 thousand or 5.42% of the share capital, and as at 31 December 2010, legal reserves amounted to HRK 70,645 thousand or 6.4% of the share capital. This reserve is not distributable.

Based on the Decision of the General Assemblies held on 29 June 2011, loss realised in 2010 in the amount of HRK 12,853 thousand was covered from the Company's legal reserves exceeding the prescribed 5% of registered capital.

Based on the Decision of the General Assemblies held on 8 July 2010, retained earnings in the amount of HRK 10,089 thousand were transferred to the Company's other reserves. As at 31 December 2011 and 2010, these reserves amounted to HRK 107,550 thousand. This reserve is distributable. The remaining amount of other reserves relates to revaluation reserves in the amount of HRK 1,055 thousand (2010: HRK 1,369 thousand). These reserves are not distributable.

NOTE 28 – BORROWINGS

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
Short-term		
Bank borrowings	<u>76,013</u>	<u>158,960</u>
Long-term		
Bank borrowings	<u>281,941</u>	<u>214,541</u>
Total	<u>357,954</u>	<u>373,501</u>

All bank borrowings are secured by a mortgage over hotel facilities (Note 14) with the carrying amount of HRK 622,729 thousand (2010: HRK 489,001 thousand).

The exposure of the Company's borrowings to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

<i>(in thousands of HRK)</i>	<u>2011</u>	<u>2010</u>
6 months or less	<u>337,313</u>	<u>349,099</u>
	<u>337,313</u>	<u>349,099</u>

The remainder of borrowings in the amount of HRK 20,641 thousand (2010: HRK 24,402 thousand) were received at fixed interest rates from the Croatian Bank for Reconstruction and Development (HBOR) as follows: HRK 18,641 thousand (2010: HRK 21,402 thousand) at a rate of 2% and HRK 2,000 thousand (2010: HRK 3,000 thousand) at a rate of 3.8%.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 28 – BORROWINGS (continued)

The carrying amounts of borrowings are denominated in following currencies:

	<u>2011</u>	<u>2010</u>
Bank borrowings:		
- EUR	189,938	206,405
- CHF	163,016	167,096
- HRK	5,000	-
	<u>357,954</u>	<u>373,501</u>

The effective interest rates at the balance sheet date were as follows:

	<u>2011</u>	<u>2010</u>
Bank borrowings:		
- EUR	2% -4.962%	1.68%- 2.2%
- CHF	1.2125% -1.5%	1.3375%-1.7%
- HRK	3.8% -4.58%	-

Maturities of long-term borrowings are as follows:

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
1-2 years	129,957	117,104
2-5 years	139,153	83,205
Over 5 years	12,831	14,232
	<u>281,941</u>	<u>214,541</u>

The carrying amounts and fair value of long-term borrowings are as follows:

	<u>Carrying amounts</u>		<u>Fair value</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>			
Borrowings	<u>281,941</u>	<u>214,541</u>	<u>250,504</u>	<u>180,945</u>

The fair value is based on cash flows discounted using a rate based on the borrowing rate of 4.9% (2010: 7%)

The carrying amounts of short-term borrowings approximate their fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 29 – TRADE AND OTHER PAYABLES

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
Trade payables	28,988	19,681
Trade payables – related parties (Note 33)	5,091	3,006
Interest payable	834	409
Concession fees	8,024	-
<i>Total financial liabilities</i>	<u>42,937</u>	<u>23,096</u>
Due to employees	15,683	9,770
Taxes and contributions and similar charges	3,626	2,363
Advances received	4,910	1,814
Other liabilities	2,084	2,008
	<u>69,240</u>	<u>39,051</u>

The carrying amounts of the Company's financial liabilities are denominated in the following currencies:

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
EUR	597	1,788
HRK	<u>42,340</u>	<u>21,308</u>
	<u>42,937</u>	<u>23,096</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 30 – PROVISIONS FOR OTHER LIABILITIES AND CHARGES

<i>(in thousands of HRK)</i>	Legal proceedings	Termination benefits	Bonuses	Total
2010				
At beginning of the year	-	243	3,171	3,414
Additional provision	1,818	201	918	2,937
Used during year	-	(243)	(3,171)	(3,414)
At end of the year	1,818	201	918	2,937
2011				
At beginning of the year	1,818	201	918	2,937
Transfer at merger	2,033	68	987	3,088
Additional provision	-	318	4,145	4,463
Used during year	(2,331)	-	-	(2,331)
Unused during year (Note 9)	(1,162)	-	-	(1,162)
At end of the year	358	587	6,050	6,995
Current portion	-	587	6,050	6,637
Non-current portion	358	-	-	358

During 2011, the Company recognised provisions for termination benefits for 5 employees, which will be paid during 2012. Bonuses are payable within three month of finalisation of audited financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 31 – CONTINGENCIES AND COMMITMENTS

Legal proceedings

In the ordinary course of business, the Company is plaintiff and defendant in various legal actions. In the financial statements for the year ended 31 December 2011, provisions were made for certain legal proceedings have been made for which the Company anticipates damages in the amount of HRK 358 thousand (taken over after the merger of company ZLATNI OTOK d.d. with balance as of 31 August 2011), and provisions from the previous year have been reversed in the amount of HRK 1,818 thousand as the legal proceeding was finalised by a court settlement (2010: HRK 1,818 thousand for company RIVIERA POREČ d.d. before the merger) and in the amount of HRK 1,675 thousand as the legal proceeding was finalised in September 2011 (31 August 2011: HRK 1,675 thousand for company RABAC d.d. before the merger).

Contingent liabilities

During 2004, the Company provided guarantees in the form of blank promissory notes in the amount of HRK 21,000 thousand to the Croatian Bank for Reconstruction and Development (HBOR) with respect to the borrowing granted to the subsidiary Dubrovnik-Babin kuk d.d., Dubrovnik. The guarantee is secured by a blank promissory note of Dubrovnik-Babin kuk d.d. in the amount of HRK 21,000 thousand and a second-degree mortgage over property in the total estimated amount of HRK 31,872 thousand (Note 33).

During 2008, the Company also provided guarantees in the form of blank promissory notes in the amount of HRK 25,000 thousand to the Croatian Bank for Reconstruction and Development (HBOR) with respect to the borrowing granted to the subsidiary Dubrovnik-Babin kuk d.d. The guarantee is secured by blank promissory notes of Dubrovnik-Babin kuk d.d. in the amount of HRK 25,000 thousand and a second-degree mortgage over property in the total estimated amount of HRK 142,352 thousand (Note 33).

During 2009, the Company also provided guarantees in the form of blank promissory notes in the amount of HRK 82,000 thousand to the Croatian Bank for Reconstruction and Development (HBOR) with respect to the borrowing granted to the subsidiary Dubrovnik-Babin kuk d.d. The guarantee is secured by 82 blank promissory notes of Dom Holding d.d. and Dubrovnik-Babin kuk d.d. in the amount of HRK 1,000 thousand per item totalling HRK 82,000 thousand and a mortgage over property of the subsidiary Dubrovnik-Babin kuk d.d. in the total estimated amount of HRK 664,073 thousand (Note 33).

During 2010, the Company also issued guarantees in the form of blank promissory notes in the amount of HRK 25,000 thousand to PBZ/the Croatian Bank for Reconstruction and Development (HBOR) as a guarantor/payer in respect of signing the Club HRK Credit Agreement.

As security for the guarantee, the Company received 25 blank promissory notes from the company Dom Holding d.d. and the subsidiary Dubrovnik Babin Kuk d.d. of HRK 1,000 thousand per item or in the total amount of HRK 25,000 thousand (Note 33).

During 2011, the Company also issued guarantees in the form of blank promissory notes in the amount of EUR 6.1 mil. and HRK 15.000 thousand to PBZ/HBOR as guarantor, with respect to the borrowing granted to the subsidiary Dubrovnik-Babin kuk d.d. The guarantee is secured by blank promissory notes of Valamar Adria Holding d.d. in the same amount as the guarantees issued for the subsidiary's borrowings (EUR 6.1 mil. and HRK 15 thousand)(Note 33).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 31 – CONTINGENCIES AND COMMITMENTS (continued)

Transformation and privatisation audit and ownership over land

Transformation and privatisation audit for the Company was performed prior to the merger of companies RABAC d.d. and ZLATNI OTOK d.d. to company RIVIERA POREČ d.d., and procedures are recorded separately by legal predecessors:

a) Riviera Adria d.d. – procedures related to RIVIERA POREČ d.d. prior to merger

On 29 January 2003, the State Audit Office (in Pazin) issued a Report on the performed transformation and privatisation audit of the Company. The Report stated that the transformation and privatisation process was not performed completely in accordance with legal regulations. On 30 January 2003, the Company filed a complaint through a law firm on the grounds that the Report is incorrect and incomplete due to the fact that the Croatian Privatisation Fund excluded land worth DEM 71 million or 2,357,779 square meters from the Company's capital valuation. Such land was a construction site at the time of the privatisation process, and therefore, should have been included in the capital valuation. The Republic of Croatia and the Croatian Privatisation Fund also filed lawsuits against the Company regarding this issue. The stated land is utilised by the Company, but not recorded in its books.

The lawsuit was not terminated as there was no reply from the State Audit Office as to the Company's complaint, so that the results and effects (if any) of the lawsuit and the audit findings on the Company's financial or business status cannot be anticipated with certainty.

b) Riviera Adria d.d. – procedures related to RABAC d.d. prior to merger

On 21 June 2002, the State Audit Office, Local Office Pazin, issued a Report on the performed transformation and privatisation audit of the socially-owned enterprise Rabac p.o., Rabac. The Report stated that the transformation and privatisation process was not performed completely in accordance with legal regulations, especially with respect to the transfer of certain properties into the estimated value of the enterprise. On 19 June 2002, the Company expressed its opinion on the mentioned Report. To the date of merger, the administrative dispute initiated by the Company in accordance with the new Law on Tourist and Other Construction Land, not evaluated in the transformation and privatisation process, has not been resolved, so that the effects of the performed transformation and privatisation audit cannot be anticipated or quantified with certainty.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 31 – CONTINGENCIES AND COMMITMENTS (continued)

c) Riviera Adria d.d. – procedures related to ZLATNI OTOK d.d. prior to merger

In 2000, the Croatian Privatisation Fund (the CPF) initiated legal proceedings against Zlatni otok d.d. for the registration of ownership title over properties at the campsites Ježevac and Politin in Krk. The Municipal Court in Krk dismissed the claim; the Croatian Privatisation Fund filed an appeal. In making a decision with respect to the appeal, the County Court in Rijeka adopted the appeal of the prosecutor, the CPF, and remanded the case for retrial to the first-instance court.

In the meantime, the plaintiff registered ownership title in two separate land-registry cases over the property in this dispute. Zlatni otok d.d. filed appeals against the stated registrations. The County Court in Koprivnica accepted one of the appeals, dismissing the CPF's proposal for registration and ordered the establishment of the previous status in the land registry, while the other appeal was dismissed by the same County Court in Koprivnica. As a result of the stated, in the civil court proceedings the CPF withdrew the claim in relation to the land plots over which it registered ownership title in the land-registry case. Zlatni otok d.d. consented to the withdrawal of the CPF's claim, but sought reimbursement of litigation costs that it is entitled to under the Law on Civil Procedure.

As the CPF registered its ownership title in the course of the land-registry case over most of the property subject to these proceedings, Zlatni otok d.d. filed a counterclaim against the CPF for the establishment of the rights of ownership title. In the repeated first-instance proceeding, the last hearing was held on 28 April 2010. At the stated hearing, the CPF insisted on the modification of the claim by surrendering the plots at the campsites Ježevac and Politin into ownership. However, the court issued a decision not to accept CPF's modification of the claim and concluded the hearing with respect to the remainder of the plaintiffs' claim, while in relation to the counterclaim the first-instance proceedings are still in progress. The verdict of the Municipal Court in Krk in relation to the remainder of the CPF's claim has not as yet been received. We estimate that the claim of the CPF will be dismissed, but the possibility of the court issuing a different decision cannot be excluded.

At this point it is not possible to estimate the ultimate outcome of the proceedings in respect of the claim and counterclaim, but we believe that in light of the new Law on Tourist and other Construction Land, not evaluated in the transformation and privatisation process, which entered into force on 1 August 2010, there is a risk that the court reaches an unfavourable decision in relation to the counterclaim of Zlatni otok d.d. At this point it is not possible to estimate when this legal matter will be finalised, but a legally valid finalisation is expected in several years. Furthermore, at this point it is also not possible to estimate the value of future contingent liabilities of Zlatni otok d.d. in this case, but we believe that even in the event of an unfavourable court decision regarding the counterclaim of Zlatni otok d.d., it will be possible to offset a large portion of the incurred litigation costs with the litigation costs that the CPF owes to Zlatni otok d.d. regarding the withdrawn part of the claim. The court will decide on this at the end of the court proceedings. However, the possibility of the court issuing a different decision cannot be excluded.

As at 31 December 2011, the net book value of the land at the campsites Ježevac and Politin recorded in the Company's books is HRK 10,284 thousand.

In addition, the Republic of Croatia filed a claim against Zlatni otok d.d. for the purpose of determining the ownership title over properties at the campsite "Škrila" in Stara Baška, claiming that the plot is agricultural land. Zlatni otok d.d. fully contested the claim. A hearing – an on-site investigation was held on 6 June 2008 in the presence of a geodesy expert in order to identify the properties that are the subject of this proceeding. Despite repeated reminders by the court, the expert witness findings have not as yet been received. A new hearing will be scheduled in writing.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 31 – CONTINGENCIES AND COMMITMENTS (continued)

The stated properties are located at the campsite Škrila in Stara Baška. Since the new Law on Tourist Land prescribes ownership rights of the Republic of Croatia over unevaluated land at campsites as well as establishing a co-ownership community between the company and the Republic of Croatia in proportion to the size of the evaluated and unevaluated part, we believe there is a risk of an unfavourable outcome of the proceedings for the defendant - the company Zlatni otok d.d. At this point it is not possible to predict when this legal matter will be finalised or to estimate the value of future contingent liabilities of the company Zlatni otok d.d. in this case.

As at 31 December 2011, the net book value of land at the campsite Stara Baška recorded in the Company's books is HRK 1,899 thousand.

The outcome and the result of the above mentioned legal proceedings under a)b) and c) and their effect (if any) on the Company's financial or operating position cannot be reliably anticipated or quantified.

On 1 August 2010, the Law on Tourist and Other Construction Land, not evaluated in the transformation and privatisation process, entered into force in accordance with which and based on which the ownership and co-ownership over land not evaluated in the transformation and privatisation process will finally be determined. Within the prescribed period, the Company initiated procedures for submitting requests for concessions and other prescribed requirements. After the outcome of these procedures, the ownership and/or co-ownership of the Company on the part of the land that was not evaluated in the transformation and privatisation process will finally be determined.

d) Riviera Adria d.d.

Company Riviera Adria d.d. as the universal legal successor of the merged companies took over all initiated proceedings and all described balances as previously stated in this Note 31.

As at 31 January 2011, based on the provisions of the Law on Tourist and Other Construction Land not evaluated in the transformation and privatisation process, procedures for granting concessions were initiated, and procedures of determining land belonging to evaluated buildings and other prescribed procedures, upon finalisation of which the ownership and/or co-ownership of company Riviera Adria d.d. over the land not evaluated in the transformation and privatisation process of the Company and its legal predecessors will finally be determined. All procedures are in progress and at this point it is not possible to predict when this legal matter will be finalised.

Capital commitments

Future commitments with respect to investments in tourist and other facilities for which no provision was made, as at 31 December 2011 amounted to HRK 26,746 thousand (2010: HRK 7,068 thousand).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 31 – CONTINGENCIES AND COMMITMENTS (continued)

Operating lease commitments – where the Company is the lessee. Non-cancellable the future minimum lease payments under operating leases are as follows:

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
Up to 1 year	<u>997</u>	<u>753</u>
	<u>997</u>	<u>753</u>

The lease agreements (software, vehicles and mobile houses) are renewable at market rate at the end of the lease period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 32 – CASH GENERATED FROM OPERATIONS

Adjustment of profit/(loss) with cash generated from operations:

	2011	2010
	<i>(in thousands of HRK)</i>	
Profit/(loss) before taxation	74	(12,853)
Adjustments for:		
Depreciation and amortisation (Notes 14, 15)	113,248	99,075
Impairment charge of property, plant and equipment (Note 9)	434	1,092
Net gains on sale of property, plant and equipment (Note 10)	(172)	(48)
Provision for impairment of trade receivables – net (Note 21)	(33)	395
Interest income (Note 6)	(57)	(133)
Dividend income (Note 6)	(123)	(104)
Finance costs – net (Note 11)	15,806	35,692
Increase in provisions – net	3,301	2,937
Fair value losses from forward contracts – net (Note 10)	295	-
Changes in working capital (excluding the effects of acquisition and disposal):		
- Trade and other receivables	13,648	(1,232)
- Inventories	1,213	(291)
- Trade and other payables	(27,113)	(9,173)
Cash generated from operations	120,521	115,357

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

	2011	2010
	<i>(in thousands of HRK)</i>	
Net book value	324	250
Gains on sale of property, plant and equipment (Note 10)	172	48
Proceeds from sale of property, plant and equipment	496	298

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 33 – RELATED PARTY TRANSACTIONS

Related parties are those companies which have the power to exercise control over the other party or are under common control or which have a significant influence on the other party in making business or financial decisions. The Company is controlled by the parent Company Valamar Adria Holding d.d., Zagreb which owns 78.52% of the Company's shares (Note 26). The ultimate parent of the Company is Valamar grupa d.d., Zagreb, while the ultimate controlling company is Epic GmbH, Vienna.

During 2011, Dom holding d.d., Zagreb changed its name into Valamar Adria holding d.d., Zagreb, Riviera Poreč d.d., Poreč into Riviera Adria d.d., Poreč and Epic d.o.o. into Valmar poslovni razvoj d.o.o., Zagreb.

Related parties in the Valamar Group are: Valamar grupa d.d., Zagreb, Valamar Adria holding d.d., Zagreb, Dubrovnik-Babin kuk d.d., Dubrovnik., Puntizela d.o.o., Pula, RABAC d.d., Rabac, Zlatni otok d.d., Krk, Valamar hoteli i ljetovališta d.o.o., Zagreb, Valamar turistički projekti d.o.o., Zagreb, Epima d.o.o., Zagreb, Epic d.o.o., Zagreb, Epic GmbH, Beč, Bugenvilia d.o.o., Dubrovnik, Bastion upravljanje d.o.o., Zagreb., Valamar poslovni razvoj d.o.o., Zagreb, Scapus d.o.o., Zagreb, Satis d.o.o., Zagreb, Enitor d.o.o., Zagreb, Linteum savjetovanje d.o.o., Zagreb, Valamar Hotels and Resorts GmbH, Frankfurt am Main and Citatis savjetovanje d.o.o., Zagreb.

As of 1 September 2011, companies RABAC d.d., Rabac, Zlatni otok d.d., Krk were merged with company Riviera Adria d.d., Poreč. Riviera Adria d.d., Poreč is the parent company of subsidiary Dubrovnik-Babin kuk d.d., Dubrovnik.

Valamar Adria Holding d.d., Zagreb is the parent company of the following subsidiaries: Riviera Adria d.d., Poreč, Bastion upravljanje d.o.o., Zagreb and Linteum savjetovanje d.o.o., Zagreb.

Valamar grupa d.d., Zagreb is the parent company of the following subsidiaries: Valamar Adria Holding d.d., Zagreb, Valamar hoteli i ljetovališta d.o.o., Zagreb, Valamar turistički projekti d.o.o., Zagreb, Epima d.o.o., Zagreb, Bugenvilia d.o.o., Dubrovnik, Puntizela d.o.o., Pula and Valamar poslovni razvoj d.o.o., Zagreb.

Epic GmbH, Beč is the parent company of subsidiary Epic d.o.o., Zagreb

Transactions with related parties under common control were as follows:

	Note	2011	2010
		<i>(in thousands of HRK)</i>	
a) Sale of services			
Zlatni otok d.d.		1,672	982
RABAC d.d.		5,176	5,015
Valamar hoteli i ljetovališta d.o.o.		616	524
Puntizela d.o.o.,		68	60
Valamar Adria holding d.d.		2	-
Valamar poslovni razvoj d.o.o.		16	-
Dubrovnik-Babin kuk d.d.		3,310	1,586
		10,860	8,167
b) Purchase of services			
Valamar hoteli i ljetovališta d.o.o./i/		42,851	41,253
Valamar turistički projekti d.o.o.		184	6,073
Zlatni otok d.d.		2	107
Dubrovnik-Babin kuk d.d.		240	55
Valamar Adria holding d.d.		245	-
Valamar poslovni razvoj d.o.o.		30	-
Puntizela d.o.o.		5	-
RABAC d.d.		82	-
		43,639	47,488

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 33 – RELATED PARTY TRANSACTIONS (continued)

/i/ For the services provided based on the individual Contracts concluded with Valamar hotel i ljetovališta d.o.o., the Company made a commitment to pay fees for each financial year during the operating period and the proportionally established part of a fiscal year, which consists of an agreed basic fee and an incentive fee. Furthermore, for the services rendered, the each Company will pay Valamar hotel i ljetovališta d.o.o.a special fee, based on the calculation of the agreed percentage of the value of goods purchased on an annual basis, for the current fiscal year.

	Note	2011	2010
		<i>(in thousands of HRK)</i>	
c) Trade and other receivables			
Valamar hoteli i ljetovališta d.o.o.		12	15
RABAC d.d.		-	322
Zlatni otok d.d.		-	18
Dubrovnik-Babin kuk d.d.		568	173
Puntizela d.o.o		8	6
	21	588	534
d) Trade and other payables			
Valamar turistički projekti d.o.o.		116	1,417
Valamar hoteli i ljetovališta d.o.o.		4,889	1,589
Valamar Adria holding .d.d		48	-
Valamar poslovni razvoj d.o.o.		38	-
	29	5,091	3,006
e) Contingent liability – guarantee			
Dubrovnik-Babin kuk d.d.	31	213,996	153,000

Key management compensation

	2011	2010
	<i>(in thousands of HRK)</i>	
Net salaries	1,339	1,498
Pension contributions	299	218
Health insurance contributions	357	412
Other expenses (contributions and taxes)	1,073	1,091
Share based payments	764	-
	3,832	3,219

Until 31 August 2011, Management comprised three members, and from 1 September 2011 to 31 December 2011 four members. From 1 January 2012, Management comprises three members.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2011**

NOTE 34 – MERGER OF ENTITIES UNDER COMMON CONTROL

As at 1 September 2011, the Company acquired entities: Rabac d.d., Rabac and Zlatni otok d.d., Krk all under common control of the Parent company Valamar Adria holding d.d. (Dom holding d.d.). Assets and liabilities of these entities were merged at carrying amounts.

Assets and liabilities arising from the merger are as follows:

Assets	1 September 2011
Property, plant and equipment (Note 14)	426,505
Intangible assets (Note 15)	395
Inventories	1,954
Trade and other receivables	21,420
Cash and cash equivalents	129,471
Financial assets	1,016
Liabilities	
Borrowings	(68,834)
Provisions (Note 30)	(3,088)
Trade and other payables	(57,354)
Net assets acquired	451,485
Equity instruments transferred (Note 26)	334,788
Net assets upon merger	116,697

RIVIERA ADRIA d.d. – GROUP

**RIVIERA ADRIA d.d. – GROUP
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS BY REGULATIONS IN USE
FOR FINANCIAL AGENCY**

Balance sheet
Statement of comprehensive income
Cash flow statement

Razdoblje izvještavanja: 1.1.2011

do

31.12.2011

Završni dan računa dobiti i gubitka je ujedno i datum stanja u bilanci

Vrsta poslovnog subjekta: 4 Dioničko društvo

Referentna stranica

Vrsta posla: 777

GODIŠNJI FINANCIJSKI IZVJEŠTAJ
PODUZETNIKA

za 2011. godinu

53.750.620.598,84

Kontrolni broj

Vrsta izvještaja: 10

Izvještaj kojeg ispunjava obveznik kome je kalendarska godina jednaka poslovnoj godini i kod kojeg u godini za koju se izvještaj podnosi nije bilo statusnih promjena, stečaja ili likvidacije.

Matični broj (MB): 03474771

Evidencijski broj
(popunjava Registar)

Matični broj suda (MBS): 040020883

Osobni identifikacijski broj (OIB): 36201212847

Naziv obveznika: Riviera Poreč d.d.

Poštanski broj i mjesto: 52440

Poreč

Ulica i kućni broj: Stancija Kaligari 1

Adresa e-pošte: uprava@riviera.hr

Internet adresa: www.riviera-porec.com

Šifra općine/grada: 348 Poreč

Šifra županije: 18 ISTARSKA

Šifra NKD-a: 5510 Hoteli i sličan smještaj

Konsolidirani izvještaj: DA

Obveza revizije: DA OIB rev.: 81744835353

Šifra svrhe predaje: 2 Predaja samo u svrhu javne objave

Oznaka veličine: 2 Srednje veliki poduzetnik

Oznaka vlasništva: 41 Mješovito vlasništvo s preko 50% privatnog kapitala

Porijeklo kapitala: 100 (domaći kapital, %) 0 (strani kapital, %)

Broj zaposlenih: 859 (krajem razdoblja) 1233 (u tekućoj godini)

Broj zaposlenih: 1143 (na temelju sati rada) 1625 (u tekućoj godini)

Broj mjeseci poslovanja: 12 (u prethodnoj godini) 12 (u tekućoj godini)

Popis dokumentacije

DA	Bilanca i Račun dobiti i gubitka
NE	Dodatni podaci
DA	Bilješke uz financijske izvještaje
DA	Izvještaj o novčanom tijeku
DA	Izvještaj o promjenama kapitala
DA	Revizorsko izvješće
DA	Godišnje izvješće
NE	Odluka o raspodjeli dobiti ili pokriću gubitka
DA	Odluka o utvrđivanju godišnjeg financijskog izvještaja
DA	Godišnji financijski izvještaj prema MSFI-u (nestandardni izvještaj)

Matični brojevi pripojenih subjekata:

Matični brojevi sudionika statusnih promjena spajanja:

Knjigovodstveni servis: (matični broj servisa)

(naziv servisa)

Osoba za kontaktiranje: Anka Sopta (unosi se samo prezime i ime osobe za kontakt)

Verzija Excel datoteke: 2.0.1.

Telefon: 052408188

Telefaks:

Adresa e-pošte: anka@sopta.riviera.hr

Prezime i ime: Černjul Edi, Čizmek Marko (osoba ovlaštena za zastupanje)

RIVIERA ADRIA D.D.
POREČ (4)

M.P.

(potpis osobe ovlaštene za zastupanje)

BILANCA
stanje na dan 31.12.2011.

Obrazac
POD-BIL

Obveznik: 36201212847; Riviera Poreč d.d.

Naziv pozicije	AOP oznaka	Rbr. bilješke	Prethodna godina (neto)	Tekuća godina (neto)
1	2	3	4	5
AKTIVA				
A) POTRAŽIVANJA ZA UPISANI A NEUPLAĆENI KAPITAL	001			
B) DUGOTRAJNA IMOVINA (003+010+020+029+033)	002		2.229.181.485	2.532.885.904
I. NEMATERIJALNA IMOVINA (004 do 009)	003		757.766	1.954.579
1. Izdaci za razvoj	004			
2. Koncesije, patentni, licencije, robne i uslužne marke, softver i ostala prava	005		700.786	1.954.579
3. Goodwill	006			
4. Predujmovi za nabavu nematerijalne imovine	007			
5. Nematerijalna imovina u pripremi	008		56.980	
6. Ostala nematerijalna imovina	009			
II. MATERIJALNA IMOVINA (011 do 019)	010		2.222.530.762	2.523.502.992
1. Zemljište	011		453.782.993	563.713.622
2. Građevinski objekti	012		1.517.384.982	1.726.847.538
3. Postrojenja i oprema	013		132.921.738	139.769.353
4. Alati, pogonski inventar i transportna imovina	014		37.448.348	34.497.852
5. Biološka imovina	015			
6. Predujmovi za materijalnu imovinu	016		17.297.420	16.997.653
7. Materijalna imovina u pripremi	017		48.109.581	27.347.759
8. Ostala materijalna imovina	018		15.585.700	14.329.215
9. Ulaganje u nekretnine	019			
III. DUGOTRAJNA FINACIJSKA IMOVINA (021 do 028)	020		4.877.880	4.584.419
1. Udjeli (dionice) kod povezanih poduzetnika	021		1.674.234	1.108.356
2. Dani zajmovi povezanim poduzetnicima	022			
3. Sudjelujući interesi (udjeli)	023		140.000	160.000
4. Zajmovi dani poduzetnicima u kojima postoje sudjelujući interesi	024			
5. Ulaganja u vrijednosne papire	025		3.063.646	2.992.989
6. Dani zajmovi, depoziti i slično	026			
7. Ostala dugotrajna financijska imovina	027			323.074
8. Ulaganja koja se obračunavaju metodom udjela	028			
IV. POTRAŽIVANJA (030 do 032)	029		1.015.077	1.126.445
1. Potraživanja od povezanih poduzetnika	030			
2. Potraživanja po osnovi prodaje na kredit	031		545.303	509.738
3. Ostala potraživanja	032		469.774	616.707
V. ODGOĐENA POREZNA IMOVINA	033			1.717.469
C) KRATKOTRAJNA IMOVINA (035+043+050+058)	034		83.235.878	198.025.970
I. ZALIHE (036 do 042)	035		6.260.357	7.180.511
1. Sirovine i materijal	036		4.497.708	5.671.493
2. Proizvodnja u tijeku	037			
3. Gotovi proizvodi	038		740.909	740.909
4. Trgovačka roba	039		366.189	212.147
5. Predujmovi za zalihe	040		655.551	555.962
6. Dugotrajna imovina namijenjena prodaji	041			
7. Biološka imovina	042			
II. POTRAŽIVANJA (044 do 049)	043		23.886.167	25.966.668
1. Potraživanja od povezanih poduzetnika	044		10.024	231.884
2. Potraživanja od kupaca	045		13.754.511	13.365.777
3. Potraživanja od sudjelujućih poduzetnika	046			
4. Potraživanja od zaposlenika i članova poduzetnika	047		132.750	238.938
5. Potraživanja od države i drugih institucija	048		8.729.570	9.629.569
6. Ostala potraživanja	049		1.259.312	2.500.500
III. KRATKOTRAJNA FINACIJSKA IMOVINA (051 do 057)	050		147.491	2.496.569
1. Udjeli (dionice) kod povezanih poduzetnika	051			
2. Dani zajmovi povezanim poduzetnicima	052			
3. Sudjelujući interesi (udjeli)	053			
4. Zajmovi dani poduzetnicima u kojima postoje sudjelujući interesi	054			
5. Ulaganja u vrijednosne papire	055			996.274
6. Dani zajmovi, depoziti i slično	056		147.491	147.491
7. Ostala financijska imovina	057			1.352.804
IV. NOVAC U BANCII BLAGAJNI	058		52.941.863	162.382.222
D) PLAĆENI TROŠKOVI BUDUĆEG RAZDOBLJA I OBRAČUNATI PRIHODI	059		10.216.738	16.683.905
E) UKUPNO AKTIVA (001+002+034+059)	060		2.322.634.101	2.747.595.779
F) IZVANBILANČNI ZAPISI	061		99.239.905	99.165.729

PASIVA				
A) KAPITAL I REZERVE (063+064+065+071+072+075+078)	062		1.268.150.066	1.684.215.380
I. TEMELJNI (UPISANI) KAPITAL	063		1.096.055.100	1.065.463.400
II. KAPITALNE REZERVE	064			478.814.684
III. REZERVE IZ DOBITI (066+067-068+069+070)	065		165.571.872	156.420.895
1. Zakonske rezerve	066		70.645.522	57.792.194
2. Rezerve za vlastite dionice	067		10.517.027	9.425.816
3. Vlastite dionice i udjeli (odbitna stavka)	068		10.687.516	8.920.547
4. Statutarne rezerve	069			
5. Ostale rezerve	070		95.096.839	98.123.432
IV. REVALORIZACIJSKE REZERVE	071		1.368.553	1.055.498
V. ZADRŽANA DOBIT ILI PRENESENI GUBITAK (073-074)	072		53.171.812	-7.030.800
1. Zadržana dobit	073		53.171.812	
2. Preneseni gubitak	074			7.030.800
VI. DOBIT ILI GUBITAK POSLOVNE GODINE (076-077)	075		-74.366.300	-28.428.818
1. Dobit poslovne godine	076			
2. Gubitak poslovne godine	077		74.366.300	28.428.818
VII. MANJINSKI INTERES	078		26.349.029	17.920.521
B) REZERVIRANJA (080 do 082)	079		24.723.987	25.614.492
1. Rezerviranja za mirovine, otpremnine i slične obveze	080			
2. Rezerviranja za porezne obveze	081			
3. Druga rezerviranja	082		24.723.987	25.614.492
C) DUGOROČNE OBVEZE (084 do 092)	083		725.086.889	803.921.894
1. Obveze prema povezanim poduzetnicima	084		42.591.286	57.044.318
2. Obveze za zajmove, depozite i slično	085			
3. Obveze prema bankama i drugim financijskim institucijama	086		682.495.603	739.583.943
4. Obveze za predujmove	087			
5. Obveze prema dobavljačima	088			
6. Obveze po vrijednosnim papirima	089			
7. Obveze prema poduzetnicima u kojima postoje sudjelujući interesi	090			
8. Ostale dugoročne obveze	091			7.029.758
9. Odgođena porezna obveza	092			263.875
D) KRATKOROČNE OBVEZE (094 do 105)	093		290.648.422	201.801.005
1. Obveze prema povezanim poduzetnicima	094			568.087
2. Obveze za zajmove, depozite i slično	095			54.457
3. Obveze prema bankama i drugim financijskim institucijama	096		242.781.121	130.563.884
4. Obveze za predujmove	097		2.949.073	7.041.458
5. Obveze prema dobavljačima	098		31.640.039	42.541.779
6. Obveze po vrijednosnim papirima	099			
7. Obveze prema poduzetnicima u kojima postoje sudjelujući interesi	100			
8. Obveze prema zaposlenicima	101		8.045.876	11.300.650
9. Obveze za poreze, doprinose i slična davanja	102		4.084.992	5.344.455
10. Obveze s osnove udjela u rezultatu	103			
11. Obveze po osnovi dugotrajne imovine namijenjene prodaji	104			
12. Ostale kratkoročne obveze	105		1.147.321	4.386.235
E) ODGOĐENO PLAĆANJE TROŠKOVA I PRIHOD BUDUĆEGA RAZDOBLJA	106		14.024.737	32.043.008
F) UKUPNO – PASIVA (062+079+083+093+106)	107		2.322.634.101	2.747.595.779
G) IZVANBILANČNI ZAPISI	108		99.239.905	99.165.729
DODATAK BILANCI (popunjava poduzetnik koji sastavlja konsolidirani godišnji financijski izvještaj)				
A) KAPITAL I REZERVE				
1. Pripisano imateljima kapitala matice	109		1.241.801.037	1.666.294.859
2. Pripisano manjinskom interesu	110		26.349.029	17.920.521

RAČUN DOBITI I GUBITKA
za razdoblje 01.01.2011. do 31.12.2011.

Obrazac
POD-RDG

Obveznik: 36201212847; Riviera Poreč d.d.

Naziv pozicije	AOP oznaka	Rbr. bilješke	Prethodna godina	Tekuća godina
1	2	3	4	5
I. POSLOVNI PRIHODI (112+113)	111		622.546.108	739.560.696
1. Prihodi od prodaje	112		611.642.492	725.103.027
2. Ostali poslovni prihodi	113		10.903.616	14.457.669
II. POSLOVNI RASHODI (115+116+120+124+125+126+129+130)	114		617.787.411	719.515.330
1. Promjene vrijednosti zaliha proizvodnje u tijeku i gotovih proizvoda	115			
2. Materijalni troškovi (117 do 119)	116		204.584.549	239.566.091
a) Troškovi sirovina i materijala	117		118.366.019	136.678.563
b) Troškovi prodane robe	118		1.525.727	1.898.902
c) Ostali vanjski troškovi	119		84.692.803	100.988.626
3. Troškovi osoblja (121 do 123)	120		166.567.299	194.069.604
a) Neto plaće i nadnice	121		99.738.605	116.694.733
b) Troškovi poreza i doprinosa iz plaća	122		42.568.738	49.166.682
c) Doprinosi na plaće	123		24.259.956	28.208.189
4. Amortizacija	124		152.521.001	164.946.073
5. Ostali troškovi	125		85.243.437	114.625.132
6. Vrijednosno usklađivanje (127+128)	126		1.619.816	351.655
a) dugotrajne imovine (osim financijske imovine)	127			
b) kratkotrajne imovine (osim financijske imovine)	128		1.619.816	351.655
7. Rezerviranja	129		3.537.300	1.691.444
8. Ostali poslovni rashodi	130		3.714.009	4.265.331
III. FINANCIJSKI PRIHODI (132 do 136)	131		18.844.870	9.585.436
1. Kamate, tečajne razlike, dividende i slični prihodi iz odnosa s povezanim poduzetnicima	132		260	197
2. Kamate, tečajne razlike, dividende, slični prihodi iz odnosa s nepovezanim poduzetnicima i drugim osobama	133		18.237.184	9.190.365
3. Dio prihoda od pridruženih poduzetnika i sudjelujućih interesa	134			
4. Nerealizirani dobici (prihodi) od financijske imovine	135			
5. Ostali financijski prihodi	136		607.426	394.874
IV. FINANCIJSKI RASHODI (138 do 141)	137		103.362.455	61.732.116
1. Kamate, tečajne razlike i drugi rashodi s povezanim poduzetnicima	138		27.353	26.478
2. Kamate, tečajne razlike i drugi rashodi iz odnosa s nepovezanim poduzetnicima i drugim osobama	139		102.351.825	51.948.426
3. Nerealizirani gubici (rashodi) od financijske imovine	140			8.594.517
4. Ostali financijski rashodi	141		983.277	1.162.695
V. UDIO U DOBITI OD PRIDRUŽENIH PODUZETNIKA	142			
VI. UDIO U GUBITKU OD PRIDRUŽENIH PODUZETNIKA	143			
VII. IZVANREDNI - OSTALI PRIHODI	144			
VIII. IZVANREDNI - OSTALI RASHODI	145			
IX. UKUPNI PRIHODI (111+131+142 + 144)	146		641.390.978	749.146.132
X. UKUPNI RASHODI (114+137+143 + 145)	147		721.149.866	781.247.446
XI. DOBIT ILI GUBITAK PRIJE OPOREZIVANJA (146-147)	148		-79.758.888	-32.101.314
1. Dobit prije oporezivanja (146-147)	149		0	0
2. Gubitak prije oporezivanja (147-146)	150		79.758.888	32.101.314
XII. POREZ NA DOBIT	151			-1.717.469
XIII. DOBIT ILI GUBITAK RAZDOBLJA (148-151)	152		-79.758.888	-30.383.845
1. Dobit razdoblja (149-151)	153		0	0
2. Gubitak razdoblja (151-148)	154		79.758.888	30.383.845
DODATAK RDG-u (popunjava poduzetnik koji sastavlja konsolidirani godišnji financijski izvještaj)				
XIV. DOBIT ILI GUBITAK RAZDOBLJA				
1. Pripisana imateljima kapitala matice	155		-74.366.300	-28.428.818
2. Pripisana manjinskom interesu	156		-5.392.588	-1.955.028
IZVJEŠTAJ O OSTALOJ SVEOBUHVAATNOJ DOBITI (popunjava poduzetnik obveznik primjene MSF-a)				
I. DOBIT ILI GUBITAK RAZDOBLJA (= 152)	157		-79.758.888	-30.383.845
II. OSTALA SVEOBUHVAATNA DOBIT/GUBITAK PRIJE POREZA (159 do 165)	158		-20.656	-49.180
1. Tečajne razlike iz preračuna inozemnog poslovanja	159			
2. Promjene revalorizacijskih rezervi dugotrajne materijalne i nematerijalne imovine	160			
3. Dobit ili gubitak s osnove ponovnog vrednovanja financijske imovine raspoložive za prodaju	161		-20.656	-49.180
4. Dobit ili gubitak s osnove učinkovite zaštite novčanog toka	162			
5. Dobit ili gubitak s osnove učinkovite zaštite neto ulaganja u inozemstvu	163			
6. Udio u ostaloj sveobuhvatnoj dobiti/gubitku pridruženih poduzetnika	164			
7. Aktuarski dobici/gubici po planovima definiranih primanja	165			
III. POREZ NA OSTALU SVEOBUHVAATNU DOBIT RAZDOBLJA	166			
IV. NETO OSTALA SVEOBUHVAATNA DOBIT ILI GUBITAK RAZDOBLJA (158-166)	167		-20.656	-49.180
V. SVEOBUHVAATNA DOBIT ILI GUBITAK RAZDOBLJA (157+167)	168		-79.779.544	-30.433.025
DODATAK Izvještaju o ostaloj sveobuhvatnoj dobiti (popunjava poduzetnik koji sastavlja konsolidirani godišnji financijski izvještaj)				
VI. SVEOBUHVAATNA DOBIT ILI GUBITAK RAZDOBLJA				
1. Pripisana imateljima kapitala matice	169		-74.386.956	-28.477.997
2. Pripisana manjinskom interesu	170		-5.392.588	-1.955.028

IZVJEŠTAJ O NOVČANOM TIJEKU - Indirektna metoda
u razdoblju 01.01.2011. do 31.12.2011.

Obrazac
POD-NTI

Obveznik: 36201212847; Riviera Poreč d.d.				
Naziv pozicije	AOP oznaka	Rbr. bilješke	Prethodna godina	Tekuća godina
1	2	3	4	5
NOVČANI TIJEK OD POSLOVNIH AKTIVNOSTI				
1. Dobit prije poreza	001		-79.758.888	-30.383.846
2. Amortizacija	002		152.521.001	164.946.072
3. Povećanje kratkoročnih obveza	003		209.646	40.774.885
4. Smanjenje kratkotrajnih potraživanja	004		1.592.790	2.325.300
5. Smanjenje zaliha	005		602.910	99.589
6. Ostalo povećanje novčanog tijeka	006		3.803.467	9.598.032
I. Ukupno povećanje novčanog tijeka od poslovnih aktivnosti (001 do 006)	007		78.970.926	187.360.032
1. Smanjenje kratkoročnih obveza	008		4.379.643	180.732
2. Povećanje kratkotrajnih potraživanja	009		5.052.499	6.029.083
3. Povećanje zaliha	010		565.301	1.019.742
4. Ostalo smanjenje novčanog tijeka	011			8.195.235
II. Ukupno smanjenje novčanog tijeka od poslovnih aktivnosti (008 do 011)	012		9.997.443	15.424.792
A1) NETO POVEĆANJE NOVČANOG TIJEKA OD POSLOVNIH AKTIVNOSTI (007-012)	013		68.973.483	171.935.240
A2) NETO SMANJENJE NOVČANOG TIJEKA OD POSLOVNIH AKTIVNOSTI (012-007)	014		0	0
NOVČANI TIJEK OD INVESTICIJSKIH AKTIVNOSTI				
1. Novčani primici od prodaje dugotrajne materijalne i nematerijalne imovine	015			152.637
2. Novčani primici od prodaje vlasničkih i dužničkih instrumenata	016			
3. Novčani primici od kamata	017			
4. Novčani primici od dividendi	018			
5. Ostali novčani primici od investicijskih aktivnosti	019			201.471
III. Ukupno novčani primici od investicijskih aktivnosti (015 do 019)	020		0	354.108
1. Novčani izdaci za kupnju dugotrajne materijalne i nematerijalne imovine	021		102.711.006	467.421.252
2. Novčani izdaci za stjecanje vlasničkih i dužničkih financijskih instrumenata	022			6.907.815
3. Ostali novčani izdaci od investicijskih aktivnosti	023			
IV. Ukupno novčani izdaci od investicijskih aktivnosti (021 do 023)	024		102.711.006	474.329.067
B1) NETO POVEĆANJE NOVČANOG TIJEKA OD INVESTICIJSKIH AKTIVNOSTI (020-024)	025		0	0
B2) NETO SMANJENJE NOVČANOG TIJEKA OD INVESTICIJSKIH AKTIVNOSTI (024-020)	026		102.711.006	473.974.959
NOVČANI TIJEK OD FINANCIJSKIH AKTIVNOSTI				
1. Novčani primici od izdavanja vlasničkih i dužničkih financijskih instrumenata	027			
2. Novčani primici od glavnice kredita, zadužnica, pozajmica i drugih posudbi	028		104.655.010	85.493.524
3. Ostali primici od financijskih aktivnosti	029		55.141	466.714.885
V. Ukupno novčani primici od financijskih aktivnosti (027 do 029)	030		104.710.151	552.208.409
1. Novčani izdaci za otplatu glavnice kredita i obveznica	031		125.831.263	140.290.300
2. Novčani izdaci za isplatu dividendi	032			
3. Novčani izdaci za financijski najam	033			
4. Novčani izdaci za otkup vlastitih dionica	034		199.265	124.977
5. Ostali novčani izdaci od financijskih aktivnosti	035		48.671	313.055
VI. Ukupno novčani izdaci od financijskih aktivnosti (031 do 035)	036		126.079.199	140.728.332
C1) NETO POVEĆANJE NOVČANOG TIJEKA OD FINANCIJSKIH AKTIVNOSTI (030-036)	037		0	411.480.077
C2) NETO SMANJENJE NOVČANOG TIJEKA OD FINANCIJSKIH AKTIVNOSTI (036-030)	038		21.369.048	0
Ukupno povećanje novčanog tijeka (013 – 014 + 025 – 026 + 037 – 038)	039		0	109.440.358
Ukupno smanjenje novčanog tijeka (014 – 013 + 026 – 025 + 038 – 037)	040		55.106.571	0
Novac i novčani ekvivalenti na početku razdoblja	041		108.048.434	52.941.864
Povećanje novca i novčanih ekvivalenata	042			109.440.358
Smanjenje novca i novčanih ekvivalenata	043		55.106.571	
Novac i novčani ekvivalenti na kraju razdoblja	044		52.941.863	162.382.222

RIVIERA ADRIA d.d. – GROUP

**RIVIERA ADRIA d.d. – GROUP
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS BY REGULATIONS IN USE
FOR ZAGREB STOCK EXCHANGE d.d. AND CROATIAN FINANCIAL SERVICES
SUPERVISION AGENCY**

Balance sheet
Statement of comprehensive income
Cash flow statement
Statement on equity change
Comments

Prilog 1.

Razdoblje izvještavanja:

01.01.2011.

do

31.12.2011.

Godišnji finansijski izvještaj poduzetnika GFI-POD

Matični broj (MB): 3474771

Matični broj subjekta (MBS): 040020883

Osobni identifikacijski broj
(OIB): 36201212847

Tvrtka izdavateljca: Riviera Adria d.d.

Poštanski broj i mjesto: 52440

Poreč

Ulica i kućni broj: Stancija Kaligari 1

Adresa e-pošte: uprava@riviera.hrInternet adresa: www.riviera-adria.com

Šifra i naziv općine/grada: 348 Poreč

Šifra i naziv županije: 18 Istarska

Broj zaposlenih: 1233
(krajem godine)

Konsolidirani izvještaj: DA

Šifra NKD-a: 5510

Tvrtke subjekata konsolidacije (prema MSFI):

Sjedište:

MB:

Dubrovnik Babin Kuk d.d.

Dubrovnik

3303989

Knjigovodstveni servis:

Osoba za kontakt: Sopta Anka

(unos se samo prezime i ime osobe za kontakt)

Telefon: 052 408 188

Telefaks: 052 408 110

Adresa e-pošte: anka.sopta@riviera.hr

Prezime i ime: Černjul Edi, Čižmek Marko

(osoba ovlaštene za zastupanje)

Dokumentacija za objavu:

1. Revidirani godišnji finansijski izvještaji s revizorskim izvješćem s revizorskim izjavi
2. Izvještaj posloводства
3. Izjava osoba odgovornih za sastavljanje godišnjeg izvještaja,
4. Odluka nadležnog tijela (prijedlog) o utvrđivanju godišnjih finansijskih izvještaja
5. Odluka o prijedlogu raspodjele dobiti ili pokriću gubitka

u PDF formatu

M.P.

(potpis osobe ovlaštene za zastupanje)

RIVIERA ADRIA D.D.
POREČ (4)

BILANCA			
stanje na dan 31.12.2011.			
Obveznik: RIVIERA ADRIA d.d.			
Naziv pozicije	AOP oznaka	Prethodna godina (neto)	Tekuća godina (neto)
1	2	3	4
A) POTRAŽIVANJA ZA UPISANI A NEUPLAĆENI KAPITAL	001		
B) DUGOTRAJNA IMOVINA (003+010+020+029+033)	002	2.229.181.485	2.532.885.904
I. NEMATERIJALNA IMOVINA (004 do 009)	003	757.766	1.954.579
1. Izdaci za razvoj	004		
2. Koncesije, patenti, licencije, robne i uslužne marke, softver i ostala prava	005	700.786	1.954.579
3. Goodwill	006		
4. Predujmovi za nabavu nematerijalne imovine	007		
5. Nematerijalna imovina u pripremi	008	56.980	
6. Ostala nematerijalna imovina	009		
II. MATERIJALNA IMOVINA (011 do 019)	010	2.222.530.762	2.523.502.992
1. Zemljište	011	453.782.993	563.713.622
2. Građevinski objekti	012	1.517.384.982	1.726.847.538
3. Postrojenja i oprema	013	132.921.738	139.769.353
4. Alati, pogonski inventar i transportna imovina	014	37.448.348	34.497.852
5. Biološka imovina	015		
6. Predujmovi za materijalnu imovinu	016	17.297.420	16.997.653
7. Materijalna imovina u pripremi	017	48.109.581	27.347.759
8. Ostala materijalna imovina	018	15.585.700	14.329.215
9. Ulaganje u nekretnine	019		
III. DUGOTRAJNA FINACIJSKA IMOVINA (021 do 028)	020	4.877.880	4.584.419
1. Udjeli (dionice) kod povezanih poduzetnika	021	1.674.234	1.108.356
2. Dani zajmovi povezanim poduzeticima	022		
3. Sudjelujući interesi (udjeli)	023	140.000	160.000
4. Zajmovi dani poduzeticima u kojima postoje sudjelujući interesi	024		
5. Ulaganja u vrijednosne papire	025	3.063.646	2.992.989
6. Dani zajmovi, depoziti i slično	026		
7. Ostala dugotrajna financijska imovina	027		323.074
8. Ulaganja koja se obračunavaju metodom udjela	028		
IV. POTRAŽIVANJA (030 do 032)	029	1.015.077	1.126.445
1. Potraživanja od povezanih poduzetnika	030		
2. Potraživanja po osnovi prodaje na kredit	031	545.303	509.738
3. Ostala potraživanja	032	469.774	616.707
V. ODGOĐENA POREZNA IMOVINA	033		1.717.469
C) KRATKOTRAJNA IMOVINA (035+043+050+058)	034	83.235.878	198.025.970
I. ZALIHE (036 do 042)	035	6.260.357	7.180.511
1. Sirovine i materijal	036	4.497.708	5.671.493
2. Proizvodnja u tijeku	037		
3. Gotovi proizvodi	038	740.909	740.909
4. Trgovačka roba	039	366.189	212.147
5. Predujmovi za zalihe	040	655.551	555.962
6. Dugotrajna imovina namijenjena prodaji	041		
7. Biološka imovina	042		
II. POTRAŽIVANJA (044 do 049)	043	23.886.167	25.966.668
1. Potraživanja od povezanih poduzetnika	044	10.024	231.884
2. Potraživanja od kupaca	045	13.754.511	13.365.777
3. Potraživanja od sudjelujućih poduzetnika	046		
4. Potraživanja od zaposlenika i članova poduzetnika	047	132.750	238.938
5. Potraživanja od države i drugih institucija	048	8.729.570	9.629.569
6. Ostala potraživanja	049	1.259.312	2.500.500
III. KRATKOTRAJNA FINACIJSKA IMOVINA (051 do 057)	050	147.491	2.496.569
1. Udjeli (dionice) kod povezanih poduzetnika	051		
2. Dani zajmovi povezanim poduzeticima	052		
3. Sudjelujući interesi (udjeli)	053		
4. Zajmovi dani poduzeticima u kojima postoje sudjelujući interesi	054		
5. Ulaganja u vrijednosne papire	055		996.274
6. Dani zajmovi, depoziti i slično	056	147.491	147.491
7. Ostala financijska imovina	057		1.352.804
IV. NOVAC U BANCII I BLAGAJNI	058	52.941.863	162.382.222
D) PLAĆENI TROŠKOVI BUDUĆEG RAZDOBLJA I OBRAČUNATI PRIHODI	059	10.216.738	16.683.905
E) UKUPNO AKTIVA (001+002+034+059)	060	2.322.634.101	2.747.595.779
F) IZVANBILANČNI ZAPISI	061	99.239.905	99.165.729

PASIVA			
A) KAPITAL I REZERVE (063+064+065+071+072+075+078)	062	1.268.150.066	1.684.215.380
I. TEMELJNI (UPISANI) KAPITAL	063	1.096.055.100	1.065.463.400
II. KAPITALNE REZERVE	064		478.814.684
III. REZERVE IZ DOBITI (066+067-068+069+070)	065	165.571.872	156.420.895
1. Zakonske rezerve	066	70.645.522	57.792.194
2. Rezerve za vlastite dionice	067	10.517.027	9.425.816
3. Vlastite dionice i udjeli (odbitna stavka)	068	10.687.516	8.920.547
4. Statutarne rezerve	069		
5. Ostale rezerve	070	95.096.839	98.123.432
IV. REVALORIZACIJSKE REZERVE	071	1.368.553	1.055.498
V. ZADRŽANA DOBIT ILI PRENESENI GUBITAK (073-074)	072	53.171.812	-7.030.800
1. Zadržana dobit	073	53.171.812	
2. Preneseni gubitak	074		7.030.800
VI. DOBIT ILI GUBITAK POSLOVNE GODINE (076-077)	075	-74.366.300	-28.428.818
1. Dobit poslovne godine	076		
2. Gubitak poslovne godine	077	74.366.300	28.428.818
VII. MANJINSKI INTERES	078	26.349.029	17.920.521
B) REZERVIRANJA (080 do 082)	079	24.723.987	25.614.492
1. Rezerviranja za mirovine, otpremnine i slične obveze	080		
2. Rezerviranja za porezne obveze	081		
3. Druga rezerviranja	082	24.723.987	25.614.492
C) DUGOROČNE OBVEZE (084 do 092)	083	725.086.889	803.921.894
1. Obveze prema povezanim poduzetnicima	084	42.591.286	57.044.318
2. Obveze za zajmove, depozite i slično	085		
3. Obveze prema bankama i drugim financijskim institucijama	086	682.495.603	739.583.943
4. Obveze za predujmove	087		
5. Obveze prema dobavljačima	088		
6. Obveze po vrijednosnim papirima	089		
7. Obveze prema poduzetnicima u kojima postoje sudjelujući interesi	090		
8. Ostale dugoročne obveze	091		7.029.758
9. Odgođena porezna obveza	092		263.875
D) KRATKOROČNE OBVEZE (094 do 105)	093	290.648.422	201.801.005
1. Obveze prema povezanim poduzetnicima	094		568.087
2. Obveze za zajmove, depozite i slično	095		54.457
3. Obveze prema bankama i drugim financijskim institucijama	096	242.781.121	130.563.884
4. Obveze za predujmove	097	2.949.073	7.041.458
5. Obveze prema dobavljačima	098	31.640.039	42.541.779
6. Obveze po vrijednosnim papirima	099		
7. Obveze prema poduzetnicima u kojima postoje sudjelujući interesi	100		
8. Obveze prema zaposlenicima	101	8.045.876	11.300.650
9. Obveze za poreze, doprinose i slična davanja	102	4.084.992	5.344.455
10. Obveze s osnove udjela u rezultatu	103		
11. Obveze po osnovi dugotrajne imovine namijenjene prodaji	104		
12. Ostale kratkoročne obveze	105	1.147.321	4.386.235
E) ODGOĐENO PLAĆANJE TROŠKOVA I PRIHOD BUDUĆEGA RAZDOBLJA	106	14.024.737	32.043.008
F) UKUPNO – PASIVA (062+079+083+093+106)	107	2.322.634.101	2.747.595.779
G) IZVANBILANČNI ZAPISI	108	99.239.905	99.165.729
DODATAK BILANCI (popunjava poduzetnik koji sastavlja konsolidirani godišnji financijski izvještaj)			
A) KAPITAL I REZERVE			
1. Pripisano imateljima kapitala matice	109	1.241.801.037	1.666.294.859
2. Pripisano manjinskom interesu	110	26.349.029	17.920.521

RACUN DOBITI I GUBITKA u razdoblju 01.01.2011. do 31.12.2011.			
Obveznik: RIVIERA ADRIA d.d.			
Naziv pozicije	AOP oznaka	Prethodna godina	Tekuća godina
1	2	3	4
I. POSLOVNI PRIHODI (112+113)	111	622.546.108	739.560.696
1. Prihodi od prodaje	112	611.642.492	725.103.027
2. Ostali poslovni prihodi	113	10.903.616	14.457.669
II. POSLOVNI RASHODI (115+116+120+124+125+126+129+130)	114	617.787.411	719.515.330
1. Promjene vrijednosti zaliha proizvodnje u tijeku i gotovih proizvoda	115		
2. Materijalni troškovi (117 do 119)	116	204.584.549	239.566.091
a) Troškovi sirovina i materijala	117	118.366.019	136.678.563
b) Troškovi prodane robe	118	1.525.727	1.898.902
c) Ostali vanjski troškovi	119	84.692.803	100.988.626
3. Troškovi osoblja (121 do 123)	120	166.567.299	194.069.604
a) Neto plaće i nadnice	121	99.738.605	116.694.733
b) Troškovi poreza i doprinosa iz plaća	122	42.568.738	49.166.682
c) Doprinosi na plaće	123	24.259.956	28.208.189
4. Amortizacija	124	152.521.001	164.946.073
5. Ostali troškovi	125	85.243.437	114.625.132
6. Vrijednosno usklađivanje (127+128)	126	1.619.816	351.655
a) dugotrajne imovine (osim financijske imovine)	127		
b) kratkotrajne imovine (osim financijske imovine)	128	1.619.816	351.655
7. Rezerviranja	129	3.537.300	1.691.444
8. Ostali poslovni rashodi	130	3.714.009	4.265.331
III. FINANIJSKI PRIHODI (132 do 136)	131	18.844.870	9.585.436
1. Kamate, tečajne razlike, dividende i slični prihodi iz odnosa s	132	260	197
2. Kamate, tečajne razlike, dividende, slični prihodi iz odnosa s	133	18.237.184	9.190.365
3. Dio prihoda od pridruženih poduzetnika i sudjelujućih interesa	134		
4. Nerealizirani dobiti (prihodi) od financijske imovine	135		0
5. Ostali financijski prihodi	136	607.426	394.874
IV. FINANIJSKI RASHODI (138 do 141)	137	103.362.455	61.732.116
1. Kamate, tečajne razlike i drugi rashodi s povezanim poduzetnicima	138	27.353	26.478
2. Kamate, tečajne razlike i drugi rashodi iz odnosa s nepovezanim	139	102.351.825	51.948.426
3. Nerealizirani gubici (rashodi) od financijske imovine	140		8.594.517
4. Ostali financijski rashodi	141	983.277	1.162.695
V. UDIO U DOBITI OD PRIDRUŽENIH PODUZETNIKA	142		
VI. UDIO U GUBITKU OD PRIDRUŽENIH PODUZETNIKA	143		
VII. IZVANREDNI - OSTALI PRIHODI	144		
VIII. IZVANREDNI - OSTALI RASHODI	145		
IX. UKUPNI PRIHODI (111+131+142 + 144)	146	641.390.978	749.146.132
X. UKUPNI RASHODI (114+137+143 + 145)	147	721.149.866	781.247.446
XI. DOBIT ILI GUBITAK PRIJE OPOREZIVANJA (146-147)	148	-79.758.888	-32.101.314
1. Dobit prije oporezivanja (146-147)	149	0	0
2. Gubitak prije oporezivanja (147-146)	150	79.758.888	32.101.314
XII. POREZ NA DOBIT	151		-1.717.469
XIII. DOBIT ILI GUBITAK RAZDOBLJA (148-151)	152	-79.758.888	-30.383.845
1. Dobit razdoblja (149-151)	153	0	0
2. Gubitak razdoblja (151-148)	154	79.758.888	30.383.845
DODATAK RDG-u (popunjavanje poduzetnik koji sastavlja konsolidirani godišnji financijski izvještaj)			
XIV. DOBIT ILI GUBITAK RAZDOBLJA			
1. Pripisana imateljima kapitala matice	155	-74.366.300	-28.428.818
2. Pripisana manjinskom interesu	156	-5.392.588	-1.955.028
IZVJEŠTAJ O OSTALOJ SVEOBUHVAATNOJ DOBITI (popunjavanje poduzetnik obveznik primjene MSF-a)			
I. DOBIT ILI GUBITAK RAZDOBLJA (= 152)	157	-79.758.888	-30.383.845
II. OSTALA SVEOBUHVAATNA DOBIT/GUBITAK PRIJE POREZA (159 do 165)	158	-20.656	-49.180
1. Tečajne razlike iz preračuna inozemnog poslovanja	159		
2. Promjene revalorizacijskih rezervi dugotrajne materijalne i	160		
3. Dobit ili gubitak s osnove ponovnog vrednovanja financijske	161	-20.656	-49.180
4. Dobit ili gubitak s osnove učinkovite zaštite novčanog toka	162		
5. Dobit ili gubitak s osnove učinkovite zaštite neto ulaganja u inozemstvu	163		
6. Udio u ostaloj sveobuhvatnoj dobiti/gubitku pridruženih poduzetnika	164		
7. Aktuarski dobiti/gubici po planovima definiranih primanja	165		
III. POREZ NA OSTALU SVEOBUHVAATNU DOBIT RAZDOBLJA	166		
IV. NETO OSTALA SVEOBUHVAATNA DOBIT ILI GUBITAK	167	-20.656	-49.180
V. SVEOBUHVAATNA DOBIT ILI GUBITAK RAZDOBLJA (157+167)	168	-79.779.544	-30.433.025
DODATAK Izvještaju o ostaloj sveobuhvatnoj dobiti (popunjavanje poduzetnik koji sastavlja konsolidirani godišnji financijski)			
VI. SVEOBUHVAATNA DOBIT ILI GUBITAK RAZDOBLJA			
1. Pripisana imateljima kapitala matice	169	-74.386.956	-28.477.997
2. Pripisana manjinskom interesu	170	-5.392.588	-1.955.028

IZVJESTAJ O NOVČANOM TIJEKU - Indirektna metoda			
u razdoblju 01.01.2011. do 31.12.2011.			
Obveznik: RIVIERA ADRIA d.d.			
Naziv pozicije	AOP oznaka	Prethodna godina	Tekuća godina
1	2	3	4
NOVČANI TIJEK OD POSLOVNIH AKTIVNOSTI			
1. Dobit prije poreza	001	-79.758.888	-30.383.846
2. Amortizacija	002	152.521.001	164.946.072
3. Povećanje kratkoročnih obveza	003	209.646	40.774.885
4. Smanjenje kratkotrajnih potraživanja	004	1.592.790	2.325.300
5. Smanjenje zaliha	005	602.910	99.589
6. Ostalo povećanje novčanog tijeka	006	3.803.467	9.598.032
I. Ukupno povećanje novčanog tijeka od poslovnih aktivnosti (001 do 006)	007	78.970.926	187.360.032
1. Smanjenje kratkoročnih obveza	008	4.379.643	180.732
2. Povećanje kratkotrajnih potraživanja	009	5.052.499	6.029.083
3. Povećanje zaliha	010	565.301	1.019.742
4. Ostalo smanjenje novčanog tijeka	011		8.195.235
II. Ukupno smanjenje novčanog tijeka od poslovnih aktivnosti (008 do 011)	012	9.997.443	15.424.792
A1) NETO POVEĆANJE NOVČANOG TIJEKA OD POSLOVNIH	013	68.973.483	171.935.240
A2) NETO SMANJENJE NOVČANOG TIJEKA OD POSLOVNIH	014	0	0
NOVČANI TIJEK OD INVESTICIJSKIH AKTIVNOSTI			
1. Novčani primici od prodaje dugotrajne materijalne i nematerijalne imovine	015		152.637
2. Novčani primici od prodaje vlasničkih i dužničkih instrumenata	016		
3. Novčani primici od kamata	017		
4. Novčani primici od dividendi	018		
5. Ostali novčani primici od investicijskih aktivnosti	019		201.471
III. Ukupno novčani primici od investicijskih aktivnosti (015 do 019)	020	0	354.108
1. Novčani izdaci za kupnju dugotrajne materijalne i nematerijalne imovine	021	102.711.006	467.421.252
2. Novčani izdaci za stjecanje vlasničkih i dužničkih financijskih instrumenata	022		6.907.815
3. Ostali novčani izdaci od investicijskih aktivnosti	023		
IV. Ukupno novčani izdaci od investicijskih aktivnosti (021 do 023)	024	102.711.006	474.329.067
B1) NETO POVEĆANJE NOVČANOG TIJEKA OD INVESTICIJSKIH	025	0	0
B2) NETO SMANJENJE NOVČANOG TIJEKA OD INVESTICIJSKIH	026	102.711.006	473.974.959
NOVČANI TIJEK OD FINACIJSKIH AKTIVNOSTI			
1. Novčani primici od izdavanja vlasničkih i dužničkih financijskih instrumenata	027		
2. Novčani primici od glavnice kredita, zadužnica, pozajmica i drugih posudbi	028	104.655.010	85.493.524
3. Ostali primici od financijskih aktivnosti	029	55.141	466.714.885
V. Ukupno novčani primici od financijskih aktivnosti (027 do 029)	030	104.710.151	552.208.409
1. Novčani izdaci za otplatu glavnice kredita i obveznica	031	125.831.263	140.290.300
2. Novčani izdaci za isplatu dividendi	032		
3. Novčani izdaci za financijski najam	033		
4. Novčani izdaci za otkup vlastitih dionica	034	199.265	124.977
5. Ostali novčani izdaci od financijskih aktivnosti	035	48.671	313.055
VI. Ukupno novčani izdaci od financijskih aktivnosti (031 do 035)	036	126.079.199	140.728.332
C1) NETO POVEĆANJE NOVČANOG TIJEKA OD FINACIJSKIH	037	0	411.480.077
C2) NETO SMANJENJE NOVČANOG TIJEKA OD FINACIJSKIH	038	21.369.048	0
Ukupno povećanje novčanog tijeka (013 – 014 + 025 – 026 + 037 – 038)	039	0	583.415.317
Ukupno smanjenje novčanog tijeka (014 – 013 + 026 – 025 + 038 – 037)	040	55.106.571	473.974.959
Novac i novčani ekvivalenti na početku razdoblja	041	108.048.434	52.941.864
Povećanje novca i novčanih ekvivalenata	042		109.440.358
Smanjenje novca i novčanih ekvivalenata	043	55.106.571	
Novac i novčani ekvivalenti na kraju razdoblja	044	52.941.863	162.382.222

IZVJEŠTAJ O PROMJENAMA KAPITALA			
	za razdoblje od	1.1.2011	do 31.12.2011
Naziv pozicije	AOP oznaka	Prethodna godina	Tekuća godina
1	2	3	4
1. Upisani kapital	001	1.096.055.100	1.065.463.400
2. Kapitalne rezerve	002		478.814.684
3. Rezerve iz dobiti	003	165.571.872	156.420.895
4. Zadržana dobit ili preneseni gubitak	004	53.171.812	-7.030.800
5. Dobit ili gubitak tekuće godine	005	-74.366.300	-28.428.818
6. Revalorizacija dugotrajne materijalne imovine	006		
7. Revalorizacija nematerijalne imovine	007		
8. Revalorizacija financijske imovine raspoložive za prodaju	008	1.368.553	1.055.498
9. Ostala revalorizacija	009		
10. Ukupno kapital i rezerve (AOP 001 do 009)	010	1.241.801.037	1.666.294.859
11. Tečajne razlike s naslova neto ulaganja u inozemno poslovanje	011		
12. Tekući i odgođeni porezi (dio)	012		
13. Zaštita novčanog tijeka	013		
14. Promjene računovodstvenih politika	014		
15. Ispravak značajnih pogrešaka prethodnog razdoblja	015		
16. Ostale promjene kapitala	016		
17. Ukupno povećanje ili smanjenje kapitala (AOP 011 do 016)	017	0	0
17 a. Pripisano imateljima kapitala matice	018		
17 b. Pripisano manjinskom interesu	019		
Stavke koje umanjuju kapital upisuju se s negativnim predznakom			
Podaci pod AOP oznakama 001 do 009 upisuju se kao stanje na datum bilance			

Bilješke uz financijske izvještaje									
(1) Bilješke uz financijske izvještaje sadrže dodatne i dopunske informacije koje nisu prezentirane u bilanci, računu dobiti i gubitka, izvještaju o novčanom tijeku i izvještaju o promjenama kapitala sukladno odredbama odgovarajućih standarda financijskog izvještavanja. (2) Bilješke uz godišnji financijski izvještaj objavljuju se u punom sadržaju sukladno odgovarajućim odredbama standarda financijskog izvještavanja.									

RIVIERA ADRIA d.d.

RIVIERA ADRIA d.d. – GROUP

Auditor's Report
Commentary

RIVIERA ADRIA d.d., Poreč

**INDEPENDENT AUDITOR'S REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2011**



Independent auditor's report

To the Shareholders and the Management Board of Riviera Adria d.d.

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



Opinion

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

Emphasis of matter

We draw attention to Note 33 to these consolidated financial statements that describes the Group's contingencies with respect to ownership of land not evaluated in the transformation and privatisation process. Problems with respect to land ownership disputes are common for the majority of tourism companies in the Republic of Croatia. Their resolution is expected in the future upon completion of the process of obtaining concessions and establishing ownership rights in accordance with and pursuant to the provisions of the Law on Tourist and Other Construction Land, not evaluated in the transformation and privatisation process, which entered into force on 1 August 2010. Although the Group is not in a position to estimate reliably the outcome of these disputes and contingencies in these consolidated financial statements, in addition to incurring additional liabilities with respect to concessions, the Group may also lose a part of operating assets, if the disputes are resolved unfavourably for the Group. Our opinion was not qualified in this respect.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers d.o.o.'.

PricewaterhouseCoopers d.o.o.
Zagreb, 3 April 2012

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

RIVIERA ADRIA d.d., POREČ
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

<i>(all amounts are expressed in thousands of HRK)</i>	Note	2011	2010
Sales	5	724,491	611,347
Other income	6	10,286	10,720
Cost of materials and services	7	(282,307)	(236,874)
Staff costs	8	(223,354)	(189,124)
Depreciation and amortisation	14, 15	(164,946)	(152,521)
Other operating expenses	9	(44,044)	(38,055)
Other (losses)/gains – net	10	(794)	1,476
Operating profit		19,332	6,969
Finance income	11	4,484	3,655
Finance costs	11	(55,917)	(90,383)
Finance costs – net	11	(51,433)	(86,728)
Loss before tax		(32,101)	(79,759)
Income tax	12	1,717	-
Loss for the year		(30,384)	(79,759)
Other comprehensive income:			
Change in value available- for- sale financial assets	18	(50)	(20)
Total comprehensive loss for the year		(30,434)	(79,779)
Attributable to:			
Owners of the parent		(28,428)	(74,366)
Non- controlling interests		(1,956)	(5,393)
		(30,384)	(79,759)
Loss per share (in HRK) attributable to equity holders of the Company during the year:	13		
- basic and diluted		(0.339)	(1.024)

The consolidated financial statements set out on pages 3 to 64 were approved by the Company's Management Board on 2 April 2012.

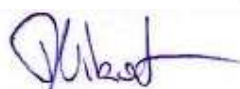
President of the
Management Board
Edi Černjul



Member of the
Management Board
Marko Čížmek



Member of the
Management Board
Tihomir Nikolaš



RIVIERA ADRIA D.D.
POREČ
(4)

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

RIVIERA ADRIA d.d., POREČ**BALANCE SHEET****AS AT 31 DECEMBER 2011**

		31 December	
(all amounts are expressed in thousands of HRK)	Note	2011	2010
ASSETS			
Non-current assets			
Property, plant and equipment	14	2,523,935	2,222,531
Intangible assets	15	1,523	757
Interest in joint venture	32	1,109	1,490
Deferred tax assets	24	1,717	-
Available-for-sale financial assets	18	2,911	2,941
Derivative financial instruments	23	916	
Loans and deposits	19	1,168	1,015
		2,533,279	2,228,734
Current assets			
Inventories	20	7,180	6,260
Trade and other receivables	21	42,152	31,797
Income tax receivable	12	490	2,297
Loans and deposits	19	155	156
Financial assets at fair value through profit or loss	22	1,196	263
Derivative financial instruments	23	760	-
Cash and cash equivalents	25	162,383	52,942
		214,316	93,715
Non-current assets held for sale	16	-	184
Total assets		2,747,595	2,322,633
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	26	1,065,463	1,096,055
Treasury shares	26	(12,154)	(12,822)
Share premium	26	483,174	-
Reserves	27	156,457	179,564
Accumulated losses		(26,646)	(21,011)
		1,666,294	1,241,786
Non-controlling interests		17,921	26,365
Total equity		1,684,215	1,268,151
Liabilities			
Non-current liabilities			
Borrowings	28	796,629	725,087
Derivative financial instruments	23	7,132	-
Deferred tax liabilities	24	264	-
Provisions for other liabilities and charges	30	25,615	24,724
Current liabilities		829,640	749,811
Trade and other payables	29	91,034	58,360
Borrowings	28	130,618	242,781
Derivative financial instruments	23	3,138	-
Provisions for other liabilities and charges	30	8,950	3,530
		233,740	246,311
Total liabilities		1,063,380	1,054,482
Total equity and liabilities		2,747,595	2,322,633

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

RIVIERA ADRIA d.d., POREČ
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

<i>(in thousands of HRK)</i>		Attributable to equity holders of the Company					Total	Non-controlling interests	Total equity
		Share capital	Treasury shares	Share premiums	Reserves	(Accumulated loss)/retained earnings			
Balance at 1 January 2010		1,096,055	(6,179)	(6,444)	169,495	62,710	1,315,637	31,694	1,347,331
Loss for the year		-	-	-	-	(74,366)	(74,366)	(5,393)	(79,759)
Other comprehensive loss		-	-	-	(20)	-	(20)	-	(20)
Total comprehensive loss for the year		-	-	-	(20)	(74,366)	(74,386)	(5,393)	(79,779)
Transfer to reserves	27	-	-	-	10,089	(10,089)	-	-	-
Elimination of joint venture		-	-	-	-	734	734	64	798
Purchase of treasury shares	26	-	(199)	-	-	-	(199)	-	(199)
Balance at 31 December 2010		1,096,055	(6,378)	(6,444)	179,564	(21,011)	1,241,786	26,365	1,268,151
Loss for the year		-	-	-	-	(28,428)	(28,428)	(1,956)	(30,384)
Other comprehensive loss		-	-	-	(50)	-	(50)	-	(50)
Total comprehensive loss for the year		-	-	-	(50)	(28,428)	(28,478)	(1,956)	(30,434)
Differed tax liabilities	24	-	-	-	(264)	-	(264)	-	(264)
Coverage of loss for 2010	27	-	-	-	(22,793)	22,793	-	-	-
Decrease in registered capital	26/iii/	(365,352)	1988	363,364	-	-	-	-	-
Issue of ordinary shares related to merger	26/iii/	334,760	-	-	-	-	334,760	-	334,760
Effect of merger		-	-	116,697	-	-	116,697	-	116,697
Reissue treasury shares related to merger	26/iii/	-	11	17	-	-	28	-	28
Reissue and purchase of treasury shares		-	704	(64)	-	-	640	-	640
Total contributions by and distributions to owners of the company, recognised directly in equity		(30,592)	2,703	480,014	(23,057)	22,793	451,861	-	451,861
Acquisition of non-controlling interests	31	-	-	1,125	-	-	1,125	(6,488)	(5,363)
Balance at 31 December 2011		1,065,463	(3,675)	474,695	156,457	(26,646)	1,666,294	17,921	1,684,215

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

(all amounts are expressed in thousands of HRK)

	Note	2011	2010
Cash flows generated from operating activities			
Cash generated from operations	34	179,775	157,454
Income tax paid		(490)	(3,678)
Interest paid		(24,739)	(22,579)
Net cash generated from operating activities		154,546	131,197
Cash flows from investing activities			
Cash agreed upon merger	36	129,471	-
Purchases of property, plant and equipment		(43,224)	(101,852)
Purchases of intangible assets	15	(825)	(216)
Loans and deposits granted		(187)	-
Liquidation of subsidiary	16	184	-
Proceeds from sale of property, plant and equipment	34	715	312
Loan repayments received		35	138
Interest received	6, 11	4,245	3,908
Dividends received	6	123	104
Net cash from/(used in) investing activities		90,537	(97,606)
Cash flows from financing activities			
Acquisition of additional interest in a subsidiary	31	(5,363)	-
Proceeds from reissue of treasury shares	26/iii/	764	-
Purchase of treasury shares		(124)	(199)
Proceeds from borrowings		156,445	61,782
Repayments of borrowings		(288,833)	(152,176)
Net cash used in financing activities		(137,111)	(90,593)
Net increase/(decrease) in cash and cash equivalents		107,972	(57,002)
Cash and cash equivalents at beginning of year		52,942	108,075
Exchange gains on cash and cash equivalents		1,469	1,869
Cash and cash equivalents at end of year	25	162,383	52,942

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

NOTE 1 – GENERAL INFORMATION

The Riviera Adria Group consists of Riviera Adria d.d., Poreč a joint-stock company registered for hospitality and tourism services (the parent Company) and its subsidiaries (the Group):

- Dubrovnik-Babin kuk d.d., Dubrovnik, a joint-stock company registered for hospitality and tourism, in 93.92% ownership,

Dubrovnik- Babin kuk d.d., Dubrovnik has 100% ownership interest in the following subsidiaries: Elafiti Babin kuk d.o.o., Dubrovnik, Palme turizam d.o.o., Dubrovnik, Hotel Plakir d.o.o., Dubrovnik, Magične stijene d.o.o., Dubrovnik and a 49.67% share in the joint venture Pogača Babin kuk d.o.o., Dubrovnik. Based on Management decision, on 20 December 2010 Dubrovnik- Babin kuk d.d., Dubrovnik filed a request at the Commercial Court in Dubrovnik for initiating bankruptcy proceedings over Hotel Plakir d.o.o. The Court has not as yet reached a decision.

The Group's primary activities are hospitality services (hotels and apartments, camps, restaurants and other hospitality facilities). The Riviera Adria Group, Poreč is controlled by Adria Valamar holding d.d., Zagreb incorporated in the Republic of Croatia. The equity ownership structure as at 31 December 2011 and 2010 is presented in Note 26.

As at 29 June 2011, a merger Agreement was concluded, whereby companies ZLATNI OTOK d.d. and RABAC, d.d. were merged into RIVIERA ADRIA d.d. The merger was registered in the Court Registry of the Commercial Court in Rijeka, Pazin office as at 31 August 2011, with legal effect as of 1 September 2011. By this registration, merged companies ZLATNI OTOK d.d. and RABAC, d.d. ceased to exist, and company RIVIERA ADRIA d.d. as the takeover company, which simultaneously with the registration of the merger changed its name into Riviera Adria d.d., took over all assets, all rights and all liabilities of the merged companies in exchange for shares of the takeover company – Riviera Adria d.d. and is the universal legal successor. The effect of the merger is set out in Note 36.

The registered office of the Riviera Adria d.d. Group is in Poreč, Stancija Kaligari 1, Croatia.

As at 31 December 2011 and 2010, the Company's shares were listed on the regular joint stock company listing on the Zagreb Stock Exchange.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures

- a) *During the year, the Group adopted the following new and amended IFRSs and interpretations of the International Financial Reporting Interpretations Committee (IFRIC). If the application of standards or interpretations impacted the Group's financial statements or result, the impact is stated.*

Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for financial years beginning on or after 1 February 2010)

The amendment allows rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The adoption of the amendment did not have any impact on the financial position and performance of the Group, as the Group does not have such instruments.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for financial years beginning on or after 1 July 2010)

The interpretation clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The adoption of the interpretation did not have any impact on the financial statements as the Group does not negotiate such terms with its creditors.

Amendment to IFRS 1 First time adoption – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for financial years beginning on or after 1 July 2010)

The amendment clarifies that first time adopters do not need to provide comparative disclosures as introduced by the IFRS 7 amendment issued in March 2009. The adoption of the amendment did not affect the financial position of the Group.

Amendments to IAS 24 Related Party Disclosures (effective for financial years beginning on or after 1 January 2011)

The amendments simplify the definition of a related party and modify certain related-party disclosure requirements for government-related entities. An executory contract was added in the related parties' disclosures.

Amendment to IFRIC 14 The Limit On A Defined Benefit Assets, Minimum Funding Requirements And Their Interaction (effective for financial years beginning on or after 1 January 2011)

Removes unintended consequences arising from the treatment of pre-payments where there is a minimum funding requirement. Results in pre-payments of contributions in certain circumstances being recognised as an asset rather than an expense. The Group is not subject of minimum funding requirements; therefore the amendment of the interpretation did not have any effect on the financial position and performance of the Group.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures

b) Improvements to International Financial Reporting Standards (issued in May 2010)

The International Accounting Standards Board (IASB) issued a set of amendments to IFRSs. Adopted amendments derived from improvements to IFRSs to the following standards had no impact on the Group's accounting policies, financial position or result:

IFRS 1 First Time Adoption (effective for annual periods beginning on or after 1 January 2011)

- (d) *Accounting policy changes in the year of adoption* - Clarifies that, if a first-time adopter changes its accounting policies or its use of the exemptions in IFRS 1 after it has published an interim financial report in accordance with IAS 34, *Interim financial reporting*, it should explain those changes and update the reconciliations between previous accounting standards and IFRS.
- (e) *Revaluation basis as deemed cost* - Allows first-time adopters to use an event-driven fair value as deemed cost, even if the event occurs after the date of transition but before the first IFRS financial statements are issued. When such remeasurement occurs after the date of transition to IFRSs but during the period covered by its first IFRS financial statements, any subsequent adjustment to that event-driven fair value is recognised in equity.
- (f) *Use of deemed cost for operations subject to rate regulation* - Entities subject to rate regulation are allowed to use carrying amounts of property, plant and equipment or intangible assets according to previous accounting standards as deemed cost on an item-by-item basis. Entities that use this exemption are required to test each item for impairment under IAS 36 at the date of transition.

IFRS 3 Business combinations (effective for annual periods beginning on or after 1 July 2010)

- (d) *Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS* - Clarifies that the amendments to IFRS 7, *Financial instruments: Disclosures*, IAS 32, *Financial instruments: Presentation*, and IAS 39, *Financial instruments: Recognition and measurement*, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).
- (e) *Measurement of non-controlling interests* - The choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by IFRS.
- (f) *Un-replaced and voluntarily replaced share-based payment awards* - The application guidance in IFRS 3 applies to all share-based payment transactions that are part of a business combination, including un-replaced and voluntarily replaced share-based payment awards.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures

IFRS 7 Financial Instruments - Emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments.

IAS 1 Presentation of financial statements - Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

IAS 27 Consolidated and separate financial statements - Clarifies that the consequential amendments from IAS 27 made to *IAS 21, The effect of changes in foreign exchange rates*, *IAS 28, Investments in associates*, and *IAS 31, Interests in joint ventures*, apply prospectively for annual periods beginning on or after 1 July 2009, or earlier when IAS 27 is applied earlier.

IAS 34 Interim financial reporting - Provide guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around: the circumstances likely to affect fair values of financial instruments and their classification; transfers of financial instruments between different levels of the fair value hierarchy; changes in classification of financial assets; and changes in contingent liabilities and assets.

IFRIC 13 Customer loyalty programmes - The meaning of 'fair value' is clarified in the context of measuring award credits under customer loyalty programmes.

c) Standards and interpretations that have been issued but are not yet effective

Below is a list of standards/interpretations that have been issued and are effective for periods after 1 January 2011:

Amendments to IFRS 7 Financial Instruments: Disclosures on Derecognition (effective for annual periods beginning on or after 1 July 2011)

This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The amendment only affects the presentation and therefore any impact on the Group's financial position or result is not expected. The Group plans to adopt the new standard as of the effective date.

Amendments to IFRS 1 First Time Adoption: Fixed Dates and Hyperinflation (effective for annual periods beginning on or after 1 July 2011)

These amendments include two changes to *IFRS 1 First-time adoption of IFRS*. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to IFRSs', thus eliminating the need for entities adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. Amendments will have no impact on the Group's financial position or result as the Group is not a first-time adopter.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures

IAS 12 Income Taxes – Deferred Taxes (effective for annual periods beginning on or after 1 January 2012)

IAS 12 Income taxes, currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in *IAS 40 Investment property*. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, *SIC 21 Income taxes - recovery of revalued non-depreciable assets*, will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. It is not expected to have any impact on the Group's financial statements, as the Group currently does not hold investment assets recognised under the revaluation model that are not depreciated.

Amendment to IAS 1 Financial Statement Presentation Regarding Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012)

The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendment only affects the presentation and therefore any impact on the Group's financial position or result is not expected.

Amendment to IAS 19 Employee Benefits (effective for annual periods beginning on or after 1 January 2013)

These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. The amendment might have an impact on the Group's financial position or result.

IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2015)

IFRS 9 is the first standard issued as part of a wider project to replace *IAS 39 Financial Instruments: Recognition and Measurement*.

IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. It is not expected to have any impact on the Group's financial statements. The Group plans to adopt the new standard as of the effective date.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures

IFRS 10 Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013)

The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. Defines the principle of control, and establishes controls as the basis for consolidation. Set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. Sets out the accounting requirements for the preparation of consolidated financial statements. The Group is currently assessing the impact of IFRS 10 on the financial statements. The Group plans to adopt the new standard as of the effective date.

IFRS 11 Joint Arrangements (effective for annual periods beginning on or after 1 January 2013)

IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group expects that IFRS 11 might have an impact on its financial statements and is currently assessing its impact. The Group plans to adopt the new standard as of the effective date.

IFRS 12 Disclosures of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2013)

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is currently assessing the impact of IFRS 12 on the financial statements. The Group plans to adopt the new standard as of the effective date.

IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013)

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group is currently assessing the impact of IFRS 13 on the financial statements. The Group plans to adopt the new standard as of the effective date.

IAS 27 (revised 2011) Separate Financial Statements (effective for annual periods beginning on or after 1 January 2013)

IAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The Group is currently assessing the impact of IAS 27 on the financial statements. The Group plans to adopt the new standard as of the effective date.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures

IAS 28 (revised 2011) Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2013)

IAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 10. The Group is currently assessing the impact of IAS 28 on the financial statements. The Group plans to adopt the new standard as of the effective date.

IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine, (issued in October 2011 and effective for annual periods beginning on or after 1 January 2013)

The interpretation clarifies that benefits from the stripping activity are accounted for in accordance with the principles of IAS 2, *Inventories*, to the extent that they are realised in the form of inventory produced. To the extent the benefits represent improved access to ore, the entity should recognise these costs as a 'stripping activity asset' within non-current assets, subject to certain criteria being met. This amendment is not applicable to the Group's operations.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014).

The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The Group is assessing the impact of this amendment.

Disclosures—Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013)

The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amendment will have an impact on disclosures but will have no effect on measurement and recognition of financial instruments.

2.2 Consolidation

(a) Subsidiaries

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Joint ventures

The Group's interests in joint ventures are accounted for the equity method. Under this method, an interest in a jointly controlled entity is initially recorded at cost and adjusted thereafter for the post-acquisition change in the venturer's share of net assets of the jointly controlled entity. The profit or loss of the venturer includes the venturer's share of the profit or loss of the jointly controlled entity.

2.3 Merger of entities from parties under common control

Merger of entities from parties under common control are accounted for using the pooling of interest method. Under this method, the assets and liabilities of the entities under common control are transferred at the predecessor entity's carrying amounts. Related goodwill inherent in the predecessor entity's original acquisitions is also recorded in these financial statements. Any difference between the carrying amount of net assets, and the consideration paid is accounted for in these financial statements as an adjustment to equity.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is a person or group responsible for allocating resources and assessing performance of the operating segments. The chief operating decision-maker is the Group Management and the company Valamar hoteli i ljetovališta d.o.o. which is in charge of managing hotel and tourist facilities and contents (Tourism).

2.5 Foreign currencies

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.6 Property, plant and equipment**

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. The cost of replacement of larger items of property, plant and equipment is capitalised, and the carrying amount of replaced parts is derecognised.

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

Buildings	10-25
Machinery and equipment	4-10
Furniture, tools and horticulture	3-10

Depreciation is calculated for each asset until the asset is fully depreciated or to its residual values. The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount, and are recognised within 'other (losses)/gains – net' in the statement of comprehensive income.

2.7 Intangible assets

Separately acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of up to 4 years.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (24 hotels, 9 apartments and 9 campsites as cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Non-current assets classified as held for sale

Non-current assets are classified in the balance sheet as 'Non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying and fair value, less costs to sell. The assets should be available for immediate sale in their present condition and their sale should be very likely. Gains and losses on sale of non-current assets held for sale are included in the statement of comprehensive income within 'other (losses)/gains-net'.

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

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

This category includes financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets except derivative financial instruments stated in Note 2.12.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables comprise trade and other receivables, as well as cash and cash equivalents in the balance sheet (Notes 2.15 and 2.16).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the balance sheet date. Available-for-sale financial assets are carried at fair value.

2.10.2 Measurement and recognition

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets (continued)

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'other (losses)/gains- net' in the period in which they arise. Gain and losses arising from changes in the fair value of interest rate swap are presented in the statement of comprehensive income within 'financial costs/income'. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of 'other income' when the Group's right to receive payment is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity (other comprehensive income). When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions and references to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2.11 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the statement of comprehensive income within "other operating expenses". Subsequent recoveries of amounts previously written off are credited against 'other operating expenses' in the statement of comprehensive income.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Impairment of financial assets (continued)

(b) Assets classified as available for sale

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive income – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income and recognised within ‘other (losses)/gains-net’.

2.12 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. All derivatives are through profit or loss.

The fair values of derivative financial instruments are disclosed in Note 23.

The full fair value of derivative is classified as a non-current asset or liability when the remaining maturity of the contract is more than 12 months, and as a current asset or liability when the remaining maturity of the contract is less than 12 months.

Derivative financial instruments include foreign currency forward contracts and interest rate swaps (replacement of variable interest rates by fixed ones) in foreign currencies. Derivative financial instruments are recognised in the balance sheet at fair value. The fair value is determined according to the market value or MTM (Mark to market) value of market transactions at the valuation date. All derivatives are recorded in the balance sheet as assets when their fair value is positive, and as liabilities when their fair value is negative.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Leases

Leases in which a significant portion of risks and rewards of ownership are not retained by the Group are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of fair value of the leased property or the present value of minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other non-current liabilities. The interest element of the finance costs is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life or the lease term.

2.14 Inventories

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

2.15 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and loan receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.16 Cash and cash equivalents

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

2.17 Share capital

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

2.19 Trade payables

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

2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in equity. In that case tax is also recognised in equity.

The current income tax charge is calculated at a rate of 20% according to Croatian laws and regulations. Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Employee benefits

(a) Pension obligations and post-employment benefits

In the normal course of business through salary deductions, the Group makes payments to mandatory pension funds on behalf of its employees as required by law. All contributions made to the mandatory pension funds are recorded as salary expense when incurred. The Group does not have any other pension scheme and consequently, has no other obligations in respect of employee pensions. In addition, the Group is not obliged to provide any other post-employment benefits.

(b) Termination benefits

Termination benefits are recognised when the Group terminates employment contracts of employees before their normal retirement date in accordance with pension and labour regulations. The Group recognises termination benefits when it has made an individual decision on the termination of an employment agreement due to business or personal reasons, whereby the liability to pay termination benefits is objectively determined, in accordance with regulations and by-laws. Benefits falling due more than 12 months after the balance sheet date are discounted to the present value.

(c) Short-term employee benefits

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

2.22 Provisions

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

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

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

2.23 Revenue recognition

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Revenue recognition(continued)

(a) Sales of services

Revenue from hotel and tourist services is recognised in the period the services are provided.

Revenue from fixed-price contracts for services is generally recognised in the period the services are provided, using a straight-line basis over the terms of contracts with tourist agencies and tour operators.

b) Rental of services

Revenue for rental services is generally recognised in the period the services are provided, using a straight-line basis over the terms of contracts with lesser.

(c) Interest income

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

(c) Dividend income

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

2.24 Earnings per share

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

2.25 Value added tax

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

NOTE 3 – FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group does not have a written risk management programme, but overall risk management in respect of these risks is carried out by the Group management. However, the Group actively hedges interest rate and foreign exchange risks through instruments available in the market for the purpose of mitigating these risks. Internal objectives and risk management policies relate to hedging foreign exchange inflows during the seasonal activity and a partial interest rate hedge of loan principal.

(a) Market risk

(i) Foreign exchange risk

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

The majority of foreign sales revenue and long-term debt is denominated in EUROS and Swiss francs (Note 28). Therefore, movements in exchange rates between the EURO, Swiss franc and Croatian kuna may have an impact on the results of future operations and future cash flow. The Group uses derivative instruments in accordance with operating estimates and expected market movements (Note 23).

At 31 December 2011, if the EURO had weakened/strengthened by 2% against the HRK, with all other variables held constant, the net profit for the year would have been HRK 5,865 thousand higher/(lower) mainly as a result of foreign exchange gains/(losses) on translation of EURO denominated trade receivables, borrowings, trade and other payables, foreign cash funds and bonds of Republic of Croatia and including the impact of fair value gains/ (losses) from forward contracts in EUR

At 31 December 2010, if the EURO had weakened/strengthened by 1.2% against the HRK, with all other variables held constant, the loss for the reporting period would have been HRK 5,146 thousand (lower)/higher, mainly as a result of foreign exchange gains/(losses) on translation of EURO denominated borrowings, trade receivables and payables, financial assets at fair value through profit or loss and foreign cash funds.

At 31 December 2011, if the CHF had weakened/strengthened by 4% against the HRK, with all other variables held constant, the net profit for the year would have been HRK 4,673 thousand higher/(lower) mainly as a result of foreign exchange gains/(losses) on translation of CHF-denominated borrowings and foreign cash funds and including the impact of fair value gains/ (losses) from forward contracts in CHF.

At 31 December 2010, if the CHF had weakened/strengthened by 2.5% against the HRK, with all other variables held constant, the loss for the reporting period would have been HRK 6,906 thousand (lower)/higher, mainly as a result of foreign exchange gains/(losses) on translation of CHF-denominated borrowings and foreign cash funds.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(ii) Cash flow and fair value interest rate risk

The Group has interest-bearing assets (Note 19 and 25), and therefore the Group's income and operating cash flows are influenced by changes in market interest rates.

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group uses derivative instruments to actively hedge cash flow and fair value interest rate risk exposure.

At 31 December 2011, if interest rates on currency-denominated borrowings had been higher/lower by 0.18%, with all other variables held constant, the net profit for the year would have been HRK 728 thousand (lower)/higher, mainly as a result of higher/lower interest expense on variable-rate borrowings and including the impact of fair value adjustment of bank borrowings attributable to interest rate swap.

At 31 December 2010, if interest rates on currency-denominated borrowings had been higher/lower by 3.5%, with all other variables held constant, the loss for the year would have been HRK 11,042 thousand higher/(lower), mainly as a result of higher/lower interest expense on variable rate borrowings.

At 31 December 2011, if interest rates on currency-denominated deposits had been 0.48% (2010: 2%) higher/lower, with all other variables held constant, the loss for the year would have been HRK 284 thousand (2010: HRK 148 thousand) (lower)/higher, mainly as a result of higher/lower interest income on variable rate deposits.

The Group is not exposed to fair value interest rate risk since it has no significant financial instruments at fair value.

(iii) Equity securities risk

The Group owns equity securities and is exposed to price risk of listed equity securities, which are classified as financial assets available for sale and at fair value through profit or loss. The Group invests in securities listed on the Zagreb Stock Exchange (ZSE).

As at 31 December 2011 and 2010, if the indices of the ZSE had been higher/lower by 4.59% for 2011 and 4% for 2010 (which was the average index movement), with all other variables held constant, reserves within equity and other comprehensive income would have been HRK 101 thousand (2010: HRK 89 thousand) higher/lower as a result of gains/losses on equity securities available for sale, while the loss for the year would have been HRK 7 thousand (2010: HRK 8 thousand) (lower)/higher as a result of fair value gains/losses on financial assets at fair value through profit or loss.

As at 31 December 2011, if the index of the ZSE had been higher/lower by 1.59%, (31 December 2010: 7%) with all other variables held constant, the loss for the year would have been HRK 13 thousand (31 December 2010: HRK 0 thousand) (lower)/higher as a result of gains/losses on financial assets at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

The Group has no significant concentrations of credit risk. Credit risk arises from cash, time deposits and trade receivables. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history, i.e. the Group's policy ensures that sales to customers are settled through advance payments, in cash or by major credit cards (individual customers). The Group holds advances, bills of exchange, promissory notes and periodically mortgage security for collection.

Provisions for impairment of trade, loan and other receivables have been made on the basis of credit risk assessment. Management monitors the collectibility of receivables through weekly reports on individual balances of receivables. Impairment of trade receivables is performed when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of trade and other receivables has been written down to their recoverable amount. The Group has policies that limit the amount of credit exposure to any financial institution. Cash transactions are carried out through high quality Croatian banks. The Group has only short-term highly liquid instruments with maturity periods of three months or less. For further presentation of credit risk, see Notes 17b and 21.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash (Note 19 and 25), the availability of funding through an adequate amount of committed credit facilities (Note 28) and the ability to meet all obligations. The Group aims to maintain flexibility in funding by keeping committed credit lines available. Management daily monitors available cash resources based on reports on the balance of cash and liabilities.

The table below analyses financial liabilities of the Group according to contracted maturities. The amounts stated below represent undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 3 months	3 months- 1 year	1-2 years	2-5 years	Over 5 years
At 31 December 2011					
Trade payables	49,670	2,500	-	-	-
Borrowings	27,152	126,670	355,908	342,283	169,360
Derivative financial instruments	1,646	1,492	2,728	3,607	615
Total liabilities (contractual maturities)	78,468	130,662	358,636	345,890	169,975
At 31 December 2010					
Trade payables	27,762	4,614	-	-	-
Borrowings	22,625	244,540	353,118	280,324	151,448
Total liabilities (contractual maturities)	50,387	249,327	353,118	280,324	151,448

The Company included foreign currency forward contracts with negative fair value at fair value in the amount of HRK 441 thousand within the period 'less than 3 months'.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital management

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

3.3 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Quoted market prices for similar instruments are used for long-term debt. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation(continued)

The following table presents assets measured at fair value as at:

	Level 1	Level 2	Level 3	Total
At 31 December 2010				
Available-for-sale financial assets	2,742	-	-	2,742
-equity securities	-	1,676	-	1,676
Derivative financial instruments	-	-	-	-
Financial assets at fair value through profit or loss	200	-	-	200
-debt securities	996	-	-	996
-equity securities				
Total assets	3,938	1,676	-	5,614
Derivative financial instruments	-	10,270	-	10,270
Total liabilities	-	10,270	-	10,270
At 31 December 2010				
Available-for-sale financial assets	2,792	-	-	2,792
-equity securities	-	-	-	-
Financial assets at fair value through profit or loss	263	-	-	263
-equity securities				
Total assets	3,055	-	-	3,055

Available-for-sale investment securities are carried at cost and include a small interest in an unlisted Croatian company. The stated company represents a strategic investment whose fair value cannot be measured reliably. There is no similar company and there was no distribution of profits to members, so their fair valuation is not possible.

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES

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

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES(continued)

(a) Estimated useful lives

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

Based on historical information, and in line with the technical department, the useful life of buildings was assessed by Management to be 10-25 years. The useful lives of equipment and other assets have also been assessed as disclosed in Note 2.6.

The useful life of property, plant and equipment will be periodically revised to reflect any changes in circumstances since the previous assessment. Changes in estimate, if any, will be reflected prospectively in a revised depreciation charge over the remaining, revised useful life.

If the depreciation rates of property, plant and equipment had been 5% higher/lower, with all other variables held constant, the loss for the year would have been HRK 8,247 thousand higher/lower (2010: HRK 7,626 thousand), and the net carrying amount of property, plant and equipment would have been lower/higher by the same amount.

In accordance with the accounting policy stated in note 2.6, the Company tests whether property, plant and equipment has suffered any impairment through the expected cash flow based on an updated business plan. The recoverable amount test includes a forecast Euro exchange rate of HRK 7.681028 for 2012. If the EURO had weakened/strengthened by 2% against the HRK, over the forecast period, value in use would be, on average, HRK 87,190 thousand lower/higher. No need for impairment was identified.

Value in use is calculated based on cash flow plans (5 years plus residual value and average growth rate of 5.5%) using a discount rate for hotels of 10.5%.

(b) Land ownership

The Law on Tourist and Other Construction Land not evaluated in the transformation and privatisation process (Official Gazette No. 92/10, hereinafter the Law), which entered into force on 1 August 2010, mandates companies to submit the relevant requirements under this law within six months from the date of its entry into force (up to 1 February 2011) related to land not evaluated or not recorded in companies' registered capital. On 28 January 2011, regulations were issued elaborating in more detail the manner of complying with the stated law (Official Gazette No. 12/11). On 31 January 2011, in line with provisions of the Law and mentioned regulations for property not evaluated in the transformation and privatisation process (tourist land), the Group submitted the relevant requirements to the governing authorities for concessions on the tourist land in camps, hotels and tourist resorts and requirements for determining the forms and sizes of land (plots) that are in line with the ground plans of evaluated buildings constructed on them and land for regular use of these buildings. During 2011, in the procedures initiated, and in line with requirements of the governing authorities, the Group delivered various statements, documentation, made propositions for dividing the land, etc. Until 31 December 2011, none of the procedures according to the Law on Tourism and Other Construction Land was finalised. At this point, due to outstanding issues and implementation of the Law on Tourism and Other Construction Land, it is not possible to reliably anticipate the outcome of these proceedings (see Note 33).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 5 – SEGMENT INFORMATION

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Group's Management and the company Valamar hoteli i ljetovališta d.o.o. (together the chief operating decision-makers), which are responsible for allocating resources to the reportable segments and assessing its performance.

The Group records operating revenues and expenses by types of services rendered in two basic segments: tourism and other business segments. Other business segments include tourist agency services, "à la carte" services, rental services and other similar services.

The segment information provided to the Group's Management and the company Valamar hoteli i ljetovališta d.o.o. for the year ended 31 December 2011 is as follows:

<i>(in thousands of HRK)</i>	Tourism	Other business segments	Total
Total sales	745,192	10,087	755,517
Inter-segment revenue	(30,781)	(6)	(30,787)
Revenue from external customers	717,006	11,034	724,730
Restated GOP	305,358	(51,258)	254,100
Depreciation and amortisation (Note 14 and 15)	154,925	10,021	164,946
Income tax expense	-	-	1,717
Total assets	2,377,835	170,065	2,547,900
Total liabilities	999,393	8,647	1,008,040

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

<i>(in thousands of HRK)</i>	Tourism	Other business segments	Total
Total sales	627,271	8,818	636,089
Inter-segment revenue	(24,739)	(3)	(24,742)
Revenue from external customers	602,532	8,815	611,347
Restated GOP	250,317	(37,197)	213,120
Depreciation and amortisation (Note 14 and 15)	144,425	8,096	152,521
Income tax expense	-	-	-
Total assets	2,098,981	145,807	2,244,768
Total liabilities	955,765	12,973	968,738

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 5 – SEGMENT INFORMATION (continued)

Reconciliation of GOP with loss before tax is as follows:

	2011	2010
	<i>(in thousands of HRK)</i>	
Restated GOP by segments	305,358	250,317
Restated GOP by other segments	(51,258)	(37,197)
Total segments	254,100	213,120
Other income	4,257	4,404
Result from financial activities	(51,625)	(85,354)
Total fixed costs	(243,572)	(211,566)
<i>Of this:</i>		
- Depreciation and amortisation	164,946	152,521
- Management compensation	42,964	34,577
- Other fees + leasing	31,037	20,160
- Other fixed costs	4,625	4,308
Result from other operations	4,739	(363)
Loss before tax	(32,101)	(79,759)

The Company reports to Management using the Uniform System of Accounts for the Lodging Industry (USALI) method. This methodology is an internationally recognised uniform hotel reporting system, which meets the preconditions for the comparison of data in an international setting. Reporting is performed on several hierarchical and organisational levels in the company, whereby the basis comprises responsibility centres that may be organised as cost, revenue, profit and investment centres. The Company's responsibility centres are profit centres whose operating results, i.e. profit is the responsibility of their directors. For the purposes of reporting under the USALI method the Company implemented an integral IT system, which is based on a detailed accounting system supported by an appropriate IT application software. The operating performance indicator based on this method is the restated GOP (Gross operating profit) as stated above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 5 – SEGMENT INFORMATION (continued)

The reconciliation of segment assets and liabilities with the Group's assets and liabilities is as follows:

(in thousands of HRK)	2011		2010	
	Assets	Liabilities	Assets	Liabilities
Segment assets/liabilities	2,547,900	1,008,040	2,244,788	968,738
Tourism segment	2,377,835	999,393	2,098,981	955,765
Other segment	170,065	8,647	145,807	12,973
Unallocated:	199,695	55,340	77,845	85,744
Investments in joint ventures	1,109	-	1,490	-
Available-for-sale financial assets	2,911	-	2,941	-
Loans and deposits	1,323	-	1,171	-
Cash and cash equivalents	162,383	-	52,942	-
Inventories	4,049	-	3,288	-
Income tax receivable	490	-	2,297	-
Derivative financial assets	1,676	-	-	-
Other receivables	24,037	-	13,716	-
Deferred tax assets/liabilities	1,717	264	-	-
Borrowings	-	-	-	42,591
Other liabilities	-	18,961	-	14,899
Derivative financial liabilities	-	10,270	-	-
Provisions	-	25,845	-	28,254
Total	2,747,595	1,063,380	2,322,633	1,054,482

All the Group's hotel and hospitality services and sales are provided to customers from the Republic of Croatia and abroad. Non- current assets are located in Croatia.

The Group's sales revenues can be classified according to the customers' origin.

	2011	2010
	(in thousands of HRK)	
Domestic sales	94.999	83,051
Foreign sales	629.492	528,296
	724,491	611,347

Foreign sales revenues can be classified according to the number of overnights based on the customers' origin, as follows:

Foreign sales	2011	%	2010	%
EU members	528.474	83.94	457,882	86.67
Other	101,018	16.05	70,414	13.33
Total	629.492	100.00	528,296	100.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 6 – OTHER INCOME

	2011	2010
	<i>(in thousands of HRK)</i>	
Income from collection of guarantee //i/	2,828	4,298
Insurance claims recovered	3,669	3,476
Income from other fees	1,390	1,525
Interest income	57	133
Dividend income	123	104
Other income	2,219	1,184
	10,286	10,720

//i/ Guarantees relate to the successful performance of work and removal of weaknesses regarding the investment in hotel Valamar Lacroma Dubrovnik. The guarantees were issued by Hypo Bank and Unicredit Bank Austria AG based on the instructions of the company Glavice d.o.o., Dubrovnik and PORR HRVATSKA d.o.o..

NOTE 7 – COST OF MATERIALS AND SERVICES

	2011	2010
	<i>(in thousands of HRK)</i>	
Raw materials and supplies		
Raw materials and supplies used	75,687	66,447
Energy and water used	45,247	38,171
Small inventories	12,038	8,740
	132,972	113,356
External services		
Management services	42,964	34,577
Maintenance services	34,394	23,682
Utilities	21,793	20,518
Telecommunication and transportation services	4,877	14,258
Recreation services	6,133	5,146
Marketing, propaganda and fairs	14,286	5,266
Rentals	10,119	7,573
Mediation services (agencies and credit cards)	9,464	5,813
Other services	5,305	6,683
	149,335	123,516
	282,307	236,874

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 8 – STAFF COSTS

	2011	2010
	<i>(in thousands of HRK)</i>	
Salaries	114,928	99,718
Pension contributions	32,476	28,791
Health insurance contributions	27,230	23,889
Other costs (contributions and taxes)	17,646	14,146
Termination benefits	2,895	1,059
Other staff costs /i/	28,179	21,521
	223,354	189,124
Number of employees at 31 December	1,740	1,241

/i/ Other staff costs comprise fees and transportation costs, jubilee awards etc. and remunerations for temporary services.

NOTE 9 – OTHER OPERATING EXPENSES

	2011	2010
	<i>(in thousands of HRK)</i>	
Municipal and similar charges and contributions	26,575	17,072
Impairment of current assets (Note 21)	284	1,958
Collection of receivables previously written-off	(1,813)	(243)
Intellectual services	7,209	4,645
Bank charges	2,275	1,916
Entertainment and travel expenses	2,988	2,234
Insurance premiums	3,861	3,583
Impairment of property, plant and equipment	635	1,239
Provisions –net (Note 30)	(629)	3,338
Other	2,659	2,313
	44,044	38,055

NOTE 10 – OTHER (LOSSES)/GAINS – NET

	2011	2010
	<i>(in thousands of HRK)</i>	
Net gains on disposal of property, plant and equipment	325	52
Foreign exchange (losses)/gains – other	(408)	1,411
Fair value losses on forward contracts-net	(648)	-
Fair value (losses)/gains on financial assets at fair value through profit or loss	(63)	13
	(794)	1,476

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 11 – FINANCE COSTS AND INCOME

	2011	2010
	<i>(in thousands of HRK)</i>	
Finance income – interest income on cash deposits	4,484	3,655
	4,484	3,655
Interest expense:		
Bank borrowings	(21,402)	(19,345)
Related party borrowings (Note 35)	(3,636)	(3,386)
Fair value losses-interest rate swap (Note 23)	(7,946)	-
Net foreign exchange losses on financing activities	(22,933)	(67,652)
	(55,917)	(90,383)
Finance costs – net	(51,433)	(86,728)

NOTE 12 – INCOME TAX

	2011	2010
	<i>(in thousands of HRK)</i>	
Total deferred tax(Note 24)	(1,717)	-
Income tax credit	(1,717)	-

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of 20% (2010: 20%) as follows:

	2011	2010
	<i>(in thousands of HRK)</i>	
Loss before taxation	(32,101)	(79,759)
Income tax (20%)	(6,420)	(15,952)
Effect of income not subject to tax	(116)	(131)
Effect of expenses not deductible for tax purposes	2,354	469
Effect of utilised tax losses	(2,238)	-
Effect of unutilised tax losses	(105)	-
Effect of tax losses for which no deferred income tax asset was recognised	4,808	15,614
Income tax charge	(1,717)	-
Prepayment	490	2,297
Income tax receivable	490	2,297

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 12 – INCOME TAX (continued)

Tax losses available for carry-forward in the following years and their expiry are summarised as follows:

Year of expiry	2011	2010
	<i>(in thousands of HRK)</i>	
2012	1,131	1,131
2013	6,290	6,489
2014	56,977	57,086
2015	66,356	66,356
2016	23,661	-
	154,415	131,062

Deferred tax assets relating to the carry forward of unused tax losses have not been recognised in the financial statements of subsidiary, as it is not certain that future taxable profit will be available against which the unused tax losses can be utilised. The same assessment of the probability of deferred tax assets is made on Group level as on the level of subsidiary.

In accordance with the regulations of the Republic of Croatia, the Tax Authority may at any time inspect the Group companies books and records within 3 years following the year in which the tax liability was reported, and may impose additional tax assessments and penalties. The respective managements of the Group companies are not aware of any circumstances, which may give rise to a potential material liability in this respect. Tax review for 2010 of company Rabac d.d., which was merged with company Riviera Adria d.d. as of 1 September 2011, is in progress. Management of Group companies are currently not able to determine the amount of a potential liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 13 – LOSS PER SHARE

Basic

Basic loss per share is calculated by dividing the loss for the year of the Company by the weighted average number of shares ordinary in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares.

	2011	2010 restated
	<i>(in thousands of HRK)</i>	
Loss attributable to equity holders of the Company	(28,428)	(74,366)
Weighted average number of shares (basic)	83,852,669	72,604,620
Basic loss per share (in HRK)	(0.339)	(1.024)

Diluted

Diluted loss per share for 2011 and 2010 is equal to basic, since the Group/Company did not have any convertible instruments and share options outstanding during both years.

Loss per share (basic and diluted) for 2010 was restated to adjust the number of share for the effect of share split performed in 2011. (see Note equity-26 /iii/).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT

<i>(in thousands of HRK)</i>	Land and buildings	Plant and equipment	Furnitur e, tools and horticult ure	Assets under construction	Total
At 1 January 2010					
Cost	3,232,814	359,103	107,880	55,275	3,755,072
Accumulated depreciation and impairment	(1,214,994)	(193,546)	(73,797)	-	(1,482,337)
Net book amount	2,017,820	165,557	34,083	55,275	2,272,735
Year ended 31 December 2010					
Opening net book amount	2,017,820	165,557	34,083	55,275	2,272,735
Elimination of joint venture	-	(520)	-	(43)	(563)
Additions	64,436	20,574	7,750	11,068	103,828
Transfer from available-for-sale assets (Note 16)	212	-	-	-	212
Transfer from account to account	1,511	(1,511)	-	-	-
Disposals and impairment	(66)	(350)	(190)	(893)	(1,499)
Depreciation (Note 34)	(112,745)	(31,419)	(8,018)	-	(152,182)
Closing net book amount	1,971,168	152,331	33,625	65,407	2,222,531
At 31 December 2010					
Cost	3,299,665	372,221	113,717	65,407	3,851,010
Accumulated depreciation and impairment	(1,328,497)	(219,890)	(80,092)	-	(1,628,479)
Net book amount	1,971,168	152,331	33,625	65,407	2,222,531
Year ended 31 December 2011					
Opening net book amount	1,971,168	152,331	33,625	65,407	2,222,531
Transfer upon merger	397,315	19,312	5,317	4,561	426,505
Additions	44,928	15,380	5,534	(25,426)	40,416
Disposals and impairment	(19)	(663)	(146)	(197)	(1,025)
Depreciation (Note 34)	(122,831)	(32,818)	(8,843)	-	(164,492)
Closing net book amount	2,290,561	153,542	35,487	44,345	2,523,935
At 31 December 2011					
Cost	4,087,776	446,233	145,816	44,345	4,724,170
Accumulated depreciation and impairment	(1,797,215)	(292,691)	(110,329)	-	(2,200,235)
Net book amount	2,290,561	153,542	35,487	44,345	2,523,935

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT (continued)

Additions under 'Land and buildings' relate to various constructions work in hotels and campsites which were completed in 2011 and 2010.

As at 31 December 2011, the carrying amount of land and buildings pledged as collateral for borrowings amounted to HRK 1,336,086 thousand (2010: HRK 1,233,402 thousand). See Note 28.

The carrying amount of the property, plant and equipment leased out under an operating lease is as follows:

	2011	2010
	<i>(in thousands of HRK)</i>	
Cost	108,716	96,392
Accumulated depreciation as at 1 January	(68,958)	(56,467)
Depreciation charge for the year	(3,955)	(3,851)
Net book amount	35,803	36,074

The operating lease relates to the lease of hospitality facilities and shops to third parties. During 2011, the Group realised rental income in the amount of HRK 25,275 thousand (2010: HRK 23,300 thousand).

Operating lease commitments – where the Group is the lesser. The future aggregate minimum lease payments receivable under operating leases are as follows:

	2011	2010
	<i>(in thousands of HRK)</i>	
Up to 1 year	15,984	13,734
From 2 to 5 years	38,180	38,427
Over 5 years	6,771	9,760
Total	60,935	61,921

In 2011 and 2010, there were no contingent rents recognised as income in the statement of comprehensive income. All lease agreements are renewable and the existing lessees have a priority right with respect to the extension of the lease agreement. There is no purchase option.

NOTE 15 – INTANGIBLE ASSETS*(in thousands of HRK)*

	<u>Software and other</u>
At 1 January 2010	
Cost	8,599
Accumulated amortisation	<u>(7,719)</u>
Net book amount	880
Year ended 31 December 2010	
Opening net book amount	880
Additions	216
Amortisation (Note 34)	<u>(339)</u>
Closing net book amount	757
At 31 December 2010	
Cost	8,721
Accumulated amortisation	<u>(7,964)</u>
Net book amount	757
Year ended 31 December 2011	
Opening net book amount	757
Additions	825
Transfer upon merger	395
Amortisation (Note 34)	<u>(454)</u>
Closing net book amount	1,523
At 31 December 2011	
Cost	12,338
Accumulated amortisation	<u>(10,815)</u>
Net book amount	1,523

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 16 – NON-CURRENT ASSETS HELD FOR SALE

	2011	2010
	<i>(in thousands of HRK)</i>	
At beginning of the year	184	396
Liquidation of subsidiary /i/	(184)	-
Transfer to property, plant and equipment (Note 14)	-	(212)
At end of the year	-	184

/i/ As at 19 August 2011, the finalisation of the liquidation process and elimination of company Istria Camping & Resorts, Germany (ICR) was registered with the Court Register.

NOTE 17a – FINANCIAL INSTRUMENTS BY CATEGORY

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

<i>(in thousands of HRK)</i>	Loans and receivables	Available-for- sale financial assets	Financial assets at fair value through profit or loss	Total
31 December 2011				
Assets at the balance sheet date				
Trade and other receivables	18,399	-	-	18,399
Loans and deposits	1,323	-		1,323
Available-for-sale financial assets	-	2,911	-	2,911
Financial assets at fair value through profit or loss	-	-	1,196	1,196
Derivative financial assets	-	-	1,676	1,676
Cash and cash equivalents	162,383	-	-	162,383
Total	182,105	2,911	2,872	187,888
31 December 2010				
Assets at the balance sheet date				
Trade and other receivables	14,823	-	-	14,823
Loans and deposits	1,171	-	-	1,171
Available-for-sale financial assets	-	2,941	-	2,941
Financial assets at fair value through profit or loss	-	-	263	263
Cash and cash equivalents	52,942	-	-	52,942
Total	68,445	2941	263	71,649

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 17a – FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The above-mentioned balances of financial assets represent the Group's maximum exposure to credit risk at the reporting date. The carrying values approximate their fair value due to their short-term maturity.

	<u>2011</u>	<u>2010</u>
Liabilities at the balance sheet date		
<i>Liabilities at amortised cost:</i>	<i>(in thousands of HRK)</i>	
Trade payables	52,170	32,376
Borrowings	927,947	967,868
	<u>980,117</u>	<u>1,000,244</u>
<i>Liabilities at fair value through profit or loss:</i>		
Derivative financial instruments	10,270	-
	<u>990,387</u>	<u>1,000,244</u>

NOTE 17b – CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired is as follows:

	<u>2011</u>	<u>2010</u>
Trade and other receivables	<i>(in thousands of HRK)</i>	
Existing customers – payments within maturity period	3,233	3,676
Existing customers – with some defaults in the past (up to 1 month)	150	369
Existing customers – with some defaults in the past (more than 1 month)	482	395
	<u>3,865</u>	<u>4,440</u>
	<u>2011</u>	<u>2010</u>
Loans and deposits	<i>(in thousands of HRK)</i>	
Existing customers – payments within maturity period	510	545
Financial institutions with credit rating	813	626
	<u>1,323</u>	<u>1,171</u>

According to Standard & Poor's, cash held with banks has the following credit rating:

Cash at bank	<u>2010</u>	<u>2009</u>
	<i>(in thousands of HRK)</i>	
BBB- (ZABA)	538	8,606
Other banks without rating*	161,617	44,211
	<u>162,155</u>	<u>52,817</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 17a – FINANCIAL INSTRUMENTS BY CATEGORY (continued)

None of the financial assets that are fully performing has been renegotiated in the last year.

According to rating by FitchIBCA, bonds of the Republic of Croatia that the Company classified as financial assets held for trading in the amount of HRK 996 thousand (2010: HRK 0 thousand) have credit rating BBB-.

*Other banks without rating are high quality Croatian banks which are subsidiaries of foreign banks with high external credit rating.

NOTE 18 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>Ownership</u>	<u>2011</u>	<u>2010</u>
		<i>(in thousands of HRK)</i>	
Investments in banks and other financial institutions	/i/	2,742	2,792
Other		169	149
		<u>2,911</u>	<u>2,941</u>

/i/ Investments in banks and other financial institutions represent less than 1% ownership interests.

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
At beginning of year	2,941	2,961
Transfer upon merger	20	-
Revaluation (loss)/gain recorded in equity (Note 27)	(50)	(20)
At end of year	<u>2,911</u>	<u>2,941</u>

Available-for-sale financial assets are as follows:

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
<i>Equity securities</i>		
- listed	2,762	2,792
<i>Equity securities</i>		
- unlisted	149	149
	<u>2,911</u>	<u>2,941</u>

The fair value of unlisted available-for-sale financial assets is recorded using the cost method. All available-for-sale financial assets are denominated in HRK.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 19 – LOANS AND DEPOSITS

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
Loans:		
Loans	510	2,078
Provision for loan impairment	-	(1,533)
Loans – net	510	545
Deposits:	1,735	1,548)
Provision for deposit impairment	(922)	(922)
Deposits – net	813	626
Total	1,323	1,171
Less: non-current portion	(1,168)	(1,015)
Current portion	<u>155</u>	<u>156</u>

Loans include an amount of HRK 510 thousand (2010: HRK 545 thousand) due from employees for housing loans at an interest rate of 1% are placed through a business bank and are payable by 2025. Deposits are interest-free and given as a collateral for operating leases of vehicles for a 5-year term.

All given loans and deposits are denominated in HRK.

The carrying amounts of short-term loans and deposits approximate their fair value. The fair value of non-current loans and deposits is HRK 981 thousand (2010: HRK 838 thousand). The fair value is calculated based on the cash flows discounted using a rate based on the borrowing rate of 5.55% (2010: 5.04%).

NOTE 20 – INVENTORIES

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
Raw materials and supplies	5,798	4,832
Finished products – apartments	826	872
Trade goods and packaging	741	741
Provision for impairment of slow-moving inventories	(185)	(185)
	<u>7,180</u>	<u>6,260</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 21 – TRADE AND OTHER RECEIVABLES

	2011	2010
	<i>(in thousands of HRK)</i>	
Domestic	18,814	19,416
- related parties (Note 35)	20	391
Foreign	8,110	4,385
Provision for impairment of trade receivables	<u>(13,448)</u>	<u>(10,446)</u>
Trade receivables – net	13,496	13,746
Accrued income not yet invoiced	2,089	704
Interest receivables	2,814	373
<i>Total financial assets</i>	<u>18,399</u>	<u>14,823</u>
Prepaid expenses	3,467	921
VAT receivable	8,539	5,947
Advances to suppliers	5,134	6,031
Due from state institutions	193	179
Due from employees	237	133
Other receivables	<u>6,183</u>	<u>3,763</u>
	<u>42,152</u>	<u>31,797</u>

Movements in provisions for impairment of trade and other receivables:

	2011	2010
	<i>(in thousands of HRK)</i>	
At 1 January	10,446	8,903
Transfer upon merger	3,009	-
Provision for receivables impairment (Note 9)	284	1,958
Collected amounts reversed	(280)	(226)
Receivables written-off during the year as uncollectible	<u>(11)</u>	<u>(189)</u>
At 31 December	<u>13,448</u>	<u>10,446</u>

	2011	2010
	<i>(in thousands of HRK)</i>	
Trade receivables:		
Neither past due nor impaired	3,865	4,440
Past due, but not impaired	9,631	9,306
Past due and impaired	<u>13,448</u>	<u>10,446</u>
	<u>26,944</u>	<u>24,192</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 21 – TRADE AND OTHER RECEIVABLES (continued)

As of 31 December 2011, trade receivables in the amount of HRK 9,631 thousand (2010: HRK 9,306 thousand) were past due but not impaired. The maturities of these receivables are as follows:

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
Up to one month	2,404	1,083
One to two months	2,132	3,770
Two to three months	1,321	2,805
Over three months up to 1 year	3,774	1,648
	<u>9,631</u>	<u>9,306</u>

The carrying amounts of trade and other receivables are denominated in the following currencies:

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
EUR	4,886	7,732
HRK	13,513	7,091
	<u>18,399</u>	<u>14,823</u>

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group holds advances, bills of exchange and promissory notes and periodically mortgage security for collection. The carrying amounts of trade and other receivables approximate their fair value.

NOTE 22 – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
Listed securities	200	263
Bonds of the Republic of Croatia	996	-
	<u>1,196</u>	<u>263</u>

As at 31 December 2011, the interest rate on bonds was 4.25%. Financial assets are held for trading. Bonds of the Republic of Croatia are denominated in HRK (with EUR currency clause).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 23 – DERIVATIVE FINANCIAL INSTRUMENTS

	2011		2010	
	Receivables	Liabilities	Receivables	Liabilities
	(in thousands of HRK)		(in thousands of HRK)	
Fair value of interest rate swap	-	7,946	-	-
Market value of foreign currency forward contracts	1,676	2,324	-	-
Total	1,676	10,270	-	-
Less: non-current portion:	(916)	(7,132)	-	-
Fair value of interest rate swap	-	2,697	-	-
Market value of foreign currency forward contracts	760	441	-	-
Current portion	760	3,138	-	-

(c) Foreign currency forward contracts

As at 31 December 2011, the contracted value of foreign currency forward contracts amounts to HRK 319,533 thousand (2010: HRK 0) at high quality Croatian banks.

Highly probable forecast transactions denominated in foreign currency are expected on various dates during the following 3 years (final contract maturity is 29 December 2014). Changes in fair value of foreign currency forward contracts as at 31 December 2011 are recorded in statement of comprehensive income in other (losses)/gains.

(d) Interest rate swaps

As at 31 December 2011, the contracted value of outstanding interest rate swaps amounts to HRK 182,566 thousand (2010: HRK 0)

As at 31 December 2011, total interest rates fixed by interest rate swap contracts ranged from 2.09% to 3.81%, while key variable interest rates (EURIBOR) for EUR borrowings ranged from 2.156% to 2.90%, and for CHF borrowings (CHF LIBOR) from 1.202% to 1.552%. Fair value gains and losses on interest rate swaps are recorded directly in comprehensive income within finance costs until the repayment of borrowings with final maturities as at 31 December 2018 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 24 – DEFERRED TAX ASSETS

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

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	1,717	-
Deferred tax assets to be recovered within 12 months	<u>-</u>	<u>-</u>
Deferred tax liabilities	264	-
Deferred tax asset (net)	<u>1,453</u>	<u>-</u>

<i>(in thousands of HRK)</i>	<u>Impairment of financial assets</u>	<u>Provisions for concessions</u>	<u>Tax loss carried forward</u>		<u>Total</u>
At 1 January 2011	-	-	-	-	-
Credited to the statement of comprehensive income	714	898	105	-	1,717
At 31 December 2011	<u>714</u>	<u>898</u>	<u>105</u>		<u>1,717</u>

Temporary differences between accounting profit and tax base arose due to expenses not recognised for tax purposes for impairment of financial assets, provisions for cost of concessions and tax loss carried forward.

DEFERRED TAX LIABILITIES

<i>(in thousands of HRK)</i>	<u>2011</u>	<u>2010</u>
Deferred tax liabilities – revaluation reserves (Note 27)	264	-

Deferred tax liabilities relate to accumulated fair value gains/losses of available-for sale financial assets recorded in revaluation reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 25 – CASH AND CASH EQUIVALENTS

	2011	2010
	<i>(in thousands of HRK)</i>	
Giro-accounts and current accounts	6,543	971
Cash in hand	228	125
Foreign currency accounts	2,286	10,317
Time deposits up to one month	153,326	41,529
	162,383	52,942

The interest rate on cash and cash equivalents is 0.003% - 5% (2010: 0.25% - 5%).

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	2011	2010
	<i>(in thousands of HRK)</i>	
HRK	26,771	9,096
EUR	135,089	43,215
CHF	30	28
Other	493	603
	162,383	52,942

NOTE 26 – EQUITY

/ii/ The authorised and registered share capital of the Company until 31 August 2011 amounted to HRK 1,096,055 thousand and comprised 3,653,517 ordinary shares, with a nominal value of HRK 300 per share. All shares are fully paid. After a decrease in the registered capital and split of shares, and after the merger of companies RABAC d.d. and ZLATNI OTOK d.d., all in line with decisions of the Company's General Assembly held on 29 June 2011, starting from 1 September 2011, upon the registration in the court registry, the Company's registered share capital amounts to HRK 1,065,463,400 and comprises 106,546,340 ordinary shares, with a nominal value of HRK 10 per share.

/ii/ The ownership structure as at 31 December is as follows:

2011	Number of shares	Nominal value <i>(in thousands of HRK)</i>	%
Valamar Adria Holding d.d., Zagreb (Dom Holding d.d.)	74,856,662	748,566	70.26
Treasury shares	347,634	3,476	0.32
Other shareholders - free float	31,342,044	313,420	29.42
Total	106,546,340	1,065,463	100.00

NOTE 26 – EQUITY (continued)

2010	Number of shares	Nominal value (in thousands of HRK)	%
Dom Holding d.d., Zagreb	2,851,557	855,467	78.05
Treasury shares	20,595	6,179	0.56
Other shareholders- free float	781,365	234,409	21.39
Total	3,653,517	1,096,055	100.00

/iii/ Based on the decision of the Company's General Assembly held on 29 June 2011, registered capital was decreased from HRK 1,096,055,100.00 by HRK 365,351,700.00 to HRK 730,703,400.00.

The registered capital was decreased by decreasing the nominal value per shares from HRK 300.00 by HRK 100.00 to the amount of HRK 200.00. Also, the Decision on split of shares was made, so that one share with a nominal value of HRK 200.00 was divided into 20 ordinary shares with a nominal value of HRK 10.00 per share. For the purpose of merging companies RABAC d.d. and Zlatni Otok d.d., the registered capital was increased from HRK 730,703,400.00 by HRK 334,760,000.00 to HRK 1,065,463,400.00. The registered capital was increased by issuing 33,476,000 new ordinary shares with a nominal value of HRK 10 per share. As compensation for transferred assets of the merged companies, new shares were acquired by shareholders of the merged companies as follows: for 1 share of merged company RABAC, with a nominal value of HRK 370, they acquired 24.59 shares of the Company with a nominal value of HRK 10 (ratio 24.59:1), and shareholders of ZLATNI OTOK for 1 share with a nominal value of HRK 360 acquired 24.01 shares of the Company with a nominal value of HRK 10 (ratio 24.01:1). For shareholders of the merged companies that did not acquire a whole number of shares following the calculation, the Company rounded the appropriate number of shares for exchange to the next highest whole number and additional shares required for the purpose of merger were secured from the Company's treasury shares. For this purpose, 1,083 treasury shares were used, with a value, including share premium of HRK 28,099, and resulted in total consideration in shares transferred of HRK 334,788,000. All of the aforementioned changes were entered in the Court Registry, and corporative transaction was performed by SKDD in line with effective regulations.

Based on the decision of the Company's General Assembly from 8 July 2010, in 2011 the Company, for the purpose of awarding employees according to the projects of work efficiency management, acquired and reissued treasury shares. In 2011, on the organised market a total of 11,597 treasury shares were acquired, which comprise 0.0108% of the Company's registered capital, and 82,000 treasury shares were reissued, which comprise 0.076 % of the Company's registered capital. As of 1 January 2011, 361 unallocated shares from the previous period were added to the total number of shares.

As at 31 December 2011, the Group holds 347,634 treasury shares, nominal value of HRK 3,476 thousand (2010: 20,595 treasury shares, nominal value of HRK 6,179 thousand), which represents 0.326% (2010: 0.56%) of the Company's registered capital and Subsidiary's 2,936 treasury shares, nominal value of HRK 199 thousand.. As at 31 December 2011, share premium for relating treasury shares amounted to HRK 8,479 thousand (2010: HRK 6,444 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 27 – RESERVES

	2011	2010
	<i>(in thousands of HRK)</i>	
Legal reserves	74,327	97,120
Other reserves	82,130	82,444
	156,457	179,564
Changes in reserves:		
Legal reserves		
At beginning of the year	97,120	97,120
Coverage of losses	(22,793)	-
At end of the year	74,327	97,120
Other reserves		
At beginning of the year	82,444	72,375
Differed tax liabilities (Note 24)	(264)	-
Revaluation of available-for-sale financial assets (Note 18)	(50)	(20)
Transfer from retained earnings	-	10,089
At end of the year	82,130	82,444

The legal reserve is required under Croatian law and must be built up at a minimum of 5% of the profit for the year until the total legal reserve reaches 5% of the Company's share capital. At 31 December 2011 legal reserves amounted to HRK 74,327 thousand (2010:HRK 97,120 thousand) or 7.0% (2010: 8.9%) of the share capital). This item included Parent Company's legal reserves of HRK 57,792 thousand (2010:70,645 thousand) and HRK 16,535 thousand (2010:HRK 26,475 thousand) of legal reserves of Subsidiary. This reserve is not distributable.

Based on the Decision of the General Assemblies held on 29 June 2011, loss realised in 2010 in the amount of HRK 12,853 thousand was covered from the Company's legal reserves exceeding the prescribed 5% of registered capital. During 2011 loss realised in Subsidiary in 2010 in the amount of HRK 9,940 thousand was covered from the Subsidiary's legal reserves.

Based on the Decision of the General Assemblies held on 8 July 2010, retained earnings in the amount of HRK 10,089 thousand in 2010 were transferred to other reserves. As at 31 December 2011, and 2010 these reserves amounted to HRK 82,075 thousand .These reserves are distributable. The remaining amount of other reserves relates to revaluation reserves in the amount of HRK 1,055 thousand (2010: HRK 1,369 thousand). These reserves are not distributable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 28 – BORROWINGS

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
Bank borrowings	870,203	925,277
Borrowings – related parties (Note 35)	57,044	42,591
Total borrowings	927,247	967,868
Current portion	(130,618)	(242,781)
Non-current portion	796,629	725,087

All banks have secured their borrowed funds through a transfer of ownership title over hotel facilities (Note 14) with a net book value of HRK 1,336.086 thousand (2010: HRK 1,290,606 thousand). The subsidiary Dubrovnik-Babin kuk d.d. issued guarantees on behalf of the company Dom holding d.d. in the form of a lien over properties in the amount of EUR 5,000 thousand or HRK 36,530 thousand as collateral for the granted borrowing.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
6 months or less	906,606	943,466
	906,606	943,466

The remainder of borrowings in the amount of HRK 20,641 thousand (2010: HRK 24,402 thousand) were received at fixed interest rates from the Croatian Bank for Reconstruction and Development (HBOR) as follows: HRK 18,641 thousand (2010: HRK 21,402 thousand) at a rate of 2% and HRK 2,000 thousand (2010: HRK 3,000 thousand) at a rate of 3.8%.

The carrying amount of borrowings is denominated in following currencies:.

	<u>2011</u>	<u>2010</u>
Bank borrowings:		
– EUR	539,103	584,667
– CHF	329,188	345,305
– HRK	58,956	37,896
	927,247	967,868

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 28 – BORROWINGS (continued)

The effective interest rates at the balance sheet date were as follows:

	2011	2010
Bank borrowings:		
– EUR	2% -4.962%	2%-4%
– EUR – related parties	7%	7%
– CHF	1.22% -1.5%	1.52%-1.8%
– HRK	2.0% -5.36%	3.8%-6%

Maturities of long-term borrowings are as follows:

	2011	2010
	<i>(in thousands of HRK)</i>	
1-2 years	320,030	321,875
2-5 years	313,778	257,482
Over 5 years	162,821	145,730
	796,629	725,087

The carrying amounts and fair value of long-term borrowings are as follows:

	Carrying amounts		Fair value	
	2011	2010	2011	2010
	<i>(in thousands of HRK)</i>			
Borrowings	796,629	725,087	759,768	598,883

The fair value is based on cash flows discounted using a rate based on the borrowing interest rate of 3.77% (2010: 5.57%). The carrying amounts of short-term borrowings approximate their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 29 – TRADE AND OTHER PAYABLES

	2011	2010
	<i>(in thousands of HRK)</i>	
Trade payables	35,917	26,539
Trade payables – related parties (Note 35)	6,944	4,401
Interest payable – related parties (Note 35)	761	700
Interest payable	524	736
Concession fees payable	8,024	-
<i>Total financial liabilities</i>	<u>52,170</u>	<u>32,376</u>
Due to employees	22,691	15,344
Taxes and contributions and similar charges	5,703	4,243
Advances received	7,042	2,949
Other current liabilities	<u>3,428</u>	<u>3,448</u>
	<u>91,034</u>	<u>58,360</u>

The carrying amount of financial liabilities are denominated in the following currencies:

	2011	2010
	<i>(in thousands of HRK)</i>	
- EUR	631	2,039
- HRK	<u>51,539</u>	<u>30,337</u>
	<u>52,170</u>	<u>32,376</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 30 – PROVISIONS FOR OTHER LIABILITIES AND CHARGES

<i>(in thousands of HRK)</i>	Termination benefits	Legal proceedings	Bonuses	Total
At 1 January 2010	243	23,204	3,720	27,167
Unwinding of discount	-	1,280	-	1,280
Additional provisions	201	2,058	986	3,245
Used during year	(243)	-	(3,194)	(3,438)
At 31 December 2010	201	26,542	1,511	28,254
Transfer upon merger	68	2,033	987	3,088
Unwinding of discount	-	742	-	742
Additional provisions	318	118	5,936	6,372
Used during year	-	(2,331)	(71)	(2,402)
Unused during year (Note 9)	-	(1,489)	-	(1,489)
At 31 December 2011	587	25,615	8,363	34,565
2010				
Current portion	201	1,818	1,511	3,530
Non-current portion	-	24,724	-	24,724
2011				
Current portion	587	-	8,363	8,950
Non-current portion	-	25,615	-	25,615

Provisions for legal proceedings primarily relate to land sold for construction purposes with a total surface area of 11,239 sq.m., which was not included in the valuation of the Group. A number of buyers were not able to register their ownership title over the stated land, and consequently initiated legal proceedings at the Municipal Court in Dubrovnik with the aim of terminating the purchase and sale contract. The Group's provisions are based on the estimate of market value of the aforementioned land.

In 2010, provision were made for several legal disputes that the Company has initiated against the company Glavice d.o.o. in bankruptcy before the arbitration court, in order to resolve all mutual relations in respect of the augmentation and reconstruction of the hotel Valamar Lacroma Dubrovnik. These provisions were made because the company Glavice d.o.o. is in bankruptcy, and in case of a favourable outcome of these disputes for the Group, the collection from the bankruptcy estate is uncertain.

During 2011, the Group recognised provisions for termination benefits for 5 employees, which will be paid during 2012. Bonuses are payable within three month of finalisation of audited financial statements.

NOTE 31 – CONSOLIDATED SUBSIDIARY

	Country	Ownership at 31 December	
		2011	2010
Dubrovnik-Babin kuk d.d., Dubrovnik	Croatia	93.92%	91.94%

The Company acquired an additional 1.98% shares in Dubrovnik-Babin kuk d.d., Dubrovnik for cash consideration of HRK 5,363 thousand. The carrying amount of the non-controlling interests in the Group on the date of acquisition was HRK 6,488 thousand. The Group derecognised noncontrolling interests of HRK 6,488 thousand and recorded an increase in equity attributable to owners of the parent of HRK 1,125 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 32 – INTEREST IN JOINT VENTURE

According to the collective agreement, the Group monitors 33.33% of the operations of Pogača Babin kuk d.o.o. During 2011 and 2010, there were no changes with respect to the interests in the joint venture and it is an ownership share of 49.67% or HRK 1,490 thousand (2010: 49.67% or HRK 1,490 thousand).

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
Assets:		
Non-current	1,512	1,671
Current	3,416	2,343
	<u>4,928</u>	<u>4,014</u>
Liabilities:		
Long-term	132	89
Short-term	1,470	1,375
	<u>1,602</u>	<u>1,464</u>
Net assets	<u>3,326</u>	<u>2,550</u>
Income	10,752	9,024
Expenses	(9,878)	(8,555)
Profit before tax	874	469
Profit after tax	776	469
Share in profit of joint venture (33.33%)	259	156

As at 31 December 2011, there were no contingent liabilities relating to the joint venture. Since 1 January 2010, investments in joint venture are presented in the consolidated financial statements using the equity method.

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
At beginning of year	1,490	1,490
Adjustment of share	(640)	-
Share in net profit	259	-
At end of year	<u>1,109</u>	<u>1,490</u>

Adjustment of share in joint venture with share in net assets of Pogača Babin kuk d.o.o :

	<u>2011</u>	<u>2010</u>
	<i>(in thousands of HRK)</i>	
At beginning of year	2,550	2,081
Net profit for the period	776	469
At end of year	<u>3,326</u>	<u>2,550</u>
Share in net assets from joint venture (33.33%)	1,109	850
Carrying amount	<u>1,109</u>	<u>850</u>

NOTE 33 – CONTINGENCIES AND COMMITMENTS

Legal proceedings

In the ordinary course of business, the Group companies are plaintiff and defendant in various legal actions. In the financial statements for the year ended 31 December 2011 provisions for certain legal proceedings have been made for which the Group company anticipates damages in the amount of HRK 25,615 thousand (2010: HRK 26,542 thousand), as set out in Note 30.

Transformation and privatisation audit and ownership over land

Transformation and privatisation audit for the Company was performed prior to the merger of companies RABAC d.d. and ZLATNI OTOK d.d. to company RIVIERA POREČ d.d., and procedures are recorded separately by legal predecessors:

- e) Riviera Adria d.d. – procedures related to RIVIERA POREČ d.d. prior to merger

On 29 January 2003, the State Audit Office (in Pazin) issued a Report on the performed transformation and privatisation audit of the Company. The Report stated that the transformation and privatisation process was not performed completely in accordance with legal regulations. On 30 January 2003, the Company filed a complaint through a law firm on the grounds that the Report is incorrect and incomplete due to the fact that the Croatian Privatisation Fund excluded land worth DEM 71 million or 2,357,779 square meters from the Company's capital valuation. Such land was a construction site at the time of the privatisation process, and therefore, should have been included in the capital valuation. The Republic of Croatia and the Croatian Privatisation Fund also filed lawsuits against the Company regarding this issue. The stated land is utilised by the Company, but not recorded in its books.

The lawsuit was not terminated as there was no reply from the State Audit Office as to the Company's complaint, so that the results and effects (if any) of the lawsuit and the audit findings on the Company's financial or business status cannot be anticipated with certainty.

- f) Riviera Adria d.d. – procedures related to RABAC d.d. prior to merger

On 21 June 2002, the State Audit Office, Local Office Pazin, issued a Report on the performed transformation and privatisation audit of the socially-owned enterprise Rabac p.o., Rabac. The Report stated that the transformation and privatisation process was not performed completely in accordance with legal regulations, especially with respect to the transfer of certain properties into the estimated value of the enterprise. On 19 June 2002, the Company expressed its opinion on the mentioned Report. To the date of merger, the administrative dispute initiated by the Company in accordance with the new Law on Tourist and Other Construction Land, not evaluated in the transformation and privatisation process, has not been resolved, so that the effects of the performed transformation and privatisation audit cannot be anticipated or quantified with certainty.

NOTE 33 – CONTINGENCIES AND COMMITMENTS (continued)

g) Riviera Adria d.d. – procedures related to ZLATNI OTOK d.d. prior to merger

In 2000, the Croatian Privatisation Fund (the CPF) initiated legal proceedings against Zlatni otok d.d. for the registration of ownership title over properties at the campsites Ježevac and Politin in Krk. The Municipal Court in Krk dismissed the claim; the Croatian Privatisation Fund filed an appeal. In making a decision with respect to the appeal, the County Court in Rijeka adopted the appeal of the prosecutor, the CPF, and remanded the case for retrial to the first-instance court.

In the meantime, the plaintiff registered ownership title in two separate land-registry cases over the property in this dispute. Zlatni otok d.d. filed appeals against the stated registrations. The County Court in Koprivnica accepted one of the appeals, dismissing the CPF's proposal for registration and ordered the establishment of the previous status in the land registry, while the other appeal was dismissed by the same County Court in Koprivnica. As a result of the stated, in the civil court proceedings the CPF withdrew the claim in relation to the land plots over which it registered ownership title in the land-registry case. Zlatni otok d.d. consented to the withdrawal of the CPF's claim, but sought reimbursement of litigation costs that it is entitled to under the Law on Civil Procedure.

As the CPF registered its ownership title in the course of the land-registry case over most of the property subject to these proceedings, Zlatni otok d.d. filed a counterclaim against the CPF for the establishment of the rights of ownership title. In the repeated first-instance proceeding, the last hearing was held on 28 April 2010. At the stated hearing, the CPF insisted on the modification of the claim by surrendering the plots at the campsites Ježevac and Politin into ownership. However, the court issued a decision not to accept CPF's modification of the claim and concluded the hearing with respect to the remainder of the plaintiffs' claim, while in relation to the counterclaim the first-instance proceedings are still in progress. The verdict of the Municipal Court in Krk in relation to the remainder of the CPF's claim has not as yet been received. We estimate that the claim of the CPF will be dismissed, but the possibility of the court issuing a different decision cannot be excluded.

At this point it is not possible to estimate the ultimate outcome of the proceedings in respect of the claim and counterclaim, but we believe that in light of the new Law on Tourist and other Construction Land, not evaluated in the transformation and privatisation process, which entered into force on 1 August 2010, there is a risk that the court reaches an unfavourable decision in relation to the counterclaim of Zlatni otok d.d. At this point it is not possible to estimate when this legal matter will be finalised, but a legally valid finalisation is expected in several years. Furthermore, at this point it is also not possible to estimate the value of future contingent liabilities of Zlatni otok d.d. in this case, but we believe that even in the event of an unfavourable court decision regarding the counterclaim of Zlatni otok d.d., it will be possible to offset a large portion of the incurred litigation costs with the litigation costs that the CPF owes to Zlatni otok d.d. regarding the withdrawn part of the claim. The court will decide on this at the end of the court proceedings. However, the possibility of the court issuing a different decision cannot be excluded.

As at 31 December 2011, the net book value of the land at the campsites Ježevac and Politin recorded in the Company's books is HRK 10,284 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 33 – CONTINGENCIES AND COMMITMENTS (continued)

In addition, the Republic of Croatia filed a claim against Zlatni otok d.d. for the purpose of determining the ownership title over properties at the campsite "Škrila" in Stara Baška, claiming that the plot is agricultural land. Zlatni otok d.d. fully contested the claim. A hearing – an on-site investigation was held on 6 June 2008 in the presence of a geodesy expert in order to identify the properties that are the subject of this proceeding. Despite repeated reminders by the court, the expert witness findings have not as yet been received. A new hearing will be scheduled in writing.

The stated properties are located at the campsite Škrila in Stara Baška. Since the new Law on Tourist Land prescribes ownership rights of the Republic of Croatia over unevaluated land at campsites as well as establishing a co-ownership community between the company and the Republic of Croatia in proportion to the size of the evaluated and unevaluated part, we believe there is a risk of an unfavourable outcome of the proceedings for the defendant - the company Zlatni otok d.d.

At this point it is not possible to predict when this legal matter will be finalised or to estimate the value of future contingent liabilities of the company Zlatni otok d.d. in this case. As at 31 December 2011, the net book value of land at the campsite Stara Baška recorded in the Company's books is HRK 1,899 thousand.

h) Transformation and privatisation audit of Dubrovnik - Babin kuk d.d. (the Subsidiary)

On 15 May 2003, the State Audit Office (in Dubrovnik) issued a Report on the performed transformation and privatisation audit of the Subsidiary. The Report states that the transformation and privatisation procedure was not entirely executed in accordance with the law. The Report did not include an assessment of whether the valuation of land with a surface area of 646,543 sq.m., which was included in the Subsidiary's founding capital, was performed correctly and in line with legal provisions. In addition, the Report also did not include an assessment of construction land, which was excluded from the Subsidiary's capital. On 20 May 2003, the Subsidiary filed a complaint against the Report. Up to the date of these financial statements, there has been no reply from the State Audit Office on the Subsidiary's complaint.

In 1999, the Subsidiary requested from the Croatian Privatisation Fund (CPF) a renewed transformation procedure with the aim of including land with a surface area of 84,521 sq.m. in the Subsidiary's capital. The stated land is used by the Subsidiary, but it is not entered into the Subsidiary's books. On 3 July 2002, the CPF reached a partial decision according to which the Subsidiary's proposal was denied and land with a surface area of 61,376 sq.m. was transferred to the ownership of the CPF based on the Law on Privatisation and the stated decision of the CPF. The Subsidiary initiated an administrative dispute at the Administrative Court against the decision of the CPF. On 25 January 2006, the Court reached a decision according to which the Subsidiary's request was denied and the property was transferred to the ownership of the CPF. After several years of negotiations between representatives of the Subsidiary and the CPF, the CPF reached a decision on 20 July 2009 which proposes the capital increase of the Subsidiary by transferring properties. This decision was not accepted by the General Assembly held on 17 February 2010, as stated above.

The outcome and the result of the above mentioned legal proceedings under a) b) c) and d) and their effect (if any) on the Company's financial or operating position cannot be reliably anticipated or quantified.

On 1 August 2010, the Law on Tourist and Other Construction Land, not evaluated in the transformation and privatisation process, entered into force in accordance with which and based on which the ownership and co-ownership over land not evaluated in the transformation and privatisation process will finally be determined. Within the prescribed period, the Company initiated procedures for submitting requests for concessions and other prescribed requirements. After the outcome of these procedures, the ownership and/or co-ownership of the Company on the part of the land that was not evaluated in the transformation and privatisation process will finally be determined.

NOTE 33 – CONTINGENCIES AND COMMITMENTS (continued)

i) Riviera Adria d.d.

Company Riviera Adria d.d. as the universal legal successor of the merged companies took over all initiated proceedings and all described balances as previously stated in this Note 33.

As at 31 January 2011, based on the provisions of the Law on Tourist and Other Construction Land not evaluated in the transformation and privatisation process, procedures for granting concessions were initiated, and procedures of determining land belonging to evaluated buildings and other prescribed procedures, upon finalisation of which the ownership and/or co-ownership of company Riviera Adria d.d. over the land not evaluated in the transformation and privatisation process of the Company and its legal predecessors will finally be determined. All procedures are in progress and at this point it is not possible to predict when this legal matter will be finalised.

Land ownership

The Subsidiary does not have legal ownership title over 27,393 sq.m. of land, which amounts to HRK 12,727 thousand. Land with a surface area of 11,329 sq.m. in the amount of HRK 5,263 thousand is currently subject to procedures of establishing the borders of the maritime demesne. The ownership title for land of 16,064 sq.m. amounting to HRK 7,464 thousand has not been registered. The land registry office of the Municipal Court in Dubrovnik denied the Subsidiary's registration of ownership title based on the decision of the Croatian Privatisation Fund according to which these properties are included in the Subsidiary's capital. Namely, the stated land is partly public property, partly maritime demesne and partly owned by third parties (during 2009, the Republic of Croatia registered on a part of the stated land, to which the Subsidiary appealed). The financial statements have been prepared under the assumption of full registration of ownership title of the assets, which became part of owner's equity of Dubrovnik-Babin kuk d.d. in the transformation process.

In 1994, the Croatian Privatisation Fund (CPF) issued a decision on the ownership transformation of the company Dubrovnik-Babin kuk d.d. In the period from 1996 to 2002, the CPF reached 6 partial and complementary decisions (and conclusions) on including properties into the Subsidiary's capital. Since these decisions did not cover all of the Subsidiary's properties and since there were numerous errors (with respect to surface areas, failure to distinguish between the old and the new land survey), in 1999 the Subsidiary initiated a renewed transformation process at the CPF, which intensified since 2005. After five-year negotiations between representatives of the Subsidiary and the CPF almost on a weekly basis, which was included in previous financial statements, the CPF reached a decision on 20 July of 2009. The stated decision proposes the capital increase of the Subsidiary by transferring seven properties with a total area of 12,884 sq.m., which form a self-contained unit. Thus, the Subsidiary's share capital would increase by the amount of HRK 52,637,000.00, by issuing 175,457 ordinary shares with a nominal value of HRK 300.00 per share for the benefit of the Croatian Privatisation Fund. By implementing the stated decision, the Subsidiary's share capital would increase from HRK 529,503,000.00 by the amount of HRK 52,637,000.00 to HRK 582,140,000.00. After implementing the above decision at the General Assembly, the CPF would issue a single decision on including the properties in the Subsidiary's capital. This would correct the mistakes and irregularities in the existing decisions of the CPF, it would resolve the status of the military barracks, 10,046 sq.m. would be included in the camp grounds element of the Subsidiary's capital.

In August 2009, the Subsidiary filed an administrative claim with the Administrative Court of the Croatian Republic against the decision of the Croatian Privatisation Fund dated 20 July 2009. The claim, on which a court decision is still outstanding, requests the annulment of the CPF's decision in its entirety. Among the main reasons for filing an administrative claim was the opinion of the Law Firm Bogdanović, Dolički & Partners according to which the Croatian Privatisation Fund had no authority to make such a decision, based on which the defined self-contained unit is transferred to the CPF, and whereby the determined property value proposed by the CPF to be recorded in the Subsidiary's capital is too high.

NOTE 33 – CONTINGENCIES AND COMMITMENTS (continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Namely, instead of accepting the realistic value of the land identified by an expert witness, selected from the list of expert witnesses of the Dubrovnik County Court and appointed by the CPF, the CPF accepted the value of the land assessed by the Tax Authority in Dubrovnik, which made a number of omissions in the valuation process and which the Subsidiary repeatedly objected to in the course of the administrative procedure.

On 17 February 2010, an extraordinary General Assembly Meeting of the company Dubrovnik-Babin kuk d.d. was held and the resolution of the Croatian Privatisation Fund of 20 July 2009, requiring a capital increase of the Subsidiary, was not accepted. Due to the above decision, the Subsidiary already increased the provision for legal claims in 2009, since the Subsidiary expects further action of the CPF in the coming period and the CPF entered a notification into the land registry of legal proceedings in respect of the specified land.

Capital commitments

Future commitments with respect to investments in tourism facilities for which no provision was made, as at 31 December 2011 amounted to HRK 26,746 thousand (2010: HRK 7,068 thousand).

Operating leases commitments - where the Group is the lessee. Non-cancellable the future aggregate minimum lease payments receivable under operating leases are as follows:

	2011	2010
	<i>(in thousands of HRK)</i>	
Up to 1 year	2,424	1,881
From 2 to 5 years	2,152	3,418
Total	4,576	5,299

The lease terms for software, vehicle and mobile house are between 1 and 5 years and the majority of lease agreements is renewable at market rate at the end of the lease period.

Contingencies

With respect to the borrowings granted by the Croatian Bank for Reconstruction and Development to the subsidiary Dubrovnik – Babin kuk d.d., the Company issued guarantees in the form of blank promissory notes in the total amount of HRK 128,000 thousand (during 2004 – HRK 21,000 thousand, during 2008 – HRK 25,000 thousand and during 2009 – HRK 82,000 thousand).

Guarantees provided in 2004, 2008 and 2009 are secured by 128 blank promissory notes in the amount of HRK 1 million each of subsidiary Dubrovnik – Babin kuk d.d. and 82 blank promissory notes of company Dom Holding d.d., as well as mortgage over properties of subsidiary Dubrovnik – Babin kuk d.d. with the total estimated value of HRK 838,297 thousand.

During 2010, the Company also issued guarantees in the form of blank promissory notes in the amount of HRK 25,000 thousand to PBZ/the Croatian Bank for Reconstruction and Development (HBOR) as a guarantor/payer in respect of signing the Club HRK Credit Agreement. As security for the guarantee, the Company received 25 blank promissory notes from the company Dom Holding d.d. and the subsidiary Dubrovnik Babin Kuk d.d. of HRK 1,000 thousand per item or in the total amount of HRK 25,000 thousand.

During 2004, the Subsidiary Dubrovnik – Babin kuk d.d. issued guarantees on behalf of Dom Holding d.d. in the form of blank promissory notes in the amount of HRK 21,000 thousand for the guarantees that Dom Holding d.d. issued on behalf of the Croatian Bank for Reconstruction and Development (HBOR) based on the Subsidiary's borrowings (Note 35).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 33 – CONTINGENCIES AND COMMITMENTS (continued)

During 2009, the Subsidiary issued guarantees on behalf of Dom Holding d.d. in the form of a pledge over properties in the amount of HRK 82,000 thousand for the guarantees that Dom Holding d.d. issued on behalf of Riviera Adria d.d. based on the Subsidiary's borrowings from the Croatian Bank for Reconstruction and Development (HBOR).

During 2011, the Company issued guarantees to PBZ/HBOR as the guarantor for its subsidiary, by providing blank promissory notes in the amount of HRK 15,000 thousand and EUR 6.1 million. The guarantee is secured by blank promissory notes of Valamar Adria Holding d.d. in the same amount as the guarantees issued for subsidiary's borrowings (HRK 15,000 thousand and EUR 6.1 million) (Note 35).

NOTE 34 – CASH GENERATED FROM OPERATIONS

Adjustment of loss with cash generated from operations:

	2011	2010
	<i>(in thousands of HRK)</i>	
Loss before taxation	(32,101)	(79,759)
Adjustments for:		
Depreciation and amortisation (Note 14,15)	164,946	152,521
Net gains on sale of property, plant and equipment and intangible assets (Note 10)	(325)	(52)
Impairment charge of property, plant and equipment (Note 9)	635	1,239
Provision for impairment of trade and other receivables – net (Note 21)	4	1,732
Interest income (Note 6)	(57)	(133)
Dividend income (Note 6)	(123)	(104)
Finance costs – net (Note 11)	51,433	86,728
Fair value losses/(gains) on financial assets (Note 10)	63	(13)
Fair value losses from forward contracts – net (Note 10)	648	-
Increase in provisions – net	5,625	4,525
Other non-cash items	381	(129)
Changes in working capital (excluding the effects of acquisition and disposal):		
- Trade and other receivables	12,186	(536)
- Inventories	1,034	71
- Trade and other payables	(24,574)	(8,636)
Cash generated from operations	179,775	157,454

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

	2011	2010
	<i>(in thousands of HRK)</i>	
Net book value of property, plant and equipment	390	260
Gains on sale of property, plant and equipment (Note 10)	325	52
Proceeds from sale of property, plant and equipment	715	312

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 35 – RELATED PARTY TRANSACTIONS

Related parties are those companies which have the power to exercise control over the other party or are under common control or which have a significant influence on the other party in making business or financial decisions. The parent Company is Dom Holding d.d., Zagreb which owns 78.52% of the Company's shares (Note 26). The ultimate parent of the Company is Valamar grupa d.d., Zagreb while the ultimate controlling company is Epic GmbH, Vienna.

During 2011, Dom holding d.d., Zagreb changed its name into Valamar Adria holding d.d., Zagreb, Riviera Poreč d.d., Poreč into Riviera Adria d.d., Poreč and Epic d.o.o. into Valmar poslovni razvoj d.o.o., Zagreb.

Related parties in the Valamar Group are: Valamar grupa d.d., Zagreb, Valamar Adria holding d.d., Zagreb, Dubrovnik-Babin kuk d.d., Dubrovnik, Puntizela d.o.o., Pula, RABAC d.d., Rabac, Zlatni otok d.d., Krk, Valamar hoteli i ljetovališta d.o.o., Zagreb, Valamar turistički projekti d.o.o., Zagreb, Epima d.o.o., Zagreb, Epic d.o.o., Zagreb, Epic GmbH, Beč, Bugenvilia d.o.o., Dubrovnik, Bastion upravljanje d.o.o., Zagreb, Valamar poslovni razvoj d.o.o., Zagreb, Scapus d.o.o., Zagreb, Satis d.o.o., Zagreb, Enitor d.o.o., Zagreb, Linteum savjetovanje d.o.o., Zagreb, Valamar Hotels and Resorts GmbH, Frankfurt am Main and Citatis savjetovanje d.o.o., Zagreb.

As of 1 September 2011, companies RABAC d.d., Rabac, Zlatni otok d.d., Krk were merged with company Riviera Adria d.d., Poreč.

Valamar Adria Holding d.d., Zagreb is the parent company of the following subsidiaries: Riviera Adria d.d., Poreč, Bastion upravljanje d.o.o., Zagreb and Linteum savjetovanje d.o.o., Zagreb.

Valamar grupa d.d., Zagreb is the parent company of the following subsidiaries: Valamar Adria Holding d.d., Zagreb, Valamar hoteli i ljetovališta d.o.o., Zagreb, Valamar turistički projekti d.o.o., Zagreb, Epima d.o.o., Zagreb, Bugenvilia d.o.o., Dubrovnik, Puntizela d.o.o., Pula and Valamar poslovni razvoj d.o.o., Zagreb

Epic GmbH, Vienna is the parent company of the subsidiary Epic d.o.o., Zagreb.

Related party transactions were as follows:

Note	2011	2010
	<i>(in thousands of HRK)</i>	
Sale of services		
Valamar grupa d.d., Zagreb	-	23
Valamar hoteli i ljetovališta d.o.o., Zagreb	832	829
Valamar turistički projekti d.o.o., Zagreb	1	8
Zlatni otok d.d., Krk	1,675	987
RABAC d.d., Rabac	5,180	5,030
Puntizela d.o.o., Pula	68	60
Epima d.o.o., Zagreb	1	4
Valamar poslovni razvoj d.o.o., Zagreb	17	3
Bugenvilia d.o.o., Dubrovnik	1	1
Valamar Adria holding d.d., Zagreb	2	-
	7,777	6,945

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 35 – RELATED PARTY TRANSACTIONS (continued)

	<u>Note</u>	<u>2011</u>	<u>2010</u>
<i>(in thousands of HRK)</i>			
Purchase of services			
Valamar Adria holding d.d. Zagreb		245	-
Valamar hoteli i ljetovališta d.o.o., Zagreb/i/		58,708	52,894
Valamar turistički projekti d.o.o., Zagreb		502	6,259
Zlatni otok d.d., Krk		2	109
RABAC d.d., Rabac		82	12
Bugenvilia d.o.o., Dubrovnik		80	139
Epima d.o.o., Zagreb		3	9
Valamar poslovni razvoj d.o.o., Zagreb		30	-
Puntižela d.o.o., Pula		5	-
		<u>59,657</u>	<u>59,422</u>

/i/ For the services provided based on the individual Contracts concluded with Valamar hotel i ljetovališta d.o.o., the Group made a commitment to pay fees for each financial year during the operating period and the proportionally established part of a fiscal year, which consists of an agreed basic fee and an incentive fee. Furthermore, for the services rendered, the each Company will pay Valamar hotel i ljetovališta d.o.o.a special fee, based on the calculation of the agreed percentage of the value of goods purchased on an annual basis, for the current fiscal year.

**Borrowings – Valamar Adria holding d.d.,
Zagreb**

At beginning of year		42,591	42,518
Increase		71,453	37,073
Decrease		(57,000)	(37,000)
At end of year	28	57,044	42,591

Interest expense

Valamar Adria holding d.d., Zagreb	11	3,636	3,386
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Receivables

Valamar turistički projekti d.o.o., Zagreb		-	18
Valamar hoteli i ljetovališta d.o.o., Zagreb		12	22
Zlatni otok d.d., Krk		-	18
RABACd.d., Rabac		-	326
Puntižela d.o.o., Pula		8	6
Bugenvilia d.o.o., Dubrovnik		-	1

	21	20	391
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Liabilities

Valamar Adria holding d.d. Zagreb	29	761	700
Valamar turistički projekti d.o.o.		488	1,417
Valamar hoteli i ljetovališta d.o.o., Zagreb		6,391	2,931
Valamar poslovni razvoj d.o.o., Zagreb		38	-
Bugenvilia d.o.o., Dubrovnik		25	49
Epima d.o.o., Zagreb		2	4
	29	<u>7,705</u>	<u>5,101</u>

Contingent liability – guarantee

Valamar Adria holding d.d. Zagreb	33	81,966	21,000
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 35 – RELATED PARTY TRANSACTIONS (continued)

Key management compensation

	2011	2010
	<i>(in thousands of HRK)</i>	
Salaries	1,879	2,038
Pension contributions	409	329
Health insurance contribution	511	574
Other costs (contribution and taxes)	1,469	1,542
Share based payments	764	-
	5,032	4,483

Group Management consists of 6 members (2010: 5 members).

NOTE 36 – MERGER OF ENTITIES UNDER COMMON CONTROL

As at 1 September 2011, the Company acquired entities: Rabac d.d., Rabac and Zlatni otok d.d., Krk all under common control of the Parent company Valamar Adria holding d.d. (Dom holding d.d.). Assets and liabilities of these entities were merged at carrying amounts.

Assets and liabilities arising from the merger are as follows:

Assets	1 September 2011
Property, plant and equipment (Note 14)	426,505
Intangible assets (Note 15)	395
Inventories	1,954
Trade and other receivables	21,420
Cash and cash equivalents	129,471
Financial assets	1,016
Liabilities	
Borrowings	(68,834)
Provisions (Note 30)	(3,088)
Trade and other payables	(57,354)
Net assets acquired	451,485
Equity instruments transferred (Note 26)	334,788
Net assets upon merger	116,697