TNG

Tankerska Next Generation

ANNUAL REPORT 2015

Contents

Introduction

"There comes a perfect moment at sea when the sails and the wind align. Everything falls into place and the journey begins. Getting it right from day one means everything."

Tankerska Next Generation in 2015.

4 MR eco product tankers

2 MR Ice class product tankers

Average fleet age:

3.7 years
31 Dec 2014

1.7 years
31 Dec 2015

Took over four newbuildings and reached full operational capacity

4 MR eco design product tankers delivered and employed:

MT Vukovar April 2015	MT Zoilo July 2015	MT Dalmacija November 2015	MT Pag December 2015

About Tankerska Next Generation

Tankerska Next Generation is a shipping focused exclusively on the MR product tanker segment. The initiator of its incorporation was Tankerska Plovidba, an established Croatian shipping company with 60-year tradition, which is providing technical, crew and commercial management to TNG.

The main markets in which the Company operates is the international maritime transport of oil products and edible oils. Therefore, TNG provides transport services to large energy companies, large oil retailers and its products, large manufacturers of oil and oil products and various other entities that depend on sea transport.

TNG was incorporated in August 2014, followed by Tankerska Plovidba contributing its 2 existing conventional MR product tankers, cash and one fully funded eco-design newbuild with expected delivery in Q4 2015 – MT Dalmacija. In February 2015 other investors had the opportunity to partake in the IPO of TNG. Through IPO, TNG gained strong partners in institutional and private investors as HRK 208m (USD 31million) was raised in the process (HRK 65 per share).

The funds raised through the IPO, together with bank debt, were utilized to acquire two newbuilding contracts for MR vessels. First of two – MT Vukovar was delivered in April, and the second –MT Zoilo in July 2015, both vessels are fully operational from the day of delivery.

However, capital raising continued in Q2. The management saw a good opportunity for the acquisition of another newbuilding vessel; the major shareholders contributed another HRK 104m (USD16million) in June. TNG has utilized raised funds in July and acquired the contract for a newbuilding vessel – MT Pag which was delivered in December 2015. With this final acquisition TNG has a fleet of 6 MR tankers; two modern MR2 Ice class tankers MT Velebit and MT Vinjerac, and four modern eco designed MR2 tankers: MZ Zoilo, MT Vukovar, MT Dalmacija and MT Pag. All the vessels have secured employment with prominent charterers in medium term, which thus provide predictable cash flows and financial stability of the company.

The Company's strategy is to be a reliable, efficient and responsible provider of seaborne refined petroleum product transportation services and to manage its business operations in a manner that is believed will enhance its ability to pay dividends and maximize value to its shareholders. TNG aims to timely acquire its vessels, which ensures efficient use of the capital and minimizes the leverage. Goal of the fleet management strategy is to increase cash flow and profitability through outsourcing most of the management functions to a fleet manager which will improve the measurability and cost competitiveness of business because it will allow TNG to keep its flexible and simple organizational structure without realizing significant additional overheads. This will enable the efficient management of assets and liabilities of the company and ensure a stable return to shareholders in the form of dividends.

Key drivers for product tanker companies include among other global economic recovery and the shift in refining capacities from West to East. Namely, the current global trend is dislocating refineries, mainly from Europe to the Middle East and Asia, increasing routes the product tankers have to take in order to connect supply and demand. At the same time, the level of trade in petroleum products has been going up lately.

Comments from the CEO

"Year 2015 was an extremely intensive period for the development of TNG's fleet and was marked by extensive capital investments and the integration of newbuilding activities and securing their employment. By accomplishing its plan of investments and development of the fleet, TNG had four newbuildings delivered during the year and managed to secure the employment of the vessels with prominent charterers, which increased the total capital investments in the previous year up to 960 million kuna.

The beginning of the year was markedly effected by the successful completion of the initial public offering followed by the listing of company shares on the Zagreb's Stock Exchange Official market. With the support of its subscribers USD 31 million was raised which gave strong support in our intention of expanding the initial fleet and sizing market sentiment. TNG visited capital markets for the second offering in Q2 2015 raising an additional USD 16 million. This transaction further strengthened TNG's financial position, while enabling the company's management to promptly react in future strategy of delivery and acquisitions. All together with just over USD 47 million raised, we maintained our strategically conservative approach tuned to moderate leverage.

Late in the first quarter of 2015 TNG successfully acquired newbuilding (Vukovar and Zoilo) contracts for the delivery of two 50,000 dwt eco-designed tankers built in South Korea's Hyundai Mipo, the world's leading shipyard for these types of vessels. During the third quarter, the funds raised on the capital market were used according to plans, and the program of gaining newbuildings was successfully concluded in July by acquiring the third contract for the delivery of an eco-design product tanker.

> "Out of the first four planned contracted newbuildings during 2015 TNG took over and employed all of them"

Out of the first four planned and contracted newbuildings, during 2015 TNG took over and employed all of them. Vukovar was delivered to TNG on April 29 and was employed immediately afterwards on a three year time charter with STI Chartering and Trading (Scorpio) at USD 17,250 per day. Zoilo, the second of two vessels was delivered in July, while a contract for its employment has been secured for a minimum period of three years with Trafigura at USD 17,750 per day. The two last newbuildings, Dalmacija and Pag were delivered on November 25 and December 4 from South Korean shipyard SPP shipbuilding, and were immediately handed over to its charterer, Trafigura with whom they have secured employment. Dalmacija is chartered out on a three year charter deal for USD 17,750 per day, while Pag is chartered out on a 12 month deal for USD 19,300 per day.

At the end of the third quarter, TNG secured employment for MT Velebit, the ice class product tanker for 12 months straight following the redelivery from her current charterer Stena Weco, whose contract expired at the end of September. The tanker is chartered out to a prominent charterer, „CCI" Castleton Commodities UK Ltd., with usual market terms and an increased hire rate at approximately USD 18,500 per day.

By completing the aforementioned acquisitions and their employment, we have fulfilled the goals set prior to both public offers in terms of vessel quality, purchase price, timing of operational engagement and the contracted charter rate which fully surpassed our initial plans. Considering the fact that all newbuildings, with its deliveries during the year and integration into the fleet were not operational during the whole 2015, we expect the full effect on the business results during 2016.

In 2015. TNG has delivered cumulated vessels revenues of HRK136.8 million and EBITDA of HRK 60.5 million with a growing quarterly dynamics linked to increasing number of operational vessels during the year. Additionally, we have successfully completed the process of integrating the newbuildings into the fleet, which now consists of six operational vessels. Despite a very intensive investment period, TNG generated a net profit of HRK 34.5 million as a result of the business model aimed at the creating of new value, while a very strong financial position at the end of the period gives the management the ability to propose the return on the investment, a dividend in amount HRK 3.95 to the company's shareholders.

With funds that we raised through the capital increase in February and June we successfully completed the acquisition of three companies which had contracts to build modern eco-design product tankers in Korean shipyards. With a delivery of the latest acquisition, with the capacity of 50,000 dwt, we have reached the planned capacity of 300,000 dwt.

A period of complete integration of the fleet is ahead of us, we expect the normalization of the level of costs and revenues due to the fact that all six vessels of the fleet will be fully operational and will generate revenues, consequently creating new value for the company and its shareholders."

"By completing the aforementioned acquisitions and their employment, we have fulfilled the goals set prior to both public offers in terms of vessel quality, purchase price, timing of operational engagement and the contracted charter rate which fully surpassed our initial plans."

John Karavanić,
CEO

Recognitions and awards

In 2015 Tankerska Next Generation received two valuable recognitions, the first came from the Ministry of Maritime Affairs, Transport and Infrastructure, for contribution to the development of the maritime economy, while the Zagreb Stock Exchange awarded TNG for outstanding contribution to the development of the capital market

In the first year from its incorporation TNG managed to raise 208 million kuna through IPO in February, which was used for the expansion of the initial fleet with two modern eco designed tankers - Vukovar and Zoilo. Just a couple of months later, in June 2015, TNG managed to raise additional 104 million kuna through SPO, which was contributed by existing shareholders. These funds were used to acquire another modern eco designed product tanker delivered in December - MT Pag.

Efficient use of the capital market through IPO and SPO and the creation of the first prospectus for the listing of new shares according to EU standards, earned TNG the award for an outstanding contribution to the development of capital markets by ZSE. The efficient use of funds raised, which were translated into three new modern eco product tankers under the Croatian flag, has earned TNG the award for contribution to the development of the maritime economy of the Ministry of maritime Affairs, Transport and Infrastructure.

Recognition for the contribution to the development of the maritime economy

On the occasion of the feast of St. Nicholas, the patron saint of sailors, the Ministry of Maritime Affairs, Transport and Infrastructure of Croatia traditionally organizes a Day of sailors and boatmen on which recognitions are awarded for contribution to the development of inland waterway and maritime economy, improvement of marine science and culture, and the promotion of maritime search and rescue at sea.

This year's ceremony was held in Zadar on Friday 4th of December, and we are proud to announce that this year's laureate for contribution to the development of the maritime economy is Tankerska Next Generation

Mr. John Karavanić, CEO of Tankerska Next Generation received the recognition from the representative of Ministry Mr. Igor Butorac, and emphasized that the success of TNG even surprised the people who conducted the project.

Award for outstanding contribution to the development of the capital market

At the ceremony held on 11th December 2015 in Zagreb's Matis Lounge, near Vatroslav Lisinski concert hall, Zagreb Stock Exchange awarded its annual awards.

ZSE Awards Committee decided on awards in seven categories, considering the objective, statistical criteria, and overall contribution to education and the development of domestic capital markets.

Among this year's laureates Tankerska Next Generation received an award for outstanding contribution to the development of the capital market in 2015.All the laureats in 2015:

The stock with the highest turnover:
Hrvatski telekom d.d.

The stock with the highest growth rate:
Kras d.d.

The stock with the biggest increase in turnover:
Valamar Riviera d.d.

Member of the year:
Interkapital vrijednosnice d.o.o

Award of the ZSE Academy for an extraordinary contribution to the education about the Capital Market:
Ekonomska klinika

Share of the year by the public:
Valamar Riviera d.d.

The award for outstanding contribution to the development of the capital market:
Tankerska Next Generation d.d.

Mr. John Karavanić, CEO of Tankerska Next Generation received the award from Mrs. Ivana Gažić, president of the management board of Zagreb Stock Exchange, and emphasized the importance of the award received:

The recognition from Zagreb Stock Exchange is a confirmation that we are on the right track, and it is a confirmation of success not only for Tankerska Next Generation, but for the whole team that was engaged in the initial public offering in February, followed by the secondary offering in June.

A public offer is a very complex and demanding activity that requires the full commitment of the whole team in order to be successfully implemented. In the organization where everyone has their regular daily activities, preparing public offering is an additional burden, and requires a special commitment. That kind of commitment was the key to the success of the public offering of TNG's shares.

While preparing to go public we intensively worked together with a large number of people outside of the company, and in them we gained strong and reliable partners who follow us in development and investments, and of course we gained many friends without whom success would certainly not be at this level.

Without the trust of the institutional and private investors, who supported TNG through IPO in February and SPO in June, and without their investment in TNG, we wouldn't be able to create the fleet as it is today and that gives us great responsibility to manage the company at high levels, in order to justify their trust, concluded Mr. John Karavanić, CEO of Tankerska Next Generation.

TPNG-R-A share

The highest price of TPNG-R-A share was reached on 6th August with a price of 83.96 kn per share.

Year 2015. ended with a price of TPNG-R-A at 75,00 kn.

TPNG-R-A share is included in CROBEX index as from 21st September 2015

Company status report


TNG
Tankerska Next Generation
WINCH ONLY
PAG

Tankerska Next Generation in numbers

Capital investments in 2015:

~ 960 mil. kn (USD 141 mil.)

- Successfully completed two fund raising processes, an initial public offering together with the listing at Zagreb Stock Exchange and the secondary offering to current shareholders totaling HRK 312 million (USD 47 million)

- Fleet reached the planned capacity of 300,000 dwt.

136.8 mil. kn
Vessel revenues

60.5 mil. kn
EBITDA

34.5 mil. kn
Net profit

Market terms

"In the segment of product tankers in 2015 the market showed stable trends in expected hire rates."

The activity of the global economy during 2015 was characterized by restrictive factors that ultimately resulted in lower than expected growth rate, ie, a slower pace of recovery, mainly as a result of the many challenges faced by the national economies. According to the latest forecasts published by the International Monetary Fund, the world economy should grow in 2015 by 3.1%, while the forecasts for 2016 and 2017 are revised to 3.4% and 3.6% respectively, compared to forecasts of 3.6% and 3.8%[1] posted in October 2015. Although the recovery in developed economies is more powerful in recent years, the growth rate of emerging and developing markets mitigate the overall economic recovery.

Key factors that have left a significant mark on the recovery and growth of the world economy were a gradual slowing down and the rebalancing of the Chinese economy, and a significant drop in prices of energy and raw materials and the gradual tightening of monetary policy in the United States.

In 2015 after an initial rise in crude oil prices in the spring, from the levels recorded in January, crude oil prices fell strongly, reflecting a strong offer. On the other hand, contracts for future delivery of crude oil shows relatively modest recovery in oil prices in the next two years. These levels of crude oil prices are on the one hand a significant burden on the budgets of oil producing countries and oil exporters limiting potential growth and recovery of these economies, and on the other hand an additional support to households which can redirect spending towards other goods, which can help the economic recovery, especially in emerging economies.

In the first half of 2015, freight rates for some of the tankers that transport crude oil registered high levels, due to the creation of additional reserves of crude oil lead by China. A number of tankers were used as floating warehouses, used by energy companies and traders awaiting repairs in crude oil prices. Volatility of hire rates strongly underlined the market trends in mid-third quarter, affected by the seasonal drop in demand for crude oil on the eve of the period of regular maintenance of refinery plants.

In the segment of product tankers the market shows stable trends in expected hire rates for both conventional and eco-design MR tankers. This trend is mainly supported by slow growth of the fleet in recent years and partly by the low price of oil, which influenced the increase in demand for petroleum products.

Structural changes in the wake of relocation refining capacities supported the demand for vessels of this type. The new refinery capacities in the Middle and Far East spurred demand in the segment of product tankers, which is further supported by the long-term trend of shifting of the raphineries from the west to the east, which moves the production of refined petroleum products away from the place of consumption and increases the need for transportation of these products.

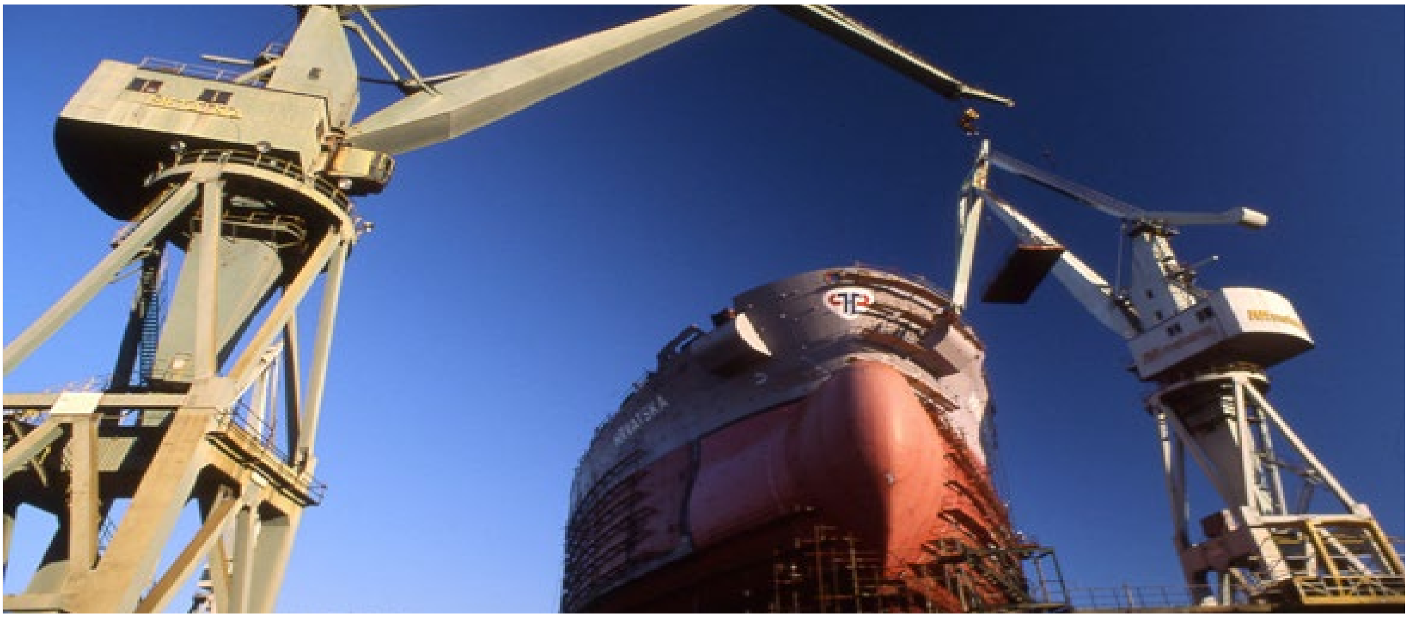
During 2015, In the segment of product tankers there was a delivery of total 177[2] new units, which shows an increase of 6% in global product tanker fleet compared to 2014, at a rate higher than the average in recent years. This increase with the deliveries expected to follow during 2016 could affect the level of fares, but on the other hand the trend of opening of the new refining capacity in the East and the increased demand for oil products underline the positive expectations in the segment of product tankers.

Current ship-owner expectations of MR tankers, for one year hire with immediate delivery are at a level of USD 17,250[3] per day.

[1] MMF, World Economic Outlook, October 2015

[2] Banchero costa – Product Tanker outlook 2016

[3] Clarksons, Tanker Matrix Report, 2016



Results for the year 2015

"A period of complete integration of the fleet is ahead of us, we expect the normalization of the level of costs and revenues due to the fact that all six vessels of the fleet will be fully operational and will generate revenues, consequently creating new value for the company and its shareholders."

In 2015, the Company's revenues amounted to HRK 136.8 million (USD 19.9 million), EBITDA amounted to HRK 60.5 million (USD 8.7 million), while the net income amounted to HRK 34.5 million (USD 5 million). TNG's financial results were additionally supported by the exchange difference on translation of foreign operations and gains attributable to monetary balance sheet items. The indicated gains are a result of exchanging our dollar assets on the reporting date into the Croatian Kuna in market circumstances when the US dollar strengthened in relation to the local currency. As such, these gains are not attributable to operating performance of our company. The exchange difference was much more pronounced in the first quarter of 2015.

The vessels' revenues for 2015 reached HRK 136.8 million and are result of time charter contracts for all six operational vessels. Vinjerac and Velebit were chartered out at an average of USD 14,800 per day and USD 14,000 per day, while from the end of September 2015 Velebit is chartered out to its new charterer „CCI" at USD 18,500 per day for 12 months straight. Vukovar was employed through a time charter at the daily rate of USD 17,250 which started in May, Zoilo, which was integrated into fleet in the end of July, was completely operational since then increasing the TNG's revenues by USD 17,750 per day. The last two newbuildings Dalmacija and Pag were delivered in the fourth quarter, and are operational from the end of November and start of December respectively.

Selected financials	USD '000 2015	HRK '000 2015	USD '000 2014	HRK '000 2014
Vesel revenues	19,935	136,795	1,573	9,509
EBITDA	8,812	60,458	1,378	8,334
EBIT	4,894	33,572	778	4,701
Net income	5,030	34,520	1,967	11,889

Dalmacija is chartered out at USD 17,750 per day, while Pag is chartered out at USD 19,300 per day.

The vessels' operating expenses for 2015 reached HRK 58.7 million (USD 8.5 million) and are predominately related to the expenses of Velebit and Vinjerac which have been fully operational throughout the year. For TNG 2015 is characterized by ambitious fleet development which burdened the expenditures with the additional costs related to the delivery and initial furnishing of four newbuildings. Fully standardized results are expected upon delivery of all the vessels. According to expectations, The Group took delivery and employed all of its newbuildings by the start of December 2015, when it took the delivery of the newbuilding Pag. With the delivery and securing of employment for the latest tanker in Q4 2015, the Q1 2016 will be the first fully operational quarter for the fleet. Commissions and voyage related costs were HRK 9.0 million (USD 1.3 million) in 2015, or at the level of 6.6% of vessels revenues, which is a standard for the industry and forecasted by the Company.

The depreciation expenses in 2015 amount to HRK 26.9 million (USD 3.9 million), and were continuously increasing every quarter following the dynamics of delivery and employment of the newbuildings.. The average number of vessels in operation increased from 2.8 after nine months to 3.26 throughout 2015. TNG expects that the deprecation cost will be increasing in the future according to dry-docking of the vessels which happens in five year cycles.

Interest expenses and finance costs, amounted to 11.9 million (USD 1.7 million) for 2015, and are connected with loans for financing of the operational vessels. TNG was in an investment phase which subsequently increased its debt balance. The debt balance increased with every newbuilding delivery, consequently increasing this group of costs. However, the Company has diversified its debt source by arranging financing facilities through a number of international banks allowing it to maximize on available market terms and conditions.

General and administrative expenses for 2015 reached HRK 8.6million (USD 1.3 million). Since the beginning of the year TNG had successfully concluded the initial public offering listing the shares on the Zagreb Stock Exchange and in Q2 had approached the capital market again with a secondary public offering. Raising capital through such transactions and arranging additional loans incurred certain one-off costs, typical for an initial period of operations.

The year 2015 has been a capital expenditure intensive period for the company, however in line with its ambitious capital expenditures plan and growth strategy. In order to implement its strategy, TNG has successfully turned to capital markets and completed two fund raising processes, an initial public offering together with the listing at Zagreb Stock Exchange and the secondary offering to current shareholders totaling HRK 312 million (USD 47 million). With these two transactions TNG has secured a strong capital base for financing expected vessel acquisitions while maintaining a moderately leveraged capital structure and remaining in line with current ratios. The gearing ratio by the end of the year increased to 55%. This level of debt differs from the level after first three quarters due to the need to secure additional debt for the deliveries of the two newbuild vessels in the fourth quarter. We expect the gearing ratio to decrease in accordance with the loan repayment plans of TNG and the decrease in company's debt.

NET PROFIT 34.5 mil. kn

With successful negotiation on the demanding international market, TNG managed to secure financing for the newbuildings with credit lines with NORD/LB and ABN Amro bank. Financing facility of USD 47.5 million was concluded for its newbuildings Dalmacija and Zoilo with a renowned international bank NORD/LB, while the loan arrangement for financing of the newbuilding Pag is concluded with ABN Amro. With these agreements we have gained strong support for our growth and development, which contributes to diversifying loan arrangements and a stronger financial stability of the company.

Securing both sufficient levels of debt and equity financing, provided strong foundations for delivering company strategy and increasing distributable cash flow, the ability to pay dividends and maximizing shareholder value, while lowering the risk of the business by focusing on medium to long term time charter periods.

Financial position	USD '000 2015	HRK '000 2015	USD '000 2014	HRK '000 2014
Bank debt	121,300	848,104	33,221	209,356
Cash and cash equivalents	10,221	71,465	3,693	23,273
Net debt	111,079	776,639	29,528	186,083
Capital and reserves	92,364	645,794	43,993	277,252
Gearing ratio Net debt/(capital and reserves + Net debt)	55%	55%	40%	40%

Operational data of the fleet

TNG's operational fleet consists of 6 product tankers; Velebit, Vinjerac, Vukovar, Zoilo, Dalmacija i Pag, out of which Velebit and Vinjerac were operational throughout 2015. while others become operational folowing the delivery from the shipyard

Current employment strategy has secured stable income in the mid term where three vessels are employed on three year time charters, while the other three vessels benefit from shorter contracts with options to extend.

The average hire rate in year 2015 amounted to USD 16,340, while the average daily operating expenditures (OPEX) amounted to USD 7,180.

The fourth quarter of 2015 significantly contributed to the improvement of key operating indicators on the revenue level, as the daily rate of the modern eco-design vessel Vukovar of USD 17,250 and Zoilo of USD 17,750 significantly supersedes the contracts concluded for the conventional MR tankers built in 2011. Charter rates for the two newbuildings delivered in the end of the year also contributed to the positive trend (Dalmacija at USD 17,750 per day, Pag at USD 19,300 per day). The successful securing of employment for conventional tanker Velebit, who following the redelivery from its previous charterer at the end of September, is chartered to „CCI" Castleton Commodities UK Ltd at USD 18,500 per day contributed to the business results during the last quarter of the year, as well as to the year average. Revenue days and operating days increased significantly by the expanding of the fleet. Employment of the fleet of 100% is due to the fact that the charter parties ran uninterrupted and there were no off hire deductions, characterizing TNG's fleet as highly efficient.

Average daily vessel operating expenses of USD 7,180 USD for 12 months, shows a moderate increase from the results in the first nine months, which is connected with the delivery of two new vessels and one-off operating costs of the delivery and financing of the vessels. Higher expenses are a consequence of Vukovar, Zoilo, Dalmacija and Pag delivery and the higher additional costs incurred during the delivery that are associated with the initial furnishing of the vessels. These costs include the furnishing the ship's cabins, supplying the deck with required material, the purchase of lubricants, as well as the initial inspections and education expenses and salaries of the crew in the period prior to delivery. TNG expects normalized operating expenses to be recorded in the first operating period following the delivery of all newbuildings.

Operational data of the fleet	2014	2015
Gross Time Charter rates (USD, per day)	8,200	16,340
Operating days (number)	182	1,191
Daily vessel operating expenses (USD)	n/a	7,180
Fleet utilization %	100	100
Average number of vessels in the period	2.00	3.26

Current TNG fleet

Current TNG's fleet consists of six MR tankers in operation (Velebit, Vinjerac, Vukovar, Zoilo, Dalmacija and Pag). In accordance to the expectations, and the initial schedule of integration of the newbuild vessels into the fleet, the delivery of Dalmacija took place in November, while Pag was delivered in December. Following these deliveries and employments the Group owns an operating fleet which consists of two conventional ice class tankers, and four eco-design modern product tankers with a total capacity of 300,000 dwt.

During the first quarter the fleet was expanded by acquiring contracts for two newbuild eco-designed MR tankers (Vukovar and Zoilo) from Hyundai Mipo Shipyard, and with the acquisition of newbuilding contract for eco-designed MR tanker Pag during third quarter from the South Korean shipyard SPP. Newbuilding Vukovar was delivered at the end of April 2015., and newbuilding Zoilo was delivered at the end of July 2015, and newbuilding Pag was delivered in early December 2015

Vessel	Capacity (dwt)	Type	Built	Yard	Flag	Employment	Daily rate (USD)
Velebit	52,554	ICE class MR product	2011	Treći Maj Hrvatska	Croatian	CCI Time Charter	18,500 (until Q3/Q4 2016)
Vinjerac	51,935	ICE class MR product	2011	Treći Maj Hrvatska	Croatian	Stena Weco Time Charter	14,800 (until Q1/Q2 2016)
Vukovar	49,990	Eco MR product	2015	Hyundai Mipo S.Korea	Croatian	Scorpio Time Charter	17,250 (until Q2 2018)
Zoilo	49,990	Eco MR product	2015	Hyundai Mipo S.Korea	Croatian	Trafigura Time Charter	17,750 (until Q3 2018)
Dalmacija	49,990	Eco MR product	2015	SPP Shipbuilding S.Korea	Croatian	Trafigura Time Charter	17,750 (until Q4 2018)
Pag	49,990	Eco MR product	2015	SPP Shipbuilding S.Korea	Croatian	Trafigura Time Charter	19,300 (until Q4 2016)

Key events in the year 2015

„Year 2015 was an extremely intensive period for the development of TNG's fleet and was marked by extensive capital investments and the integration of newbuilding activities and securing their employment„

Agreement with ABN Amro bank (Q4)

Tankerska Next Generation and the distinguished Dutch bank ABN AMRO Bank NV have concluded a loan agreement which will secure the necessary funding for three vessels in TNG's fleet. Part of the transaction worth 52.65 million USD, will be used to finance the delivery installment for Pag, which has been initially funded by the proceeds from the secondary public offering, while the balance of the financing from the transaction will be used to substitute the existing sources of funding for Velebit and Vinjerac. The loan tenor is six years and is secured at competitive market conditions for ship financing. It will be repaid in 24 consecutive quarterly installments based on 14,5 year repayment profile and a ballon repayment of the remaining balance bringing the outstanding balance to zero which is due together with the final installment.

Delivery and start of commercial exploitation of new vessels (Q4)

TNG took delivery of Dalmacija and Pag, its third and fourth newbuildings from the SSPP Shipyard Cp. on November 27th and December 4th 2015, after which the commercial exploitation of the vessels started. Dalmacija entered into a 3 year time charter with Trafigura for a daily hire fare of USD 17,750, while Pag entered into 12 month deal with the same charterer for a daily hire fare of USD 19,300 per day.

Daily hire rate for MT Pag contracted at 19.300 USD

Time chater for Pag secured (Q4)

Tankerska Next Generation has secured 12 month employment for MT Pag. The vessel will be chartered out to a prominent charterer at approximately USD 19,300 per day with usual market terms. Charterers' option allows for an additional maximum six month extension of the deal at approximately USD 19,500 per day, to be declared the latest 60 days prior to expiration of the time charter.

Continuous time charter for Velebit secured (Q3)

During the third quarter TNG managed to secure 12 month continuous employment for Velebit whose three year contract with Stena Weco expired in late September, and it was immediately handed over to its new charterer („CCI" Castleton Commodities UK Ltd) with a hire rate of USD 18,500.

Delivery and start of the commercial exploitation of the new vessel (Q3)

Zoilo was delivered to TNG as the second newbuilding from the South Korean shipyard Hyundai Mipo Dockyard Co., on 27 July 2015, after which the commercial exploitation of the ship began. Zoilo has a three-year time charter contract with Trafigura for a daily hire fare of USD 17,750.

The acquisition York Maritime Holdings IV, LLC (Q3)

On 29 July 2015 TNG acquired York Maritime Holdings IV LLC, which owns the contract for the construction of an eco-design product tanker, deadweight 50,000 dwt, in the Korean SPP Shipbuilding Co., Ltd. shipyard. The acquisition was financed from funds collected in a secondary public offering (SPO).

Financing arrangement with NORD/LB (Q3)

On 17 July 2015 Zoilo Shipping LLC ("Zoilo Shipping") and Teuta Shipping Company Ltd.("Teuta") signed an agreement with NORD/LB bank which will be partly used to finance Zoilo and newbuilding Dalmacija, vessels from the South Korean shipyards. The loan worth USD 47.45 mil has a maturity of six years after the delivery of the ship and was concluded at competitive market conditions for ship financing. It will be repaid in 24 consecutive quarterly installments, around 0.4 mil. USD each, based on the 15-year repayment profile and ballon payment of the remaining amount. The ballon payment would repay the outstanding balance completely together with the last installment. Zoilo Shipping LLC ("Zoilo

Shipping") used this loan to settle the payment for the delivery of Zoilo before taking 27 July 2015.

312 mil. HRK rasied through IPO and SPO

Secondary shares offering (Q2)

Swift and efficient new capital rising in the amount of HRK 104 million (approx. USD 16million) for funding fleet development was completed on 11 June. With the share capital increase, the Company gets to reinforce its financial standings with all presumptions to expand its fleet to 6 vessels amounting approximately 300,000 dwt. The shareholders have recognized and supported this investment opportunity by subscribing slightly over 1.5 million new shares. Increase of share capital and amendments of the Articles of Association have been carried out with the Decision of the Commercial Court in Zadar, as of 11 June 2015. The Company's share capital was increased to just over HRK 436 million.

Delivery and the beginning of commercial exploitation of Vukovar (Q2)

TNG took delivery of m/t Vukovar on 29 April 2015 from Hyundai Mipo Dockyard Co., Ltd., South Korea shipyard after which it began its commercial exploitation. TNG contracted the vessel on a three year time charter with Scorpio with the daily rate of USD 17,250.

Time Charter contracts for Zoilo and Dalmacija secured (Q2)

TNG contracted vessels Zoilo and Dalmacija (first already operational and later with expected delivery in Q4 2015), both on a three year time charter with Trafigura with the daily rate of USD 17,750 starting from delivery dates. Charterers have an option to extend both time charters for additional 12 months at USD 19,750 per day.

Acquisition of York Maritime Holdings IX LLC and York Maritime Holdings VI LCC (Q1)

On 17 March 2015, using the proceeds from the Initial Public Offering the Group acquired two companies, York Maritime Holdings VI LLC and York Maritime Holdings IX LLC . Both of the companies were in possession of a contract for the construction of a 50,000 dwt eco-designed product tanker in the Korean Hyundai Mipo Shipyard.

Initial Public Offering (Q1)

On 5 February 2015 Tankerska Next Generation has successfully completed its HRK 208 million (approximately USD 31 million) Initial Public Offering (IPO) through the sale of 3.2 million shares at a price of HRK 65.00 per share. The proceeds from the Offering have been fully paid into the Company's capital on 9 February 2015 by Tankerska plovidba. On 9 February 2014 the Commercial court in Zadar registered the capital increase of the Company. The Company's share capital has increased from HRK 200 million for the amount of HRK 160 million to the amount of HRK 360 million while HRK 48 million has been allocated to capital reserves of the Company. The initial public offer was successfully finished by listing of the shares on the Official market of the ZSE.

TNG has produced its own Code of corporate governance during 2016, which has adopted codes of corporate governance prepared by ZSE and CFSSA.

Corporate governance

According to the Croatian Companies Act, those companies whose shares are traded on the regulated market are obliged to apply codes of corporate governance. Given that the total of 8.733.345 shares of the Company are listed under ticker TPNG-R-A and ISIN HRTPNGRA0000 are listed on the Official market of ZSE, the Company has adopted codes of corporate governance prepared by ZSE and CFSSA. The Code is published on the Zagreb Stock Exchange and CFSSA web pages.

Tankerska Next Generation is continuously developing and acting in accordance to good practices of corporate governance and with its strategy, policies, culture and business ethics is pursuing transparent and efficient business model and a quality connection with the region in which it operates.

With a goal to reach the high standards of corporate governance the Company has adopted its own Code of corporate governance during 2016, which recognizes the accountability of the Supervisory Board and Management Board and the importance of transparency to all the Company's shareholders, including customers, investors and regulatory authorities. TNG's Code has been prepared according to the Code of Zagreb Stock Exchange and CFSSA.

The objective of this Code is to establish high standards of corporate governance and business transparency for joint stock companies and, by duly and responsibly managing and supervising operations and management functions of such joint stock companies, to protect investors and other stakeholders. Mangement, Supervisory board and other company bodies fully comply to the this Code.

TNG d.d.in accordance to Article 250.b paragraph 4. and 5. and article 272.p of the Croatian Companies Act, («Narodne novine», broj 111/93, 34/99, 121/99, 52/00 – Decision USRH, 118/03, 107/07, 146/08, 137/09, 152/11 – clean text 111/12, 68/13 i 110/15) made a statement on the application of the Code of Corporate Governance, which can be found on the website of the Company.

Corporate governanance bodies:

Company's Management Board conducts business independently and at its own risk and passes all decisions exclusively at its discretion. Consent of other corporate governance bodies does not exclude the responsibility of the Board to run operations in lie with highest principles applying best market practice and highest due diligence and diligence. Management is responsible for ensuring that the Company operates in accordance with economic principles of running a business and that the operations comply with good business practices and ethics. Management Board keeps the business and other books and business documentation, draws up accounting documents, realistically estimates assets and liabilities, compiles financial and other reports in accordance with applicable regulatory framework.

Supervisory Board is responsible, among other, for the following: appointment and removal of members of the Management Board; examining the annual financial statements, company status report and profit distribution proposal; submission of written reports to the General Assembly on the supervision of the Company's business (the report must state whether the Company in accordance with the law and Company regulations and decisions of the General Assembly, if the annual financial statements are prepared in accordance with the accounting records of the Company and whether financial statements fully reflect the assets and the financial position of the Company, opinion on the MB profit distribution proposal); represent the Company in the matters concerning members of the Board .

Audit Committee is an advisory body of the Supervisory Board, which assists the Supervisory Board in the effective execution of the tasks of corporate governance, financial reporting and control Tankerska Next Generation Audit Committee analyzes in detail financial statements, provides support to the Company's accounting, establishes quality internal control in the Company, and recommends the appointment or dismissal of the external auditor of the Company responsible for performing annual audits of the financial statements.

Corporate governance

John Karavanić

CEO

Mr. John Karavanić graduated from the Faculty of Economics and Business in Zagreb in 1992. After graduation, he was employed with Tankerska plovidba as trainee in the Commercial Division. From 1993 – 1997 he was a senior officer in Tanker Division in Tankerska plovidba, and from 1997 -1999 Department Manager in Tanker Department in the Commercial Division. Between 1999 - 2004 he was a broker in Alan Shipping (a Tankerska plovidba subsidiary). He returned to Tankerska plovidba in 2004 to the position of Chartering Manager and Deputy Commercial Director within the company. Since 2014 he held a position of a Project Manager and Deputy Commercial Director in Tankerska plovidba. Since August 2014 Mr. Karavanić is the CEO of TNG.

Mario Devošić

CFO

Mr. Mario Devošić graduated in 2004 from Faculty of Economics in Zagreb. After graduating, he was employed at the INA Inc. oil company which has a leading role in oil business in Croatia and a significant role in the region. He built his career through the segment of exploration and production of oil and gas and in the business finance functions. As a Director of Investor Relations, from 2011 to 2013, he was responsible for developing and implementing investor relations strategy, and as a Director of portfolio at INA Group he was responsible for portfolio optimization. From 2014 he worked in the field of credit risk management. He joined Tankerska Next Generation team in May 2015. He is a current member of the Committee on Conflict of Interest at Zagreb Stock Exchange.

Ivica Pijaca

President of the Supervisory board

Mr.Ivica Pijaca began his professional career in Tankerska plovidba as a deck cadet from 1992–1993. He graduated from the Faculty of Maritime Studies in Rijeka in 1998. The same year he was employed as a 3rd mate in the Tankerska plovidba fleet. In 1999 he became Assistant Chartering Manager in Product Tanker Department in Tankerska plovidba, advancing to the position of Chartering Manager in Tanker Department in Tankerska plovidba in 2003. Between 2004-2005, Mr Pijaca was a broker in Alan Shipping (a Tankerska plovidba subsidiary) and a Managing Director in the same company from 2005-2006. From 2006-2013 Mr Pijaca was Chartering Manager in Tanker Department in Tankerska plovidba. In 2013 Mr Pijaca became a Director of Commercial Division, a position he currently holds in Tankerska plovidba.

Mario Pavić

Member of the Supervisory board and Audit commitee

Mr Mario Pavić began his professional career in Tankerska plovidba as cadet between 1993 –1994. He graduated from the Faculty of Maritime Studies in Split in 1996 with the degree of nautical engineer. From 1997 to 2002 he was employed as a deck officer in Tankerska plovidba fleet. In 2002 he obtained a master degree in Maritime Engineering Management at the Faculty of Maritime Studies in Split. Between 2003-2007 he was Tanker Operations Manager in Tanker Department in Tankerska plovidba. Between 2007-2012, Mr Pavić was a broker in Alan Shipping (a Tankerska plovidba subsidiary) and a Managing Director in the same company from 2012-2013. Since 2013, Mr Pavić is the Management Board member of Tankerska plovidba.

Nikola Koščica

Member of Supervisory board and Audit commitee

Mr. Nikola Koščica graduated in Financial Economics at London Guildhall University in 1996. After the graduation, he was employed with Dalmatinska banka Inc. between 1997-2001, first as a trainee, later as an analyst in Risk Management Department of the said bank. Between 2001-2003, he was initially employed as an account manager and later as head of Corporate Lending Department in Zadar Branch of Raiffeisenbank Austria Inc. He became an employee of Tankerska plovidba in 2004 as a Risk Manager and since 2013 he holds a position of Director of Financial Division. Since August 2015, Mr Pavić is the Management Board member of Tankerska plovidba.

Joško Miliša

Member of the Supervisory board

Mr. Joško Miliša graduated from the Faculty of Electrical Engineering in Zagreb and in 1992 he started working as a broker at a brokerage firm Medis, after that he worked in the consulting companies Consult Invest and ICF as a consultant on business acquisitions and general consultancy. At Erste Securities Ltd. he occupied the position of the Head of securities trading and the introduction of portfolio management. He was appointed in 2000 as vice-president of the Croatian Privatisation Fund. In early 2002, he co-founded the investment firm ŠTED-CAPITAL Ltd., which he independently and successfully lead till mid-2009. Currently he is the CEO of the investment firm Prosperus Invest Ltd.

Sergej Dolezil

President of the Audit Commitee

Mr. Sergej Dolezil graduated in 2004 at Webster University Vienna, Management with a focus on international business. That same year, he got employed as a Supervizor in the Tax Department of KPMG Croatia. From 2010 he is employed at the INA oil & gas industry at the position of Lead Internal Auditor, and in that position he remained until 2013 when he was promoted to Head of Internal Audit. In April 2015 he moved to Croatia Osiguranje dd, where he occupies the position of board member financial advisor. Mr. Dolezil completed the MBA program in 2009. at the IEDC Business School in Bled, Slovenia

Genarij Sutlović

Exoert advisor to the Audit Commitee

Mr. Genarij Sutlović graduated from the Faculty of Economics in Rijeka in 1992. After graduation, he was employed in Tankerska plovidba as an officer from 1987 to 1989. Since 1990, he was employed on the position of Chief financial accountant from where he was promoted to Chief Accounting Officer in February 1991. At the position of Chief Accounting Officer at Tankerska Plovidba he remained until December 2001 when he moved to Stambeno Gospodarstvo Tanker Ltd., where occupies the position of the Director of the company ever since.

Important shareholders

As per 31st December 2015 the important shareholders are:

Shareholder	No. of shares	Ownership %
Tankerska plovidba d.d.	4,454,994	51.01
PBZ Croatia Osiguranje OMF	839,000	9.61
Erste Plavi OMF	808,000	9.25
Raiffeisen OMF	752,036	8.61
Croatia Osiguranje d.d.	292,239	3.35
Other institutional and private investors	1,587,076	18.17
Total	8,733,345	100.00

Top ten biggest shareholders on each work day can be found on the CCDC website (www.skdd.hr)

Members of the Management, Supervisory board and audit Commitee who own the shares of the company:

Mr. John Karavanić, CEO owns 1,633 company shares,
Mr. Ivica Pijaca, Supervisory board president owns 1,840 company shares,
Mr. Mario Pavić, member of the Supervisory board and audit commitee owns 1,368 company shares,
Mr. Nikola Koščica, member of the Supervisory board and audit commitee owns 1,840 company shares,
Mr. Genarij Sutlović, expert advisor to the Audit Commitee owns 490 company shares.

Compensations for members of board's and commitee's

Compensation for the members of Supervisory Board in 2015

Compensation for the members of supervisory board amounts to 4,000 kn net monthly, while President of the Supervisory board has a compenstaion of 5,000 kn net monthly.

Supervisory board members as per 31st December 2015.:

Mr. Ivica Pijaca, president
Mr. Andrej Koštomaj, deputy president
Mr. Joško Miliša, member
Mr. Mario Pavić, member
Mr. Nikola Koščica, member

Compensation for the members of Audit commitee in 2015

Members of the Audit commitee did not receive any compensation for their work in 2015.

Audit commitee as per 31st December 2015.:

Mr. Sergej Dolezil, president
Mr. Nikola Koščica, member
Mr. Mario Pavić, member
Mr. Genarij Sutlović, expert advisor

Related parties

As of 1 January 2015 the Management agreement and Non-Competition Agreement have commenced. More information on the scope and contents of contracts can be found in Company's Prospectus dated 8 December 2014 which is publicly available on TNG's website (www.tng.hr).

Management Agreement

Under the careful supervision of the Management Board, the Group's operations are managed by Tankerska (Fleet Manager) and the Group has entered into a long-term agreement with the Fleet Manager (Management Agreement). Pursuant to the Management Agreement, the Fleet Manager shall provide to the Group commercial, crewing, technical, and certain administrative and corporate services in exchange for management services fees. The Management Agreement shall continue until the 31 December 2020. Management Board believes that the Group will greatly benefit from the relationship with Tankerska as it is a vastly experienced and highly reputable tanker operator which can offer premium services at favorable rates.

In return for providing the services under the Management Agreement, TNGI pays the Fleet Manager fees comprised of the following key components:

Commercial management services fee. TNGI pays a fee to the Fleet Manager for commercial services it provides to the Group equal to 1.5% of the gross vessel revenues

Bunkering. All bunkering arrangements will be charged at USD 1.00 per metric ton. Any cost directly or indirectly incurred in the process of providing the bunkering services (including but not limited to agency costs, bunker samples analysis, bunker surveys, etc.) will be off-budget and charged to TNGI as contingency costs

Ship management services fee. TNGI pays a fee to the Fleet Manager for the ship management services. The fee is related to Moore Stephens' publication which provides an average daily expense for each type of vessel. The fee TNGI pays to the Fleet Manager is equal to 67% of the management fee published in Moore Stephens' latest OpCost for Handysize Product Tankers and amounts to USD 503 daily for 2014 or pro-rata on daily basis for the part of a month.

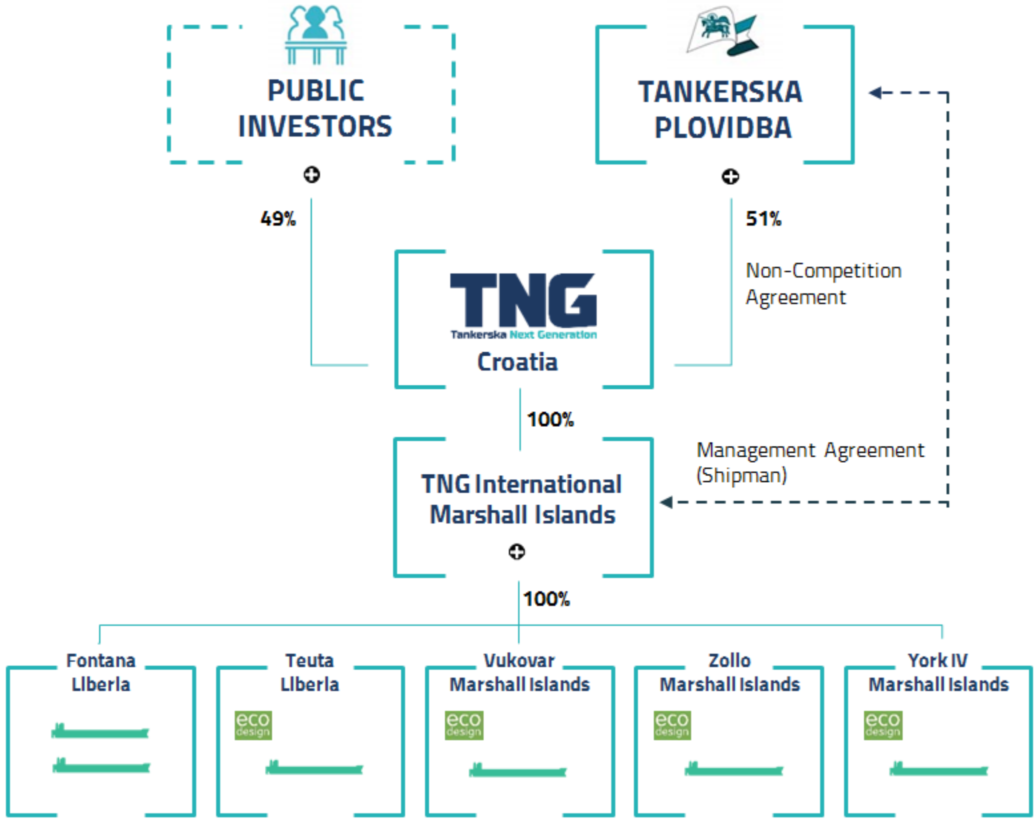
S&P fee. In the event of a definitive agreement for the direct purchase, acquisition, sale or disposition of any vessels entered into by or on behalf of the Group or its affiliates or their owners, the Fleet Manager shall be entitled to a fee in the amount of 1% of the aggregate consideration

Non-Competition Agreement

According to the Non-Competition agreement between TNG Group and Tankerska Group, the parties have agreed that Tankerska plovidba nor its affiliates (other than the Company and its affiliates) shall own, lease, commercially operate or charter any MR product tanker.

The Non-Competition Agreement automatically terminates, expires and has no further force and effect on the date that Tankerska and its affiliates no longer retain direct or indirect ownership of at least an aggregate of 33% of Company's shares.

Overview of related party transactions



Tankerska Next Generation International, a subsidiary of Tankerska Next Generation holds bareboat contracts with companies which own a total of 6 product tankers

Outlook

Market for product tankers does not show negative trends and current market reports show stability in eco designed vessels daily rates

TNG is an international owner and operator of a fleet of modern medium range product tankers. At the beginning of 2015 fleet was comprised of two product tankers at sea and one ordered eco designed tanker. Company successfully conducted an initial public offering and was listed on the Zagreb Stock Exchange in February, raising total amount of USD 31 million, utilized for acquiring two modern newbuild product tankers. Secondary share offering was successfully conducted in June 2015 raising an amount of USD 16 million, utilized to acquire an additional newbuilding.

All newbuildings that have been on order were delivered and employed in 2015. Consequently the company completed the year with a fully operational fleet. Business year 2016 is expected be a year of revenue and expenses levels stabilization, as all the currently owned ships have in place time charter contracts that generate revenue.

Dalmacija, Pag and Zoilo have time charters in place well in 2018, while re-employment for Vinjerac is to be secured in April 2016, when the current employment contract (time charter) with Stena Weco in the amount of USD 14,800 per day, expires. Analyzing current market conditions, it is expected that Vinjerac exceeds the previous daily rates level. Time charters for vessels Velebit and Pag are expected to expire in Q3 and Q4 of 2016.

Market for product tankers does not show negative trends and current market reports show stability in daily rates for eco designed vessels. Dominating trend of refining capacity relocation to the Far East continues, further supported the announced construction of a refinery in India. A consortium of state oil companies is to build a refinery with an annual capacity of 60 million tons, further strengthening the supply/demand imbalance while supporting transport capacity demand.

The company intends to employ the majority of its fleet through a medium to long-term time charter contracts in order to achieve predictable business results and cash flows that support risk mitigation for the shareholders. In terms of duration, future employment strategies will depend on market conditions and the Board approach to optimum fleet management strategy.

MT Velebit MT Vinjerac are to undergo the five-year dry dock during 2016, that will result in 10 to 15 revenue days less during the year (Velebit in Q2, Vinjerac in Q3.As per the expected standpoint of the American Coast Guard, "ballast water treatment" system installation is expected in the foreseeable future, since this obligation will materialize at the time when 35.00% of the world fleet ratifies this regulatory provision (currently at 34.65%). The cost of implementing "ballast water treatment" system is currently around 700 to 800,000 USD, and it is expected that this cost would reduce in the future, following the development of technology and the increasing number of certified manufacturers.

TNG strategy is to be reliable, efficient and responsible provider of seaborne transportation of petroleum products, to manage the Group and expand it in a way which is believed to allow the Company to increase the long-term return on invested equity and earnings per share to be distributed to shareholders.

Environment protection

Tankerska Next Generation considers the preservation and protection of the environment and energy efficiency as its paramount missions

The Policy of managing our fleet is to ensure that all owned or managed ships are operated to comply with all necessary requirements to protect the Environment and in compliance with the existing International Conventions, Administration or other applicable Regulations.

It shall be accomplished through the implementation of the following:

- Taking precautions to protect through the environment in which the Company's ships operate.
- High standards in operating and maintaining Company's ships.
- Responding to hazards quickly, efficiently and with the minimum possible impact to the environment and natural resources.
- Commitment to continuous improvements in our environmental performance and pollution prevention across all our activities.
- Correct treatment and handling of cargo products being transported, bunker and lubrication oils purchased, paints, chemicals, solvents, other consumables materials and in order to comply with statutory rules and regulations.
- Assessing identified risks for possible environmental impacts originating from the various environmental aspects of shipping business.
- Train crew to prevent accidental and whenever possible operational discharges of pollutants to the environment.

All shore based and shipboard personnel of Tankerska group are strictly required to adhere to this Policy by fully complying with all requirements of the Company as well as all applicable industry, administration, national and international regulations.

Tankerska Next Generation is committed to make efficient use of energy aboard its ships with the purpose of preserving natural resources, reducing atmospheric emissions and helping to mitigate the effects of climate change.

Over recent years, firm bunker prices, slow steaming and generally low freight rates brought "eco-designs" into the global focus. Shipyards are marketing designs that potentially offer significant fuel consumption savings and speed flexibility which has generated interest and ordering activity. The exact commercial advantage of this new generation of vessels is still being scrutinized and a bit subdued due to today's fuel oil prices however the common overall belief is the prices of oil we have been seeing the last year are unsustainable in the long run while on the other hand, the orders being placed for these sort of units are not on a short term speculative basis. As a result retro-fit solutions have been put on standby mode while there is still a growing requirement to meet various regulatory issues, including emissions (NO, SO, Carbon) and the introduction of Ballast Water Treatment (BWT) systems.

Eco ships possess various improvements on their propulsion system such as improved engines and improved larger propellers that decrease fuel consumption. New generation engines and other improvements in the propulsion system that are found on "eco ships" can provide substantial fuel consumption reduction. Also, eco ships have improved hydrodynamics such as hull optimization, energy saving devices and low friction paint to maximize the vessel's speed at a given level of propulsion. Hydrodynamic improvements can also provide savings in fuel consumption.

Risk management

TNG`s activities expose it to a variety of risks, including financial and operational risks

TNG's risk management policy in connection to managing its financial assets can be summarized as follows:

Foreign exchange risk

TNG is exposed to the following currency risks: the transaction risk, which is the risk of a negative impact of fluctuations in foreign exchange rates against the Croatian kuna on TNG's cash flows from commercial activities; and the balance sheet risk, which is the risk that the net value of monetary assets on retranslation of kuna-denominated balances becomes lower as a result of changes in foreign exchange rates.

TNG operates internationally and is exposed to changes of US currency as significant amount of receivables and foreign revenues are stated in this currency. Current TNG policies do not include active hedging.

Interest rate risk

Interest rate risk is the risk of change in value of financial instruments due to changes in market interest rates. The risk of interest rate in cash flow is a risk that the interest expenditure on financial instruments will be variable during the period. As TNG has no significant interest-bearing assets, its operating income and cash flows from operations are not significantly exposed to fluctuations in market interest rates. TNG's interest rate risk arises from long-term borrowings. TNG is exposed to interest rate risk on its long-term borrowings that bear interest at variable rates.

Arranging interest rate swaps with the key lenders provides for easing the risk of volatility in the variable interest rate, allowing the company, which operates in terms of pre-fixed income contracted to manage the profitability of operations fixing one of the major cost components.

Credit risk

Credit risk is the risk of failure by one party to meet commitments to the financial instruments, what could cause the financial loss to the other party. Maximum exposure to credit risk is expressed in the highest value of each of the financial asset in statement of financial position. Basic financial assets of TNG consist of cash and of account balance with banks, trade receivables and other receivables, and of investments. Credit risk in liquid funds is limited as the counterparty is often the bank that most international agencies assessed with high credit ratings.

Liquidity risk

The responsibility for managing liquidity risk rests with the Management Board which sets an appropriate liquidity risk management framework for the purpose of managing its short-term, medium-term and long-term funding and liquidity requirements. Liquidity risk, which is considered the risk of financing, is the risk of difficulties which the TNG may encounter in collecting funds to meet commitments associated with financial instruments. TNG has significant interest bearing non-current liabilities for loans with variable interest that expose TNG to the risk of cash flows. Company manages liquidity risk through maintaining adequate reserves and loan facilities, in parallel to continuously comparing planned and relished cash flow and maturity of receivables and liabilities.

Price risk

TNG's activities expose it to price risk associated with changes in the freight rate. The daily freight rate (the spot rate) measured in USD per day, has historically been very volatile. The volatility influences day-to-day operations in the following ways:

▪ when rates are low TNG sees it as an opportunity to increase market exposure, and

▪ when rates are high TNG will seek to hedge short-term to medium-term exposure by chartering-out vessels or by actively trading freight-related derivatives.

In addition, TNG trades its spot exposed vessels in different pools that reduces the sensitivity to freight rate volatility by economies of scale and optimization of the fleet's geographical position.

Operational risk

Due to the risks involved in seaborne transportation of oil products as well as due to very stringent requirements by the "oil majors", safety and environmental compliance are TNG's top operational priorities. The Fleet Manager will operate TNG's vessels in a way so as to ensure maximum protection of the safety and health of staff, the general public and the environment. TNG and the Fleet Manager actively manage the risks inherent in TNG's business and are committed to eliminating incidents that would threaten safety and the integrity of the vessels. Fleet Manager uses a risk management program that includes, among other, computer-aided risk analysis tools, maintenance and assessment programs, seafarers competence training program, and seafarers workshops.

Daily rates

Time charter rates are usually fixed during the term of the charter. Vessels operating on time charters for a certain period of time provide more predictable cash flows over that period of time and yield conservative profitability margins. Prevailing time charter rates fluctuate on a seasonal and year-to-year basis reflecting changes in spot charter rates, expectations about future spot charter rates and other factors. The degree of volatility in time charter rates is lower for longer-term time charters as opposed to shorter term time charters.

Employment strategy based on longer than one year time charter enables the mitigation of this type of risk.

TNG and its fleet manager are comited to the following **standards, strategies and insurance:**

International Standards Organization's ("ISO") 9001 for quality assurance,
ISO 14001 for environmental management systems,
ISO 50001 for energy management systems and Occupational Health and Safety Advisory Services ("OHSAS") 18001
ISM Code - International safety management code

Company strategy

The Company's strategy is to be a reliable, efficient and responsible provider of seaborne refined petroleum product transportation services and to manage and expand the Group in a manner that is believed will enable the Company to increase its distributable cash flow, enhance its ability to pay dividends and maximize value to its shareholders.

Business operations are based on the timely acquisition of tankers, ensuring efficient use of raised capital and debt minimization. Basically, fleet management is directed towards increasing cash flow and profitability through outsourcing majority of functions and services, maintaining a flexible and simple organizational structure unencumbered with additional overheads. This enables efficient assets and liabilities management and ensures a stable dividend return to shareholders.

Chartering strategy

Charterer's financial condition and reliability is an important factor in counterparty risk. TNG generally minimizes such risks by providing services to major energy corporations, large trading houses (including commodities traders), major crude and derivatives producers and other reputable entities with extenuating tradition in in seaborne transportation.

Insurance

The operation of any ocean-going vessel represents a potential risk of major losses and liabilities, death or injury of persons, as well as property damage caused by adverse weather conditions, mechanical failures, human error, war, terrorism, piracy and other circumstances or events. The transportation of oil is subject to the risk of pollution and to business interruptions due to political unrest, hostilities, labour strikes and boycotts. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade.

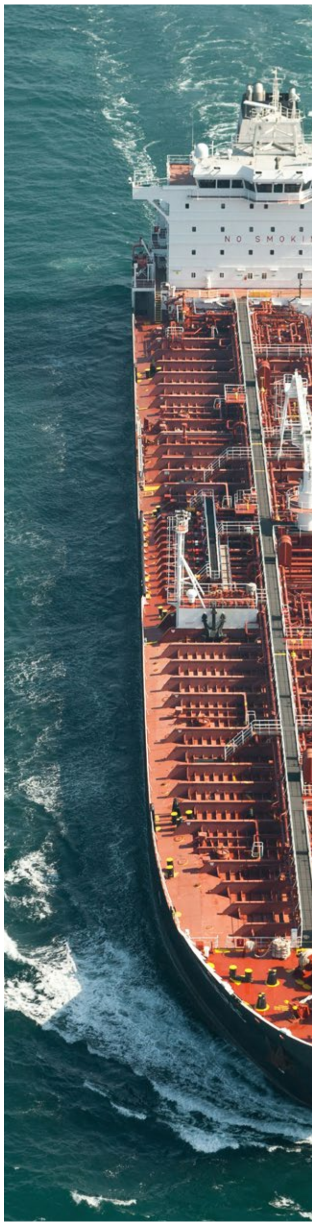
As an integral part of operating the vessels, TNG maintains insurance with first class international insurance providers to protect against the majority of accident-related risks in connection with the TNG's marine operations.

The Company believes that the TNG's current insurance program, is adequate to protect TNG against the majority of accident-related risks involved in the conduct of its business and that an appropriate level of protection and indemnity against pollution liability and environmental damage is maintained. The TNG's goal is to maintain an adequate insurance coverage required by its marine operations and to actively monitor any new regulations and threats that may require the TNG to revise its coverage.

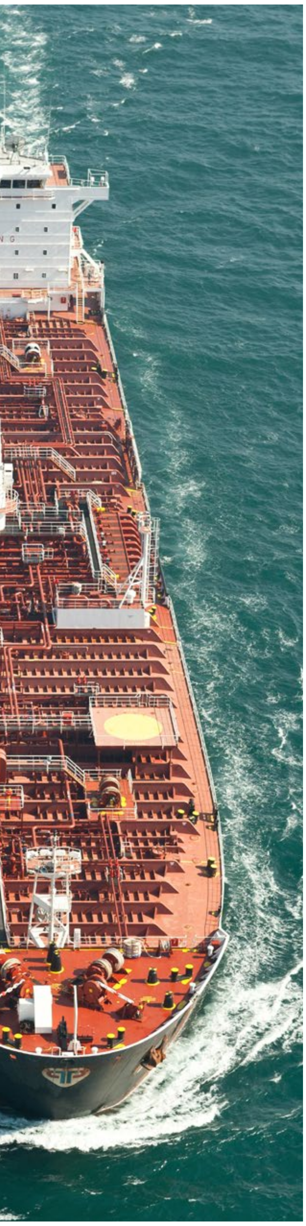
Financials

Income statement and statement of other comprehensive income

Audited	2015 ('000 USD)	2015 ('000 HRK)	2014 ('000 USD)	2014 ('000 HRK)
Vessel revenues	19,935	136,795	1,573	9,509
Total revenues	**19,935**	**136,797**	**1,573**	**9,509**
Commission and voyage related costs	(1,313)	(9,019)	n/a	n/a
Vessel operating expenses	(8,552)	(58,684)	n/a	n/a
General and administrative	(1,258)	(8,636)	(194)	(1,175)
Total operating expenses	**(11,123)**	**(76,339)**	**(194)**	**(1,175)**
EBITDA	**8,812**	**60,458**	**1,378**	**8,334**
Depreciation and amortization	(3,918)	(26,886)	(601)	(3,633)
Operating profit (EBIT)	4,894	33,572	778	4,701
Financial gains	1,878	12,894	1,458	8,816
Financial expenses	(1,742)	(11,946)	(269)	(1,628)
NET INCOME	**5,030**	**34,520**	**1,967**	**11,889**
Net foreign exchange gains (losses)	(1,872)	29,926	(755)	10,363
Other comprehensive income	3,158	64,446	1,212	22,251
Weighted average number of shares outstanding basic & diluted (thou.)	8,168	8,168	4,000	4,000
Net income (loss) per share, basic & diluted	0.65	4.48	0.49	2.97



Ice class MR product tanker Vinjerac (on the picture above) was a part of the initial fleet of Tankerska Next Generation alongside Velebit, which was also built in Croatian shipyard 3. Maj



Balance sheet at the date of December 31st 2015

Revidirano	2015 ('000 USD)	2015 ('000 HRK)	2014 ('000 USD)	2014 ('000 HRK)
Non-Current Assets	**206,291**	**1,442,352**	**73,013**	**460,139**
Vessels[1]	206,291	1,442,327	58,423	368,191
Vessels under construction [2]	-	-	14,590	91,948
Current Assets	**11,766**	**82,267**	**4,507**	**28,405**
Inventory	705	4,928	-	-
Accounts receivable	29	203	624	3,931
Cash and cash equivalents	10,221	71,465	3,693	23,273
Other current assets	812	5,671	190	1,201
TOTAL ASSETS	**218,058**	**1,524,619**	**77,520**	**488,544**
Sharehlders equity	**92,365**	**645,794**	**43,993**	**277,252**
Share capital	68,988	436,667	33,810	200,000
Share premium	10,179	68,426	-	-
Reserves	8,971	55,000	8,971	55,000
Retained earnings	6,854	45,412	1,967	11,889
Exchange differences	(2,627)	40,289	(755)	10,363
Non-Current Liabilities	**112,319**	**785,311**	**30,153**	**190,026**
Bank debt	112,319	785,311	30,153	190,026
Current Liabilities	**13,374**	**93,514**	**3,374**	**21,266**
Bank debt	8,981	62,793	2,929	18,457
Accounts payable	1,499	10,481	163	1,032
Other current liabilities	2,894	20,240	282	1,777
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**218,058**	**1,524,619**	**77,520**	**488,544**

[1] Vessels (at date 31 Dec 2015) ar mt Velebit, mt Vinjerac, mt Vukovar, mt Zoilo, mt Dalmacija, and mt Pag
[1] Vessels (at date 31 Dec 2014) are mt Velebit i mt Vinjerac
[2] Vessels under construction (at date 31 Dec 2014) is mt Dalmacija

Financials

Cash flow statement

Audited	2015 USD '000	2015 HRK '000	2014 USD '000	2014 HRK '000
Profit before tax	5,030	34,520	1,967	11,889
Depreciation and amortisation	3,918	26,886	601	3,633
Changes in working capital	1,125	7,716	(855)	(5,170)
Other	2,070	12,601	(1,164)	(6,095)
Cash flow from operating activities	**12,143**	**81,723**	**549**	**4,257**
Cash inflows from investing activities	-	-	5,832	35,267
Cash outflows from investing activities	(139,391)	(956,535)	(32,989)	(199,478)
Cash flow from investing activities	**134,140**	**(956,535)**	**(27,157)**	**(164,211)**
Cash flow from financing activities	138,729	951,993	31,209	188,715
Cash outflows from financing activities	(4,589)	(31,493)	(908)	(5,488)
Cash flow from financing activities	**134,140**	**920,500**	**30,301**	**183,227**
Net changes in cash	6,892	48,192	3,693	23,273
Cash and cash equivalents (beginning of period)	3,693	23,273	-	-
CASH AND CASH EQUIVALENTS (END OF PERIOD)	**10,221**	**71,465**	**3,693**	**23,273**

Eco designed MR product tanker Pag (on the picture above) was delivered as the last of the newbuildings in 2015 from SPP Shipbuilding shipyard in South Korea

Statement of changes in equity

Statement of changes in equity for the year ended 31 Dec 2015	Paid-in Capital	Retained Earnings Account	Foreign exchange translation reserves	Other reserves	Share premium	Purchase of treasury shares	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at 31 December 2014	**33,810**	**1,967**	**(755)**	**8,971**	**-**	**-**	**43,993**
Profit for the period	-	5,030	-	-	-	-	5,030
Exchange difference on foreign operations	-	-	(1,872)	-	-	-	(1,872)
Total comprehensive income	**-**	**5,030**	**(1,872)**	**-**	**-**	**-**	**3,158**
Issuance of shares	35,178	-	-	-	11,241	-	46,419
Share issue costs	-	-	-	-	(1,062)	-	(1,062)
Purchase of treasury shares	-	(143)	-	143	-	(143)	(143)
Balance at 31 December 2015	**68,988**	**6,854**	**(2,627)**	**9,114**	**10,179**	**(143)**	**92,365**

Statement of changes in equity for the year ended 31 Dec 2015	Paid-in Capital	Retained Earnings Account	Foreign exchange translation reserves	Other reserves	Share premium	Purchase of treasury shares	Total
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Balance at 31 December 2014	**200,000**	**11,889**	**10,363**	**55,000**	**-**	**-**	**277,252**
Profit for the period	-	34,520	-	-	-	-	34,520
Exchange difference on foreign operations	-	-	29,926	-	-	-	29,926
Total comprehensive income	**-**	**34,520**	**29,926**	**-**	**-**	**-**	**64,446**
Issuance of shares	236,667	-	-	-	75,600	-	312,267
Share issue costs	-	-	-	-	(7,174)	-	(7,174)
Purchase of treasury shares	-	(997)		997		(997)	(997)
Balance at 31 December 2015	**436.667**	**45.412**	**40.289**	**55.997**	**68.426**	**(997)**	**645.794**

Tankerska Next Generation

Financial statements for the year ended 31 December 2015 together with the Independent Auditor's Report

Responsibility for the financial statements

Pursuant to the Accounting Act of the Republic of Croatia, the Managing Board of Tankerska Next Generation d.d. ('TNG') is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards ('the IFRSs'), as adopted by the European Union ('the EU') which give a true and fair view of the financial position and results of operations of the Company for the respective period.

The Managing Board reasonably expects TNG to have adequate resources to continue its operational existence for the foreseeable future. On this basis, the Board continues to apply this going concern basis in preparing these financial statements

In preparing financial statements, the responsibilities of the Managing Board include the following:

- selection and then consistent application of suitable accounting policies;
- making reasonable and prudent judgments and estimates;
- following applicable accounting standards, subject to any material departures disclosed and explained in the financial statements; and
- preparing the financial statements under the going-concern assumption unless it is inappropriate to presume that TNG will continue in business.

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

The Board approved the financial statements to be issued on 31st March 2016.

Signed on behalf of the Board

John Karavanić,
Management Board

Tankerska Next Generation d.d.
Božidara Petranovića 4
23000 Zadar
Croatia

31st March 2016

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INDEPENDENT AUDITOR'S REPORT
To the Owners of Tankerska Next Generation d.d.

We have audited financial statements of company Tankerska Next Generation d.d., Zadar and its subsidiaries ("TNG") which comprise statement of financial position as of 31 December 2015, the income statement and statement of other comprehensive income, statement of changes in equity statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 as adopted by the European Union, 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the 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 internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 accompanying financial statements present fairly, in all material respects, the financial position of TNG, as of 31 December 2015, their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Auditor's report on the Annual Report
We have also audited the consistency of the Annual Report at 31 December 2015 with the financial statements referred to above. The Company's Management is responsible for the correct and accurate presentation of the information in the Annual Report. Our responsibility is to express an opinion, based on our audit, about whether the Annual Report is consistent with the financial statements. We conducted our audit in accordance with International Standards on Auditing. Those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the information disclosed in the Annual Report is consistent, in all material respects, with the relevant financial statements. We assessed the consistency of the information presented in the Annual Report with the information presented in the financial statements for the year ended 31 December 2015. We have not audited any data or information other than the financial information obtained from the financial statements and accounting ledgers. We believe that the performed audit provides a reasonable basis for our audit opinion. In our opinion, the financial information presented in the Annual Report is consistent, in all material respects, with the aforementioned financial statements at 31 December 2015.

Branislav Vrtačnik, Certified Auditor,
President of the Management Board

Deloitte
d.o.o.
Zagrebtower
Radnička cesta 80
10 000 Zagreb
MB 0700851

Vanja Vlak, Certified auditor

Deloitte d.o.o.
Zagreb, Republic of Croatia
31st March 2016

(All amounts are expressed in thousands of USD and HRK) | ANNUAL REPORT 2015 | TNG d.d. | 37

Income statement and statement of other comprehensive income For the year ended 31 December 2015

Income statement and statement of other comprehensive income	Notes	2015	2015	2014	2014
		USD	HRK	USD	HRK
REVENUES					
Vessel revenues	3	19,935	136,795	1,573	9,509
Other income		-	2	-	-
Total revenues		**19,935**	**136,797**	**1,573**	**9,509**
OPERATING EXPENSES					
Voyage related expenses	4	1,313	9,019	-	-
Vessel operating expenses	5	8,552	58,684	-	-
Dry-docking, special and intermediate surveys		-	-	-	-
Depreciation and amortization	6	3,918	26,886	601	3,633
Vessel impairment		-	-	-	-
General and administrative	7	1,258	8,637	194	1,175
Total operating expenses		**15,041**	**103,225**	**795**	**4,808**
Income from operations		**4,894**	**33,572**	**778**	**4,701**
OTHER					
Financial income	8	1,878	12,894	1,458	8,816
Interest expense and finance costs	9	(1,742)	(11,946)	(269)	(1,628)
Net financial income		136	948	1,189	7,188
Tax tonnage per ship	10	-	-	-	-
Net income		**5,030**	**34,520**	**1,967**	**11,889**
Income tax	11	-	-	-	-
Profit for the year		**5,030**	**34,520**	**1,967**	**11,889**
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations		(1,872)	29,926	(755)	10,363
Total comprehensive income		**3,158**	**64,446**	**1,212**	**22,252**
Net income per share, basic & diluted	12	0.65	4.48	0.49	2.97
Number of shares outstanding, basic & diluted		7,705,765	7,705,765	4,000,000	4,000,000

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

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Statement of financial position
As at 31 December 2015

Statement of financial position	Notes	31 December 2015	31 December 2015	31 December 2014	31 December 2014
		USD	HRK	USD	HRK
NON-CURRENT ASSETS					
Vessels and equipment	13	206,291	1,442,352	58,423	368,191
Vessels under construction	13	-	-	14,590	91,948
Total non-current assets		**206,291**	**1,442,352**	**73,013**	**460,139**
CURRENT ASSETS					
Inventories	14	705	4,928	-	-
Trade and other receivables	15	29	203	624	3,931
Prepaid expenses and accrued income	16	812	5,671	190	1,201
Cash and cash equivalents	17	10,221	71,465	3,693	23,273
Total current assets		**11,767**	**82,267**	**4,507**	**28,405**
Total assets		**218,058**	**1,524,619**	**77,520**	**488,544**
CAPITAL AND RESERVES					
Paid-in capital	18	68,988	436,667	33,810	200,000
Share premium	18	10,179	68,426	-	-
Reserves		8,971	55,000	8,971	55,000
Exchange differences		(2,627)	40,289	(755)	10,363
Retained earnings		6,854	45,412	1,967	11,889
Total capital and reserves		**92,365**	**645,794**	**43,993**	**277,252**
NON-CURRENT LIABILITIES					
Long-term financial debt and loan	19	112,319	785,311	30,153	190,026
Total non-current liabilities		**112,319**	**785,311**	**30,153**	**190,026**
CURRENT LIABILITIES					
Short-term financial debt and loan	19	8,981	62,793	3,068	19,330
Liabilities toward suppliers and other current liabilities	20	3,858	26,977	163	1,032
Accrued expenses and deferred income	21	535	3,744	143	904
Total current liabilities		**13,374**	**93,514**	**3,374**	**21,266**
Total liabilities		**125,693**	**878,825**	**33,527**	**211,292**
Total capital and liabilities		**218,058**	**1,524,619**	**77,520**	**488,544**

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

(All amounts are expressed in thousands of USD and HRK) | ANNUAL REPORT 2015 | TNG d.d. | 39

Statement of cash flows
For the year ended 31 December 2015

Statement of cash flows	Notes	2015	2015	2014	2014
		USD	HRK	USD	HRK
OPERATING ACTIVITIES					
Income for the current year		5,030	34,520	1,967	11,889
Adjusted for:					
Depreciation of vessels and equipment		3,918	26,886	601	3,633
Interest expense		1,742	11,946	269	1,628
Interest income		(9)	(64)	(171)	(1,034)
Net foreign exchange gains		337	719	(1,262)	(6,689)
		11,018	**74,007**	**1,404**	**9,427**
Changes in working capital					
Increase in current receivables		(283)	(1,944)	(848)	(5,131)
Increase in inventories		(718)	(4,928)	-	-
Increase in current liabilities		3,462	23,756	172	1,041
Paid interests		(1,346)	(9,232)	(179)	(1,080)
Received interests		10	64	-	-
Cash flow from operating activities		**12,143**	**81,723**	**549**	**4,257**
INVESTING ACTIVITIES					
Outflows for purchase of vessels and equipment		(94,821)	(650,685)	(2,229)	(13,478)
Cash paid to acquire equity financial instruments		(44,570)	(305,850)	-	-
Acquisition of subsidiaries, net of cash acquired		-	-	51	310
Loans given		-	-	(30,760)	(186,000)
Repayment of given loans		-	-	5,781	34,957
Cash flow from investing activities		**(139,391)**	**(956,535)**	**(27,157)**	**(164,211)**
FINANCIAL ACTIVITIES					
Received loans		94,187	646,332	289	1,747
Proceeds for initial capital		-	-	84	507
Proceeds from issuance of equity financial instruments		44,542	305,661	30,760	186,000
Interests received		-	-	76	461
Repayment of loans		(4,444)	(30,497)	(908)	(5,488)
Purchase of treasury shares		(145)	(996)	-	-
Cash flow from financial activities		**134,140**	**920,500**	**30,301**	**183,227**
Net increase in cash and cash equivalents		**6,892**	**45,688**	**3,693**	**23,273**
The effects of changes in exchange rates on cash		**(364)**	**2,504**	**-**	**-**
Cash and cash equivalents, beginning of period		**3,693**	**23,273**	**-**	**-**
Cash and cash equivalents, end of period	**17**	**10,221**	**71,465**	**3,693**	**23,273**

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

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Statement of changes in equity
for the year ended 31 Dec 2015

Statement of changes in equity for the year ended 31 Dec 2015	Paid-in Capital	Retained Earnings Account	Foreign exchange translation reserves	Other reserves	Share premium	Purchase of treasury shares	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at 31 December 2014	**33,810**	**1,967**	**(755)**	**8,971**	**-**	**-**	**43,993**
Profit for the period	-	5,030	-	-	-	-	5,030
Exchange difference on foreign operations	-	-	(1,872)	-	-	-	(1,872)
Total comprehensive income	**-**	**5,030**	**(1,872)**	**-**	**-**	**-**	**3,158**
Issuance of shares	35,178	-	-	-	11,241	-	46,419
Share issue costs	-	-	-	-	(1,062)	-	(1,062)
Purchase of treasury shares	-	(143)	-	143	-	(143)	(143)
Balance at 31 December 2015	**68,988**	**6,854**	**(2,627)**	**9,114**	**10,179**	**(143)**	**92,365**

Statement of changes in equity for the year ended 31 Dec 2015	Paid-in Capital	Retained Earnings Account	Foreign exchange translation reserves	Other reserves	Share premium	Purchase of treasury shares	Total
	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000	HRK '000
Balance at 31 December 2014	**200,000**	**11,889**	**10,363**	**55,000**	**-**	**-**	**277,252**
Profit for the period	-	34,520	-	-	-	-	34,520
Exchange difference on foreign operations	-	-	29,926	-	-	-	29,926
Total comprehensive income	**-**	**34,520**	**29,926**	**-**	**-**	**-**	**64,446**
Issuance of shares	236,667	-	-	-	75,600	-	312,267
Share issue costs	-	-	-	-	(7,174)	-	(7,174)
Purchase of treasury shares	-	(997)		997		(997)	(997)
Balance at 31 December 2015	**436.667**	**45.412**	**40.289**	**55.997**	**68.426**	**(997)**	**645.794**

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

(All amounts are expressed in thousands of USD and HRK) | ANNUAL REPORT 2015 | TNG d.d. | 41

Statement of changes in equity
for the year ended 31 Dec 2014

Statement of changes in equity for the year ended 31 Dec 2014	Paid-in Capital	Retained Earnings Account	Foreign exchange translation reserves	Other reserves	Total
	USD	USD	USD	USD	USD
Balance at 22 August 2014	**12,032**	**-**	**-**	**-**	**12,032**
Profit for the period	-	1,967	-	-	1,967
Exchange difference on foreign operations	-	-	(755)	-	(755)
Total comprehensive income	**-**	**1,967**	**(755)**	**-**	**1,212**
Capital increase	21,778	-	-	-	21,778
Other reserves	-	-	-	8,971	8,971
Balance at 31 December 2014	**33,810**	**1,967**	**(755)**	**8,971**	**43,993**

Statement of changes in equity for the year ended 31 Dec 2014	Paid-in Capital	Retained Earnings Account	Foreign exchange translation reserves	Other reserves	Total
	HRK	HRK	HRK	HRK	HRK
Balance at 22 August 2014	**69,000**	**-**	**-**	**-**	**69,000**
Profit for the period	-	11,889	-	-	11,889
Exchange difference on foreign operations	-	-	10,363	-	10,363
Total comprehensive income	**-**	**11,889**	**10,363**	**-**	**22,252**
Capital increase	131,000	-	-	-	131,000
Other reserves	-	-	-	55,000	55,000
Balance at 31 December 2014	**200,000**	**11,889**	**10,363**	**55,000**	**277,252**

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

1. GENERAL INFORMATION

History and incorporation

Tankerska Next Generation d.d. Zadar ("the Company") is a joint stock company incorporated and domiciled in the Republic of Croatia as at 22nd August 2014. The registered office is at Zadar, Božidara Petranovića 4.

The core business of the Company is:

1. Sea and coastal freight water transport
2. Sea and coastal passenger water transport
3. Service activities incidental to sea transportation:
   - Service activities related to water transportation;;
   - Rescue and removing the ship or other property that may be subject rescue on the sea surface or if it is immersed, or on the sea bottom;
   - Salvage and towage of ships and other maritime activities;
   - Supply of ships, boat and yachts with motor fuel;
   - Pilotage in coastal waters of the Republic of Croatia;
   - Intermediation incidental to water transportation;
   - Renting and leasing of water transport equipment;
   - Freight transport domestic and international by road;
   - Agents involved in the domestic and international sale of machinery, industrial equipment, ships and aircraft;
   - Wholesale of liquid and gaseous oils and related products;
   - Building of ships and floating structures;
   - Supervision services to building of ships and floating structures;
   - Repair and maintenance of ships and boats.

The Company conducts its activities through its related party Tankerska Next Generation International Ltd., Marshall Islands.

Corporate governance

Until 21st August 2015 members of Supervisory Board were:

Ivica Pijaca	President of the Supervisory Board
Nikola Koščica	Vice president of the Supervisory Board
Mario Pavić	Member of the Board
Ivan Pupovac	Member of the Board
Luka Kolanović	Member of the Board

From 21st August 2015 until 29th February 2016 members of Supervisory Board were:

Ivica Pijaca	President of the of the Supervisory Board
Andrej Koštomaj	Vice president of the Supervisory Board[1]
Nikola Koščica	Member of the Board
Joško Miliša	Member of the Board
Mario Pavić	Member of the Board

[1]Mr. Andrej Koštomaj resigned from its position of deputy chairman and members of the TNG Supervisory Board and ceased to be its member on 29th February 2016. Pursuant to the Companies Act, a new member of the Supervisory Board will be elected by a decision of the TNG Assembly.

The members of the Supervisory Board in the period from 29th February 2016 until the date of issue of these statements were as follows:

Ivica Pijaca	President of the of the Supervisory Board
Nikola Koščica	Member of the Board
Joško Miliša	Member of the Board
Mario Pavić	Member of the Board

The Management consists of one member, Mr. John Karavanić.

At 31 December 2015, there were three people employed at the Company as administrative staff (31 December 2014: 0 employees). At 31 December 2015 the crew of subsidiary Tankerska Next Generation International Ltd. consisted of 139 seamen on a contract basis (31 December 2014: 0 seamen on a contract basis).

The shareholder structure at 31 December 2015 was as follows::

Shareholder	No. of shares	Ownership %
Tankerska plovidba d.d.	4,454,994	51.01
PBZ Croatia Osiguranje OMF	839,000	9.61
Erste Plavi OMF	808,000	9.25
Raiffeisen OMF	752,036	8.61
Croatia Osiguranje d.d.	292,239	3.35
Other institutions and private investors	1,587,076	18.17
Total	**8,733,345**	**100.00**

a) Statement of compliance

The financial statements have been prepared in accordance with legal regulations of the Republic of Croatia and International Financial Reporting Standards applied in the European Union. The accounting policies are unchanged compared to the previous year.

These financial statements for the period ended 31 December 2015 comprise of the financial statements of Tankerska Next Generation d.d., its subsidiaries abroad (shipping companies operating internationally) that Tankerska Next Generation d.d. operates from a single headquarter, under a unique name and management, and for which it is in obligation to keep business records and prepare financial statements for the full operation in the country and abroad according to the article 429.a paragraph 4. of the Maritime Code ("Official Gazette of the Republic of Croatia" nos. 181/04., 76/07., 146/08., 61/11. and 56/13.) has the obligation to maintain business records and prepare financial statements for integrated domestic and foreign business, including all shipping companies in its majority ownership that perform the economic activities using the ships net tonnage which is included in the tonnage tax assessment.

Given that, pursuant to the applicable legislation in the relevant domicile countries, neither subsidiary of Tankerska Next Generation d.d. has the obligation to maintain business records and prepare financial statements in the respective countries of domicile, Tankerska Next Generation d.d. presents the assets and liabilities, revenue and expenses of its subsidiaries in its financial statements, as specified in the Accounting Act and the Profit Tax Act.

The financial statements for the year ended 31 December 2015 were authorized for issuing in accordance with the underling decision of the Management. Pursuant to the Croatian Companies Act, they have to be approved by the Supervisory Board.

Accounting policies given below were applied consistently for all periods presented in these financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of accounting policies applied in the financial statements are listed below:

Standards and interpretations issued by IASB and adopted by the European Union, but not yet effective

At the date of authorization of these financial statements the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue but not yet effective:

- Amendments to IFRS 11 "Joint Arrangements"– Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),

- Amendments to IAS 1 "Presentation of Financial Statements" – Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),

- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" – Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),

- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" – Agriculture: Bearer Plants - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),

- Amendments to IAS 19 "Employee Benefits" – Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015)

- Amendments to IAS 27 "Presentation of Financial Statements" – Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),

- Amendments to various standards "Improvements to IFRSs from the 2010-2012 Cycle", resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (applicable to annual periods beginning on or after 1 February 2015),

- Amendments to various standards "Improvements to IFRSs from the 2012-2014 Cycle", resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IFRS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2014 (applicable to annual periods beginning on or after 1 January 2016), *New Standards and amendments to the existing Standards issued by IASB, but not yet adopted by the EU.*

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board ('IASB') except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use in EU as at the 31 March 2016 (the effective dates stated below is for IFRS in full):

▪ IFRS 9 "Financial instruments" (effective for annual periods beginning on or after 1 January 2018)
▪ IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016), – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
▪ IFRS 15 "Revenue from Contracts with Customers" and further amendments (effective for annual periods beginning on or after 1 January 2018),
▪ Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" – Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),
▪ Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date was deferred indefinitely until the research project on the equity method has been concluded).

The Company anticipates the adoption of the new standards and the amendments to the existing standards will have no material impact on the financial statements of the Company in the period of initial application.

Initial application of new amendments to the existing Standards and Interpretation effective for current financial period

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for current financial period:

▪ Amendments to various standards "Improvements to IFRSs from the 2011–2013 Cycle "resulting from the annual improvement project of IFRS (IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 18 December 2014 (applicable to annual periods beginning on or after 1 January 2015),

▪ IFRIC 21 "Levies", adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

The adoption of the amended and revised Standards and Interpretations has not lead to any material changes in the Company's financial statements

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

a) Functional and presentation currency

The functional currency of TNG is Croatian kuna (HRK).

Financial statements have been prepared on a going concern basis. Financial statements of the TNG are presented in Croatian Kuna (HRK) and United States Dollars (USD). Conversion of USD into HRK as the functional currency and the currency all business events are recorded in is done in accordance with the relevant accounting standards.

Accordingly, financial statements are stated in HRK and converted into USD as follows:

- Current exchange rate effective at the end of the financial year was used for all asset and liabilities items except for the positions of the share capital and reserves which were stated in the historical cost converted into USD as of the transaction date.
- For profit and loss and other comprehensive income items, the period exchange rate was used.

Exchange differences arising from conversion are in financial statements stated in USD recorded on the credit, debit side respectively.

Applied exchange rates were as follows:

USD/HRK	2015
31 December	6.991801
Average exchange rate for 2015*	6.862262

* The average exchange rate has been calculated for the period from 1 January 2015 – 31 December 2015

USD/HRK	2014
31 December	6.302107
Average exchange rate for 22 August -31 December 2014*	6.046796

* Average exchange rate for 22 August 2014 – 31 December 2014

The amounts in the financial statements have been rounded to the nearest thousand.

b) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Key sources of estimation uncertainty and assumptions that affect the application of policies with significant effect on the amounts recognized in the financial statements are discussed in Note ff.

(all amounts are expressed in thousands of USD and HRK)

c) Basis of reporting

The financial statements have been prepared using the historical cost convention, except for assets available for sale, which are carried at fair value. The financial statements have been prepared under the going-concern assumption.

Financial statements TANKERSKA NEXT GENERATION d.d. include the assets, liabilities, revenues and expenses of subsidiaries 100% owned by Tankerska Next Generation d.d.:

1. Tankerska Next Generation International Ltd., Majuro, Marshall Islands;
2. Fontana Shipping Company Ltd., Monrovia, Liberia;
3. Teuta Shipping Company Ltd., Monrovia, Liberia;
4. Vukovar Shipping , LLC, Majuro, Marshall Islands (until 3 September 2015 under name York Maritime Holdings VI, LLC);
5. Zoilo Shipping, LLC, Majuro, Marshall Islands (until 3 September 2015 under name York Maritime Holdings IX, LLC);
6. York Maritime Holdings IV, LLC, Majuro, Marshall Islands.

Accounting of the companies with registered office in Liberia is conducted in US$ according to the regulations of the Republic of Croatia. Items of balance sheet and of profit or loss are translated at the mean exchange rate the National Bank of Croatia on the balance sheet date, which as of 31 December 2015 was 6,991801 HRK for 1 USD (31 December 2014: 6,302107).

The carrying amount of direct and indirect stake in the company Tankerska Next Generation d.d. in subsidiary companies:

	Company	USD	HRK	ownership%
1	Tankerska Next Generation International Ltd., Majuro, Marshall Islands	75,938	530,944	100
2	Fontana Shipping Company Ltd., Monrovia, Liberia	25,088	175,410	100
3	Teuta Shipping Company Ltd., Monrovia, Liberia	6,280	43,906	100
4	Vukovar Shipping , LLC, Majuro, Marshall Islands	15,170	106,068	100
5	Zoilo Shipping, LLC, Majuro, Marshall Islands	14,571	101,878	100
6	York Maritime Holdings IV, LLC, Majuro, Marshall Islands	14,003	97,904	100
	Ukupno	**151,050**	**1,056,110**	**100**

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

c) Basis of reporting (continued)

Acquisitions in 2015: York Maritime Holdings VI, LLC and York Maritime Holdings IX, LLC

On 17 March 2015 Tankerska Next Generation International Ltd. acquired the entire share in York Maritime Holdings VI, LLC, Marshall Islands, for a price of USD 14,571 thousand, equivalent to HRK 101,878 thousand, and the entire share in York Maritime Holdings IX, LLC, Marshall Islands, for a price of USD 15,170 thousand, i.e. HRK 106,068 thousand. The both acquires had open modern product eco-designed tankers, Hull no. 2472 and 2491, DWT 49,990 each, which were in progress in South Korean Hyundai Mipo Dockyard Co., Ltd.

In September 2015 York Maritime Holdings VI, LLC change its firm name into Zoilo Shipping, LLC, and York Maritime Holdings IX, LLC into Vukovar Shipping, LLC.

Acquisitions in 2015: York Maritime Holdings IV, LLC

On 29 July 2015 Tankerska Next Generation International Ltd. acquired the entire share in York Maritime Holdings IV, LLC, Marshall Islands, for a price of USD 14,003 thousand, i.e. HRK 97,904 thousand. At the point of acquisition, a contract of the acquire on the construction of a modern eco-designed tanker, Hull no S5120, DWT 49,990, at South Korean SPP Shipbuilding Co. Ltd. was in progress.

d) Foreign currencies

Transactions in foreign currencies are translated into local currency at the middle rate of the Croatian National Bank on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into local currency at the middle rate of the Croatian National Bank on the reporting date. The gain or loss arising from changes in exchange rates after the date of transaction is included in the income statement within financial income or financial expense.

Assets and liabilities, revenues and expenses and cash flows of foreign entities are translated into domestic currency according to the middle exchange rate of Croatian National Bank valid on 31 December 2015, except in the case of significant currency fluctuations during the period, when the currency exchange rate on the transaction date is applied. All resulting exchange differences are recognized in a separate component of equity. Exchange differences resulting from the translation of the net investment in foreign entities are included in equity under translation reserve. At the sale of a foreign entity, exchange differences are recognized in profit or loss.

(all amounts are expressed in thousands of USD and HRK)

e) Changes in accounting estimates and errors

In November 2015 the Company received a tax decision issued on the basis of a tax audit performed by the Tax Administration Branch Dalmatia establishing that the Company met all the key requirements for input tax deduction in 2014 based on the final year-end VAT assessment for 2014, as the incoming invoices did not relate directly to a VAT-free delivery consisting of an occasional financial transaction that does not qualify for input tax distribution.

The tax decision was recognized by making retrospective restatements pursuant to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

Statement of financial position

	31 December 2014 before the correction HRK	The restatement HRK	31 December 2014 after the correction HRK
Assets			
Trade and other receivables	3,812	119	3,931
Prepaid expenses and accrued income	1,319	(118)	1,201
Equity and liabilities			
Retained earnings	11,888	1	11,889

Statement of profit and loss

	31 December 2014 before the correction HRK	The restatement HRK	31 December 2014 after the correction HRK
Total Operating Expenses			
General and administrative expenses	1,175	(1)	1,174
Profit for the period			
Profit for the year	11,888	1	11,889

(all amounts are expressed in thousands of USD and HRK)

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

e) Changes in accounting estimates and errors (continued)

Cash Flows

	31 December 2014 before the correction HRK	The restatement HRK	31 December 2014 after the correction HRK
Cash flow from operating activities			
Profit for the year	11,888	1	11,889
Increase in current receivables	(5,130)	(1)	(5,131)

Statement of changes in shareholders' equity

	31 December 2014 before the correction HRK	The restatement HRK	31 December 2014 after the correction HRK
Retained earnings			
Profit for the year	11,888	1	11,889

Earnings per share

	31 December 2014 before the correction HRK	The restatement HRK	31 December 2014 after the correction HRK
Net income for the year	11,888	1	11,889
Weighted average number of shares	4,000,000	-	4,000,000
Earnings per share in HRK	2.97	-	2.97

Statement iterations made under the tax decision do not have sufficient material significance to present them in accordance with the International Standard on Accounting 1.40A.

f) Intangible assets

Intangible assets acquired by TNG, with a finite life, are stated at cost less accumulated depreciation and impairment of assets. Intangible assets consist of software which estimated use and expected lifetime is 5 years. Subsequent expenditure is capitalized only if it is likely to increase the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as an expense as incurred.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful life of intangible assets from the date on which they are available for use.

g) Property, plants and equipment

Items of property, plant and equipment, that meet the criteria for recognition as an asset, are stated at cost. Cost includes all costs directly attributable to bring the asset to a working condition for its intended use.

Items and equipment are accounted as non-current assets, if the useful life is longer than one year and the single value is greater than HRK 2,000.

After the initial recognition as an asset, a single item of property, plant and equipment is stated at cost less accumulated depreciation and the accumulated impairment losses.

Gains and losses from the disposal of the property, plant and equipment are recognized within other revenues or expenses in the statement of profit or loss and other comprehensive income depending on achieved results. When revaluated assets are sold, the amounts included in revaluation reserves are transferred to retained earnings.

Subsequent expenditures related to the already recognized item of property, plant and equipment, are capitalized as an increase in value of property when it is probable, that because of these additional costs, will accrue additional future economic benefits and when these expenditures improve the condition of the property beyond the originally recognized. All other subsequent expenditure is recognized as an expense in the period incurred. Depreciation is carried out separately for each major asset (vessels) according to the depreciation age of 25 years whereas depreciation for minor assets is carried out in groups. Depreciation is calculated according to the expected lifetime of use and rates derived from it, depending on the group and subgroup of property, plant and equipment, applying the straight-line method.

	2015	2014
- Buildings	20 years	20 years
- Transport vehicles	5 years	5 years
- Computers and equipment	4 years	4 years
- Office equipment	5 years	5 years
- Furniture	10 years	10 years

Depreciation starts when the asset is ready for its intended use

h) Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell. Non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is met only if the sale is highly probable and if the asset is available for immediate sale in its present condition. Non-current assets classified as held for sale are not depreciated from the date of reclassification.

i) Financial assets

Investments are classified in the following categories: investments held-to-maturity, investments held-for-trading and investments available-for-sale.

Investments with fixed or determinable payments and with fixed maturity in which TNG has a positive intent and ability to hold to maturity, with exception of loans and receivables derived from TNG, are classified as held-to-maturity.

Investments acquired principally for generating a profit from short-term fluctuations in price, are classified as investments held-for-trading. All other investments, except loans and receivables derived from TNG, are classified as available-for-sale. Each investment sale and purchase is recognized on settlement date. Investments are first recorded at cost, and that is fair value of compensation given for them, including transaction costs.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

i) Financial assets (continued)

Investments available-for-sale and investment held-for-trading, after the initial recognition are recorded at their fair value with no reduction for transaction cost, based on their market price at the reporting date.

Gains or losses arising from fair value adjustment of investments available-for-sale, are recognized directly in TNG's reserves which are recorded for this purpose, until the investment is sold or otherwise disposed, or till it is considered impaired. At the time of sale, the cumulative gain or loss previously recognized in capital (reserves) is recognized in net profit or loss for the corresponding period.

Financial assets and financial liabilities are recognized in TNG's statement of financial position when they become party to the contract of financial instrument. Although, in the case of normal sale or purchase (sale or purchase of financial assets under the contract which terms require delivery of the assets within the period established by legislation or agreement on the organized market), the date of settlement is essential for initial recognition or non-recognition. Financial assets are derecognized when the money is collected or the rights to receive the money from assets expired. Financial liabilities are derecognized when the contracted liabilities are cancelled or the term for recognition expired.

j) Inventories

Inventories are measured at the lower of cost or net realizable value. Stocks of materials, spare parts and small inventory are stated at purchase costs. Cost of material and spare parts are based on first-in, first-out basis. Small inventory is written off entirely following the start of use. The purchase cost includes the costs of purchase of inventory and the costs incurred in bringing the inventories to their present location and condition.

k) Receivables

Receivables represent the right to collect determined amounts from customers or other debtors with regard to TNG's operations. Receivables from the customers and other receivables are stated at fair value of given compensation and are recorded at depreciation cost, after correction for impairment value. Impairment correction of bad and disputed receivables is done individually for each receivable when the payment of partial or total due amount of receivables based on management estimates is uncertain.

l) Impairment of assets

The carrying amounts of TNG's assets, other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indications exists, the asset's recoverable amount is estimated.

Assets that are subject to deprecation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized in profit or loss whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Such impairment losses are shown in the statement of profit or loss and other comprehensive income.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date.

Impairment losses recognized in respect to cash generating units, are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units), and then proportionally to reduce the carrying amount of other assets in the units (or group of units).

When an available-for-sale financial asset is considered impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

The recoverable amount of investment by TNG in held-to-maturity securities and receivables carried at depreciation cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (that is, the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated cash flows are discounting to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss related to held-to-maturity security or receivables carried at cost or amortized cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed directly in profit or loss. Reversal of the impairment loss of assets is directly approved to the equity. If the fair value of a debt instrument classified as available-for–sale increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, and the reversed amount is recognized in profit or loss.

An impairment loss in respect of goodwill is not reversed.

In respect to other assets, an impairment loss is reversed when there is an indication that the impairment losses recognized in prior period (assessed at each balance sheet date) have decreased or may no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to extent that the asset`s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

m) Cash and cash equivalents

Cash and cash equivalents, for the purpose of the statement of financial position and the statement of cash flows, consist of cash on hand and balances with banks, and highly liquid investments that are easily converted to known cash amounts with original maturities of three months or less, and which are subject to insignificant risk of changes in value.

n) Share capital

Share capital consists of ordinary shares. Direct dependent costs associated with issuance of ordinary shares are recognized as a reduction of capital.

The amount paid for the purchase of share capital, including direct dependent costs, is recognized as a reduction in capital and reserves. Purchased own shares are classified as treasury shares and are a deductible item of the total capital and reserves.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

o) Dividends

Dividends are recognized in the statement of changes in equity and disclosed as liability in the period in which were approved by the shareholders.

p) Borrowings on which interest is paid

Interest bearing liabilities are measured initially at fair value of the proceeds received, less attributable transaction costs. In subsequent periods, they are stated at amortized cost using the effective interest method. All differences between proceeds (net of transaction costs) and the redemption value are recognized in profit or loss over the period of the borrowings using the effective interest rate method.

q) Provisions

A provision is recognized when TNG has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources which constitute the economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

The amounts of provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and, where applicable, the risk specific to the liability.

r) Trade and other payables

Trade and other payables are initially measured at fair value and then subsequently at amortised cost.

s) Employee benefits

Contributions to the mandatory pension fund are included as cost in profit or loss at the period in which they are incurred.

A liability for employees benefits is recognized in provisions based on TNG`s formal plan and when past practice has created a valid expectation by the Management Board or key employees that they will receive a bonus and the amount if bonus can be determined before the time of issuing the financial statements. Liabilities for bonus are expected to be settled within 12 months of the reporting date and are measured at the amounts expected to be paid when they are settled.

Short-term employee liabilities are not discounted and are recognized as an expense when the service is provided.

Provision is recognized in an amount, which is expected to be paid as a current cash bonus or profit distribution plan if TNG has a present legal or constructive obligation to pay that amount because of performed service in the past by the employee and if the obligation can be reliably measured.

t) Leases

Leases of property, plant, equipment and intangible assets where TNG accepts all the benefits and risks of ownership are classified as financial leasing. Financial leasing is capitalized at the estimated present value of the related lease payments. Each lease payment is allocated to the liability and financial expenses in order to obtain a constant rate on the remaining financial situation. The corresponding liability for the rent, reduced for the financial expenses are recorded in other non-current liabilities. The interest component of the financial expenses is charged to profit or loss over the lease period. Property, plant, equipment and intangible assets acquired according to the contract of financial leasing are depreciated over the useful life of assets.

Leases of assets where lessor retains the benefits and risks of ownership are classified as operating leasing. Operating lease payments are recognized as an expense on a straight-line basis over the lease term. If the operating lease terminates before the expiration of the lease term, all payments to the lessor in the form of penalty, are recognized as an expense in the period in which the termination occurred.

u) Taxes

Income tax for the year comprises current tax and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date and all adjustments to tax payable in respect of previous periods. Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax is based on the expected realization or settlement of the carrying value of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax assets is recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

TNG is in the system of tonnage tax for the period of ten years from 1 January 2014. According to the relevant provisions of the Maritime Act, qualifying companies may choose to have their shipping activities taxed based on the net tonnage of their fleet instead of based on their actual profits. Companies, having opted for the tonnage tax, must remain subject to this regime for a period of 10 years. The qualifying TNG has to be a shipping TNG liable to the Croatian corporation tax on any profits that accrue to it. It must also operate qualifying ships, and most importantly, the TNG must carry out the strategic and commercial management of the qualifying ships in Croatia.

v) Vessel revenues

Vessel revenues are recorded when (i) services are rendered, (ii) a charter agreement or other evidence of an arrangement has been signed, (iii) the price is fixed or determinable, and (iv) collection is reasonably assured.

Sales, which are reported net of returns, rebates and discounts, as well as net of taxes directly connected with the sale of products and services rendered, represent amounts invoiced to third parties.

Revenue is recognized at the time when services are rendered, and TNG dispatches goods, or performs service, as this is the point at which significant risks and rewards of ownership of the goods are transferred to the customer. Revenue from services is recognized according to the stage of performed service, namely when there is no significant uncertainty regarding the provision of service or associated costs.

Revenues from hire are realized through time charter and revenues from freight are realized through voyage charter. Revenues from time charter are covered by the method of the contract completion, as there is no uncertainty concerning the compensation for done service since time charter hire is paid in advance for the agreed period of 15 days or for a month.

A time charter involves placing a vessel at the charterers' disposal for a period of time during which the charterer uses the vessel in return for the payment of a specified daily hire rate. In the case of voyage charters, the vessel is contracted for a voyage between two or more ports. Based upon the terms of the customer agreement a voyage is deemed to commence upon the completion of discharge of the vessel's previous cargo and is deemed to end upon the completion of discharge of the current cargo.

All freight revenues from vessels are recognized on a percentage of completion bases. For voyages in progress at the end of a reporting period, TNG recognizes a percentage of the estimated revenue for the voyage equal to the percentage of the estimated duration of the voyage completed at the financial position date. The estimate of revenue is based on the expected duration and destination of the voyage.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

v) Vessel revenues (continued)

Revenues from time charter contracts are recognized at pro-rata tempura basis over the hire periods of such charters, as service is performed.

Freight contracts contain conditions regarding the amount of time available for loading and discharging of the vessel. Demurrage revenues, recognized upon delivery of service in accordance with the terms and conditions of the charter parties, represent the compensation estimated for the additional time incurred for discharging a vessel. Revenue received from demurrage is recognized at the completion of the voyage. These revenues are accounted for net of any provision made in respect of demurrage claims where full recovery is not anticipated.

w) Other revenues

Other revenues primarily include revenues from charterers for other services and revenues from profit commission on insurance policies. Other revenue is recognized at the time when incurred.

x) Commisions and voyage related costs

Commissions are realized in two basic forms: address commission and brokerage commission.

Addressed commission is commission payable by the ship-owner to the charterer, regardless of charter type and is expressed as a percentage of the freight or hire. This commission is a reimbursement to the charterer for costs incurred in relation to the chartering of the vessel either to third party brokers or by the charterer's shipping department.

Brokerage commission is payable under a time charter on hire. Subject to the precise wording of the charter, the broker's entitlement to commission will therefore only arise when the charterers remit hire or it is recovered by some other means. Commission under a voyage charter is payable on freight, and may be payable on dead freight and demurrage.

Voyage related costs are typically paid by the ship owner under voyage charters and by the customer under time charters. Voyage related costs are all expenses, which pertain to a specific voyage.

Most of the voyage related costs are incurred in connection with the employment of the fleet on the spot market (Voyage Charter) and under COAs (contracts of affreightment). Major voyage related costs include bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees, extra war risks insurance and any other expenses related to the cargo are typically paid by the customer.

Minor voyage related expenses such as draft surveys, tank cleaning, postage and other minor miscellaneous expenses related to the voyage may occur and are typically paid by TNG. All voyage related costs are recognized as incurred.

y) Vessel operating costs

TNG is responsible for vessel operating costs, which include crewing, repairs and maintenance, lubricants, insurance, spares, stores, registration and communication, sundries and management fees (technical management, crew management and insurance arrangements).

z) Depreciation and amortization

Depreciation expense typically consists of charges related to the depreciation of the historical cost of the vessels (less an estimated residual value) over the estimated useful lives of the vessels and charges relating to the depreciation of upgrades to vessels, which are depreciated over the shorter of the vessel's remaining useful life or the life of the renewal or upgrade.

Depreciation is calculated according to the expected lifetime of use and rates derived from it, applying the straight-line method. Depreciation starts when the asset is ready for its intended use. The residual value is estimated as the lightweight tonnage (lwt) of each vessel multiplied by an estimated scrap value (cost of steel) per ton. The TNG reviews the estimated useful life of vessels at the end of each annual reporting period.

aa) Dry-docking, special and intermediate survey

The vessels are required to undergo planned dry-docks for replacement of certain components, major repairs and maintenance of other components, which cannot be carried out while the vessels are operating, approximately every 30 months or 60 months depending on the nature of work and external requirements.

Vessels are periodically dry-docked for inspection, repairs, maintenance, and any modifications to comply with industry certification or governmental requirements.

Costs incurred during dry-docking that do not improve or extend the useful lives of the assets are expensed as incurred.

The number of dry-dockings undertaken in a given period and the nature of the work performed determine the level of dry-docking expenditures.

bb) Vessel impairment

The carrying amounts of the vessels are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indications exists, the vessel`s recoverable amount is estimated.

Vessels that are subject to deprecation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable.

The carrying values of the vessels may not represent their fair market value at any point in time since the market prices of second-hand vessels tend to fluctuate with changes in charter rates and the cost of new buildings. Historically, both charter rates and vessel values tend to be cyclical.

The carrying value is compared to its recoverable amount - defined as the higher of the vessel's value in use, which is based on discounted future cash flows or the vessel's fair value less costs to sell (generally based on the market price), and if higher the vessel is written down to the recoverable amount.

If there is an indication at a reporting date that the recoverable amount of the impaired vessel increases, the impairment of the vessel is reversed.

An impairment loss is recognized in profit or loss whenever the carrying amount of a vessel unit exceeds its recoverable amount.

An impairment loss is reversed when there is an indication that the impairment losses recognized in prior period (assessed at each balance sheet date) have decreased or may no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to extent that the vessel`s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

A reversal of impairment is recognized as income immediately.

Management judgment is critical in assessing whether events have occurred that may influence the carrying value of the vessels and in developing estimates of the future cash low, future charter rates, ship-operating expenses, and the estimated remaining useful lives and residual values of those vessels. These estimates are based on historical trends as well as future expectations. Management estimates are also based on the estimated fair values of their vessels that they received from independent shipbrokers, industry reports of similar vessel sales and evaluation of current market trends.

cc) General and administrative costs

General and administrative expenses, which comprise of administrative staff costs, management costs, office expenses, audit, legal and professional fees, travel expenses and other expenses relating to administration, are expensed as incurred.

dd) Net financial (expenses) / revenues

Net financial (expenses) / revenue comprise of interest payable on borrowings and loans, interest on invested funds, dividend income, foreign exchange gains and losses, gains and losses of financial property fair value changed stated in profit or loss at fair value.

Interest income is recognized in profit or loss as it accrues, taking into account the effective yield on the asset. Dividend income is recognized in profit or loss on the date TNG`s right to receive dividend payments is established.

ee) Borrowing costs

Borrowing costs can be directly attributable to the acquisition, construction or production of qualified assets, which require a considerable time to get ready for its intended use, or sale. These costs are added to the assets' cost until the assets get ready for the intended use or sale. Income from investment earned on the temporary investment of specific borrowings pending their expenditure for qualified assets are deducted from borrowing costs that may be capitalized. All other borrowing costs are recognized in the net profit or loss for the period in which they were incurred.

ff) Significant accounting estimates and judgments

TNG makes estimates and judgments related to future events. Accounting estimates will, by definition, rarely match the actual results. Estimates and judgments with a significant risk of causing material changes in assets and liabilities in the next financial year are listed below:

Revenue recognition
Revenue from the sale of goods is recognized in the statement of comprehensive income once the significant risks and rewards of ownership are transferred to the buyer. Estimated expected returns and other discounts are deducted from the sales and recognized as accrued liabilities or provisions. Such estimates have been developed by analyzing the current contractual or legal obligations, historical trends and the experience of TNG.

Income tax
Income tax calculations are performed based on TNG's interpretation of current tax laws and regulations. TNG is in the system of tonnage taxation for the period of ten years from 1 January 2014. According to the relevant provisions of the Maritime Act, qualifying companies may choose to have their shipping activities taxed based on the net tonnage of their fleet instead of based on their actual profits. Companies, having opted for the tonnage tax, must remain subject to this regime for a period of 10 years. The qualifying TNG has to be a shipping TNG liable to the Croatian corporation tax on any profits that accrue to it. It must also operate qualifying ships, and most importantly, the TNG must carry out the strategic and commercial management of the qualifying ships in Croatia.

Impairment of receivables
Irrecoverable amounts receivable from the sale of goods and services are estimated at balance sheet date (also monthly) based on the assessed collectability of doubtful accounts. Each customer is assessed individually by considering its status.

Provisions
A provision is recognized when TNG has a present legal or constructive obligation because of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made in assessing the provision, TNG takes into account the professional legal advice.

gg) Comparative information

Where necessary, comparative information has been reclassified to achieve consistency with the current financial year amounts and other disclosures.

(all amounts are expressed in thousands of USD and HRK)

3. VESSEL REVENUE

	USD	HRK	USD	HRK
	2015	2015	2014	2014
Charter revenue	19,400	133,128	-	-
Bareboat income - related parties	-	-	1,573	9,509
Other income	535	3,667	-	-
Total	**19,935**	**136,795**	**1,573**	**9,509**

Revenues from the charter in 2015 are fully realized based on shipping contracts on the lease (bareboat charter). The average daily income in 2015 of the charter was USD 16,340. During 2014 income was generated on basis of bareboat charter contracts.

4. TRAVEL COSTS

	USD	HRK	USD	HRK
	2015	2015	2014	2014
Fuel	444	3,047	-	-
Commissions to brokers and agents	410	2,811	-	-
Fee for managing commercial operations - related parties	291	1,996	-	-
Agency fees	56	391	-	-
Port costs	55	381	-	-
Other voyage related expenses	57	393	-	-
Total	**1,313**	**9,019**	**-**	**-**

(all amounts are expressed in thousands of USD and HRK)

5. VESSEL OPERATING EXPENSES

	USD	HRK	USD	HRK
	2015	2015	2014	2014
Crew costs / i /	4.989	34.239	-	-
Consumables /ii/	1.264	8.623	-	-
Maintenance costs /iii/	854	5.862	-	-
Management fee for other activities – related parties	653	4.478	-	-
Insurance costs	339	2.324	-	-
General vessel expenses /iv/	453	3.158	-	-
Total	**8.552**	**58.684**	**-**	**-**

/i/ Crewing	USD	HRK	USD	HRK
	2015	2015	2014	2014
Crew salaries	4,245	29,129	-	-
Crew travel expenses	344	2,366	-	-
Victuals	282	1,935	-	-
Other crew expenses	118	809	-	-
Total	**4,989**	**34,239**	**-**	**-**

/i/ Under the Management Agreement, the Fleet Manager has the obligation to provide operational and commercial management, crewing, insurance arrangements, accounting services, vessel purchases and sale, required vessels supplies, including fuels. Under the Management Agreement, the Fleet Manager also receives a vessel management fee based on the More Stephens publication, which specified the average daily cost for each type of vessel, which is determined as 67 percent of the amount specified in the publication. Seamen forming ship crews are hired in accordance with the underlying collective agreements with the fleet manager or its related parties performing seamen recruiting activities. The fee is calculated monthly or daily on a pro-rata basis for a period below one month, and the fleet manager to operating expenses of Tankerska Next Generation charges the actual crew expenses.

(all amounts are expressed in thousands of USD and HRK)

/ii/ Consumables	USD	HRK	USD	HRK
	2015	2015	2014	2014
Small inventory items, paints and varnishes, chemicals and gases	889	6,051	-	-
Lubricants and greases	375	2,572	-	-
Total	**1,264**	**8,623**	**-**	**-**

/iii/ Maintenance costs	USD	HRK	USD	HRK
	2015	2015	2014	2014
Cost of spare parts	506	3,470	-	-
Maintenance	348	2,392	-	-
Total	**854**	**5,862**	**-**	**-**

/iv/ Overheads	USD	HRK	USD	HRK
	2015	2015	2014	2014
Postage and handling costs	104	713	-	-
Miscellaneous costs	349	2,445	-	-
Total	**453**	**3,158**	**-**	**-**

(all amounts are expressed in thousands of USD and HRK)

6. DEPRECIATION

	USD	HRK	USD	HRK
	2015	2015	2014	2014
Depreciation of vessels	3,917	26,882	601	3,633
Depreciation of other tangible assets	1	4	-	-
Total	**3,918**	**26,886**	**601**	**3,633**

7. GENERAL AND ADMINISTRATIVE EXPENSES

	USD	HRK	USD	HRK
	2015	2015	2014	2014
The cost of external staff	223	1.532	-	-
Banking charges	227	1.562	145	879
Staff costs /i/	195	1.335	-	-
Services of corporate services - related parties	73	498	-	-
The cost of guarantees for bank loans - related parties	62	424	-	-
Insurance premiums	29	202	5	32
Services of the statutory audit	15	102	-	-
Rental costs	8	52	-	-
Rental expense - related parties	7	46	-	-
Marketing services	3	22	-	-
Foundation costs – related parties	-	-	14	84
Other external services	43	293	-	-
Other costs	373	2.569	30	180
	1.258	**8.637**	**194**	**1.175**

(all amounts are expressed in thousands of USD and HRK)

7.GENERAL AND ADMINISTRATIVE EXPENSES (CONTINUED)

/i/ Staff costs	USD	HRK	USD	HRK
	2015	2015	2014	2014
Net salaries	81	554	-	-
Taxes and contributions	91	627	-	-
Compensation of employees	23	154	-	-
Total	**195**	**1,335**	-	-

/i/ Costs reimbursed to employees comprise of daily allowances, overnight accommodation and transport related to business travels, commuting allowance, and reimbursement of costs for the use of personal cars for business purposes, and similar.

8. FINANCIAL REVENUE

	USD	HRK	USD	HRK
	2015	2015	2014	2014
Net foreign exchange gains	1,869	12,830	1,287	7,782
Interest	9	64	1	6
Interest – related parties	-	-	170	1,028
Total	**1,878**	**12,894**	**1,458**	**8,816**

9. FINANCIAL EXPENSES

	USD	HRK	USD	HRK
	2015	2015	2014	2014
Interest	1,742	11,946	175	1,059
Interest – related parties	-	-	94	569
Total	**1,742**	**11,946**	**269**	**1,628**

(all amounts are expressed in thousands of USD and HRK)

10. TONNAGE TAX

The tonnage tax regime introduced into the Croatian maritime legislation by new amendments to the Maritime Act is applicable from January 1, 2014. According to the relevant provisions of the Maritime Act, qualifying companies may choose to have their shipping activities taxed based on the net tonnage of their fleet instead of based on their actual profits. Companies, having opted for the tonnage tax, must remain subject to this regime for a period of 10 years. The qualifying Company has to be a shipping company liable to the Croatian corporation tax on any profits that accrue to it. It must also operate qualifying ships, and most importantly, the Company must carry out the strategic and commercial management of the qualifying ships in Croatia.

TNG is in the system of taxation under of Croatian tonnage tax system for period of ten years from 1 January 2014.

TNG is subject to tonnage taxation for the following ships (exact amount):

Vessel	Date of entry into the system	The annual amount of the advance HRK
Velebit	1 January 2014	31,329 kn
Vinjerac	1 January 2014	31,329 kn
Vukovar	27 April 2015	28,236 kn
Zoilo	27 July 2015	28,236 kn
Dalmacija	27 November 2015	28,863 kn
Pag	4 December 2015	29,058 kn
Ukupno		**177,051 kn**

According to the decision of the Ministry of Maritime Affairs, Transport and Infrastructure the tax per tonnage of ships of TNG for 2015 is included in liabilities of Tankerska plovidba d.d. as the parent company.

11. INCOME TAX

According to tax return, the had no income tax liability for 2015.

12. EARNINGS PER SHARE

	USD	HRK	USD	HRK
	31 Dec 2015	31 Dec 2015	31 Dec 2014	31 Dec 2014
Profit for the period	5,030	34,520	1,967	11,889
Weighted average number of shares outstanding, basic & diluted	7,705,765	7,705,765	4,000,000	4,000,000
Profit per share (USD and HRK)	0.65	4.48	0.49	2.97

Basic and diluted earnings per share are same, as TNG has no potentially dilutive shares.

(all amounts are expressed in thousands of USD and HRK)

13. PROPERTY, PLANT AND EQUIPMENT

	Vessels and equipment		Assets under construction		Total	
	USD	HRK	USD	HRK	USD	HRK
PURCHASE VALUE						
At 31 December 2014	**59,000**	**371,824**	**14,590**	**91,948**	**73,590**	**463,772**
Additions	-	-	137,124	958,741	137,124	958,741
Transfer of assets under construction	151,714	1,060,753	(151,714)	(1,060,753)	-	-
Exchange differences	-	40,692	-	10,064	-	50,756
At 31 December 2015	**210,714**	**1,473,269**	**-**	**-**	**210,714**	**1,473,269**
Accumulated depreciation						
At 31 December 2014	**577**	**3,633**	**-**	**-**	**577**	**3,633**
Depreciation	3,846	26,886	-	-	3,846	26,886
Exchange difference	-	398	-	-	-	398
At 31 December 2015	**4,423**	**30,917**	**-**	**-**	**4,423**	**30,917**
Carrying value						
At 31 December 2014	**58,423**	**368,191**	**14,590**	**91,948**	**73,013**	**460,139**
At 31 December 2015	**206,291**	**1,442,352**	**-**	**-**	**206,291**	**1,442,352**

(all amounts are expressed in thousands of USD and HRK)

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Vessels and equipment		Assets under construction		Total	
	USD	HRK	USD	HRK	USD	HRK
PURCHASE VALUE						
At 22 August 2014	-	-	-	-	-	-
Additons	59	371,824	14,590	91,948	73,590	463,772
At 31 December 2014	**59**	**371,824**	**14,590**	**91,948**	**73,590**	**463,772**
Accumulated depreciation						
At 22 August 2014	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation	601	3,633	-	-	601	3,633
Exchange differences	(24)	-	-	-	(24)	-
At 31 December 2014	**577**	**3,633**	**-**	**-**	**577**	**3,633**
Carrying value						
At 22 August 2014	-	-	-	-	-	-
At 31 December 2014	**58,423**	**368,191**	**14,590**	**91,948**	**73,013**	**460,139**

In 2015, the following ships were delivered to TNG:

- on 29 April 2015 - product tanker (eco-design), DWT 49,990, – m/t "Vukovar" (Newbuilding no 2491);
- on 27 July 2015 - product tanker (eco-design), DWT 49,990 – m/t "Zoilo" (Newbuilding no 2472);
- on 27 November 2015 - product tanker (eco-design), DWT 49,991.4 – m/t "Dalmacija" (Newbuilding no S5065);
- on 4 December 2015 - product tanker (eco-design), DWT 49,990 – m/t "Pag" (Newbuilding no S5120).

The cost of the ship amounts to HRK 1,060,753 thousand, i.e. USD 151,714 thousand.

At 31 December 2015 no borrowing costs were capitalized (at 31 December 2014: HRK 0).

At 31 December 2015 the total net book value of assets pledged as collateral for received loans amounts to HRK 1,442,327 thousand, i.e. USD 206,288 thousand (31 December 2014: HK 368,191 thousand, i.e. USD 59,000 thousand).

(all amounts are expressed in thousands of USD and HRK)

14. INVENTORIES

	USD	HRK	USD	HRK
	31 Dec 2015	31 Dec 2015	31 Dec 2014	31 Dec 2014
Lubricants	583	4,076	-	-
Food products	122	852	-	-
Small inventory	-	1	-	-
Impairment of small inventory	-	(1)	-	-
Total	**705**	**4,928**	**0**	**0**

15. TRADE AND OTHER PAYABLES

	USD	HRK	USD	HRK
	31 Dec 2015	31 Dec 2015	31 Dec 2014	31 Dec 2014
Receivables from state and other institutions	24	169	-	-
Receivables from employees	1	5	-	-
Trade payables	-	3	-	-
Trade payables - related	-	-	624	3,931
Other receivables	1	8	-	-
Other receivables - related	3	18	-	-
Total	**29**	**203**	**624**	**3,931**

(all amounts are expressed in thousands of USD and HRK)

16. PAID DEFERRED EXPENSES AND ACCRUED REVENUE

	USD	HRK	USD	HRK
	31 Dec 2015	31 Dec 2015	31 Dec 2014	31 Dec 2014
Paid deferred expenses	812	5,671	190	1,200
Accrued revenue	-	-	-	1
Total	**812**	**5,671**	**190**	**1,201**

17. CASH AND CASH EQUIVALENTS

	USD	HRK	USD	HRK
	31 Dec 2015	31 Dec 2015	31 Dec 2014	31 Dec 2014
Cash with banks	10,147	70,945	3,693	23,273
Cash in hand	74	520	-	-
Total	**10,221**	**71,465**	**3,693**	**23,273**

(all amounts are expressed in thousands of USD and HRK)

18. CAPITAL AND RESERVES

As 31 December 2015, the authorized, issued and paid-up share capital comprised 8.733.345 ordinary shares with no par value (31 December 2015: 4.000.000). The holders of ordinary shares are entitled to receive dividends, as declared from time to time and are entitled to one vote per share at meetings of TNG. The immediate parent of Tankerska Next Generation d.d. is Tankerska plovidba d.d. The ultimate parent of Tankerska Next Generation d.d. is Foundation-Betriebsstiftung Tankerska Plovidba d.d. Privatstiftung with registered office in Austria. Members of the foundation are employees Tankerska plovidba d.d.

Changes in equity and share premium:

	Number of shares	Share capital	Share premium
	in '000	HRK	HRK
As at 22 August 2014	1,380	69,000	-
Issuance of ordinary shares 7 October 2014	2,620	131,000	-
As at 31 December 2014	**4,000**	**200,000**	**-**
Issuance of ordinary shares 9 February 2015	3,200	160,000	48,000
Share issue costs IPO 1	-	-	(6,179)
Issuance of ordinary 11 June 2015	1,533	76,667	27,600
Share issue costs IPO 2	-	-	(995)
As at 31 December 2015	**8,733**	**436,667**	**68,426**

On 12th February 2015, 7,200,000 shares of Tankerska Next Generation d.d. (ticker: TPNG-R-A) were listed on the Official Market of the Zagreb Stock Exchange. As part of the share capital increase, Tankerska Next Generation d.d. issued ordinary shares with a ticker TPNG-R-B, which were not listed on the Official Market. On 23 October 2015, 1,533,345 TPNG-R-B shares were converted into 1,533,345 ordinary shares with a ticker TPNG-R-A and listed on the Official Market of the Zagreb Stock Exchange. TNG had no treasury shares at 31 December 2014. Pursuant to the Decision of the Company's General Shareholders' Assembly of 19 November 2014, Tankerska plovidba d.d. paid HRK 55,000,000 into the other reserves of the Company as part of a debt-to-equity swap.

(i) At 31 December 2015, the Company had 13,200 treasury shares (31 December 2014: 0). The reserve for treasury shares was formed out of the Company's profit.

At 31 December 2015, other reserves amount to HRK 55,000 thousand (at 31 December 2014: HRK 55,000 thousand).

(ii) The translation reserve comprises all exchange differences arisen from the conversion of the financial statements of foreign operations.

(all amounts are expressed in thousands of USD and HRK)

19. INTEREST BEARING LIABILITIES

Interest bearing liabilities in 2015:

Non-current interest bearing liabilities	USD	HRK
	31 Dec 2015	31 Dec 2015
Secured bank loans	121,300	848,104
Total	**121,300**	**848,104**
Current	(8,981)	(62,793)
Long term	**112,319**	**785,311**

Current interest bearing liabilities	USD	HRK
	31 Dec 2015	31 Dec 2015
Current portion of non-current interest bearing liabilities		
Secured bank loans	8,981	62,793
Total	**8,981**	**62,793**

Interest bearing liabilities in 2014:

Non-current interest bearing liabilities	USD	HRK
	31 Dec 2014	31 Dec 2014
Secured bank loans	33,082	208,483
Total	**33,082**	**208,483**
Current portion	(2,929)	(18,457)
Long term part of loan	**30,153**	**190,026**

Current interest bearing liabilities	USD	HRK
	31 Dec 2014	31 Dec 2014
Current portion of non-current interest bearing liabilities		
Secured bank loans	2,929	18,457
Uninsured bank loans	139	873
Total	**3,068**	**19,330**

(all amounts are expressed in thousands of USD and HRK)

Terms and conditions for repayment of interest bearing liabilities at 31 December 2015 are as follows:

	HRK			
	Total	1 year or less	2 to 5 years	More than 5 years
Secured bank loans	848,104	62,793	262,378	522,933
At 31 December 2015	**848,104**	**62,793**	**262,378**	**522,933**

	USD			
	Total	1 year or less	2 to 5 years	More than 5 years
Secured bank loans	121,300	8,981	37,527	74,792
At 31 December 2015	**121,300**	**8,981**	**37,527**	**74,792**

Terms and conditions for repayment of interest bearing liabilities at 31 December 2014 are as follows:

	HRK			
	Total	1 year or less	2 to 5 years	More than 5 years
Secured bank loans	208,483	18,457	73,829	116,197
Unsecured bank loans – related parties	873	873	-	-
At 31 December 2014	**209,356**	**19,330**	**73,829**	**116,197**

	USD			
	Total	1 year or less	2 to 5 years	More than 5 years
Secured bank loans	33,082	2,929	11,715	18,438
Unsecured bank loans – related parties	139	139	-	-
At 31 December 2014	**33,221**	**3,068**	**11,715**	**18,438**

(all amounts are expressed in thousands of USD and HRK)

19. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Description of long-term loans is as follows:

2015

					31 December 2015	
Financial institution	Original currency	Loan amount	Annual interest rate, in %	Maturity	USD	HRK
ABN AMRO BANK N.V.	USD	52,653	LIBOR+2.00%	16.1.2022.	52,653	368,139
NORD LB BANK	USD	23,725	LIBOR+2.55%	27.7.2021.	23,325	163,084
NORD LB BANK	USD	23,725	LIBOR+2.55%	24.11.2021.	23,725	165,880
DVB BANK N.V	USD	22,422	LIBOR+3.50%	24.4.2021.	21,597	151,001
					121,300	**848,104**
Current portion					(8,981)	(62,793)
Long-term portion					112,319	785,311

2014

					31 December 2014	
Financial institution	Original currency	Loan amount	Annual interest rate, in %	Maturity	USD	HRK
COMMERZBANK AG	USD	42,600	LIBOR+1.75%	14.04.2021.	33,082	208,483
					33,082	**208,483**
Current portion					(2,929)	(18,457)
Long-term portion					30,153	190,026

In April 2015 an agreement was reached with DVB Bank SE to revise the purpose of a portion of the loan so as to reallocate an instalment payable for the delivery of the Dalmatia (Newbuilding no S-5065) owned by Teuta Shipping Company Ltd. to the instalment payable for the delivery of the Vukovar (Newbuilding no 2491) of Vukovar Shipping LLC. All other terms and conditions for the loan have remained unchanged. On 23 April 2015 USD 22.422 million (HRK 156.8 million) were drawn under the loan facility. The loan is repayable in 24 quarterly instalments based on a 14-year repayment schedule and a balloon payment of the remaining balance that would reduce the balance outstanding, falling due with the last instalment, to nil.

On 17 July 2015 Teuta Shipping Ltd. and Zoilo Shipping LLC entered into a loan agreement with Norddeutsche Landesbank Girozentrale for a loan of USD 47.45 million intended to finance the delivery of the Dalmacija and the Zolio ships, due six years from the delivery and repayable in 24 quarterly instalments under a 15-year repayment schedule and a balloon payment of the remaining that would reduce the balance outstanding, falling due with the last instalment, to nil. The entire loan funds were drawn, as presented below:

- USD 23.725 million (HRK 165.9 million) were drawn on 22 July 2015 to finance the instalment for the delivery of the Zolio; and

- USD 23.725 million (HRK 165.9 million) were drawn on 24 November 2015 to finance the instalment for the delivery of the Dalmacija.

On 1 December 2015 Fontana Shipping Company Limited and York Maritime Holdings IV LLC entered into a loan agreement with ABN AMRO Bank N.V., the Netherlands, for a loan of USD 52.65 million intended to finance the delivery of the Pag ship and refinance the existing long-term investment loan for the ships Velebit and Vinjerac, due six years from the delivery and repayable in 24 quarterly instalments under a 14.5-year repayment schedule and a balloon payment of the remaining that would reduce the balance outstanding, falling due with the last instalment, to nil. On 1 December 2015 USD 22.5 million (HRK 157.5 million) were drawn under the loan to finance an instalment for the delivery of the Pag.

The instruments of collateral furnished for the loans consist of common instruments typical for this kind of transactions and include, but are not limited to, first lien of the ship concerned, assignment of the first-priority insurance, revenue and earnings from the ship concerned, first lien on the shares of the ship owner and assignment of the ship's earnings. In the repayment period Tankerska plovidba d.d. issued a corporate guarantee for the repayment of the loan debt to maintain an ownership interest of TNG of maximum 50 percent.

A requirement for the loan is the minimum market value of each ship and each additional instrument of collateral that, depending on the loan and the repayment year, ranges from 125% to 140% of the outstanding loan debt. The loan beneficiary may resolve a breach of the ratio by furnishing an additional guarantee or repaying a loan earlier. In addition, the loan beneficiary is required to adhere to a minimum liquidity requirement by maintaining on its transaction account an amount ranging from USD 250,000.00 to USD 500,000.00, depending on the underlying loan i.e. lender.

(all amounts are expressed in thousands of USD and HRK)

20. TRADE AND OTHER CURRENT PAYABLES

	USD	HRK	USD	HRK
	31 Dec 2015	31 Dec 2015	31 Dec 2014	31 Dec 2014
Liabilities for advances	1,682	11,761	-	-
Trade payables	1,499	10,482	160	1,011
Due to employees	598	4,183	-	-
Trade payables – related	55	385	-	-
Taxes, contributions and other duties payable	11	79	1	6
Other payables	8	52	2	15
Other payables – related	5	35	-	-
Total	**3,858**	**26,977**	**163**	**1,032**

Structure of trade payables by currency:

	USD	HRK	USD	HRK
	31 Dec 2015	31 Dec 2015	31 Dec 2014	31 Dec 2014
USD	1,432	10,013	-	-
EUR	89	623	-	-
HRK	18	125	160	1,011
GBP	4	31	-	-
OTHER CURRENCY	11	75	-	-
Total	**1,554**	**10,867**	**160**	**1,011**

21. ACCRUED EXPENSES AND DEFERRED INCOME

	USD	HRK	USD	HRK
	31 Dec 2015	31 Dec 2015	31 Dec 2014	31 Dec 2014
Accrued loan interests	530	3,706	142	894
Other accrued expenses	5	38	1	10
Total	**535**	**3744**	**143**	**904**

(all amounts are expressed in thousands of USD and HRK)

22. TRANSACTIONS WITH THE RELATED PARTIES

TNG has no other related parties except for Tankerska plovidba d.d. Zadar and its subsidiaries and associates. Set out below are transactions carried out during the year between TNG and Tankerska plovidba d.d., Zadar.

Subsidiaries and key shareholders	USD	HRK	USD	HRK
	2015	2015	2014	2014
Sales to related parties				
Tankerska plovidba d.d. Zadar	-	-	1.833	10.537
Total	**-**	**-**	**1.833**	**10.537**
Purchase from related parties				
Tankerska plovidba d.d. Zadar	3.672	25.484	114	653
Total	**3.672**	**25.484**	**114**	**653**
Financial income and expenses				
Interest income - related parties	-	-	170	1,028
Interest expense - related parties	-	-	(94)	(569)
Net financial income // (expense)	**-**	**-**	**76**	**459**
Receivables from related parties				
Tankerska plovidba d.d. Zadar	-	-	624	3.931
Total	**-**	**-**	**624**	**3.931**
Payables to related parties				
Tankerska plovidba d.d. Zadar	55	385	-	-
Total	55	385	-	-
Loans received from related parties				
Corisles Shipping Corporation Limited	-	-	139	873
Total	**-**	**-**	**139**	**873**

Transactions between related parties are carried out under normal market rates. The ships of TNG are managed by Tankerska plovidba d.d. in accordance with the Management Agreement effective from 1 January 2015 to 31 December 2020. Tankerska plovidba d.d., as the Fleet Manager, provides to TNG commercial, HR, technical and certain administrative and corporate services for a fee.

Key management

The key management include the executive management, which consists of the sole member of the Board and the Financial Director The total management remuneration paid for 2015 amounts to HRK 1,093 thousand, i.e. USD 159 thousand (2014: HK 89 thousand, i.e. USD 15 thousand). The fees of the Supervisory Board for the year amount to HRK 179 thousand, i.e. USD 26 thousand (2014: 0). On 31 December 2015 the members of the executive management and the Supervisory Board held 6,681 shares of the Company (at 31 December 2014: 0). The Company did not provide any loans to the members of its Supervisory Board (at 31 December 2014: 0).

(all amounts are expressed in thousands of USD and HRK)

23. FINANCIAL INSTRUMENTS

TNG`s activities expose it to a variety of financial risks, including the effects of: market risk (including foreign exchange risk, interest rates and price risk), credit risk and liquidity risk. Exposure to currency, interest rate and credit risk, arises in the ordinary course of TNG`s operations.

Risk management policies associated with managing financial resources, may be briefly summarized as follows:

Foreign exchange risk

TNG is exposed to the following currency risks: the transaction risk, which is the risk of a negative impact of fluctuations in foreign exchange rates against the Croatian kuna on TNG's cash flows from commercial activities; and the balance sheet risk, which is the risk that the net value of monetary assets on retranslation of kuna-denominated balances becomes lower as a result of changes in foreign exchange rates.

TNG operates internationally and is exposed to changes of US currency as significant amount of receivables and foreign revenues are stated in this currency. Current TNG policies do not include active hedging.

TNG undertakes certain transactions in a foreign currency and is hence exposed to the foreign exchange risk.

Table below shows book value of monetary assets and monetary liabilities of the TNG in foreign exchange rate at the end of reporting period:

2015

	Assets	Liabilities	Assets - Liabilities
	2015	2015	2015
USD	77,078	877,782	(800,704)
EUR	59	623	(564)
Other foreign currencies	1	106	(105)
Total	**77,138**	**878,511**	**(801,373)**

2014

	Assets	Liabilities	Assets - Liabilities
	2014	2014	2014
USD	26,693	210,261	(183,568)
Total	**26,693**	**210,261**	**(183,568)**

(all amounts are expressed in thousands of USD and HRK)

Impact of a 10-percent change in the USD exchange rate on cash items denominated in USD (10-percent strengthening/weakening):

2015

HRK '000	The impact of changes in the US dollar	
Effect on:	10%	-10%
(Loss) / Profit	36	(36)
Operating cash flow (outflow) / inflow	(80,118)	80,118

2014

HRK '000	The impact of changes in the US dollar	
Effect on:	10%	-10%
(Loss)/Gain	(18,345)	18,345

Interest rate risk

Interest rate risk is the risk of change in value of financial instruments due to changes in market interest rates. The risk of interest rate in cash flow is a risk that the interest expenditure on financial instruments will be variable during the period. As TNG has no significant interest-bearing assets, its operating income and cash flows from operations are not significantly exposed to fluctuations in market interest rates. TNG's interest rate risk arises from long-term borrowings. TNG is exposed to interest rate risk on its long-term borrowings that bear interest at variable rates (see Note 19).

2015 (One year interest cost)

Current interest cost	Libor rate change	Interest cost (increase) / decrease USD	Interest cost (increase) / decrease HRK
30,087	1%	(263)	(1,842)
	-1%	263	1,842

2014 (One year interest cost)

Current interest cost	Libor rate change	Interest cost (increase) / decrease USD	Interest cost (increase) / decrease HRK
701	1%	(353)	(2,029)
	-1%	353	2,029

Given the significant exposure of TNG to interest rate risk, which arises from its variable-rate loans, TNG uses derivative financial instruments (an interest rate swap) to hedge its exposure to the interest rate risk on loans received from Norddeutsche Landesbank Girozentrale and ABN AMRO Bank N.V.

(all amounts are expressed in thousands of USD and HRK)

23. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk (Continued)

2015

Loan	Loan debt, in USD 000 31 Dec 2015	Date of the interest-rate swap conclusion	Interest-rate swap validity period		Variable interest rate before the swap	Fixed interest rate under the swap
			from	to		
ABN AMRO BANK N.V.	52,653	16.12.2015.	16.1.2019.	16.1.2019.	3M USD LIBOR	1.325%
NORD LB BANK	23,325	15.12.2015.	27.10.2015.	27.1.2019.	3M USD LIBOR	1.330%
NORD LB BANK	23,725	15.12.2015.	24.11.2015.	27.11.2018.	3M USD LIBOR	1.330%
Total	**99,703**					

With interest rate swap contracts with Nord / LB and ABN Amro Bank TNG has replaced the difference between the amount of fixed and variable interest calculated based on the agreed value of the principal. These contracts provide for easing the risk of volatility in the variable interest rate, allowing the company, which operates in terms of pre-fixed income contracted to manage the profitability of operations fixing one of the major cost components. Liability by interest rate swaps settle on a quarterly basis, while the proceeds from the swap expected time when variable interest rates part transfers to swap contracted fixed interest rate.

These interest rate swaps are intended to protect cash flow in order to reduce exposure to cash inflows and outflows of TNG arising from variable interest rate on borrowings. Interest rate swaps and interest payments on the loan occur simultaneously and the amount deferred in equity is recognized in profit or loss over the period that the payment of interest on the loan liability at floating rates.

Credit risk

Credit risk is the risk of failure by one party to meet commitments to the financial instruments, what could cause the financial loss to the other party. Maximum exposure to credit risk is expressed in the highest value of each of the financial asset in statement of financial position. Basic financial assets of TNG consist of cash and of account balance with banks, trade receivables and other receivables, and of investments. Credit risk in liquid funds is limited as the counterparty is often the bank that most international agencies assessed with high credit ratings.

Price risk

TNG's activities expose it to price risk associated with changes in the freight rate. The daily freight rate (the spot rate) measured in USD per day, has historically been very volatile. The volatility influences day-to-day operations in the following ways:
- when rates are low TNG sees it as an opportunity to increase market exposure, and
- when rates are high TNG will seek to hedge short-term to medium-term exposure by chartering-out vessels or by actively trading freight-related derivatives.

In addition, TNG trades its spot exposed vessels in different pools that reduces the sensitivity to freight rate volatility by economies of scale and optimization of the fleet's geographical position.

Liquidity risk

The responsibility for managing liquidity risk rests with the Management Board which sets an appropriate liquidity risk management framework for the purpose of managing its short-term, medium-term and long-term funding and liquidity requirements. Liquidity risk, which is considered the risk of financing, is the risk of difficulties which

TNG may encounter in collecting funds to meet commitments associated with financial instruments. TNG has significant interest bearing non-current liabilities for loans with variable interest that expose TNG to the risk of cash flows.

Liquidity tables

The following tables detail TNG's remaining contractual maturity for its non-derivative financial liabilities. The contractual maturity has been defined as the earliest date on which TNG can be required to settle. Disclosures of non-derivative financial assets and liabilities are necessary for understanding the manner in which TNG manages their liquidity risk, as it is managed based on net amounts of financial assets and liabilities.

2015 in thousands HRK

2015	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	After 5 years	Total
ASSETS						
Interest bearing	-	-	-	-	-	-
Non-interest bearing	200	-	-	-	-	200
TOTAL	**200**	**-**	**-**	**-**	**-**	**200**
LIABILITIES						
Interest bearing	10,800	2,797	49,196	262,378	522,933	848,104
Non-interest bearing	26,166	811	-	-	-	26,977
TOTAL	**36,966**	**3,608**	**49,196**	**262,378**	**522,933**	**875,081**
Net liabilities	**(36,766)**	**(3,608)**	**(49,196)**	**(262,378)**	**(522,933)**	**(874,881)**

2014 in thousands HRK

2015	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	After 5 years	Total
ASSETS						
Interest bearing	-	-	-	-	-	-
Non-interest bearing	1,320	-	-	-	3,812	5,132
TOTAL	**1,320**	**-**	**-**	**-**	**3,812**	**5,132**
LIABILITIES						
Interest bearing	5,625	-	13,843	73,829	116,197	209,494
Non-interest bearing	925	-	-	-	873	1,798
TOTAL	**6,550**	**-**	**13,843**	**73,829**	**117,07**	**211,292**
Net liabilities	**(5,230)**	**-**	**(13,843)**	**(73,829)**	**(113,258)**	**(206,160)**

(all amounts are expressed in thousands of USD and HRK)

23. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value

The fair value estimates of financial assets and financial liabilities determined by the Management Board are set out below, together with the carrying amounts of those instruments from the statement of financial position.

2015

		Carrying amount		Fair value 31 Dec 2015	
	Notes	USD	HRK	USD	HRK
Receivables and other receivables	15	29	203	29	203
Prepaid expenses and accrued income	16	812	5,671	812	5,671
Interest-bearing loans and borrowings	19	121,300	848,104	121,300	848,104
Liabilities to related parties	20	3,858	26,997	3,858	26,997
Accrued expenses and deferred income	21	535	3,744	535	3,744

2014

		Carrying amount		Fer vrijednost 31 Dec 2014	
	Notes	USD	HRK	USD	HRK
Receivables and other receivables	15	624	3,931	624	3,931
Prepaid expenses and accrued income	16	190	1,201	190	1,201
Interest-bearing loans and borrowings	19	33,221	209,356	33,221	209,356
Liabilities to related parties	20	163	1,032	163	1,032
Accrued expenses and deferred income	21	143	904	143	904

The fair values of receivables/payables with a remaining period to maturity less than one year are considered to reflect their fair values. All other balances receivable and payable are discounted to meet their fair values.

(all amounts are expressed in thousands of USD and HRK)

Capital management

The primary goal of TNG in managing its capital is to ensure financial support to the operations and maximize shareholder value. TNG manages capital by taking into accounts changes in the economic conditions. In order to maintain or adjusts the capital structure, TNG may adjust dividend payable to the shareholders, the return on investment or issue new shares.

The gearing ratios were as follows:

2015

	USD		HRK
Total interest-bearing debt (long-term and short-term borrowings) (Note 19)	121,300		848,104
Less: Cash and cash equivalents (Note 17)	10,221		71,465
Net debt	111,079		776,639
Capital and reserves	92,365		645,794
Total equity	**203,444**		**1,422,433**
Gearing ratio		**55%**	

2014

	USD		HRK
Total interest-bearing debt (long-term and short-term borrowings) (Note 19)	33,221		209,356
Less: Cash and cash equivalents (Note 17)	3,693		23,273
Net debt	29,528		186,083
Capital and reserves	43,993		277,252
Total equity	**73,521**		**463,335**
Gearing ratio		**40%**	

(all amounts are expressed in thousands of USD and HRK)

24. CONTINGENT LIABILITIES AND COMMITMENTS

Operating lease commitments, with the Company as the lessee

The Company has operating lease commitments for the properties it uses under operating lease arrangements. Total future minimal payments per operating leases are as follows:

	USD	HRK	USD	HRK
	31 Dec 2015	31 Dec 2015	31 Dec 2014	31 Dec 2014
Up to 1 year	19	130	-	-
Between 1 and 5 years	73	510	-	-
After 5 years	51	355	-	-
Total	**143**	**995**	**-**	**-**

25. EVENTS AFTER THE BALANCE SHEET DATE

On 18 January 2016 Fontana Shipping Company Limited drew the remaining USD 29.42 million (HRK 205.7 million) under the loan agreement with ABN AMRO Bank N.V. to refinance its existing long-term investment loan for the Velebit and the Vinjerac.

26. APPROVAL OF THE FINANCIAL STATEMENTS

Financial statements, set out on pages xx to xx were approved by the Management Board and authorized for issue on 31st March 2016.

Signed on behalf of the Board, 31st March 2016

John Karavanić,
Management Board

Technical terms and abbreviations

IMPORTANT INDUSTRY TERMS AND CONCEPTS

The Group uses a variety of industry terms and concepts when analysing its own performance. These include the following:

Revenue Days. Revenue Days represent the total number of calendar days the Group's vessels were in possession of the Group during a period, less the total number of Off-Hire Days during that period generally associated with repairs, drydocking or special or intermediate surveys.

Consequently, Revenue Days represent the total number of days available for a vessel to earn revenue. Idle days, which are days when a vessel is available to earn revenue, yet is not employed, are included in Revenue Days. The Group uses Revenue Days to explain changes in its net voyage revenues (equivalent to time charter earnings) between periods.

Off-Hire Days. Off-Hire Days refer to the time a vessel is not available for service due primarily to scheduled and unscheduled repairs or drydocking.

When a vessel is off-hire, or not available for service, the charterer is generally not required to pay the charter hire rate and the Group will be responsible for all costs, including the cost of fuel bunkers unless the charterer is responsible for the circumstances giving rise to the lack of availability. Prolonged off-hire may obligate the vessel owner to provide a substitute vessel or permit the charter termination.

The Group's vessels may be out of service, that is, off-hire, for several reasons: scheduled drydocking, special surveys, vessel upgrade or maintenance or inspection, which are referred to as scheduled off-hire; and unscheduled repairs, maintenance, operational deficiencies, equipment breakdown, accidents/incidents, crewing strikes, certain vessel detentions or similar problems, or charterer's failure to maintain the vessel in compliance with its specifications and contractual and/or market standards (for example major oil company acceptances) or to man a vessel with the required crew, which is referred to as unscheduled off-hire.

Operating Days. Operating Days represent the number of days the Group's vessels are in operation during the year. Operating Days is a measurement that is only applicable to owned and not bareboated or chartered-in vessels. Where a vessel is under the Group's ownership for a full year, Operating Days will generally equal calendar days. Days when a vessel is in a dry dock are included in the calculation of Operating Days as the Group still incurs vessel operating expenses.

Operating Days are an indicator of the size of the fleet over a period of time and affect both revenues and expenses recorded during that period.

(Net) Time Charter Equivalent (TCE). TCE is a standard shipping industry performance measure used primarily to compare daily earnings generated by vessels on time charters with daily earnings generated by vessels on voyage charters, because charter hire rates for vessels on voyage charters are generally not expressed per day as charter hire rates for vessels on time charters are. Therefore the net equivalent of a daily time voyage rate is expressed in net daily time charter rate.

(Net) TCE earnings. The Group defines time charter equivalent earnings, or TCE earnings, as vessel revenues less commissions and voyage-related costs (both major and minor) during a period.

TCE earnings is a measure of performance of a vessel or a fleet, achieved on a given voyage or voyages and it is expressed in US dollars per day. The Group's definition of TCE earnings may not be the same as that used by other companies in the shipping or other industries.

(Net) TCE rates. The Group defines time charter equivalent rates, or TCE rates, as vessel revenues less commission and voyage related costs (both major and minor) during a period divided by the number of Revenue Days during that period.

TCE rates is a measure of the average daily revenue performance of a vessel or a fleet, achieved on a given voyage or voyages and it is expressed in US dollars per day. TCE rates correspond to the net voyage earnings per day. The Group's definition of TCE rates may not be the same as that used by other companies in the shipping or other industries.

The Group uses the foregoing methodology for calculating TCE rates and TCE earnings in cases of both time charter and voyage charter contracts.

Gross Time Charter rates (GTC rates). The Group defines gross time charter rates, or GTC rates, as vessel revenues during a period divided by the number of Revenue Days during that period.

GTC rates should reflect the average daily charter rate of a vessel or a fleet and is expressed in US dollars per day. The Group's definition of GTC rate may not be the same as that used by other companies in the shipping or other industries.

Daily vessel operating expenses. Daily vessel operating expenses is a metric used to evaluate the Group's ability to efficiently operate vessels incurring operating expenses and to limit these expenses.

Daily vessel operating expenses represent vessel operating expenses divided by the number of Operating Days of vessels incurring operating expenses and is expressed in US dollars per day.

Average number of vessels. Historical average number of owned vessels consists of the average number of vessels that were in the Group's possession during a period. The Group uses average number of vessels primarily to highlight changes in vessel operating costs.

Fleet utilization. Fleet utilization is the percentage of time that the Group's vessels generate revenues. The shipping industry uses fleet utilization to measure a company's efficiency in finding employment for its vessels and in minimizing the number of days that its vessels are off-hire for reasons such as scheduled repairs, drydocking, surveys or other reasons other than commercial waiting time.

Fleet utilization is calculated by dividing the number of Revenue Days during a period by the number of Operating Days during that period.

Important chartering contracts

The Group's performance can be affected by some of the following types of charter contracts:

Time charter. Time charter is a contract under which a charterer pays a fixed daily hire rate on a semi-monthly or monthly basis for a fixed period of time for using the vessel. Subject to any restrictions in the charter, the charterer decides the type and quantity of cargo to be carried and the ports of loading and unloading. Under a time charter the charterer pays substantially all of the voyage-related costs (etc. port costs, canal charges, cargo manipulation expenses, fuel expenses and others). The vessel owner pays commissions on gross voyage revenues and the vessel operating expenses (etc. crew wages, insurance, technical maintenance and other).

Time charter rates are usually fixed during the term of the charter. Vessels operating on time charters for a certain period of time provide more predictable cash flows over that period of time, but can yield lower profit margins than vessels operating under voyage charters in the spot market during periods characterized by favourable market conditions. Prevailing time charter rates fluctuate on a seasonal and year-on-year basis reflecting changes in spot charter rates, expectations about future spot charter rates and other factors. The degree of volatility in time charter rates is lower for longer-term time charters compared to shorter-term time charters.

Voyage charter. Voyage charter involves the carriage of a specific amount and type of cargo from a specific loading port(s) to a specific unloading port(s) and most of these charters are of a single voyage nature. The owner of the vessel receives one payment derived by multiplying the tonnes of cargo loaded on board by the cost per cargo tonne. The owner is responsible for the payment of all expenses including commissions, voyage-related costs, operating expenses and capital costs of the vessel. The charterer is typically responsible for any costs associated with any delay at the loading or unloading ports. Voyage charter rates are volatile and fluctuate on a seasonal and year-on-year basis.

Other charters. Besides the two most common charters (time and voyage) the shipping industry provides other types of contracts between the ship owner and the charterer.

Bareboat charter. Bareboat charter is a contract pursuant to which the vessel owner provides the vessel to the charterer for a fixed period of time at a specified daily rate, and the charterer provides for all of the vessel's operating expenses in addition to the commissions and voyage related costs, and generally assumes all risk of operation. The charterer undertakes to maintain the vessel in a good state of repair and efficient operating condition and drydock the vessel during the term of the charter consistent with applicable classification society requirements.

Time charter trip. Time charter trip is a short term time charter where the vessel performs a single voyage between loading port(s) and unloading port(s). Time charter trip has all the elements of a time charter including the upfront fixed daily hire rate.

Important financial and operating terms and concepts

The Group uses a variety of financial and operational terms and concepts when analysing its own performance. These include the following:

Vessel revenues. The Group generates revenues by charging customers for the transportation of their oil products using its own vessels. Historically, the Operating Fleet's services have generally been provided under time charters although the Group may enter into voyage charters in the future. The following describes these basic types of contractual relationships:

Time charters, under which the vessels are chartered to customers for a fixed period of time at rates that are generally fixed; and

Voyage charters, under which the vessels are chartered to customers for shorter intervals that are priced on a current or "spot" market rate.

The table below illustrates the primary distinctions among these types of charters and contracts:

	Time Charter	Voyage Charter
Typical contract lenght	1-5 years	Single voyages, consecutive voyages and contracts of affreighment (COA)
Hire rate basis	Daily	Varies
Commercial fee	The Group pays	The Group pays
Commissions	The Group pays	The Group pays
Major Vessel related costs	Customer pays	The Group pays
Minor Vessel related costs	The Group pays	The Group pays
Vessel operating costs	The Group pays	The Group pays
Off-hire	Customer does not pay	Customer does not pay

Under a time charter the charterer pays substantially all of the voyage-related costs. The vessel owner pays commissions on gross vessel revenues and also the vessel operating expenses. Time charter rates are usually fixed during the term of the charter.

Vessels operating under time charters provide more predictable cash flows over a given period of time, but can yield lower profit margins than vessels operating under voyage charters in the spot market during periods characterized by favourable market conditions. Prevailing time charter rates fluctuate on a seasonal and year-on-year basis reflecting changes in spot charter rates, expectations about future spot charter rates and other factors. The degree of volatility in time charter rates is lower for longer-term time charters as opposed to shorter-term time charters.

Other revenues. Other revenues primary includes revenues from charterers for other services and revenues from profit commission on insurance policies.

Commercial fee. Commercial fees expenses include fees paid to the Fleet Manager, under the Management Agreement, for providing the Group with chartering and commercial management services.

Commissions. Commissions are realized in two basic forms: addressed commission and brokerage commission.

Addressed commission is commission payable by the ship owner to the charterer, regardless of charter type and is expressed as a percentage of the freight or hire. This commission is a reimbursement to the charterer for costs incurred in relation to the chartering of the vessel either to third party brokers or by the charterer's shipping department.

Brokerage commission is payable under a time charter on hire. Subject to the precise wording of the charter, the broker's entitlement to commission will therefore only arise when the charterers remit hire or is recovered by some other means. Commission under a voyage charter is payable on freight, and may also be payable on deadfreight and demurrage.

Voyage-related costs. Voyage-related costs are typically paid by the ship owner under voyage charters and by the customer under time charters. Voyage-related costs are all expenses which pertain to a specific voyage. The Group differs major and minor voyage-related costs.

Most of the voyage-related costs are incurred in connection with the employment of the fleet on the spot market (voyage charter) and under COAs (contracts of affreightment). Major voyage-related costs include bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees, extra war risks insurance and any other expenses related to the cargo are typically paid by the customer.

Minor voyage-related expenses such as draft surveys, tank cleaning, postage and other minor miscellaneous expenses related to the voyage may occur and are typically paid by the ship owner. From time to time, the ship owner may also pay a small portion of above mentioned major voyage-related costs.

Vessel operating costs. The Group is responsible for vessel operating costs which include crewing, repairs and maintenance, lubricants, insurance, spares, stores, registration and communication and sundries.

Vessel operating costs also includes management fees paid to the Fleet Manager, under the Management Agreement, for providing the Group with technical and crew management, insurance arrangements and accounting services. The largest components of vessel operating costs are generally crews and repairs and maintenance. Expenses for repairs and maintenance tend to fluctuate from period to period because most repairs and maintenance typically occur during periodic drydocking. These expenses may tend to increase as these vessels mature and thus the extent of maintenance requirements expands.

Depreciation and amortization. The Group depreciates the original cost, less an estimated residual value, of its vessels on a straight-line basis over each vessel's estimated useful life. The estimated useful life of 25 years is the Management Board's best estimate and is also consistent with industry practice for similar vessels. The residual value is estimated as the lightweight tonnage of each vessel multiplied by an estimated scrap value (cost of steel) per tone. The scrap value per tone is estimated taking into consideration the historical Indian sub-continent five year scrap market rate.

Depreciation expense typically consists of charges related to the depreciation of the historical cost of the vessels (less an estimated residual value) over the estimated useful lives of the vessels and charges relating to the depreciation of upgrades to vessels, which are depreciated over the shorter of the vessel's remaining useful life or the life of the renewal or upgrade. The Group reviews the estimated useful life of vessels at the end of each annual reporting period.

Drydocking and surveys (special and intermediate). The vessels are required to undergo planned drydocking for replacement of certain components, major repairs and maintenance of other components, which cannot be carried out while the vessels are operating, approximately every 30 months or 60 months depending on the nature of work and external requirements. The Group intend to periodically drydock each of vessels for inspection, repairs and maintenance and any modifications to comply with industry certification or governmental requirements. The number of drydocking undertaken in a given period and the nature of the work performed determine the level of drydocking expenses.

Vessel impairment. The carrying amounts of the vessels are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indications exists, the vessel`s recoverable amount is estimated. Vessels that are subject to deprecation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. The carrying values of the vessels may not represent their fair market value at any point in time since the market prices of second-hand vessels tend to fluctuate with changes in charter rates and the cost of newbuilds. Historically, both the charter rates and vessel values have been cyclical in nature.

Management Board's judgment is critical in assessing whether events have occurred that may impact the carrying value of the vessels and in developing estimates of future cash flows, future charter rates, vessel operating expenses, and the estimated useful lives and residual values of those vessels. These estimates are based on historical trends as well as future expectations. Management Board's estimates are also based on the estimated fair values of their vessels obtained from independent ship brokers, industry reports of similar vessel sales and evaluation of current market trends.

General and administrative expenses. General and administrative expenses comprise of the administrative staff costs, management costs, office expenses, audit, legal and professional fees, travel expenses and other expenses relating to administration.

Interest expense and finance costs. Interest expense and finance costs comprise of interest payable on borrowings and loans and foreign exchange gains and losses.

Tonnage tax. The tonnage tax regime is introduced into the Croatian maritime legislation by new amendments to the Maritime Act and is applicable from January 1, 2014. According to the relevant provisions of the Maritime Act ("Maritime Act"), qualifying companies may choose to have their shipping activities taxed on the basis of the net tonnage of their fleet instead of on the basis of their actual profits. Companies, having opted for the tonnage tax, must remain subject to this regime for the following 10 years. The qualifying company has to be a shipping company liable under the Croatian corporate tax on any profits it generates. Furthermore, it must operate the vessels which satisfy all applicable requirements, and most importantly, the qualifying company must be carrying out the strategic and commercial management activities of vessels in Croatia.

In the tonnage tax system, the shipping operations shifted from taxation of business income to tonnage-based taxation. Under the tonnage tax regime, the tax liability is not calculated on the basis of income and expenses as under the normal corporate taxation, but is based on the controlled fleet's notional shipping income, which in turn depends on the total net tonnage of the fleet under management.

Summary of expenses. Under voyage charters, the Group will be responsible for commissions, all vessel voyage-related costs and operating expenses. Under time charters, the charterer generally pays commissions, operating expenses and minor voyage-related costs. For both types of contracts the Group is responsible to pay fees to the Fleet Manager, under the Management Agreement.

The table below illustrates the payment responsibilities of the ship owner and charterer under a time and voyage charter.

EXPENSE TYPE	MAIN COMPONENTS	TIME CHARTER	VOYAGE CHARTER
Capital	Capital Principal Repayment Interest		
Operating	Crewing Repairs and Maintenance Lubricants Insurance Spares and stores Registration, communication and sundries *Management fee** - *technical management* - *crew management* - *insurance arrangements* - *accounting services*		
Commisions	Address Brokerage		
Commercial fee*	*Chartering and commerical management services*		
Voyage (minor)	Draft surveys Tank cleaning Postage Other minor miscellaneous expenses		
Voyage (major)	Bunker fuel expenses Port fees Cargo loading and unloading expenses Canal tolls Agency fees Extra war risks insurance Other expenses related to the cargo		

Ship-owner payments Charterer payments * fees paid to the Fleet Manager, under the Management Agreements

Cautionary note regarding forward-looking statements

Certain statements in this document are not historical facts and are forward-looking statements. They appear in a number of places throughout this document. From time to time, the Group may make written or oral forward-looking statements in reports to shareholders and in other communications. Forward-looking statements include statements concerning the Group's plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditure, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, business strategy and the trends which the Group anticipates in the industries and the political and legal environment in which it operates and other information that is not historical information.

Words such as „believe", „anticipate", „estimate", „expect", „intend", „predict", „project", „could", „may", „will", „plan" and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. Prospective investors should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

When relying on forward-looking statements, investors should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Group operates. Such forward-looking statements speak only as of the date on which they were made. Accordingly, the Company does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise, other than as required by applicable laws and the Zagreb Stock Exchange Rules. The Company makes no representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

TNG
Tankerska Next Generation

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Zadar, April 14th 2016

Pursuant to the article 300.d, and in accordance with the provisions of Article 300.c of the Croatian Companies Act, the Supervisory Board of Tankerska Next Generation Inc., at its meeting held on 14 April 2016, passed the following

DECISION
on determining annual financial statements

I

Supervisory board approves the Annual Report for 2015 of Tankerska Next Generation Inc. which consists of: Income Statement and statement of other comprehensive income, Statement of financial position, Statement of cash flows, Statement of changes in equity, Notes to the financial statements, Company status report and Independent auditors report by Deloitte Ltd. audit company from Zagreb.

II

Following approval from the first paragraph of this Decision, the Annual Financial Statements of Tankerska Next Generation d.d. for the year 2015 are determined by the Management Board and the Supervisory Board.

Chairman of the Supervisory Board
Ivica Pijaca

Established A. D. 2014
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Zadar, April 14th 2016

Pursuant to the Croatian Companies Act and the Articles of association of the Company, the Management Board and the Supervisory Board of Tankerska Next Generation Inc., at its meeting held on 14 April 2016, passed the following

DECISION
on utilization of profit for the year 2015

I

It is determined that Tankerska Next Generation Inc. in the year ending with 31 December 2015 realized net profit in the amount of HRK 34,519,646.04.

A part of net profit in the amount of HRK 34,497,712.95 shall be paid out as dividend to shareholders, in the amount of HRK 3.95 per share.

A part of net profit in the amount of HRK 21,933.09 shall be allocated to retained earnings.

II

This proposal will be proposed to the General Assembly by the Management Board and the Supervisory Board of the Company.

Management Board
John Karavanić

Chairmen of the Supervisory Board
Ivica Pijaca