



ULJANIK PLOVIDBA d.d.

AUDITED FINANCIAL STATEMENTS

FOR THE PERIOD

JANUARY - DECEMBER 2010

Pula, April 2011

CONTENT:

Audited Financial Statements of ULJANIK PLOVIDBA d.d. with Auditor's report for the period January – December 2010

Management Report

Statement of the person responsible for preparing Financial Statements

Supervisory Board Decision on the establishment of the Annual financial statements and the proposal for distribution of profit for 2010



**ULJANIK PLOVIDBA D.D.
PULA**

**Audited annual financial statements
for the year ended 31 December 2010**

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RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Management of the Company is responsible for ensuring that the 2010 financial statements are prepared in accordance with the Croatian Accounting Law and International Financial Reporting Standards ('IFRS'), as published by the Financial Reporting Standards Board, which give a true and fair view of the financial position, results of operations, changes in equity and cash flows of the Company for that period.

After making enquiries, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Management has adopted the going concern basis in preparing the financial statements of the Company.

In the course of preparing of these financial statements, the responsibilities of the Management include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis unless such assumption is not appropriate.

The Management is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position and results of operations of the Company and must also ensure that the financial statements comply with the Croatian Accounting Law and International Financial Reporting Standards as published by the Financial Reporting Standards Board. The Management is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

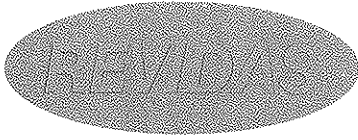
Signed on behalf of the Management by:

Dragutin Pavletić, director 

ULJANIK PLOVIDBA d.d.

Carrarina 6
52100 Pula

Pula, 30th March 2011



Revizija i konzalting d.o.o.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ULJANIK PLOVIDBA D.D., PULA**

We have audited the accompanying financial statements of the ULJANIK PLOVIDBA, Pula, for the year ended 31 December 2010, which comprise the balance sheet as at 31 December 2010 and the related income statement with comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes (set out on pages 3 to 33).

Management's Responsibility for the Financial Statements

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

Responsibility of the Auditor

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

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

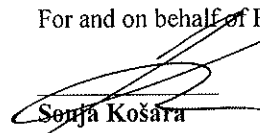
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of ULJANIK PLOVIDBA, Pula, as at 31 December 2010, the results of its operations, changes in its equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Revidas, revizija i konzalting, d.o.o.
Vukovarska 47
Pula

For and on behalf of Revidas d.o.o.:


Senja Košara
procurator



Pula, 31 March 2011


Sonja Košara
certified auditor

ULJANIK PLOVIDBA D.D., PULA

**INCOME STATEMENT WITH COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010**

(in HRK)	Notes	2010	2009
Sales	3	13,574,830	13,241,656
Other operating income	4	22,362,609	22,347,051
Operating income		35,937,439	35,588,707
<i>Cost of raw material and supplies</i>		<i>(175,159)</i>	<i>(142,203)</i>
<i>Other external costs</i>		<i>(585,967)</i>	<i>(514,100)</i>
Material costs	5	(761,126)	(656,303)
<i>Staff costs</i>	6	<i>(8,686,239)</i>	<i>(8,127,350)</i>
<i>Depreciation</i>	7	<i>(206,434)</i>	<i>(225,191)</i>
<i>Other operating expenses</i>	8	<i>(3,057,264)</i>	<i>(2,328,312)</i>
<i>Value adjustment</i>	9	<i>(664,380)</i>	-
<i>Provisions for risks and charges</i>		<i>(227,700)</i>	-
Operating expenses		(13,603,143)	(11,337,156)
Financial income	10	68,122,609	35,477,546
Financial expenses	11	(17,636,768)	(3,383,349)
TOTAL INCOME		104,060,048	71,066,253
TOTAL EXPENSES		(31,239,911)	14,720,505
PROFIT BEFORE TAXATION		72,820,137	56,345,748
Income tax expense	12	(257,196)	(1,715,338)
PROFIT FOR THE PERIOD		72,562,941	54,630,410
Exchange differences on translating foreign operations	37	29,191,670	(9,964,389)
Income tax on other comprehensive income		(5,838,334)	1,992,878
Net other comprehensive income/(loss)		23,353,336	(7,971,511)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		95,916,277	46,658,899

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

ULJANIK PLOVIDBA, D.D. PULA

**BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2010**

(in HRK)	Notes	2010	2009
ASSETS			
Concessions, patents, licences, trade and service marks, software and other rights		-	569
Intangible assets	14	<u>-</u>	<u>569</u>
Land		121,829	121,829
Buildings		3,188,274	3,238,920
Other plant and equipment		502,552	421,625
Tangible assets	15	<u>3,812,655</u>	<u>3,782,374</u>
Long-term financial assets	16	<u>389,935,281</u>	<u>304,416,040</u>
Receivables from related companies		18,719,767	1.708.097
Other receivables		518,737	784.210
Long-term receivables	17	<u>19,238,504</u>	<u>2,492,307</u>
LONG TERM ASSETS		<u>412,986,440</u>	<u>310,691,290</u>
Receivables from related companies	18	19,852,798	19,848,270
Trade receivables	19	497,578	1,667,417
Amounts due from the state and other institutions	20	1,398,764	31,605
Other receivables	21	21,347	207,235
Receivables		<u>21,770,487</u>	<u>21,754,527</u>
Short-term financial assets	22	<u>26,015,901</u>	<u>17,633,812</u>
Cash and cash equivalents	23	<u>124,735</u>	<u>239,037</u>
CURRENT ASSETS		<u>47,911,123</u>	<u>39,627,376</u>
Prepaid expenses and accrued income		<u>26,783</u>	<u>26,834</u>
TOTAL ASSETS		<u>460,924,346</u>	<u>350,345,500</u>

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

ULJANIK PLOVIDBA D.D., PULA

**BALANCE SHEET - continued
FOR THE YEAR ENDED 31 DECEMBER 2010**

(in HRK)	Notes	2010	2009
EQUITY AND LIABILITIES			
Share capital	24	232,000,000	232,000,000
Capital reserves		(5,132,712)	(1,720,661)
Legal reserves	25	11,600,000	9,537,798
Reserves for Treasury shares	25	36,382,812	36,382,812
Treasury shares	25	(35,386,082)	(36,382,812)
Revaluation reserves	26	29,191,670	-
Retained profit	27	61,291,410	31,769,506
Profit of the year	28	72,562,941	54,630,410
KAPITAL I REZERVA	37	402,510,039	326,217,053
Provisions for retirement costs, severance pays and similar liabilities	29	1,945,865	1,805,697
LONG-TERM PROVISIONS		1,945,865	1,805,697
Amounts due to banks and other financial institutions	30	19,628,088	2,799,115
LONG-TERM LIABILITIES		19,628,088	2,799,115
Short-term loans, deposits, e.t.c.	31	11,136,504	10,178,600
Amounts due to banks and other financial institutions	32	22,833,763	7,195,279
Advances received		138,844	138,844
Trade payables	33	233,180	326,310
Amounts due to employees	34	732,867	666,455
Taxes, contributions and other duties payable	35	-	493,515
Dividends payable	36	1,202,880	316,679
Other short-term liabilities		470,450	63,096
SHORT-TERM LIABILITIES		36,748,488	19,378,778
Accrued expenses and deferred income		91,866	144,857
TOTAL EQUITY AND LIABILITIES		460,924,346	350,345,500

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

ULJANIK PLOVIDBA D.D., PULA**STATEMENT OF CHANGES IN SHARHOLDER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010**

(in HRK)	Notes	2010	2009
Registered capital	24	232,000,000	232,000,000
Capital reserves		(5,132,712)	(1,720,661)
Reserves from net income	25	12,596,730	9,537,798
Revaluation of long-term assets	26	29,191,670	-
Retained profit	27	61,291,410	31,769,506
Profit of the year	28	<u>72,562,941</u>	<u>54,630,410</u>
Total capital and reserves	37	<u>402,510,039</u>	<u>326,217,053</u>
Exchange differences arisen from the net investment in foreign operations	37	29,191,670	(9,964,389)
Other changes in capital	37	<u>47,101,315</u>	<u>29,847,422</u>
Total increase in capital		<u>76,292,985</u>	<u>19,883,033</u>

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

ULJANIK PLOVIDBA D.D., PULA

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010**

(in HRK)	2010.	2009.
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	72,820,137	56,345,748
Depreciation	206,434	225,191
Increase in current liabilities	773,322	-
Other increases in cash	140,220	81,189
Total increase in cash from operating activities	73,940,113	56,652,128
Decrease in current liabilities	-	(875,620)
Increase in short-term receivables	(15,960)	(13,169,047)
Other decreases in cash	(310,187)	(1,806,019)
Total decrease in cash from operating activities	(326,147)	(15,850,686)
NET DECREASE IN CASH GENERATED FROM OPERATING ACTIVITIES	73,613,966	40,801,442
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchases of tangible and intangible assets	(236,146)	(96,800)
Cash paid for acquisition of equity and debt instruments	(56,327,570)	(83,418,567)
Total cash expenses from investing activities	(56,563,716)	(83,515,367)
NET DECREASE IN CASH FROM INVESTING ACTIVITIES	(56,563,716)	(83,515,367)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash receipts from issuance of equity and debt instruments	50,000,000	-
Cash receipts from the loan principal, debentures, advances and other loans	46,235,494	14,409,464
Other cash receipts from financial activities	-	1,568,316
Total cash receipts from financial activities	96,235,494	15,977,780
Cash expenses for the repayment of loan principal and bonds	(62,810,134)	(1,454,176)
Cash expenses for the payments of dividends	(23,046,304)	(22,807,558)
Cash expenses for the purchase of treasury shares	(2,415,321)	(1,975,431)
Other cash expenses from financial activities	(25,128,287)	(9,736,187)
Total cash expenses from financial activities	(113,400,046)	(35,973,352)
NET DECREASE IN CASH FROM FINANCING ACTIVITIES	(17,164,552)	(19,995,572)
Cash and cash equivalents at beginning of period	239,037	62,948,534
Increase in cash and cash equivalents	-	-
Decrease in cash and cash equivalents	(114,302)	(62,709,497)
Cash and cash equivalents at end of period	124,735	239,037

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

ULJANIK PLOVIDBA D.D., PULA

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2010

1. GENERAL

ULJANIK PLOVIDBA, maritime transport, d.d. Pula (the Company), is incorporated in Croatia. The Company is registered at the Commercial Court in Pazin.

The major part of the Company's operations is conducted through its subsidiary UNITED SHIPPING SERVICES ONE INC., registered in Liberia, pursuant to the applicable management contract concluded with Uljanik Shipmanagement Inc. The subsidiary UNITED SHIPPING SERVICES ONE INC., 100% owned by the Company, and its subsidiaries United Shipping Services Two Inc., United Shipping Services Three Inc., United Shipping Services Four Inc., United Shipping Services Five Inc., United Shipping Services Six Inc., United Shipping Services Seven Inc., United Shipping Services Eight Inc., United Shipping Services Nine Inc., United Shipping Services Ten Inc., United Shipping Services Eleven Inc., United Shipping Services Fourteen Inc., United Shipping Adriatic Inc., Uljanik Shipmanagement Inc. and Uljanik Tanker Management Inc., constitute the Group UNITED SHIPPING SERVICES ONE.

After the sale of vessels in the years 2006 and 2007, the subsidiaries United Shipping Services Two Inc., United Shipping services Five Inc. and United Shipping Adriatic Inc., became „sleeping“ companies.

Uljanik Plovidba d.d. Pula owns 100% of shares in the company REAL d.o.o., Pula.

The ownership structure as at 31 December 2010 is shown in Note 24.

The registered office of the Company is in Pula, Carrarina 6, Croatia.

The principal activities of the Company are international maritime transport, services within maritime transport and travel agency services.

As at 31 December 2010 the number of staff employed by ULJANIK PLOVIDBA d.d. Pula was 30 (2009: 29).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Set out below are the principal accounting policies applied in the preparation of these financial statements. The accounting policies have been applied consistently to all the periods covered by the financial statements.

2.1. Compliance Statement

The financial statements have been prepared in accordance with International Financial Reporting Standards that are accepted in the European Union.

**NOTES TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2010**

2.2. Basis of preparation

The financial statements are prepared on an accrual basis of accounting whereby the effects of transactions and other events are recognized when they occur and they are reported in the financial statements of the period to which they relate, and on the going concern assumption.

The financial statements of ULJANIK PLOVIDBA d.d. Pula, have been prepared using the historical cost convention.

The preparation of financial statements in conformity with International Financial Reporting Standards requires from the management to make certain key accounting estimates and judgments in the applying of the accounting policies of the Company.

2.3. Non-consolidation

The financial statements of the Company have been prepared on a non-consolidated basis.

2.4. Reporting currency

The financial statements of the Company have been prepared in Croatian kuna, which is the measurement i.e. reporting currency of the Company.

2.5. Revenue recognition

Revenue comprises the fair value of completed and billed services in the course of ordinary business. Revenue is stated at invoiced amounts net of value-added tax and any recognised discounts.

2.6. Financial income and expenses

Financial income consists of accrued interest on loans which is determined by using the effective interest method, and foreign exchange gains. Dividend income is recognized in the income statement as of the date on which the dividend is received.

Financial expenses comprise interest on borrowings and credits received determined using the effective interest method, foreign exchange losses, as well as losses on impairment and disposal of financial assets.

2.7. Transactions in foreign currencies

Transactions in currencies other than Croatian kuna are initially recorded at mean exchange rates of the Croatian National Bank ('the CNB') prevailing on the dates of the transactions. Monetary assets, receivables and liabilities denominated in foreign currencies are retranslated at mean exchange rates of the CNB prevailing on the balance sheet date. Profits and losses arising on exchange are included in the income statement for the year.

**NOTES TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2010**

At 31 December 2010 and 31 December 2009, the exchange rate for USD 1 was HRK 5.568252 and HRK 5.089300, respectively.

2.8. Income tax

Income tax is determined on the basis of income reported in accordance with Croatian laws and regulations.

Income tax represents current and deferred taxes and is reported in the income statement.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is based on the expected recovery and settlement of the carrying amounts of assets and liabilities, using the tax rates enacted or substantially enacted by the balance sheet date.

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

2.9. Intangible assets

Licences for software are capitalized at cost and the costs are attributable to bringing of the software in the condition for its intended use. These costs are amortized over their useful lives in a period of 2 years.

2.10. Property, plant and equipment

Items of property, plant and equipment are carried at historical cost less accumulated depreciation. Historical cost includes costs directly attributable to bringing an asset in a condition for its intended use. Subsequent improvements are capitalized or, if required, recognized as a separate asset only if future economic benefits will flow to the Company and if the cost of such asset can be measured reliably. All other improvements and maintenance costs are recognized in the income statement in the period in which they arise.

Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard performance, the expenditures are capitalized i.e. added to the carrying amount of the asset.

Fittings and equipment are classified as non-current assets if their individual useful lives are over one year and individual cost exceeds HRK 3,500.

ULJANIK PLOVIDBA D.D., PULA

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2010

Property, plant and equipment include land, building, office equipment and furniture.

Depreciation of property, vessels, plant and equipment commences when the assets are put in use. Depreciation is provided on a straight-line basis so as to allocate the cost of an asset over its estimated useful life. Depreciation is provided for each asset until it is written-off or until it reaches its residual value, if material.

The estimated useful lives are as follows:

Buildings	100 years
Machinery and equipment	10-28 years
Inventory and accessories	2-10 years

Land is not depreciated because it is considered to have unlimited useful life.

Gains and losses on disposal of assets are determined by comparing of the income and the carrying amounts of assets and are captured under "Other net gains/(losses)" in the income statement.

2.11. Investments

Investments in foreign subsidiaries are stated at cost and revalued by applying the mean exchange rate of the Croatian National Bank effective on the balance sheet date. Changes are recognized in equity (unrealized gains/losses). Income from investments in subsidiaries is recognised in the period in which the profits are transferred as according to the decision of the owners.

Investments in securities are stated at cost. Dividend income is recognised on receipt.

2.12. Trade receivables

Trade and other receivables are initially carried at fair value and are subsequently measured at cost, less any impairment losses. Receivables are impaired and impairment losses are incurred only if there is objective evidence of impairment, as a result of one or more events that occurred after the initial recognition of an asset that have an impact on the estimated future cash flows of the asset that can be reliably estimated. At each balance sheet date the Company assesses whether there is objective evidence that an account receivable is impaired. At each balance sheet date, receivables are subject to an individual review to determine whether there is objective evidence that a trade receivable account might be impaired. If any such evidence exists, the carrying amount of the account receivable is reduced directly or through a separate allowance account. The related impairment loss is charged in the income statement for the year.

2.13. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and balances with banks, as well as other high liquid instruments with maturities of up to three months.

**NOTES TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2010**

2.14. Borrowings

All borrowings directly attributable to the acquisition or construction of fixed assets are initially carried at fair value of cash received. In future periods, they are carried at amortised cost.

2.15. Employee benefits

(a) Retirement benefits

In the normal course of business, the Company makes contributions on behalf of its employees who are members of mandatory pension funds, in accordance with applicable law. The mandatory pension contributions to the funds are included in the salary cost when they are calculated. The Company has no obligation to provide any post-retirement benefits to its employees.

b) Other long-term employee benefits

Other long-term employee benefits include jubilee-awards and termination benefits which fall due later than 12 months after the balance sheet date.

2.16. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be measured reliably.

Provisions are determined at the present value of costs expected to be incurred to settle an obligation that reflects the current market assessment of the time value of money and risks specific to the obligation.

2.17. Dividend distribution

Liabilities in respect of dividends payable to the shareholders are recognised in the financial statements in the period in which they are approved by the General Assembly of Shareholders.

2.18. Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

2.19. Subsequent events

Post-year-end events that provide additional information about the position of the Company at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

ULJANIK PLOVIDBA D.D., PULA

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2010

3. REVENUES

(in HRK)	2010	2009
Domestic revenue	405,837	482,493
Foreign revenue //	13,162,959	12,750,168
Other	6,034	8,995
	<u>13,574,830</u>	<u>13,241,656</u>

// Foreign revenue includes management services to the related companies (Note 39).

4. OTHER OPERATING REVENUES

(in HRK)	2010	2009
Government grants //	22,272,548	22,272,548
Income from reversal of provisions (Note 28)	87,532	71,859
Write-off of trade payables	558	134
Other revenues	1,971	2,510
	<u>22,362,609</u>	<u>22,347,051</u>

// The income of USD 4,006,770 paid in HRK represents the government grant paid for the Hull No. 709, according to the Contract of Financial Support in the total amount of USD 8,013,540 paid in HRK for the Building of two vessels (Hull No.709 and No. 710), concluded between Ministry of the Sea, Transport and Infrastructure and Uljanik Plovidba d.d. Pula.

5. COST OF MATERIAL AND SERVICES

(in HRK)	2010	2009
Raw materials and supplies	92,661	71,963
Energy	68,940	63,579
Spare parts and small inventory	13,558	6,661
Raw materials and supplies	<u>175,159</u>	<u>142,203</u>
Transport, telephone, postage	354,345	323,203
Repairs and maintenance	142,307	170,527
Rental costs	58,087	-
Promotion costs	11,253	2,418
Municipal services	19,975	17,952
Other external services	<u>585,967</u>	<u>514,100</u>
	<u>761,126</u>	<u>656,303</u>

ULJANIK PLOVIDBA D.D., PULA**NOTES TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2010**

6. STAFF COSTS

(in HRK)	2010	2009
Net salaries	4,286,113	4,171,985
Taxes and contributions <i>from and on salary</i> //	<u>4,400,126</u>	<u>3,955,365</u>
	<u>8,686,239</u>	<u>8,127,350</u>

// Taxes and contributions *from and on salaries* are included in defined pension contributions to mandatory pension funds in Croatia. They are determined at a percentage of the gross salary.

7. DEPRECIATION AND AMORTISATION

(in HRK)	2010	2009
Amortisation (Note 14)	569	8,473
Depreciation (Note 15)	<u>205,865</u>	<u>216,718</u>
	<u>206,434</u>	<u>225,191</u>

8. OTHER EXPENSES

(in HRK)	2010	2009
Reimbursement of costs to employees //	557,442	568,288
Intellectual services	159,461	175,042
Entertainment	318,392	331,629
Supervisory board (gross fees)	176,922	176,881
Contributions and municipal levies	141,551	216,885
Bank charges	250,946	93,678
Depository services and broker commission	821,449	108,485
Insurance	264,798	251,489
Donations	105,000	182,789
Other expenses	<u>261,303</u>	<u>223,146</u>
	<u>3,057,264</u>	<u>2,328,312</u>

// Reimbursement of costs to employees comprise: allowances, benefits of using private cars for official purposes, the cost of transportation to work, termination benefits, jubilee awards and supports.

ULJANIK PLOVIDBA D.D., PULA**NOTES TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2010**

9. VALUE ADJUSTMENT

(in HRK)	2010.	2009.
Istria Consult d.o.o. Pula //	645,945	-
Other	18,435	-
	<u>664,380</u>	<u>-</u>

// Value adjustment was performed in accordance with the Decision of adjustment, issued on the basis of the inability of repayment of the loan and the related accrued interests.

10. FINANCIAL INCOME

(in HRK)	2010	2009
Interest income	2,227,309	551,685
Foreign exchange gains	12,518,613	9,261,752
Income from investments in subsidiaries //	53,187,360	25,614,315
Dividend income	189,327	49,794
	<u>68,122,609</u>	<u>35,477,546</u>

// Income from investments in subsidiaries is recognised in the period in which the profits are transferred according to the accounting policy. The stated income in 2010 represents the transfer of the retained profit in the amount of USD 10,000,000 from United Shipping Services One Inc., based on the Supervisory Board Decisions dated on 15th September and 25th October 2010 (Note 18).

11. FINANCIAL EXPENSE

(in HRK)	2010	2009
Interest expense	3,519,367	517,267
Foreign exchange losses	12,283,308	2,866,082
Losses from sale of shares (Note 16)	1,834,093	-
	<u>17,636,768</u>	<u>3,383,349</u>

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12. CORPORATE INCOME TAX

The reconciliation between the accounting profit and taxable profit of the Parent company is provided in the table below:

(in HRK)	2010	2009
Profit before tax	50,547,589	34,073,200
Effect of tax disallowable expenses	4,203,434	246,443
Effect of non-taxable profit	<u>(53,465,045)</u>	<u>(25,742,954)</u>
Taxable profit/ (Tax loss) for the year	<u>1,285,978</u>	<u>8,576,689</u>
Tax rate	<u>20.00%</u>	<u>20.00%</u>
Tax liability for the year	<u>257,196</u>	<u>1,715,338</u>

13. EARNINGS PER SHARE

Earnings per share in the amount of HRK 133.95 (2009: HRK 100.14) have been determined on the basis of the Company's net profit in the amount of HRK 72,562,941 (2009: HRK 54,630,410) and the weighted average of ordinary shares, reduced for treasury shares, that was 541,703 (2009: 545,519).

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14. INTANGIBLE ASSETS

(in HRK)	Total
PURCHASE VALUE	
At 31 December 2008	82,491
Additions	-
Disposals, retirements and other	-
At 31 December 2009	82,491
Additions	-
Disposals, retirements and other	-
At 31 December 2010	82,491
ACCUMULATED AMORTISATION	
At 31 December 2008	73,449
Amortisation	8,473
Disposals, retirements and other	-
At 31 December 2009	81,922
Amortisation	569
Disposals, retirements and other	-
At 31 December 2010	82,491
NET BOOK VALUE	
At 31 December 2010	-
At 31 December 2009	569

Intangible assets consist of investments in software.

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15. PROPERTY, PLANT AND EQUIPMENT

(in HRK)	Building	Plant and equipment	Assets in course of construction	Total
Cost				
At 31 December 2008	5,186,577	1,568,382	-	6,754,959
Additions	-	-	96,800	96,800
Transfer from assets in course of construction	-	96,800	(96,800)	-
Retirements, disposals and other	-	(137,411)	-	(137,411)
At 31 December 2009	5,186,577	1,527,771	-	6,714,348
Additions	-	-	236,146	236,146
Transfer from assets in course of construction	-	236,146	(236,146)	-
Retirements, disposals and other	-	(171,133)	-	(171,133)
At 31 December 2010	5,186,577	1,592,784	-	6,779,361
Accumulated depreciation				
At 31 December 2008	1,775,180	1,074,242	-	2,849,422
Depreciation charge for the year	50,647	166,071	-	216,718
Retirements, disposals and other	-	(134,166)	-	(134,166)
At 31 December 2009	1,825,827	1,106,147	-	2,931,974
Depreciation charge for the year	50,647	155,218	-	205,865
Retirements, disposals and other	-	(171,133)	-	(171,133)
At 31 December 2010	1,876,474	1,090,232	-	2,966,706
Net book value				
At 31 December 2010	3,310,103	502,552	-	3,812,655
At 31 December 2009	3,360,750	421,624	-	3,782,374

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16. LONG-TERM FINANCIAL ASSETS

(in HRK)	Holding in %	2010	2009
16.1. Investments in subsidiaries			
United Shipping Services One Inc. (44,102,500 USD) /i/	100%	388,196,479	300,824,808
Real d.o.o., Pula	100%	50,000	50,000
		<u>388,246,479</u>	<u>300,874,808</u>
16.2. Investments in shares			
United Shipping Adriatic Inc. (100 USD)	0,0007%	557	509
Investments in Banks		8,300	8,300
Istarska autocesta d.o.o. Pula		1,679,935	1,679,935
Istria Consult d.o.o. Pula /ii/		-	1,834,100
Other investments		10	18,388
		<u>1,688,802</u>	<u>3,540,723</u>
		<u>389,935,281</u>	<u>304,416,040</u>

/i/ According to the Contract of Investment concluded with United Shipping Services One Inc. on 03 May 2010, the investment was first increased for the amount of USD 6,600,000, from the funds collected through Uljanik Plovidba's issuing commercial bills in May 2010.

The second increase of investment in the amount of USD 4,006,770 derives from the Government grant, according to the Contract of Investment concluded on 28 June 2010 (Note 4). The increase in investment was made with the purpose of developing of the business activities of the Company, by investing in fleet renewal.

Holdings in foreign subsidiaries are adjusted to the exchange rate for the USD, effective at the balance sheet date, and the incurred exchange differences were debited to revaluation reserves.

/ii/ The sale of shares was performed according to the Contract of transfer of shares and Annex to the Contract, both concluded on 24 March 2010. The loss arising from the sale of shares was recognised as financial expense in the net amount (Note 11).

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17. LONG-TERM RECEIVABLES

Long-term receivables are as follows:

(in HRK)	2010	2009
Related companies		
United Shipping Adriatic Inc. /i/	725,613	1,105,333
United Shipping Services One Inc. /i/	24,235,121	868,362
United Shipping Services Two Inc. /i/	161,827	246,513
United Shipping Services Three Inc. /i/	246,395	251,284
United Shipping Services Five Inc. /i/	164,959	375,336
	25,533,915	2.846.828
Current portion of long-term receivables	<u>(6,814,148)</u>	<u>(1.138.731)</u>
Long-term portion of receivables	<u>18,719,767</u>	<u>1.708.097</u>
Non-related companies and other		
Bunarina d.o.o. Pula	257,003	700.938
Long term receivables from employees /iii/	633,487	748.912
Other long-term receivables	-	160.313
	<u>890,490</u>	<u>1.610.163</u>
Current portion of long-term receivables	<u>(371,753)</u>	<u>(825.953)</u>
Long-term portion of receivables	<u>518,737</u>	<u>784.210</u>
Total current portion of long-term receivables (Note 22)	<u>7,185,901</u>	<u>1,964,684</u>
Long-term portion of receivables	<u>19,238,504</u>	<u>2,492,307</u>

/i/ The long-term loans have been given to subsidiaries from the financial assets obtained from the Croatian bank for reconstructing and development (Note 30). On 18 March 2010, pursuant to a Loan agreement, Uljanik Plovidba d.d. approved a loan to United Shipping Services One Inc. in the amount of USD 5,000,000. In accordance with the repayment plans for the year 2010, the repayment of long-term loans given to subsidiaries amounted to HRK 6,145,342. By transforming the amounts of receivables in USD to HRK as at 31 December 2010, the receivables were contemporary increased for the amount of HRK 1,587,108. Exchange gains are credited to financial income (Note 10).

/iii/ These receivables refer to the sale of treasury shares to employees, with the repayment period from five to ten years.

ULJANIK PLOVIDBA D.D., PULA**NOTES TO THE FINANCIAL STATEMENTS
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18. RECEIVABLES FROM RELATED COMPANIES

(in HRK)	2010	2009
Due from participating interest <i>/i/</i>	19,488,882	19,848,270
Interest receivable	<u>363,916</u>	<u>-</u>
	<u>19,852,798</u>	<u>19,848,270</u>

/i/ This amount represents the remaining portion of the transferred retained profit from prior years, which amounts to USD 3,500,000 (Note 10).

19. TRADE RECEIVABLES

(in HRK)	2010	2009
Domestic trade debtors	94,059	339,172
Foreign trade debtors <i>/i/</i>	<u>403,519</u>	<u>1,328,245</u>
	<u>497,578</u>	<u>1,667,417</u>

/i/ Foreign trade debtors include subsidiaries (Note 39).

20. AMOUNTS DUE FROM THE STATE AND OTHER INSTITUTIONS

(in HRK)	2010	2009
Income tax receivable	1,334,763	-
VAT refund	50,474	30,492
Refund of contributions which do not depend on the operational result	<u>13,527</u>	<u>1,113</u>
	<u>1,398,764</u>	<u>31,605</u>

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21. OTHER CURRENT ASSETS

(in HRK)	2010	2009
Interest receivables	5,040	118,414
Prepayments	-	46,869
Other receivables	<u>16,307</u>	<u>41,952</u>
	<u>21,347</u>	<u>207,235</u>

22. SHORT-TERM FINANCIAL ASSETS

(in HRK)	2010	2009
Short-term loans given to employees /i/	11,210,000	9.610.000
„Bunarina“ d.o.o. Pula	10,000	55.000
„Real“ d.o.o. Pula	5,510,000	5.500.000
„Istria consult“ d.o.o. Pula	-	504.128
Short-term deposit (Note 33)	500,000	-
Istarska autocesta d.o.o. Pula /iii/	<u>1,600,000</u>	<u>-</u>
	<u>18,830,000</u>	<u>15.669.128</u>
Plus: Current portion of long-term receivables (Note 17)	<u>7,185,901</u>	<u>1.964.684</u>
	<u>26,015,901</u>	<u>17.633.812</u>

/i/ The increase in loan receivables was recorded in accordance with the contracts for a total of 1.6 million HRK. According to the annexes, the loan repayment period from 2009 was extended until 25 September 2011, with an interest rate of 8%. The refund of loans is secured by bills of exchange and blank debenture notes.

/ii/ Because of the impossibility of collection, the loan was written off in accordance with Decision (Note 9).

/iii/ The loan without interests was paid out according to the contract concluded on 23 September 2010, with a repayment period of one year.

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NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2010

23. CASH AND CASH EQUIVALENTS

(in HRK)	2010	2009
Current account balance	44,032	161,780
Foreign account balance	9,182	73,625
Cash in hand	71,521	3,633
	<u>124,735</u>	<u>239,037</u>

24. SHARE CAPITAL

At 31 December 2010, the share capital of the Company amounts to HRK 232,000,000 and consists of 541,703 ordinary shares, with a nominal value of HRK 400 per share, and of 38,297 treasury shares.

In the ownership structure as at 31 December 2010, small shareholders accounted for 93.40% and treasury shares accounted for 6.60%.

25. RESERVES FROM NET PROFIT

(in HRK)	2010	2009
Legal reserves /i/	11,600,000	9.537.798
	<u>11,600,000</u>	<u>9.537.798</u>
Reserves for treasury shares	36,382,812	36.382.812
Treasury shares (deductible item)	(35,386,082)	(36.382.812)
	<u>996,730</u>	<u>-</u>
	<u>12,596,730</u>	<u>9.537.798</u>

/i/ Under Croatian law, a legal reserve is formed of 5% of the profits of the year until such time that the total reserve balance, together with capital gains, reaches 5% of the Company's share capital. The legal reserves represent non-distributable reserves.

/ii/ Reserves for treasury shares were created at cost of investment in 34,481 pieces of treasury shares.

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NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2010

26. REVALUATION RESERVES

<u>(in HRK)</u>	<u>2010</u>
At 31 December of the prior year	-
Increase	<u>29,191,670</u>
At 31 December of the current year <i>/i/</i>	<u><u>29,191,670</u></u>

/i/ Reserves have been created on the basis of adjustments of the investments in foreign subsidiaries (Note 37).

27. RETAINED PROFIT

<u>(in HRK)</u>	<u>2010</u>
At 31 December of the prior year	31,769,506
Increase <i>/i/</i>	<u>29,521,904</u>
At 31 December of the current year	<u><u>61,291,410</u></u>

/i/ The increase in retained profit is the result of transferring of a part of the profit for 2009, pursuant to the Decision of the Company's General Assembly (Note 28).

28. PROFIT FOR THE YEAR

In 2010, the Company generated a net profit in the amount of HRK 72,562,941 (2009: HRK 54,630,410).

Pursuant to the Decision of the Company's General Assembly held on 16 April 2010, the profit for 2009 in the total amount of HRK 54,630,410 was to be allocated as follows: the amount of HRK 2,062,202 in legal reserves; the amount of HRK 546,304 in treasury shares given to the members of the Board and employees; the amount of HRK 22,500,000 to dividends, and the remaining amount of HRK 29,521,904 to non allocated profit (Note 37).

29. LONG-TERM PROVISIONS

<u>(in HRK)</u>	<u>2010</u>	<u>2009</u>
Accrued commitments to employees <i>/i/</i>	<u>1,945,865</u>	<u>1,805,697</u>
	<u><u>1,945,865</u></u>	<u><u>1,805,697</u></u>

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/i/ The accrued commitments arise from provisions of the IAS 19. In the stated amount, according to the Company's Internal Act, gross termination benefits amount to HRK 890.380 (2009.: HRK 841.260) and gross jubilee-awards amount to HRK 1,055,485 (2009.: HRK 964,437). The increase in derivative provisions for other long-term rights of employees in 2010 amounted to a net 140 168 kuna. Operating expenses are charged for the new provisions in the amount of HRK 227,700, and previous provisions in the amount of HRK 87 532 kuna were recognized as income (Note 4).

30. LONG TERM LIABILITIES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

<u>(in HRK)</u>	<u>2010</u>	<u>2009</u>
Croatian bank for reconstruction and development – Zagreb <i>/i/</i>	3,062,539	4.198.672
Raiffeisenbank Austria d.d. Zagreb <i>/ii/</i>	<u>23,665,071</u>	<u>-</u>
	<u>26,727,610</u>	<u>4.198.672</u>
Current portion of long-term borrowings (Note 33)	<u>(7,099,521)</u>	<u>(1.399.557)</u>
Long-term borrowings	<u>19,628,089</u>	<u>2.799.115</u>

/i/ The repayment term for the long-term borrowing is in the year 2011. During the year 2010 275.000 USD have been repaid. At 31 December 2010 long-term borrowing amounts to USD 550,000.

/ii/ Pursuant to the loan agreement concluded on 17th March 2010, the amount of USD 5,000,000 was allocated to the bank account of the Company to finance the permanent working capital. The loan was approved for five years. The repayment of the loan is secured by blank bills of exchange, promissory notes and a deposit pledge for the amount of USD 1,000,000 by United Shipping Services One Inc. Monrovia, Liberia.

31. SHORT TERM BORROWINGS, DEPOSITS, ETC.

Short-term borrowings are as follows:

<u>(in HRK)</u>	<u>2010</u>	<u>2009</u>
United Shipping Services One Inc. <i>/i/</i>	<u>11,136,504</u>	<u>10.178.600</u>
	<u>11,136,504</u>	<u>10.178.600</u>

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/i/ The stated balance represents the short-term borrowing concluded on 2009 in the amount of USD 1,700,000 and the short-term borrowing from 2008 in the amount of USD 300,000. The stated liability was entirely settled at 31st January 2011.

32. TRADE PAYABLES

(in HRK)	2010	2009
Domestic trade payables	<u>233,180</u>	<u>326,310</u>
	<u>233,180</u>	<u>326,310</u>

33. SHORT-TERM LIABILITIES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

(in HRK)	2010	2009
Hypo Alpe-Adria Bank d.d., Zagreb <i>/i/</i>	538,744	5,795,722
Splitska banka d.d. Split <i>/ii/</i>	5,387,387	-
Raiffeisenbank Austria d.d. Zagreb <i>/iii/</i>	<u>9,808,111</u>	<u>-</u>
	<u>15,734,242</u>	<u>5.795.722</u>
Plus: Current portion of long-term borrowings (Note 30)	<u>7,099,521</u>	<u>1,399,557</u>
	<u>22,833,763</u>	<u>7,195,279</u>

/i/ The stated liability refers to a loan approved on the principle of an overdraft facility up to the maximum allowed amount of HRK 2,000,000 (2009: HRK 6,000,000). The overdraft facility is based on the Annex 2 to the basic loan agreement from 2008, concluded on 28 October 2010, which expires on 4 November 2011. The repayment of the loan is secured by blank bills of exchange, blank promissory notes and by establishing of a lien on the deposit paid by Uljanik Plovidba d.d. Pula in the amount of HRK 500,000 (Note 22).

/ii/ Revolving borrowing in the form of an allowed overdraft facility up to the maximum allowed amount of USD 1,000,000 was agreed on 01 March 2010 for regular operations, with maturity on 28th January 2011. The repayment of the loan is secured by promissory notes, bills of exchange and a warranty by United Shipping Services One Inc.

/iii/ On 21 October 2010 the Agreement of authorized overdraft facility in the amount of HRK 10,000,000 was signed. The loan will be used until 14th October 2011. The repayment is secured by blank bills of exchange, promissory notes and the obligation of payment operations in a determinate amount of domestic and foreign currency transactions.

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34. AMOUNTS DUE TO EMPLOYEES

<u>(in HRK)</u>	<u>2010</u>	<u>2009</u>
Net salaries payable	358,757	310.922
Taxes and contributions from and on salary	358,352	335.973
Other amounts due to employees	<u>15,758</u>	<u>19.560</u>
	<u>732,867</u>	<u>666.455</u>

35. TAXES, CONTRIBUTIONS AND OTHER DUTIES PAYABLE

<u>(in HRK)</u>	<u>2010</u>	<u>2009</u>
Income tax liability	<u>-</u>	<u>493.515</u>
	<u>-</u>	<u>493.915</u>

36. DIVIDENDS PAYABLE

<u>(in HRK)</u>	<u>2010</u>	<u>2009</u>
Outstanding dividends payable	<u>1,202,880</u>	<u>316,679</u>
	<u>1,202,880</u>	<u>316,679</u>

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37. STATEMENT OF CHANGES IN EQUITY

(in HRK)	Share capital	Capital reserves	Treasury shares	Reserves for treasury shares	Revaluation and other reserves	Retained profit	Current year profit	Total
At 31 December 2008	232,000,000	175,548	(36,303,591)	36,303,591	11,288,408	32,114,114	30,755,950	306,334,020
Transfer to revaluation reserves	-	-	-	-	6,675,980	(6,675,980)	-	-
Value adjustment of the investments	-	-	-	-	(9,964,389)	-	-	(9,964,389)
Purchase of treasury shares	-	-	(4,196,620)	-	-	-	-	(4,196,620)
Sale of treasury shares	-	-	4,117,399	-	-	-	-	4,117,399
Capital gains	-	(1,896,209)	-	-	-	-	-	(1,896,209)
Allocation of profit for 2008	-	-	-	-	1,537,799	6,410,593	(30,755,950)	(22,807,558)
Transfer to reserves for treasury shares	-	-	-	79,221	-	(79,221)	-	-
Profit for 2009	-	-	-	-	-	-	54,630,410	54,630,410
At 31 December 2009	232,000,000	(1,720,661)	(36,382,812)	36,382,812	9,537,798	31,769,506	54,630,410	326,217,053
Transfer to revaluation reserves	-	-	-	-	-	-	-	-
Value adjustment of the investments	-	-	-	-	29,191,670	-	-	29,191,670
Purchase of treasury shares	-	-	(6,845,300)	-	-	-	-	(6,845,300)
Sale of treasury shares	-	-	7,842,030	-	-	-	-	7,842,030
Capital gains	-	(3,412,051)	-	-	-	-	-	(3,412,051)
Allocation of profit for 2009	-	-	-	-	2,062,202	29,521,904	(54,630,410)	(23,046,304)
Profit for 2010	-	-	-	-	-	-	72,562,941	72,562,941
At 31 December 2010	232,000,000	(5,132,712)	(35,386,082)	36,382,812	40,791,670	61,291,410	72,562,941	402,510,039

NOTES TO THE FINANCIAL STATEMENTS
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38. FINANCIAL RISK MANAGEMENT

38.1. Financial risk factors

The Company's activities expose it to a variety of financial risks, including the currency risk, the interest rate risk and the liquidity risk which are managed by the Financial Department and the Management Board of the Company.

/i/ Currency risk and interest rate risk

Foreign revenues are realized mainly in US dollars. Domestic sales are realized in Croatian Kuna. Most of the long-term and short-term loans are with a currency clause, linked to USD and EUR. The changes in the exchange rates for USD and EUR affect the performance results of the Group. The Group is also exposed to the interest rate risk as most of the loans are at variable rates.

/ii/ Credit risk

Financial assets that potentially expose the Company to the credit risk consist of cash, trade receivables and other short-term receivables. The Company's cash is held with sound banks. Trade receivables are reduced by an allowance for uncollectible amounts. The credit risk concentration is limited due to the fact that most of the trade receivables, in accordance with the contracts, are collectible in advance.

In the opinion of the management, there is no additional credit risk that could affect the increase in the provisions for impairment of trade and other receivables.

/iii/ Liquidity risk

A prudent liquidity risk management implies maintaining sufficient levels of cash, ensuring availability of financial assets with an adequate amount by means of agreed credit lines and ability to settle all the obligations. The Finance Department monitors regularly the level of available sources of cash.

38.2. Fair value estimates

The carrying amounts of current assets (cash and trade receivables) and current liabilities (trade and other payables) approximate their fair value because of the short-term maturity of those assets and liabilities.

Fair values of fixed assets do not differ significantly from their book values as investments in foreign subsidiaries, which represent the major part of such values, are disclosed in the HRK equivalent using the US dollar exchange rate in effect on the balance sheet date.

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39. RELATED PARTY TRANSACTIONS

Within the ordinary course of business the Company carries out operations in cooperation with the affiliated companies of the Group United Shipping Services One. Management services are charged in accordance with the applicable contract concluded with the subsidiary company Uljanik Shipmanagement Inc. and Uljanik Tanker Management Inc.

Transactions between the Company and the affiliated companies included in the profit and loss account during the year were as follows:

(in HRK)	2010	2009
Sales revenue:		
Income from management and other services (Note 3)	<u>13,162,959</u>	<u>12,750,168</u>
Other operating costs		
Entertainment costs (Note 8)	<u>15,360</u>	<u>19,259</u>
Financial income:		
Income from interests accrued to subsidiaries (Note 10)	<u>1,368,106</u>	<u>203,030</u>

The year-end balances arising from these transactions were as follows

(in HRK)	2010	2009
Receivables from operations		
Long-term receivables (Note 17)	25,533,915	2,846,827
Foreign trade debtors (Note 19)	402,089	1,324,734
Related party receivables (Note 18)	19,852,798	19,848,270
Short-term financial assets (Note 22)	<u>5,510,000</u>	<u>5,500,000</u>
	<u>51,298,802</u>	<u>29,519,831</u>
Liabilities from operations:		
Short-term borrowings, deposits, e.t.c. (Note 31)	11,136,504	10,178,600
Trade payables (Note 32)	-	5,238
	<u>11,136,504</u>	<u>10,183,838</u>

40. EVENTS AFTER THE BALANCE SHEET DATE

In accordance with Uljanik Plovidba's Development Strategy until the year 2015, on 28 June 2010, the subsidiary Uljanik Shipmanagement Inc. Monrovia - Liberia (as agent for Uljanik Plovidba d.d.) signed two Shipbuilding Contracts for two new bulk cargo vessels, with Uljanik Shipyard d.d. Pula, Croatia. The newbuildings are numbered as No. 490 and No. 491. The delivery of vessels is scheduled for July and August of year 2013. The Company intends, in addition to traditional sources of financing, to finance these newbuildings by integrating them in the system of incentives to revive the economy of the Republic of Croatia.

**NOTES TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2010**

In accordance with the Shipbuilding Contract, the delivery of the vessel "Pomer" (marked as newbuilding No. 710) was scheduled for the end of the October 2010. Because of a dispute concerning the delivery - related to the terms of closing of the financial structure, the delivery was carried out in the Shipyard "3.Maj" d.d. Rijeka on 28 February 2011, after the payment of the entire delivery instalment. The commercial exploitation of the vessel intended for transportation of oil products and chemicals began upon delivery.

According to the Programme of issuing of commercial bills of the Company from 16 April 2010, on 28 January 2011 Uljanik Plovidba d.d. issued Tranche II of the commercial bills in the amount of HRK 70 million on a period of 364 days.

We mention that Uljanik Plovidba d.d., from their own resources, on 29 October 2010 redeemed the Tranche I of the commercial bills in the amount of HRK 50 million, which was issued on 03 May 2010 for a period of 182 days.

Issues were conducted in collaboration with Raiffeisenbank Austria d.d. Zagreb in the function of agent and dealer. The above-mentioned issues are included in the quotation of the official market of the Zagreb Stock Exchange.

41. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

a) Significant accounting estimates and sources of estimates

Income tax

The income tax calculation has been prepared on the basis of the current interpretation of applicable laws and regulations. The calculations serving as the basis for the income tax are subject to tax audit reviews by tax authorities.

Impairment of receivables

Receivables are assessed for impairment at each balance sheet date and during the year and reduced by the estimated amount of doubtful receivables. Each debtor is reviewed by reference to its status, the overdue receivables and the stage of litigation if any.

b) Significant accounting judgments used in the application of accounting standards

In addition to the accrued commitments to employees as disclosed in Note 28, the management is of the opinion that no other significant judgments should be disclosed in the consolidated financial statements.

42. PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements set out on the preceding pages were prepared and authorized for issue by the management of the Company on 30 March 2010.

ULJANIK PLOVIDBA D.D., PULA

**NOTES TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2010**

43. AUDIT OF THE FINANCIAL STATEMENTS

The financial statements of the Company for the year 2010 were audited by the audit firm REVIDAS d.o.o., Vukovarska 47, Pula.

For **ULJANIK PLOVIDBA d.d. Pula**,

Dragutin Pavletić, director



MANAGEMENT REPORT FOR THE YEAR 2010

The business activity of ULJANIK PLOVIDBA (the Company) and its foreign subsidiaries in the 01-12/2010 period was regular and within the planned parameters. There has been continuity in all business activities particularly those related to further growth of the tanker fleet (by taking delivery of vessel Verige) and regular exploitation of all vessels. In this period the Company:

- maintained regular and stable operation of the Company,
 - took delivery of m/t VERIGE in 3. MAJ Shipyard in Rijeka and sold m/t FR8 Adria,
 - continued with construction of newbuildings in 3. MAJ Shipyard in Rijeka (hull 710 – m/t Pomer and hull 713) and in ULJANIK Shipyard in Pula (hull 488),
 - maintained constant employment of vessels with the continuation of the Company's fleet high efficiency trend,
 - recorded full performance of the Charterers of all vessels and full collection of freights,
 - realised the consolidated operating income in the amount of 48,4 mil USD (with respect to 43,9 mil USD in the year 2009) and operating expenses in the amount of 36,5 mil USD (with respect to 32,3 mil USD in 2009),
 - maintained high efficiency of vessels' management,
 - proceeded with full implementation of the safety and quality system on the vessels and in the office, with continuous increase in the quality and expertise of the employees and maintenance of a high level of professionalism,
 - fulfilled all its loan payment obligations (with no reprogramming) with the positive effects of low interest rates,
 - kept vessels' operating expenses high due to the Company's policy for maintaining seamen wages,
 - maintained the personnel structure both at sea and on shore.
- In the year 2010 the company also faced:
- more strict conditions of business operation due to the global crisis in both sectors but particularly in tanker sector,
 - difficult financial service caused by the financial crisis,
 - high risk for navigation in certain areas such as Somalia, Aden and West Coast of Africa.

A review of the functions in the Company is given below:

1. ECONOMIC / FINANCIAL ASPECT

In the year 2010 the company realised operating income in the amount of 266,3 mil HRK with respect to 231 mil HRK in the year 2009. Freight revenues are a bit lower than in 2009 due to the direct impact of the crisis in the shipping market however, because of the rise in USD exchange rate, they show an increase when converted to HRK. Other income have

ULJANIK PLOVIDBA d.d.
Director

been increased in 2010 due to revenue related to the sale of vessel FR8 Adria and recording of applicable amount of the deferred income based on the received government grants.

In 2010 the total operating expenses have been increased to 200,8 mil HRK due to the commencement of commissioning of the new tanker Verige in March 2010 and due to the costs of initial outfit and “delivery” of m/t Pomer until the end of year 2010.

In the year 2010 the Company realized a consolidated net profit in the amount of 96,6 mil HRK (17,5 mil USD with respect to 52,1 mil HRK i.e. 9,9 mil USD in 2009).

2. PERSONNEL

As at 31.12.2010 the Company had 30 employees, meaning there has been an increase for one employee. The Company employs exclusively Croatian seafarers on all vessels in its fleet.

3. TECHNICAL ASPECT

No significant technical stoppages were recorded in this period for any of the vessels. The company keeps maintaining high efficiency of vessel exploitation.

4. ACQUISITION OF TREASURY SHARES

In the period from 1st January 2010, the Company acquired and disposed of treasury shares in accordance with art. 233, section 3, point 2 of the Companies Act (acquisition and disposal of shares for the requirements of Company employees). The company acquired 11550 treasury shares and disposed of 5650 treasury shares. Pursuant to the resolution of the General Assembly dated 16th July 2010, 2067 shares were divided as part of the profit share scheme to the employees and the Director of the Company.

5. IMPORTANT EVENTS IN 2010

In accordance with the Development Strategy of ULJANIK PLOVIDBA d.d. until 2015, the Company entered into four contracts for construction of Bulk Carriers, through its fully owned subsidiary ULJANIK SHIPMANAGEMENT Inc. Monrovia with ULJANIK BRODOGRADILIŠTE d.d. on 18th January 2010 and 28th June 2010. The newbuildings have been assigned hull numbers 488, 489, 490 and 491. The delivery of the vessels has been scheduled for the end of 2011 and during 2012. The company intends to finance the construction of the said vessels by applying for grants from the Croatian Government's economy recovery measures in addition to traditional sources of financing.

On 9th March 2010 the Company took delivery of hull no. 709 – m/t VERIGE, a product carrier for the transportation of petroleum products and chemicals of 51,800 DWT from 3.MAJ Shipyard. The vessel's commercial exploitation began after delivery.

On 24th March 2010 the Company sold its stake in the company ISTRIA CONSULT d.o.o. Pula.

Pursuant to the resolution of the Director dated 17th March 2010 and with the consent of the Supervisory Board, on 16th April 2010 the Company effected payment of interim dividends for the year 2009 in the amount of 20.00 HRK per share.

Pursuant to the resolution of the Director dated 16th April 2010 and with the consent of the Supervisory Board, the Company set up a Program for the issuing of commercial bills ("the Program"). The total value of the Program is 150 mil HRK and it enables the Company to issue several tranches, as instruments of short-term financing, up to the total value of the Program. The duration of the Program is five years and the Arranger and sole Dealer is Raiffeisenbank Austria d.d. The first tranche of commercial bills in the amount of 50,000,000.00 HRK has been listed on the Official Market of the Zagreb Stock Exchange on 5th May 2010.

On 21st April 2010 the Company's shares were listed on the Official market of the Zagreb Stock Exchange. On the same day the Zagreb Stock Exchange and Raiffeisenbank Austria d.d. entered into an Agreement on Market Making obligations for the shares ULJANIK PLOVIDBA (ULPL-R-A).

On 6th July 2010 m/t POMER (newbuilding 710) was launched at 3.MAJ Shipyard in Rijeka.

On 16th July 2010 a General Assembly of the Company was held at which the resolution was passed on the sharing of profits, which included the payment of dividend to the Shareholders. The total amount destined for payments to the shareholders from the business activity of the Company in the year 2009 amounted to 21,500,000.00 HRK, of which 10,797,560.00 HRK were paid as interim dividend, while the remaining dividend due amounted to 10,702,440.00 HRK.

Pursuant to the resolution of the General Assembly the Company has paid off dividends to the shareholders who consigned the bank account opening documentation, according to the amendments of the Income Tax Law.

The first tranche of the commercial bills which has been set up in accordance with the Program for the issuing of commercial bills from 16th April 2010 was repaid on 29th October 2010.

On 28th February 2011 the Company took delivery of the Hull no. 710 – m/t POMER from 3.MAJ Shipyard. The vessel's commercial exploitation began thereafter.

6. COMPANY GROWTH

The Strategy of development of ULJANIK PLOVIDBA d.d. until the year 2015 envisages the continuation of the primary maritime activity in two sectors, transport of dry

cargo and transport of petroleum products and chemicals. Accordingly, the Company has ordered two additional tankers from 3.MAJ Shipyard (newbuildings 710 and 713) and four dry cargo vessels from ULJANIK Shipyard (newbuildings 488-491).

The Company intends to continue participating on the new and second hand vessel market with the purpose to optimise its fleet and fleet efficiency. Even though its principal business will continue to be operation and management of its own fleet, the development of the Company shall also be aimed at ship management for other ship owners.

7. COMPANY ACTIVITIES CONCERNING RESEARCH AND DEVELOPMENT

Within its ship management operations the Company continuously engages in research which is primarily connected with the introduction of new technical solutions and technologies related to vessel exploitation.

8. BUSINESS RISKS

It is well known that the principal activities that the Company engages in, i.e. international maritime transport and ship management are among the most risky activities and that they are directly connected with significant business risks, of which the currently most risky are:

- global economic trends;
- the risk of interest rate increase;
- significant oscillations in the value of the vessels;
- the risk of strict conditions of business operation;
- long and uncertain period of return on capital;
- fluctuation in the basic costs of business operation;
- workforce fluctuation.

During the present global economic crisis, it is evident that global economic trends are very significant for this branch. Spreading of the financial crisis to the real sector resulted in slowing down of all economies in the world and accordingly the volume of transport has been reduced. All sectors of maritime transport have been affected. It is not realistic to expect an increased trade in goods until the economic activities in the most significant economies of the world primarily USA and China become more intensive. The economic indicators in the last quarter of 2010 are showing recovery of the USA and EU economies (apart from maintaining the unemployment rate high) and in addition to the continuous stable growth of China, India, Brazil and Australia, this is confirming the indication for a global recovery in the year 2011.

The risk of interest rate increase does not represent a significant risk as most of income and costs are related to USD. The interest rates were kept on low level what is very positive and has an important effect in the time of significant investment process. Probably there will be corrections in the reference interest rates when business activities become more intensive. I find the further fluctuations in USD exchange rate with respect to other currencies very uncertain.

In the period of crisis, the investment in vessels is very risky due to:

- high amounts needed for building / purchasing vessels,
- long and uncertain period of return on capital,
- significant fluctuations in vessels' prices.

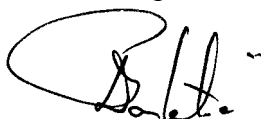
The costs related to maritime transport, particularly maintenance, supply, insurance and wages have bigger increase than the income.

The risk of maritime workforce fluctuation is in direct relation with the economic situation in the Republic of Croatia, global supply and demand for such profession, fluctuations in currencies' exchange rates but also with other fluctuations related to maritime activity. Although it is possible to have the workforce fluctuations directed by Company's policy, particularly by developing own workforce as well as by wages policy, on long term it is very uncertain to predict the fluctuations in this sector, especially in Croatia. There is a continuous distance of young people from the maritime profession and all local ship owners are already facing problems in providing the appropriate workforce.

CORPORATE MANAGEMENT CODE

The Company fully complies with its Corporate Management Code.

Pula, 21st April 2011

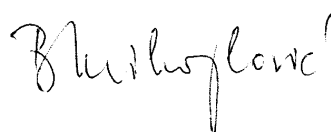
A handwritten signature in black ink, appearing to read 'D. Pavletić', with a large, stylized initial 'D'.

Dragutin Pavletić, Director

STATEMENT OF THE PERSON RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Audited financial reports of ULJANIK PLOVIDBA d.d. (hereafter: Company) for the period January – December 2010, to the best of my knowledge, have been prepared according to International Financial Reporting Standards and they contain an overall and true presentation of assets, liabilities, losses and profits, the financial position and activities of the Company.

Financial-accounting manager



Bojana Mihajlović

Pula, 26th April, 2011

On the meetings of the SUPERVISORY BOARD of ULJANIK PLOVIDBA held on 21st and 26th April 2011, there have been brought the following

DECISIONS

1. Director's Report on the status and business operations of the Company for the FY 2010 has been adopted.

1.1. The proposal of decision has been referred to the General Assembly in order to bring a separate decision on adoption of the Director's Report on the status and business operations of the Company for the FY 2010.

2. Supervisory Board's Report on the performed supervision of business operations of the Company in FY 2010 has been adopted.

2.1. The proposal of decision has been referred to the General Assembly in order to bring a separate decision on adoption of the Supervisory Board's Report on the performed supervision of business operations management of the Company in FY 2010.

3. The Annual financial statements for 2010 for the Company and the Group have been accepted.

3.1. Profit and loss account for 2010 for ULJANIK PLOVIDBA d.d. has been accepted as follows:

	2009	2010
TOTAL INCOME	71,066,252.92	104,060,048.18
TOTAL EXPENSES	14,720,505.04	31,239,911.41
PROFIT BEFORE TAX	56,345,747.88	72,820,136.77
INCOME TAX EXPENSE	1,715,337.68	257,195.55
NET PROFIT	54,630,410.20	72,562,941.22

3.2. Consolidated Profit and loss account for 2010 for the GROUP ULJANIK PLOVIDBA has been accepted as follows:

	2009	2010
TOTAL INCOME	267,040,538	335,016,749
TOTAL EXPENSES	213,163,734	238,106,903
PROFIT BEFORE TAX	53,876,804	96,909,846
INCOME TAX EXPENSE	1,715,338	257,196
NET PROFIT	52,161,466	96,652,650

3.3. The Auditor's Report of the independent Auditor - REVIDAS revizija i konzalting, d.o.o. has been accepted.

3.4. By acceptance of the Annual financial statements proposed by Management Board, Annual financial statements for 2010 deem to be adopted pursuant to the article 300.d of the Companies Act.

4. Net profit of the company ULJANIK PLOVIDBA for 2010 amounting to HRK 72,562,941.22 to be allocated as follows:

- HRK 1,000,000.00 to the employees in the form of one-off division of treasury shares
- HRK 725,629.41 to be allocated for pay-off of the stake in the profit to the Management Board in the form of one-off division of treasury shares
- HRK 33,000,000.00 to be allocated for dividends to shareholders, from which the amount of HRK 18,921,105.00 has been already paid as interim dividends
- HRK 37,837,311.81 to be allocated as non-distributed profit.

4.1. The total amount of dividends of HRK 33,000,000.00 to be allocated:

- HRK 18,921,105.00 paid off to shareholders as interim dividend on 29th March 2011;
- HRK 14,078,895.00 will be paid off pursuant to the provisions of the Articles of Incorporation and status on accounts of SKDD on the date of the Resolution of the General Assembly.

4.2. Based on adopted financial statements and decisions on the allocation of profit, The Supervisory Board authorise the Director of the Company to:

- allocate treasury shares to the employees according to criteria which he will determine independently
- allocate the dividend to shareholders of the Company in amounts and terms which he will determine independently

4.3. The Management Board and the Supervisory Board of the Company propose to the General Assembly to adopt the Decision on allocation of profit for 2010 and authorisation given to the Director of the Company.

5. The note of release has been given to the Director of the Company for 2010.

5.1. The proposal of the note of release has been referred to the General Assembly in order to bring a separate decision on the note of release to the Director.

5.2. The proposal of the note of release to the members of the Supervisory Board has been referred to the General Assembly in order to bring a separate decision on the note of release to the members of the Supervisory Board.

6. The Company appoints the certified Auditors' company for the year 2011: REVIDAS d.o.o. Pula, with the registered office of the company in Pula.

6.1. Supervisory Board of the Company proposes to the General Assembly to adopt the decision on the appointment of an independent Auditor of the Company for the year 2011.

7. Pursuant to the Article 233. para 1. of the Companies Act, the Decision on acquisition of Company's own shares has been proposed:

- a) period of authorisation for acquisition of 18 months
- b) the maximal number of its own shares that the Company can acquire is 20,000 (twenty thousand)
- c) The Company acquire its own shares on the organised capital market or by contractual transactions
- d) the price of the own shares that the Company acquires and disposes of represent a daily average price, namely, the current or the last realised average price on the Zagreb Stock Exchange.

7.1. The proposal of the Decision on acquisition of Company's own shares has been referred to the General Assembly in order to bring a separate decision pursuant to the Article 233. para1. of the Companies Act.

8. Mr. Dragutin Pavletić has been appointed as President of the General Assembly.

ULJANIK PLOVIDBA D.D.



Dragutin Pavletić, Director