



**ULJANIK PLOVIDBA d.d.**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE PERIOD**

**JANUARY - DECEMBER 2011**

Pula, April 2012

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**ULJANIK PLOVIDBA D.D.  
PULA**

**Audited annual financial statements  
for the year ended 31 December 2011**

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## RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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The Management of the Company is responsible for ensuring that the 2011 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, 28<sup>th</sup> March 2012



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 2011, which comprise the balance sheet as at 31 December 2011 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.

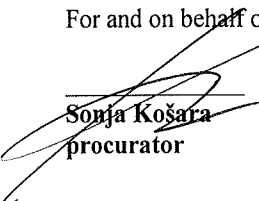
**Opinion**

In our opinion the financial statements present fairly, in all material respects, the financial position of ULJANIK PLOVIDBA, Pula, as at 31 December 2011, 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.

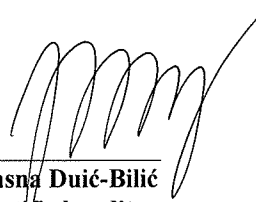
Revidas, revizija i konzalting, d.o.o.  
Vukovarska 47  
Pula

Pula, 29<sup>th</sup> March 2012

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

  
Sonja Košara  
procurator



  
Jasna Duić-Bilić  
certified auditor

ULJANIK PLOVIDBA D.D., PULA

**INCOME STATEMENT WITH COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2011**

(in HRK)	Notes	2011	2010
Sales	3	14,169,982	13,574,830
Other operating income	4	<u>22,585,143</u>	<u>22,362,609</u>
<b>Operating income</b>		<b><u>36,755,125</u></b>	<b><u>35,937,439</u></b>
<i>Cost of raw material and supplies</i>		<i>(149,135)</i>	<i>(175,159)</i>
<i>Other external costs</i>		<i>(514,781)</i>	<i>(585,967)</i>
<b>Material costs</b>	5	<b><u>(663,916)</u></b>	<b><u>(761,126)</u></b>
<i>Staff costs</i>	6	<i>(9,021,095)</i>	<i>(8,686,239)</i>
<i>Depreciation</i>	7	<i>(254,913)</i>	<i>(206,434)</i>
<i>Other operating expenses</i>	8	<i>(2,772,287)</i>	<i>(3,057,264)</i>
<i>Value adjustment</i>	9	<i>-</i>	<i>(664,380)</i>
<i>Provisions for risks and charges</i>		<i>(55,850)</i>	<i>(227,700)</i>
<b>Operating expenses</b>		<b><u>(12,768,061)</u></b>	<b><u>(13,603,143)</u></b>
<b>Financial income</b>	10	<b><u>65,155,277</u></b>	<b><u>68,122,609</u></b>
<b>Financial expenses</b>	11	<b><u>(30,469,739)</u></b>	<b><u>(17,636,768)</u></b>
<b>TOTAL INCOME</b>		<b><u>101,910,402</u></b>	<b><u>104,060,048</u></b>
<b>TOTAL EXPENSES</b>		<b><u>(43,237,800)</u></b>	<b><u>(31,239,911)</u></b>
<b>PROFIT BEFORE TAXATION</b>		<b><u>58,672,602</u></b>	<b><u>72,820,137</u></b>
Income tax expense	12	<u>(1,345,603)</u>	<u>(257,196)</u>
<b>PROFIT FOR THE PERIOD</b>		<b><u>57,326,999</u></b>	<b><u>72,562,941</u></b>
Exchange differences on translating foreign operations	37	<u>18,606,969</u>	<u>29,191,670</u>
<b>Income tax on other comprehensive income</b>		<b><u>(3,721,394)</u></b>	<b><u>(5,838,334)</u></b>
<b>Net other comprehensive income/(loss)</b>		<b><u>14,885,575</u></b>	<b><u>23,353,336</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b><u>72,212,574</u></b>	<b><u>95,916,277</u></b>

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

**ULJANIK PLOVIDBA, D.D. PULA**

**BALANCE SHEET  
FOR THE YEAR ENDED 31 DECEMBER 2011**

(in HRK)	Notes	2011	2010
<b>ASSETS</b>			
Concessions, patents, licences, trade and service marks, software and other rights		61,810	-
<b>Intangible assets</b>	14	<b>61,810</b>	<b>-</b>
Land		121,829	121,829
Buildings		3,137,627	3,188,274
Other plant and equipment		369,142	502,552
<b>Tangible assets</b>	15	<b>3,628,598</b>	<b>3,812,655</b>
<b>Long-term financial assets</b>	16	<b>431,105,087</b>	<b>389,935,281</b>
Receivables from related companies		67,656,803	18,719,767
Other receivables		411,412	518,737
<b>Long-term receivables</b>	17	<b>68,068,215</b>	<b>19,238,504</b>
<b>LONG TERM ASSETS</b>		<b>502,863,710</b>	<b>412,986,440</b>
Receivables from related companies	18	56,685,547	19,852,798
Trade receivables	19	19,459,611	497,578
Amounts due from the state and other institutions	20	33,287	1,398,764
Other receivables	21	118,690	21,347
<b>Receivables</b>		<b>76,297,135</b>	<b>21,770,487</b>
<b>Short-term financial assets</b>	22	<b>73,694,129</b>	<b>26,015,901</b>
<b>Cash and cash equivalents</b>	23	<b>116,134</b>	<b>124,735</b>
<b>CURRENT ASSETS</b>		<b>150,107,398</b>	<b>47,911,123</b>
<b>Prepaid expenses and accrued income</b>		<b>19,309</b>	<b>26,783</b>
<b>TOTAL ASSETS</b>		<b>652,990,417</b>	<b>460,924,346</b>

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 2011**

(in HRK)	Notes	2011	2010
<b>EQUITY AND LIABILITIES</b>			
Share capital	24	232,000,000	232,000,000
Capital reserves		(19,217,000)	(5,132,712)
Legal reserves	25	11,600,000	11,600,000
Reserves for Treasury shares	25	36,382,812	36,382,812
Treasury shares	25	(10,105,730)	(35,386,082)
Revaluation reserves	26	47,798,639	29,191,670
Retained profit	27	99,128,721	61,291,410
Profit of the year	28	57,326,999	72,562,941
<b>KAPITAL I REZERVA</b>	37	<b>454,914,441</b>	<b>402,510,039</b>
Provisions for retirement costs, severance pays and similar liabilities	29	1,990,894	1,945,865
<b>LONG-TERM PROVISIONS</b>		<b>1,990,894</b>	<b>1,945,865</b>
Amounts due to banks and other financial institutions	30	67,656,803	19,628,088
<b>LONG-TERM LIABILITIES</b>		<b>67,656,803</b>	<b>19,628,088</b>
Short-term loans, deposits, e.t.c.	31	-	11,136,504
Amounts due to banks and other financial institutions	32	52,020,581	22,833,763
Advances received		138,844	138,844
Trade payables	33	437,537	233,180
Commercial bills	34	70,000,000	-
Amounts due to employees	35	748,337	732,867
Taxes, contributions and other duties payable	36	809,587	-
Dividends payable	37	2,614,254	1,202,880
Other short-term liabilities		1,459,908	470,450
<b>SHORT-TERM LIABILITIES</b>		<b>128,229,048</b>	<b>36,748,488</b>
<b>Accrued expenses and deferred income</b>		<b>199,231</b>	<b>91,866</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>652,990,417</b>	<b>460,924,346</b>

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 2011**

<b>(in HRK)</b>	<b>Notes</b>	<b>2011</b>	<b>2010</b>
Registered capital	24	232,000,000	232,000,000
Capital reserves		(19,217,000)	(5,132,712)
Reserves from net income	25	37,877,082	12,596,730
Revaluation of long-term assets	26	47,798,639	29,191,670
Retained profit	27	99,128,721	61,291,410
Profit of the year	28	<u>57,326,999</u>	<u>72,562,941</u>
<b>Total capital and reserves</b>	<b>38</b>	<b><u>454,914,441</u></b>	<b><u>402,510,039</u></b>
Exchange differences arisen from the net investment in foreign operations	38	18,606,969	29,191,670
Other changes in capital	38	<u>33,797,433</u>	<u>47,101,315</u>
<b>Total increase in capital</b>		<b><u>52,404,402</u></b>	<b><u>76,292,985</u></b>

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 2011**

(in HRK)	2011.	2010.
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	58,672,602	72,820,137
Depreciation	254,913	206,434
Increase in current liabilities	3,430,244	773,322
Other increases in cash	159,868	140,220
<b>Total increase in cash from operating activities</b>	<b>62,517,627</b>	<b>73,940,113</b>
Decrease in current liabilities		-
Increase in short-term receivables	(54,526,648)	(15,960)
Other decreases in cash	(1,345,603)	(310,187)
<b>Total decrease in cash from operating activities</b>	<b>(55,872,251)</b>	<b>(326,147)</b>
<b>NET INCREASE IN CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>6,645,376</b>	<b>73,613,966</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash paid for purchases of tangible and intangible assets	(132,666)	(236,146)
Cash paid for acquisition of equity and debt instruments	(22,562,837)	(56,327,570)
<b>Total cash expenses from investing activities</b>	<b>(22,695,503)</b>	<b>(56,563,716)</b>
<b>NET DECREASE IN CASH FROM INVESTING ACTIVITIES</b>	<b>(22,695,503)</b>	<b>(56,563,716)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash receipts from issuance of equity and debt instruments	70,000,000	50,000,000
Cash receipts from the loan principal, debentures, advances and other loans	98,942,139	46,235,494
Other cash receipts from financial activities	11,196,065	-
<b>Total cash receipts from financial activities</b>	<b>180,138,204</b>	<b>96,235,494</b>
Cash expenses for the repayment of loan principal and bonds	(32,863,110)	(62,810,134)
Cash expenses for the payments of dividends	(34,725,630)	(23,046,304)
Cash expenses for the purchase of treasury shares	-	(2,415,321)
Other cash expenses from financial activities	(96,507,938)	(25,128,287)
<b>Total cash expenses from financial activities</b>	<b>(164,096,678)</b>	<b>(113,400,046)</b>
<b>NET INCREASE IN CASH FROM FINANCING ACTIVITIES</b>	<b>16,041,526</b>	<b>-</b>
<b>NET DECREASE IN CASH FROM FINANCING ACTIVITIES</b>	<b>-</b>	<b>(17,164,552)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>124,735</b>	<b>239,037</b>
<b>Decrease in cash and cash equivalents</b>	<b>(8,601)</b>	<b>(114,302)</b>
<b>Cash and cash equivalents at end of period</b>	<b>116,134</b>	<b>124,735</b>

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 2011**

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#### **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, 2007 and 2009, the subsidiaries United Shipping Services Two Inc., United Shipping Services Five Inc., United Shipping Services Seven 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 2011 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 2011 the number of staff employed by ULJANIK PLOVIDBA d.d. Pula was 31 (2010: 30).

#### **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 2011**

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**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 2011**

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At 31 December 2011 and 31 December 2010, the exchange rate for USD 1 was HRK 5.819940 and HRK 5.568252, 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 2011

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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 2011**

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**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.



**NOTES TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2011**

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**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 2011****3. REVENUES**

<b>(in HRK)</b>	<b>2011</b>	<b>2010</b>
Domestic revenue	405,342	405,837
Foreign revenue <i>/i/</i>	13,729,107	13,162,959
Other	35,533	6,034
	<b><u>14,169,982</u></b>	<b><u>13,574,830</u></b>

*/i/* Foreign revenue includes management services to the related companies (Note 40).

**4. OTHER OPERATING REVENUES**

<b>(in HRK)</b>	<b>2011</b>	<b>2010</b>
Government grants <i>/i/</i>	22,562,837	22,272,548
Income from reversal of provisions (Note 29)	10,820	87,532
Write-off of trade payables	-	558
Other revenues	11,486	1,971
	<b><u>22,585,143</u></b>	<b><u>22,362,609</u></b>

*/i/* The income of USD 4,058,892 paid in HRK represents the government grant paid for the Hull No. 710, according to the Contract of Financial Support for the building of two vessels (Hull No.710 and No. 713), concluded between Ministry of the Sea, Transport and Infrastructure and Uljanik Plovidba d.d. Pula on 12<sup>th</sup> March 2009.

**5. COST OF MATERIAL AND SERVICES**

<b>(in HRK)</b>	<b>2011</b>	<b>2010</b>
Raw materials and supplies	68,998	92,661
Energy	72,306	68,940
Spare parts and small inventory	7,831	13,558
<b>Raw materials and supplies</b>	<b><u>149,135</u></b>	<b><u>175,159</u></b>
Transport, telephone, postage	387,521	354,345
Repairs and maintenance	89,858	142,307
Rental costs	-	58,087
Promotion costs	19,439	11,253
Municipal services	17,963	19,975
<b>Other external services</b>	<b><u>514,781</u></b>	<b><u>585,967</u></b>
	<b><u>663,916</u></b>	<b><u>761,126</u></b>

**ULJANIK PLOVIDBA D.D., PULA****NOTES TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2011**

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**6. STAFF COSTS**

<b>(in HRK)</b>	<b>2011</b>	<b>2010</b>
Net salaries	4,602,998	4,286,113
Taxes and contributions <i>from</i> and <i>on</i> salary <i>/i/</i>	<u>4,418,097</u>	<u>4,400,126</u>
	<b><u>9,021,095</u></b>	<b><u>8,686,239</u></b>

*/i/* 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**

<b>(in HRK)</b>	<b>2011</b>	<b>2010</b>
Amortisation (Note 14)	25,644	569
Depreciation (Note 15)	<u>229,269</u>	<u>205,865</u>
	<b><u>254,913</u></b>	<b><u>206,434</u></b>

**8. OTHER EXPENSES**

<b>(in HRK)</b>	<b>2011</b>	<b>2010</b>
Reimbursement of costs to employees <i>/i/</i>	409,877	557,442
Intellectual services	166,140	159,461
Entertainment	289,587	318,392
Supervisory board (gross fees)	176,923	176,922
Contributions and municipal levies	182,016	141,551
Bank charges	535,806	250,946
Depository services and broker commission	250,518	821,449
Insurance	271,265	264,798
Donations	220,734	105,000
Other expenses	<u>269,421</u>	<u>261,303</u>
	<b><u>2,772,287</u></b>	<b><u>3,057,264</u></b>

*/i/* 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  
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**9. VALUE ADJUSTMENT**

<b>(in HRK)</b>	<b>2011</b>	<b>2010</b>
Istria Consult d.o.o. Pula /i/	-	645,945
Other	-	18,435
	<u>-</u>	<u>664,380</u>

**10. FINANCIAL INCOME**

<b>(in HRK)</b>	<b>2011</b>	<b>2010</b>
Interest income	5,669,003	2,227,309
Foreign exchange gains	26,232,863	12,518,613
Income from investments in subsidiaries /i/	32,841,435	53,187,360
Dividend income	411,976	189,327
	<u>65,155,277</u>	<u>68,122,609</u>

/i/ 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 2011 represents the transfer of the retained profit in the amount of USD 6,000,000 from United Shipping Services One Inc., based on the Supervisory Board Decisions dated on 25<sup>th</sup> July 2011 and 20<sup>th</sup> January 2012 (Note 18).

**11. FINANCIAL EXPENSE**

<b>(in HRK)</b>	<b>2011</b>	<b>2010</b>
Interest expense	9,975,076	3,519,367
Foreign exchange losses	20,494,663	12,283,308
Losses from sale of shares (Note 16)	-	1,834,093
	<u>30,469,739</u>	<u>17,636,768</u>

## ULJANIK PLOVIDBA D.D., PULA

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2011

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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:

<b>(in HRK)</b>	<b>2011</b>	<b>2010</b>
<b>Profit before tax</b>	<b>36,109,764</b>	<b>50,547,589</b>
Effect of tax disallowable expenses	3,892,223	4,203,434
Effect of non-taxable profit	<u>(33,273,973)</u>	<u>(53,465,045)</u>
<b>Taxable profit/ (Tax loss) for the year</b>	<b><u>6,728,014</u></b>	<b><u>1,285,978</u></b>
Tax rate	<u>20.00%</u>	<u>20.00%</u>
<b>Tax liability for the year</b>	<b><u>1,345,603</u></b>	<b><u>257,196</u></b>

#### 13. EARNINGS PER SHARE

Earnings per share in the amount of HRK 101.21 (2010: HRK 133.95) have been determined on the basis of the Company's net profit in the amount of HRK 57,326,999 (2010: HRK 72,562,941) and the weighted average of ordinary shares, reduced for treasury shares, that was 566,421 (2010: 541,703).

**ULJANIK PLOVIDBA D.D., PULA**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2011**

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**14. INTANGIBLE ASSETS**

<b>(in HRK)</b>	<b>Total</b>
<b>PURCHASE VALUE</b>	
At 31 December 2009	<b>82,491</b>
Additions	-
Disposals, retirements and other	-
	<hr/>
At 31 December 2010	<b>82,491</b>
Additions	87,454
Disposals, retirements and other	-
	<hr/>
At 31 December 2011	<b>169,945</b>
	<hr/>
<b>ACCUMULATED AMORTISATION</b>	
At 31 December 2009	<b>81,922</b>
Amortisation	569
Disposals, retirements and other	-
	<hr/>
At 31 December 2010	<b>82,491</b>
Amortisation	25,644
Disposals, retirements and other	-
	<hr/>
At 31 December 2011	<b>108,135</b>
	<hr/>
<b>NET BOOK VALUE</b>	
At 31 December 2011	<b>61,810</b>
At 31 December 2010	-
	<hr/> <hr/>

Intangible assets consist of investments in software.

NOTES TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2011

15. PROPERTY, PLANT AND EQUIPMENT

(in HRK)	Building	Plant and equipment	Assets in course of construction	Total
<b>Cost</b>				
<b>At 31 December 2009</b>	<b>5,186,577</b>	<b>1,527,771</b>	-	<b>6,714,348</b>
Additions	-	-	236,146	236,146
Transfer from assets in course of construction	-	236,146	(236,146)	-
Retirements, disposals and other	-	(171,133)	-	(171,133)
<b>At 31 December 2010</b>	<b>5,186,577</b>	<b>1,592,784</b>	-	<b>6,779,361</b>
Additions	-	45,212	-	45,212
Retirements, disposals and other	-	(83,485)	-	(83,485)
<b>At 31 December 2011</b>	<b>5,186,577</b>	<b>1,554,511</b>	-	<b>6,741,088</b>
<b>Accumulated depreciation</b>				
<b>At 31 December 2009</b>	<b>1,825,827</b>	<b>1,106,147</b>	-	<b>2,931,974</b>
Depreciation charge for the year	50,647	155,218	-	205,865
Retirements, disposals and other	-	(171,133)	-	(171,133)
<b>At 31 December 2010</b>	<b>1,876,474</b>	<b>1,090,232</b>	-	<b>2,966,706</b>
Depreciation charge for the year	50,647	178,622	-	229,269
Retirements, disposals and other	-	(83,485)	-	(83,485)
<b>At 31 December 2011</b>	<b>1,927,121</b>	<b>1,185,369</b>	-	<b>3,112,490</b>
<b>Net book value</b>				
<b>At 31 December 2011</b>	<b>3,259,456</b>	<b>369,142</b>	-	<b>3,628,598</b>
<b>At 31 December 2010</b>	<b>3,310,103</b>	<b>502,552</b>	-	<b>3,812,655</b>

**ULJANIK PLOVIDBA D.D., PULA**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2011**

**16. LONG-TERM FINANCIAL ASSETS**

<b>(in HRK)</b>	<b>Holding in %</b>	<b>2011</b>	<b>2010</b>
<b>16.1. Investments in subsidiaries</b>			
United Shipping Services One Inc. (44,102,500 USD) /i/	100%	429,366,260	388,196,479
Real d.o.o., Pula	100%	50,000	50,000
		<u>429,416,260</u>	<u>388,246,479</u>
<b>16.2. Investments in shares</b>			
United Shipping Adriatic Inc. (100 USD)	0,0007%	582	557
Investments in Banks		8,300	8,300
Istarska autocesta d.o.o. Pula		1,679,935	1,679,935
Other investments		10	10
		<u>1,688,827</u>	<u>1,688,802</u>
		<u>431,105,087</u>	<u>389,935,281</u>

/i/ The increase of the investment in subsidiary United Shipping Services One Inc. was performed according to the Contract of Investment concluded on 28 February 2011 from the funds of the Government Grant in the amount of USD 4,058,991. 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.

**17. LONG-TERM RECEIVABLES**

Long-term receivables are as follows:

<b>(in HRK)</b>	<b>2011</b>	<b>2010</b>
<b>Related companies</b>		
United Shipping Adriatic Inc. /i/	252,804	725,613
United Shipping Services One Inc. /i/	91,862,660	24,235,121
United Shipping Services Two Inc. /i/	56,381	161,827
United Shipping Services Three Inc. /i/	57,472	246,395
United Shipping Services Five Inc. /i/	85,844	164,959
	<u>92,315,161</u>	<u>25,533,915</u>



**ULJANIK PLOVIDBA D.D., PULA**

**NOTES TO THE FINANCIAL STATEMENTS  
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<b>(in HRK)</b>	<b>2011</b>	<b>2010</b>
Current portion of long-term receivables	<u>(24,658,358)</u>	<u>(6,814,148)</u>
Long-term portion of receivables	<u>67,656,803</u>	<u>18,719,767</u>
<b>Non-related companies and other</b>		
Bunarina d.o.o. Pula	257,003	257,003
Long term receivables from employees <i>/ii/</i>	<u>518,737</u>	<u>633,487</u>
	<u>775,740</u>	<u>890,490</u>
Current portion of long-term receivables	<u>(364,328)</u>	<u>(371,753)</u>
Long-term portion of receivables	<u>411,412</u>	<u>518,737</u>
<b>Total current portion of long-term receivables (Note 22)</b>	<u>25,022,686</u>	<u>7,185,901</u>
<b>Long-term portion of receivables</b>	<u>68,068,215</u>	<u>19,238,504</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 25 February 2011, pursuant to a Loan agreement, Uljanik Plovidba d.d. approved a loan to United Shipping Services One Inc. in the amount of USD 12,500,000. In accordance with the repayment plans for the year 2011, the repayment of long-term loans given to subsidiaries amounted to HRK 6,598,075. By transforming the amounts of receivables in USD to HRK as at 31 December 2011, the receivables were contemporary increased for the amount of HRK 6,174,320.

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

**18. RECEIVABLES FROM RELATED COMPANIES**

<b>(in HRK)</b>	<b>2011</b>	<b>2010</b>
Due from participating interest <i>/i/</i>	55,289,430	19,488,882
Interest receivable	<u>1,396,117</u>	<u>363,916</u>
	<u>56,685,547</u>	<u>19,852,798</u>

*/i/* This amount represents the remaining portion of the transferred retained profit from prior years, which amounts to USD 9,500,000 (Note 10).

**ULJANIK PLOVIDBA D.D., PULA**

**NOTES TO THE FINANCIAL STATEMENTS  
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**19. TRADE RECEIVABLES**

<b>(in HRK)</b>	<b>2011</b>	<b>2010</b>
Domestic trade debtors	232,982	94,059
Foreign trade debtors /i/	<u>19,226,629</u>	<u>403,519</u>
	<b><u>19,459,611</u></b>	<b><u>497,578</u></b>

/i/ Foreign trade debtors include subsidiaries (Note 40).

**20. AMOUNTS DUE FROM THE STATE AND OTHER INSTITUTIONS**

<b>(in HRK)</b>	<b>2011</b>	<b>2010</b>
Income tax receivable	-	1,334,763
VAT refund	32,982	50,474
Refund of contributions which do not depend on the operational result	<u>305</u>	<u>13,527</u>
	<b><u>33,287</u></b>	<b><u>1,398,764</u></b>

**21. OTHER CURRENT ASSETS**

<b>(in HRK)</b>	<b>2011</b>	<b>2010</b>
Interest receivables	4.868	5,040
Prepayments	900	-
Other receivables	<u>112.922</u>	<u>16,307</u>
	<b><u>118,690</u></b>	<b><u>21,347</u></b>

## ULJANIK PLOVIDBA D.D., PULA

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2011

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#### 22. SHORT-TERM FINANCIAL ASSETS

<b>(in HRK)</b>	<b>2011</b>	<b>2010</b>
Short-term loans given to employees <i>/i/</i>	11,199,749	11,210,000
United Shipping Services One Inc. <i>/ii/</i>	29,681,694	-
„Bunarina“ d.o.o. Pula	10,000	10,000
„Real“ d.o.o. Pula	5,680,000	5,510,000
Short-term deposit (Note 33)	500,000	500,000
Istarska autocesta d.o.o. Pula <i>/iii/</i>	1,600,000	1,600,000
	<b>48,671,443</b>	<b>18,830,000</b>
Plus: Current portion of long-term receivables (Note 17)	25,022,686	7,185,901
	<b>73,694,129</b>	<b>26,015,901</b>

*/i/* The increase in loan receivables was recorded in accordance with the contracts and annexes to the contracts. According to the annexes, the loan repayment period from 2009 was extended until 25 September 2012, with an interest rate of 8%. The refund of loans is secured by bills of exchange and blank debenture notes.

*/ii/* In 2011, based on signed loan agreements, it was paid out the amount of totally USD 5,100,000. The repayment dates are 31 January, 30 April and 30 November 2012.

*/iii/* The loan without interests was paid out according to the contract concluded on 23 September 2010, with a repayment period of one year. According to the signed annex, the repayment date is prolonged until 23 September 2012

#### 23. CASH AND CASH EQUIVALENTS

<b>(in HRK)</b>	<b>2011</b>	<b>2010</b>
Current account balance	45,571	44,032
Foreign account balance	19,112	9,182
Cash in hand	51,451	71,521
	<b>116,134</b>	<b>124,735</b>

## ULJANIK PLOVIDBA D.D., PULA

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2011

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#### 24. SHARE CAPITAL

At 31 December 2011, the share capital of the Company amounts to HRK 232,000,000 and consists of 566,421 ordinary shares, with a nominal value of HRK 400 per share, and of 13,579 treasury shares.

In the ownership structure as at 31 December 2011, small shareholders accounted for 97.66% and treasury shares accounted for 2.34%.

#### 25. RESERVES FROM NET PROFIT

<u>(in HRK)</u>	<u>2011</u>	<u>2010</u>
Legal reserves /i/	<u>11,600,000</u>	<u>11,600,000</u>
Capital reserves /i/	<u>(19,217,000)</u>	<u>(5,132,712)</u>
Reserves for treasury shares	36,382,812	36,382,812
Treasury shares (deductible item)	<u>(10,105,730)</u>	<u>(35,386,082)</u>
	<u>26,277,082</u>	<u>996,730</u>
	<u>18,660,082</u>	<u>7,464,730</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.

#### 26. REVALUATION RESERVES

<u>(in HRK)</u>	<u>2011</u>
At 31 December of the prior year	29,191,670
Increase	<u>18,606,969</u>
At 31 December of the current year /i/	<u>47,798,639</u>

/i/ Reserves have been created on the basis of adjustments of the investments in foreign subsidiaries according to the middle exchange rate of USD at the end of the accounting period (Note 38).

## ULJANIK PLOVIDBA D.D., PULA

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2011

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#### 27. RETAINED PROFIT

<u>(in HRK)</u>	<u>2011</u>
At 31 December of the prior year	61,291,410
Increase <i>/i/</i>	<u>37,837,311</u>
At 31 December of the current year	<u><b>99,128,721</b></u>

*/i/* The increase in retained profit is the result of transferring of a part of the profit for 2010, pursuant to the Decision of the Company's General Assembly (Note 28).

#### 28. PROFIT FOR THE YEAR

In 2011, the Company generated a net profit in the amount of HRK 57,326,999 (2010: HRK 72,562,941).

Pursuant to the Decision of the Company's General Assembly held on 24 August 2011, the profit for 2010 in the total amount of HRK 72,562,941 was to be allocated as follows: the amount of HRK 1,725,630 in treasury shares given to the members of the Board; the amount of HRK 33,000,000 to dividends, and the remaining amount of HRK 37,837,311 to non allocated profit (Note 38).

#### 29. LONG-TERM PROVISIONS

<u>(in HRK)</u>	<u>2011</u>	<u>2010</u>
Accrued commitments to employees <i>/i/</i>	<u>1,990,894</u>	<u>1,945,865</u>
	<u><b>1,990,894</b></u>	<u><b>1,945,865</b></u>

*/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 914,940 (2010.: HRK 890,380) and gross jubilee-awards amount to HRK 1,075,954 (2010.: HRK 1,055,485). The increase in derivative provisions for other long-term rights of employees in 2011 amounted to a net HRK 45,029. Operating expenses are charged for the new provisions in the amount of HRK 55,850, and previous provisions in the amount of HRK 10,821 kuna were recognized as income (Note 4).

**ULJANIK PLOVIDBA D.D., PULA**

**NOTES TO THE FINANCIAL STATEMENTS  
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**30. LONG TERM LIABILITIES TO BANKS AND OTHER FINANCIAL INSTITUTIONS**

<u>(in HRK)</u>	<u>2011</u>	<u>2010</u>
Croatian bank for reconstruction and development – Zagreb /i/	1,600,484	3,062,539
Raiffeisenbank Austria d.d. Zagreb /ii/	18,914,805	23,665,071
Raiffeisenbank Austria d.d. Zagreb /iii/	72,749,250	-
	<u>93,264,539</u>	<u>26,727,610</u>
Current portion of long-term borrowings (Note 33)	<u>(25,607,736)</u>	<u>(7,099,521)</u>
Long-term borrowings	<u>67,656,803</u>	<u>19,628,089</u>

/i/ The repayment term for the long-term borrowing is in the year 2012. During the year 2011 275.000 USD have been repaid. At 31 December 2011 long-term borrowing amounts to USD 275,000.

/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. The rest of debt as of 31 December 2011 amounted to USD 3,250,000.

/iii/ Pursuant to the loan agreement concluded on 24th February 2011, the amount of USD 12,500,000 was allocated to the bank account of the Company for the purpose of financing the building of the new tanker "Pomer". The loan was approved for three years. The repayment of the loan is secured by blank bills of exchange, promissory notes, mortgage on real property owned by REAL d.o.o. Pula and lien on the shares in company "Istarska autocesta" d.o.o. Pula.

**31. SHORT TERM BORROWINGS, DEPOSITS, ETC.**

Short-term borrowings are as follows:

<u>(in HRK)</u>	<u>2011</u>	<u>2010</u>
United Shipping Services One Inc. /i/	-	11,136,504
	<u>-</u>	<u>11,136,504</u>

/i/ The liability stated in 2010 has been entirely settled at 31st January 2011.

## ULJANIK PLOVIDBA D.D., PULA

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2011

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#### 32. SHORT-TERM LIABILITIES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

<u>(in HRK)</u>	<u>2011</u>	<u>2010</u>
Hypo Alpe-Adria Bank d.d., Zagreb /i/	1,962,381	538,744
Splitska banka d.d. Split /ii/	7,358,774	5,387,387
Raiffeisenbank Austria d.d. Zagreb /iii/	9,816,765	9,808,111
Raiffeisenbank Austria d.d. Zagreb /iv/	7,274,925	-
	<u>26,412,845</u>	<u>15,734,242</u>
Plus: Current portion of long-term borrowings (Note 30)	<u>25,607,736</u>	<u>7,099,521</u>
	<u>52,020,581</u>	<u>22,833,763</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. The overdraft facility is based on the Annex 3 to the basic loan agreement concluded on 27 October 2011, and expires on 4 November 2012. 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 23).

/ii/ Revolving borrowing in the form of an allowed overdraft facility up to the maximum allowed amount of USD 1,300,000 was agreed in the Annex 1 to the basic contract signed on 27 January 2011 for regular operations, with maturity on 28th January 2012. The repayment of the loan is secured by promissory notes, bills of exchange and a warranty by the related company 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. By signing the Annex 2 on 11<sup>th</sup> October 2011, the repayment date was prolonged until 15<sup>th</sup> October 2012. The repayment is secured by blank bills of exchange, promissory notes and the obligation to perform payment operations in a determinate amount of domestic and foreign currency transactions.

/iv/ The liability is recorded under the contract concluded on 17<sup>th</sup> November 2011 in the amount of USD 1,250,000, to be repaid as a one-time payment until the 31st May 2012. The repayment is secured by blank bills of exchange, promissory notes and the obligation to perform payment operations in a determinate amount of domestic and foreign currency transactions.

#### 33. TRADE PAYABLES

<u>(in HRK)</u>	<u>2011</u>	<u>2010</u>
Domestic trade payables	<u>437,537</u>	<u>233,180</u>
	<u>437,537</u>	<u>233,180</u>

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**ULJANIK PLOVIDBA D.D., PULA****NOTES TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2011**

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**34. COMMERCIAL BILLS**

<b>(in HRK)</b>	<b>2011.</b>	<b>2010.</b>
Commercial bills /i/	<u>70,000,000</u>	<u>-</u>
	<b><u>70,000,000</u></b>	<b><u>-</u></b>

/i/ In accordance to the Programme of issuance of commercial bills from 16th April 2010, on 28th January 2011, the company issued Tranche II of commercial bills in the amount of HRK 70,000,000 for a period of 364 days.

**35. AMOUNTS DUE TO EMPLOYEES**

<b>(in HRK)</b>	<b>2011</b>	<b>2010</b>
Net salaries payable	371,708	358,757
Taxes and contributions from and on salary	361,361	358,352
Other amounts due to employees	<u>15,268</u>	<u>15,758</u>
	<b><u>748,337</u></b>	<b><u>732,867</u></b>

**35. TAXES, CONTRIBUTIONS AND OTHER DUTIES PAYABLE**

<b>(in HRK)</b>	<b>2011</b>	<b>2010</b>
Income tax liability	802,518	-
VAT payable	<u>7,069</u>	<u>-</u>
	<b><u>809,587</u></b>	<b><u>-</u></b>

**36. DIVIDENDS PAYABLE**

<b>(in HRK)</b>	<b>2011</b>	<b>2010</b>
Outstanding dividends payable	<u>2,614,254</u>	<u>1,202,880</u>
	<b><u>2,614,254</u></b>	<b><u>1,202,880</u></b>

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ULJANKI PLOVIDBA D.D., PULA

NOTES TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2011

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
<b>At 31 December 2009</b>	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
<b>At 31 December 2010</b>	232,000,000	(5,132,712)	(35,386,082)	36,382,812	40,791,670	61,291,410	72,562,941	402,510,039
Value adjustment of the investments	-	-	-	-	18,606,969	-	-	18,606,969
Purchase of treasury shares	-	-	(5,361,482)	-	-	-	-	(5,361,482)
Sale of treasury shares	-	-	30,641,834	-	-	-	-	30,641,834
Capital gains	-	(14,084,288)	-	-	-	-	-	(14,084,288)
Allocation of profit for 2010	-	-	-	-	-	37,837,311	(72,562,941)	(34,725,630)
Profit for 2011	-	-	-	-	-	-	57,326,999	57,326,999
<b>At 31 December 2011</b>	232,000,000	(19,217,000)	(10,105,730)	36,382,812	59,398,639	99,128,721	57,326,999	454,914,441

NOTES TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2011

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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.

## ULJANIK PLOVIDBA D.D., PULA

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2011

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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:

<b>(in HRK)</b>	<b>2011</b>	<b>2010</b>
<b>Sales revenue:</b>		
Income from management and other services (Note 3)	<u>13,729,107</u>	<u>13,162,959</u>
<b>Other operating costs</b>		
Entertainment costs (Note 8)	<u>11,677</u>	<u>15,360</u>
<b>Financial income:</b>		
Income from interests accrued to subsidiaries (Note 10)	<u>4,701,605</u>	<u>1,368,106</u>

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

<b>(in HRK)</b>	<b>2011</b>	<b>2010</b>
<b>Investments in subsidiaries</b>		
United Shipping Services One Inc. (Note 16.1)	429,366,260	388,196,479
Real d.o.o. Pula (Note 16.1)	<u>50,000</u>	<u>50,000</u>
	<u>429,416,260</u>	<u>388,246,479</u>
<b>Receivables from operations</b>		
Long-term receivables (Note 17)	92,315,161	25,533,915
Foreign trade debtors (Note 19)	19,226,629	402,089
Trade receivables (Note 19)	14,362	-
Related party receivables (Note 18)	56,685,547	19,852,798
Short-term financial assets (Note 22)	<u>35,361,694</u>	<u>5,510,000</u>
	<u>203,603,393</u>	<u>51,298,802</u>
<b>Liabilities from operations:</b>		
Short-term borrowings, deposits, etc. (Note 31)	<u>-</u>	<u>11,136,504</u>
	<u>-</u>	<u>11,136,504</u>

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2011**

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**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 2013.

The handover of the vessel *Stoja* took place on 15<sup>th</sup> February 2012 – the ship was marked as Newbuilding No. 489 and its construction was contracted on 18<sup>th</sup> January 2010, while the vessel *Punta* was launched on 24<sup>th</sup> March 2012, marked as Newbuilding No. 490. Furthermore, in accordance with the Construction contract of the vessel *Istra* marked as newbuilding 713, delivery is expected in April 2012.

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.

According to the Programme of issuing of commercial bills of the Company from 16 April 2010, on 26 January 2012 Uljanik Plovidba d.d. issued Tranche III of the commercial bills in the amount of HRK 35,000,000 on a period of 182 days. We mention that Uljanik Plovidba d.d. on 28 January 2011 issued Tranche II of the commercial bills in the amount of HRK 70 million on a period of 364 days.

Revenue from issuance of commercial bills is used to refinance short-term financial obligations.

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 29, the management is of the opinion that no other significant judgments should be disclosed in the consolidated financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2011**

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**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 28<sup>th</sup> March 2012.

**43. AUDIT OF THE FINANCIAL STATEMENTS**

The financial statements of the Company for the year 2011 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 2011

The business activity of ULJANIK PLOVIDBA (the Company) and its foreign subsidiaries in the period I-XII 2011 was regular, despite very complex circumstances in the world's shipping market in both dry cargo and tanker sectors, which incurred as a direct consequence of the global economic crisis. In this period the Company:

- a) maintained regular and stable business operation,
- b) continued with the Program of fleet renewal:
  - took delivery of m/t POMER and m/v VERUDA during 2011 as well as the delivery of m/v STOJA in February 2012,
  - continued with construction of newbuilding 713 – m/t ISTRA in the 3. MAJ Shipyard which is scheduled for delivery in April 2012,
  - continued with construction of two 52,000 DWT Bulk Carriers in the ULJANIK Shipyard i.e.:
    - o newbuilding 490 - m/v PUNTA which was launched in March 2012, scheduled for delivery in September 2012,
    - o newbuilding 491, scheduled for delivery in first quarter of 2013,
- c) maintained constant employment of vessels with the continuation of the Company's fleet high efficiency trend,
- d) realised decreased total freight revenue,
- e) arranged Dry Docking for three vessels (Marlera, Levan and Pula),
- f) fulfilled all its loan payment obligations (with no reprogramming) with the positive effects of lower interest rates,
- g) 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,
- h) maintained high efficiency of vessels' management,
- i) maintained the personnel structure both at sea and on shore.

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

### **1. COMMERCIAL ASPECT**

The commercial result for the period I-XII 2011 has significantly decreased as a direct consequence of decreased freights in the shipping market, Dry Docking of three vessels as well as direct expenses related to the construction and initial outfit of the new vessels in the fleet. At the same time, the mother company realised net profit of 57.3 mil HRK while the Uljanik Plovidba Group realised consolidated loss of 6.9 mil HRK.

### **2. PERSONNEL**

As at 31.12.2011 the Company had 32 employees. The Company employs exclusively Croatian seafarers on all vessels in its fleet.

### **3. TECHNICAL ASPECT**

Three vessels underwent regular Dry Docking while other vessels had no significant technical stoppages in this period. The company keeps maintaining high efficiency of vessel exploitation.

### **4. ACQUISITION OF TREASURY SHARES**

In the period I-XII 2011, the Company acquired treasury shares in accordance with art. 233, section 1, point 2 of the Companies Act (acquisition for the requirements of Company employees) and from establishing of the Repurchasing of Own Shares Program in November 2011, also in accordance with art. 233, section 1 of the Companies Act. The company acquired treasury shares in the amount of 5,361 thousand HRK and disposed of treasury shares in the amount of 30,642 thousand HRK.

### **5. IMPORTANT EVENTS IN 2011**

On 28<sup>th</sup> February 2011 in 3. MAJ Shipyard in Rijeka the Company took delivery of Hull no. 710 – m/t POMER, a product carrier for the transportation of petroleum products and chemicals of 51,800 DWT. The vessel's commercial exploitation began after delivery.

In accordance with the established Program for the issuing of commercial bills with the total value of 150 mil HRK which enables the Company to issue several tranches as instruments of short-term financing, the second tranche of commercial bills in the amount of 70,000,000.00 HRK has been listed on the Official Market of the Zagreb Stock Exchange on 28<sup>th</sup> January 2011, with maturity of 364 days.

Pursuant to the resolution of Director dated 4<sup>th</sup> March 2011 and with the consent of the Supervisory Board, on 29<sup>th</sup> March 2011 the Company effected payment of interim dividends for the year 2010 in the amount of 35.00 HRK per share.

On 17<sup>th</sup> June 2011 launching of the first (hull no. 488 – m/v VERUDA) of four ordered bulk carriers of 52,000 DWT took place in ULJANIK Shipyard in Pula.

On 24<sup>th</sup> August 2011 the General Assembly of the Company was held which passed the resolution on the sharing of profit for the year 2010. The resolution included division of a part of the profit to the Management and employees of the Company in the form of a one-off division of treasury shares in the amount of 1,725,629.41 HRK, dividend payable to the shareholders in the amount of 33,000,000.00 HRK as well as allocation of profit to retained profit in the amount of 37,837,311.81. The amount remaining after the payment of interim dividend, in the amount of 14,078,895.00 HRK was distributed in accordance with the resolution of the General Assembly and pursuant to the provisions of the Company's Statute, in treasury shares and in cash money, whereby the shareholders who on 16<sup>th</sup> day of September 2011 were holding 50 and more shares, received treasury shares while the other shareholders who were holding 49 and less shares, received cash money. The value of each treasury share was determined in the amount corresponding to the average price of the Company share realised at the Zagreb Stock Exchange on 16<sup>th</sup> September 2011, which price amounted to

## D I R E C T O R

453.00 HRK. The total number of treasury shares distributed for dividend is 28,102 while the number of treasury shares distributed to the Management and employees of the Company is 2,595.

On 28<sup>th</sup> October 2011 the following events took place at the ULJANIK Shipyard in Pula: delivery of m/v VERUDA as a joint project of the Company and ULJANIK Shipyard, which commenced with commercial exploitation immediately thereafter, launching of the second vessel from the series (newbuilding 489 – m/v STOJA) and keel laying for the third bulk carrier from the series (newbuilding 490).

On 29<sup>th</sup> October 2011 launching of newbuilding 713 - m/t ISTRA, 51,800 DWT product carrier for the transportation of petroleum products and chemicals took place at the 3. MAJ Shipyard in Rijeka. The delivery of the vessel is expected in spring of 2012.

On 10<sup>th</sup> November 2011 the Company established the Repurchasing of Own Shares Program. Pursuant to the General Assembly resolution of 24<sup>th</sup> August 2011, the Program is stipulating the terms and conditions for acquiring own shares in accordance with the provisions of art. 233, section 1, of the Companies Act.

On 15<sup>th</sup> February 2012 the delivery of m/v STOJA took place at the ULJANIK Shipyard in Pula, as a joint project of the Company and ULJANIK Shipyard, which commenced with commercial exploitation immediately thereafter.

On 24<sup>th</sup> March 2012 the launching of newbuilding 490 – m/t PUNTA took place at the ULJANIK Shipyard in Pula, as a joint project of the Company and ULJANIK Shipyard. The delivery of the vessel is expected in September 2012.

## **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 on order the last tanker vessel in 3. MAJ Shipyard (newbuliding 713) and two Bulk Carriers in ULJANIK Shipyard (newbuildings 490 and 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.



D I R E C T O R

**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 and changes in exchange rate between USD and other currencies;
- 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.

**9. CORPORATE MANAGEMENT CODE**

The Company fully complies with its Corporate Management Code.

Pula, 28<sup>th</sup> March 2012

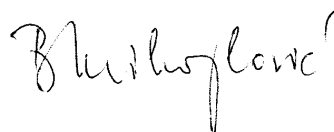


Dragutin Pavletić, Director

## **STATEMENT OF THE PERSON RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS**

Audited financial reports of ULJANIK PLOVIDBA d.d. (hereafter: Company) for the period January – December 2011, 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, 12<sup>th</sup> April, 2012

At the meeting of ULJANIK PLOVIDBA d.d.'s SUPERVISORY BOARD held on the 11<sup>th</sup> April 2012., the following

### RESOLUTIONS

have been passed

1. The Report on the state and business activity of the Company in 2011. is accepted

1.1. A draft proposal is addressed to the General Meeting of the Company in order to pass a separate resolution of acceptance of the Report on the state and business activity of the Company in 2011.

2. Approval is given to the yearly financial reports for 2011. for the Company and the Group

2.1. ULJANIK PLOVIDBA d.d.'s Profit and Loss Account for the year 2011. is set out as follows:

	2011.	2010.
INCOME	101.910.402,30	104.060.048,18
EXPENDITURE	43.237.800,89	31.239.911,41
GAIN	58.672.601,41	72.820.136,77
TAX	1.345.602,87	257.195,55
PROFIT	57.326.998,54	72.562.941,22

2.2. The consolidated Profit and Loss Account for ULJANIK PLOVIDBA d.d.'s Group is set out as follows:

	2011.	2010.
INCOME	264.412.048	335.016.749
EXPENDITURE	270.881.785	238.106.903
GAIN	-6.469.737	96.909.846
TAX	1.345.603	257.196
LOSS ATTRIBUTABLE TO MINORITY INTEREST	888.070	-
PROFIT	-6.927.270	96.652.650

2.3 Approval is given to the Company's Auditors' Report – REVIDAS revizija i konzalting d.o.o.

2.4. By giving approval to the yearly financial reports as proposed by the Management Board of the Company, the yearly financial reports are deemed to be determined in accordance with Article 300.d of the Corporations Act.

ULJANIK PLOVIDBA d.d.



In accordance with the Article 56. of ULJANIK PLOVIDBA d.d.'s Statute, the Director of the Company passes, on the 10th day of April 2012., the following

## RESOLUTION

1. ULJANIK PLOVIDBA's net profit for 2011. in the amount of 57.326.998,54 kunas is distributed as follows:
  - the amount of 2.866.350,00 kunas as statutory reserves,
  - the amount of 500.000,00 kunas to the employees of the Company by way of a one-off distribution of treasury shares,
  - the amount of 573.269,98 kunas as a bonus to the Management Board of the Company by way of a one-off distribution of treasury shares,
  - the amount of 5.800.000,00 kunas is distributed as dividend to the shareholders of the Company,
  - the amount of 47.587.378,56 kunas as undistributed profit.

The total dividend amount of 5.800.000,00 kunas will be paid in accordance with the provisions of the Company's Statute and the ownership accounts status held at the Central depository and clearing company at the date of passing of separate resolution at the General Meeting.

The Company's Director is given the authority, on the basis of the financial reports of the Company and the profit allocation resolutions, to:

- distribute the funds to the Company employees in the manner and according to criterias which he may independently define;
  - distribute the dividend to the shareholders of the Company in amounts and within the dates which he may independently define.
2. This Resolution is referred to the Supervisory Board of the Company with the view to defining the final proposal of the Resolution.



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