



ULJANIK PLOVIDBA d.d.

AUDITED FINANCIAL STATEMENTS

FOR THE PERIOD

JANUARY - DECEMBER 2012

Pula, April 2013

CONTENT:

Audited Financial Statements of ULJANIK PLOVIDBA d.d. with Auditor's report for the period January – December 2012

Management Report

Statement of the person responsible for preparing Financial Statements

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

**ULJANIK PLOVIDBA D.D.
PULA**

**Audited annual financial statements
for the year ended 31 December 2012**

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RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Management of the Company is responsible for ensuring that the 2012 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.

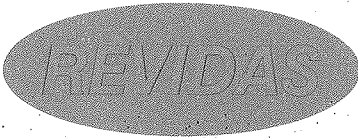
Signed on behalf of the Management by:

Dragutin Pavletić, director

ULJANIK PLOVIDBA d.d. 

Carrarina 6
52100 Pula

Pula, 31th March 2013



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 2012, which comprise the balance sheet as at 31 December 2012 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 30).

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.

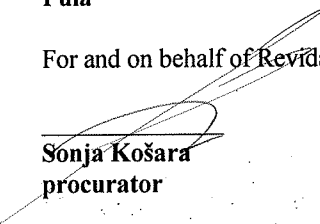
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements present true and fair, in all material respects, the financial position of ULJANIK PLOVIDBA, Pula, as at 31 December 2012, 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.

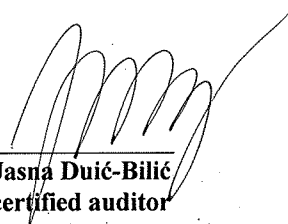
Revidas, revizija i konzalting, d.o.o.
Vukovarska 47
Pula

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


Sonja Košara
procurator



Pula, 31st March 2013


Jasna Duić-Bilić
certified auditor

ULJANIK PLOVIDBA D.D., PULA

**INCOME STATEMENT WITH COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012**

(in HRK)	Notes	2012	2011
Sales	3	19,171,218	14,169,982
Other operating income	4	23,938,645	22,585,143
Operating income		43,109,863	36,755,125
<i>Cost of raw material and supplies</i>		<i>(179,773)</i>	<i>(149,135)</i>
<i>Other external costs</i>		<i>(552,265)</i>	<i>(514,781)</i>
Material costs	5	(732,038)	(663,916)
<i>Staff costs</i>	6	<i>(9,462,398)</i>	<i>(9,021,095)</i>
<i>Depreciation</i>	7	<i>(241,224)</i>	<i>(254,913)</i>
<i>Other operating expenses</i>	8	<i>(3,279,728)</i>	<i>(2,772,287)</i>
<i>Provisions for risks and charges</i>		<i>-</i>	<i>(55,850)</i>
Operating expenses		(13,715,388)	(12,768,061)
Financial income	9	51,662,003	65,155,277
Financial expenses	10	(38,351,234)	(30,469,739)
TOTAL INCOME		94,771,866	101,910,402
TOTAL EXPENSES		(52,066,622)	(43,237,800)
PROFIT BEFORE TAXATION		42,705,244	58,672,602
Income tax expense	12	(174,933)	(1,345,603)
PROFIT FOR THE PERIOD		42,530,311	57,326,999
Exchange differences on translating foreign operations		(6,150,460)	18,606,969
Income tax on other comprehensive income		(1,230,092)	(3,721,394)
Net other comprehensive (loss)/income		(4,290,368)	14,885,575
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		38,239,943	72,212,574

Signed on behalf of the Management:

Dragutin Pavletić, director



Pula, 31st March 2013

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

ULJANIK PLOVIDBA, D.D. PULA

**BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2012**

(in HRK)	Notes	2012	2011
ASSETS			
Concessions, patents, licences, trade and service marks, software and other rights		18,083	61,810
Intangible assets	13	18,083	61,810
Land		121,829	121,829
Buildings		3,086,978	3,137,627
Other plant and equipment		214,827	369,142
Tangible assets	14	3,423,634	3,628,598
Long-term financial assets	15	455,914,810	431,105,087
Receivables from related companies		44,026,161	67,656,803
Other receivables		11,314,087	411,412
Long-term receivables	16	55,340,248	68,068,215
LONG TERM ASSETS		514,696,775	502,863,710
Receivables from related companies	17	78,394,982	56,685,547
Trade receivables	18	15,066,685	19,459,611
Amounts due from the state and other institutions	19	876,843	33,287
Other receivables	20	42,296	118,690
Receivables		94,380,806	76,297,135
Short-term financial assets	21	66,459,298	73,694,129
Cash and cash equivalents	22	117,908	116,134
CURRENT ASSETS		160,958,012	150,107,398
Prepaid expenses and accrued income		4,837	19,309
TOTAL ASSETS		675,659,624	652,990,417

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 2012**

(in HRK)	Notes	2012	2011
EQUITY AND LIABILITIES			
Share capital	23	232,000,000	232,000,000
Capital reserves	24	(19,729,681)	(19,217,000)
Legal reserves	25	14,466,350	11,600,000
Reserves for Treasury shares	26	36,382,812	36,382,812
Treasury shares	27	(14,213,994)	(10,105,730)
Revaluation reserves	28	41,648,179	47,798,639
Retained profit	29	153,016,100	99,128,721
Profit of the year	30	42,530,311	57,326,999
CAPITAL AND RESERVES		486,100,077	454,914,441
Provisions for retirement costs, severance pays and similar liabilities	31	1,956,929	1,990,894
LONG-TERM PROVISIONS		1,956,929	1,990,894
Amounts due to banks and other financial institutions	32	91,475,122	67,656,803
LONG-TERM LIABILITIES		91,475,122	67,656,803
Short-term loans, deposits, etc.	33	3,558,000	-
Amounts due to banks and other financial institutions	34	86,727,305	52,020,581
Advances received		138,844	138,844
Trade payables	35	182,744	437,537
Commercial bills	36	-	70,000,000
Amounts due to employees	37	1,185,523	748,337
Taxes, contributions and other duties payable	38	-	809,587
Dividends payable	39	2,555,391	2,614,254
Other short-term liabilities	40	1,775,708	1,459,908
SHORT-TERM LIABILITIES		96,123,515	128,229,048
Accrued expenses and deferred income		3,981	199,231
TOTAL EQUITY AND LIABILITIES		675,659,624	652,990,417

Signed on behalf of the Management:

Dragutin Pavletić, director



Pula, 31st March 2013

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

ULJANIK PLOVIDBA D.D., PULA

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital	Capital reserves	Legal reserves	Reserves for treasury shares	Treasury shares	Revaluation reserves	Retained profit	Current year profit	Total
At 31 December 2010	232,000,000	(5,132,712)	11,600,000	36,382,812	(35,386,082)	29,191,670	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 loss	-	(14,084,288)	-	-	-	-	-	-	(14,084,288)
Allocation of profit for 2010 Profit for 2011	-	-	-	-	-	-	37,837,311	(72,562,941)	(34,725,630)
	-	-	-	-	-	-	-	57,326,999	57,326,999
At 31 December 2011	232,000,000	(19,217,000)	11,600,000	36,382,812	(10,105,730)	47,798,639	99,128,721	57,326,999	454,914,441
Value adjustment of the investments	-	-	-	-	-	(6,150,460)	-	-	(6,150,460)
Purchase of treasury shares	-	-	-	-	(5,043,770)	-	-	-	(5,043,770)
Sale of treasury shares	-	-	-	-	935,506	-	-	-	935,506
Capital loss	-	(512,681)	-	-	-	-	-	-	(512,681)
Allocation of profit for 2011	-	-	2,866,350	-	-	-	54,460,649	(57,326,999)	-
Adjustment of retained earnings as per IFRS 2	-	-	-	-	-	-	(573,270)	-	(573,270)
Profit for 2012	-	-	-	-	-	-	-	42,530,311	42,530,311
At 31 December 2012	232,000,000	(19,729,681)	14,466,350	36,382,812	(14,213,994)	41,648,179	153,016,100	42,530,311	486,100,077

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 2012**

(in HRK)	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	42,705,244	58,672,602
Depreciation	241,224	254,913
Increase in current liabilities	-	3,430,244
Other increases in cash	72,998	159,868
Total increase in cash from operating activities	43,019,466	62,517,627
Decrease in current liabilities	(370,257)	
Increase in short-term receivables	(18,083,671)	(54,526,648)
Other decreases in cash	(977,418)	(1,345,603)
Total decrease in cash from operating activities	(19,431,346)	(55,872,251)
NET INCREASE IN CASH GENERATED FROM OPERATING ACTIVITIES	23,588,120	6,645,376
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchases of tangible and intangible assets	(51,059)	(132,666)
Cash paid for acquisition of equity and debt instruments	(30,960,183)	(22,562,837)
Total cash expenses from investing activities	(31,011,242)	(22,695,503)
NET DECREASE IN CASH FROM INVESTING ACTIVITIES	(31,011,242)	(22,695,503)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash receipts from issuance of equity and debt instruments	-	70,000,000
Cash receipts from the loan principal, debentures, advances and other loans	161,563,555	98,942,139
Other cash receipts from financial activities	19,962,798	11,196,065
Total cash receipts from financial activities	181,526,353	180,138,204
Cash expenses for the repayment of loan principal and bonds	(99,480,512)	(32,863,110)
Cash expenses for the payments of dividends	-	(34,725,630)
Cash expenses for the purchase of treasury shares	(4,620,945)	-
Other cash expenses from financial activities	(70,000,000)	(96,507,938)
Total cash expenses from financial activities	(174,101,457)	(164,096,678)
NET INCREASE IN CASH FROM FINANCING ACTIVITIES	7,424,896	16,041,526
Cash and cash equivalents at beginning of period	116,134	124,735
Increase in cash and cash equivalents	1,774	-
Decrease in cash and cash equivalents	-	(8,601)
Cash and cash equivalents at end of period	117,908	116,134

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 2012

1. GENERAL

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

Based on the classification of enterprises according to the National Classification of Activities, issued by the Croatian Bureau of Statistics, Zagreb, the Company was allocated the class number 5020 - Coastal and maritime transport, the registration number of the business entity is 03292754 and the Personal Identification Number (OIB) is 49693360447.

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.

The affiliated companies United Shipping Services Two Inc., United Shipping Services Five Inc., United Shipping Adriatic Inc. and United Shipping Services Seven Inc. are currently dormant.

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

The ownership structure as at 31 December 2012 is shown in Note 23.

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 2012 the number of staff employed by ULJANIK PLOVIDBA d.d. Pula was 31 (2010: 31).

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.

**NOTES TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2012**

2.1. Compliance Statement

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

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. Recognition of expenses

Operating expenses are stated as at the date of received invoices or at the date of prepared calculations.

They include material costs, staff costs, depreciation, other expenses, impairment of current assets (receivables), provisions and other operating expenses.

**NOTES TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2012**

2.7. 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.

2.8. 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.

At 31 December 2012 the official exchange rate for the Croatian kuna was 7.55 HRK for 1 euro (at 31 December 2011 it was 7.53 HRK) and 5.73 HRK for 1 USD (at 31 December 2011 it was 5.82 HRK).

2.9. 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.

2.10. 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.

**NOTES TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2012**

2.11. 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.

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.

2.12. 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 recorded as fixed assets available for sale and carried at fair value. Measuring of investment in securities is done annually. Changes represent unrealized gains/losses and are attributed to equity as a revaluation reserve from investments available for sale. On the disposal of shares, by exploiting previously generated unrealized gains and losses, differences are included in the

**NOTES TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2012**

profit and loss account for the current period as realized gains / losses from sale of long-term investments.

Dividend income is recognised on receipt.

2.13. 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.

2.14. 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.

2.15. 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.

2.16. 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.

**NOTES TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2012**

2.17. 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.

2.18. 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.

2.19. 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.

2.20. 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 2012

3. REVENUES

(in HRK)	2012	2011
Domestic revenue	530,734	405,342
Foreign revenue /i/	18,639,988	13,729,107
Other	496	35,533
	<u>19,171,218</u>	<u>14,169,982</u>

/i/ Foreign revenue includes management services to the related companies (Note 42).

4. OTHER OPERATING REVENUES

(in HRK)	2012	2011
Government grants /i/	23,860,183	22,562,837
Income from reversal of provisions (Note 31)	33,965	10,820
Other revenues	44,497	11,486
	<u>23,938,645</u>	<u>22,585,143</u>

/i/ The income in HRK equivalent of USD 4.292.381 was recorded based on the subsidy received for the construction of Hull 713, pursuant to the Contract on subsidised construction of two vessels (Hulls 710 and 713) between the Ministry of Sea, Transport and Infrastructure - Zagreb and Uljanik Plovidba d.d. Pula, entered into on 12.03.2009.

5. COST OF MATERIAL AND SERVICES

(in HRK)	2012	2011
Raw materials and supplies	88,125	68,998
Energy	85,706	72,306
Spare parts and small inventory	5,942	7,831
Raw materials and supplies	<u>179,773</u>	<u>149,135</u>
Transport, telephone, postage	410,744	387,521
Repairs and maintenance	100,313	89,858
Promotion costs	23,404	19,439
Municipal services	17,804	17,963
Other external services	<u>552,265</u>	<u>514,781</u>
	<u>732,038</u>	<u>663,916</u>

ULJANIK PLOVIDBA D.D., PULA

NOTES TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2012

6. STAFF COSTS

(in HRK)	2012	2011
Net salaries	4,972,095	4,602,998
Taxes and contributions <i>from</i> and <i>on</i> salary <i>/i/</i>	4,490,303	4,418,097
	9,462,398	9,021,095

/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

(in HRK)	2012	2011
Amortisation (Note 14)	45,992	25,644
Depreciation (Note 15)	195,232	229,269
	241,224	254,913

8. OTHER EXPENSES

(in HRK)	2012	2011
Reimbursement of costs to employees <i>/i/</i>	469,172	409,877
Intellectual services <i>/ii/</i>	175,938	166,140
Entertainment	193,127	289,587
Impairment of financial assets	267,003	-
Supervisory board (gross fees)	174,872	176,923
Contributions and municipal levies	171,014	182,016
Bank charges	910,154	535,806
Depository services and broker commission	253,965	250,518
Insurance	256,935	271,265
Net tangible assets	29,526	-
Donations	4,000	220,734
Other expenses <i>/iii/</i>	374,022	269,421
	3,279,728	2,772,287

/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 AS OF 31 DECEMBER 2012

/ii/ In the reported amount the audit of financial statements constitutes 71% of the costs.

/iii/ Other expenses are composed of membership fees in the amount of HRK 128,885, legal and notary fees and dues in the amount of HRK 144,857, scholarships in the amount of HRK 56,000, and the remainder in the amount of HRK 44,280.

9. FINANCIAL INCOME

(in HRK)	2012	2011
Interest income	5,342,907	5,669,003
Foreign exchange gains	23,762,241	26,232,863
Income from investments in subsidiaries /i/	22,494,320	32,841,435
Dividend income	62,535	411,976
	<u>51,662,003</u>	<u>65,155,277</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 2012 represents the transfer of the retained profit in the amount of USD 4,000,000 from United Shipping Services One Inc., based on the Supervisory Board Decisions dated on 19th April 2012 (Note 17).

10. FINANCIAL EXPENSE

(in HRK)	2012	2011
Interest expense	11,742,051	9,975,076
Foreign exchange losses	26,609,183	20,494,663
	<u>38,351,234</u>	<u>30,469,739</u>

ULJANIK PLOVIDBA D.D., PULA

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2012

11. CORPORATE INCOME TAX

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

(in HRK)	2012	2011
Profit before tax	18,845,062	36,109,764
Effect of tax disallowable expenses	4,623,040	3,892,223
Effect of non-taxable profit	<u>(22,593,435)</u>	<u>(33,273,973)</u>
Taxable profit/ (Tax loss) for the year	<u>874,667</u>	<u>6,728,014</u>
Tax rate	<u>20.00%</u>	<u>20.00%</u>
Tax liability for the year	<u>174,933</u>	<u>1,345,603</u>

12. EARNINGS PER SHARE

Earnings per share in the amount of HRK 77,59 (2011: HRK 101,21) have been determined on the basis of the Company's net profit in the amount of HRK 42,530,311 (2011: HRK 57,326,999) and the weighted average of ordinary shares, reduced for treasury shares, that was 566,421 (2011: 566,421).

ULJANIK PLOVIDBA D.D., PULA

**NOTES TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2012**

13. INTANGIBLE ASSETS

(in HRK)	Total
PURCHASE VALUE	
At 31 December 2010	82,491
Additions	87,454
Disposals, retirements and other	-
	<hr/>
At 31 December 2011	169,945
Additions	2,265
	<hr/>
At 31 December 2012	172,210
ACCUMULATED AMORTISATION	
At 31 December 2010	82,491
Amortisation	25,644
	<hr/>
At 31 December 2011	108,135
Amortisation	45,992
	<hr/>
At 31 December 2012	154,127
NET BOOK VALUE	
At 31 December 2012	18,083
At 31 December 2011	61,810

Intangible assets consist of investments in software.

ULJANIK PLOVIDBA D.D., PULA

NOTES TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2012

14. PROPERTY, PLANT AND EQUIPMENT

(in HRK)	Building	Plant and equipment	Assets in course of construction	Total
Cost				
At 31 December 2010	5,186,577	1,592,784	-	6,779,361
Additions	-	45,212	-	45,212
Retirements, disposals and other	-	(83,485)	-	(83,485)
At 31 December 2011	5,186,577	1,554,511	-	6,741,088
Additions	-	48,794	-	48,794
Retirements, disposals and other	-	(210,828)	-	(210,828)
At 31 December 2012	5,186,577	1,392,477	-	6,579,054
Accumulated depreciation				
At 31 December 2010	1,876,474	1,090,232	-	2,966,706
Depreciation charge for the year	50,647	178,622	-	229,269
Retirements, disposals and other	-	(83,485)	-	(83,485)
At 31 December 2011	1,927,121	1,185,369	-	3,112,490
Depreciation charge for the year	50,649	144,583	-	195,232
Retirements, disposals and other	-	(152,302)	-	(152,302)
At 31 December 2012	1,977,770	1,177,650	-	3,155,420
Net book value				
At 31 December 2012	3,208,807	214,827	-	3,423,634
At 31 December 2011	3,259,456	369,142	-	3,628,598

ULJANIK PLOVIDBA D.D., PULA

**NOTES TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2012**

15. LONG-TERM FINANCIAL ASSETS

(in HRK)	Holding in %	2012	2011
15.1. Investments in subsidiaries			
United Shipping Services One Inc. (78,067,413 USD) /i/	100%	447,075,992	429,366,260
Real d.o.o., Pula /ii/	100%	<u>5,710,000</u>	<u>50,000</u>
		<u>452,785,992</u>	<u>429,416,260</u>
15.2. Investments in shares			
United Shipping Adriatic Inc. (100 USD)	0,0007%	573	582
Investments in Banks		8,300	8,300
Istarska autocesta d.o.o. Pula		1,679,935	1,679,935
Uljanik d.d. Pula /iii/		1,440,000	-
Other investments		<u>10</u>	<u>10</u>
		<u>3,128,818</u>	<u>1,688,827</u>
		<u>455,914,810</u>	<u>431,105,087</u>

/i/ The increase of the investment in subsidiary United Shipping Services One Inc. was performed according to the Contract of Investment concluded on 01 August 2012 from the funds of the Government Grant in the amount of USD 4,292,381 (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.

/ii/ The increase was made pursuant to the Decision on the increase of capital dated 30 March 2012 and on the basis of the Contract of conversion of monetary claims into shares in the Company (Note 21).

/iii/ The purchase of 16,000 shares of Uljanik d.d. Pula at a price of 90.00 HRK per share was reported on the basis of the Conclusion to issue new shares dated 30 November 2012.

Investments 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.

ULJANIK PLOVIDBA D.D., PULA**NOTES TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2012****16. LONG-TERM RECEIVABLES**

Long-term receivables are as follows:

(in HRK)	2012	2011
Related companies		
Current portion of long-term receivables	67,649,186	92,315,161
Long-term portion of receivables	<u>(23,623,025)</u>	<u>(24,658,358)</u>
	44,026,161	67,656,803
Non-related companies and other	11,421,412	775,740
Current portion of long-term receivables	<u>(107,325)</u>	<u>(364,328)</u>
Long-term portion of receivables and other	11,314,087	411,412
Total current portion of long-term receivables (Note 21)	23,730,350	25,022,686
Long-term portion of receivables	55,340,248	68,068,215

17. RECEIVABLES FROM RELATED COMPANIES

(in HRK)	2012	2011
Due from participating interest /i/	77,311,719	55,289,430
Interest receivable	<u>1,083,263</u>	<u>1,396,117</u>
	78,394,982	56,685,547

/i/ The stated receivables represent the remaining portion of the transferred retained profit from prior years which at 31 December 2012 amounts to USD 13,500,000.

18. TRADE RECEIVABLES

(in HRK)	2012	2011
Domestic trade debtors	227,575	232,982
Foreign trade debtors /i/	<u>14,839,110</u>	<u>19,226,629</u>
	15,066,685	19,459,611

/i/ Foreign trade debtors include subsidiaries (Note 42).

ULJANIK PLOVIDBA D.D., PULA

**NOTES TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2012**

19. AMOUNTS DUE FROM THE STATE AND OTHER INSTITUTIONS

(in HRK)	2012	2011
Income tax receivable	806,929	-
VAT refund	57,362	32,982
Refund of contributions which do not depend on the operational result	12,552	305
	<u>876,843</u>	<u>33,287</u>

20. OTHER CURRENT ASSETS

(in HRK)	2012	2011
Interest receivables	813	4,868
Prepayments	137	900
Other receivables	41,346	112,922
	<u>42,296</u>	<u>118,690</u>

21. SHORT-TERM FINANCIAL ASSETS

(in HRK)	2012	2011
Short-term financial assets	42,728,948	48,671,443
Plus: Current portion of long-term receivables (Note 16)	23,730,350	25,022,686
	<u>66,459,298</u>	<u>73,694,129</u>

22. CASH AND CASH EQUIVALENTS

(in HRK)	2012	2011
Current account balance	87,624	45,571
Foreign account balance	7,566	19,112
Cash in hand	22,718	51,451
	<u>117,908</u>	<u>116,134</u>

ULJANIK PLOVIDBA D.D., PULA

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2012

23. SHARE CAPITAL

At 31 December 2012, the share capital of the Company amounts to HRK 232,000,000 and consists of 548,144 ordinary shares, with a nominal value of HRK 400 per share, and of 31,856 treasury shares.

In the ownership structure as at 31 December 2012, small shareholders accounted for 94.51% and treasury shares accounted for 5.49%.

24. CAPITAL RESERVES

(in HRK)	2012	2011
At 31 December of the prior year	(19,217,000)	(5,132,712)
Decrease	<u>(512,681)</u>	<u>(14,084,288)</u>
At 31 December of the current year	<u>(19,729,681)</u>	<u>(19,217,000)</u>

25. LEGAL RESERVES

(in HRK)	2012	2011
At 31 December of the prior year	11,600,000	11,600,000
Increase	<u>2,866,350</u>	<u>-</u>
At 31 December of the current year /i/	<u>14,466,350</u>	<u>11,600,000</u>

/i/ Under Croatian law legal reserves are formed by allocating at least 5% of the profit each year, until the total amount of the reserve together with the profit (Note 30) reaches 5% of the Company's equity. Legal reserves are non-distributable.

26. RESERVES FOR TREASURY SHARES

(in HRK)	2012	2011
At 31 December of the prior year	36,382,812	36,382,812
Increase / Decrease	<u>-</u>	<u>-</u>
At 31 December of the current year	<u>36,382,812</u>	<u>36,382,812</u>

ULJANIK PLOVIDBA D.D., PULA

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2012

27. TREASURY SHARES (DEDUCTIBLE ITEM)

(in HRK)	2012.	2011.
At 31 December of the prior year	(10,105,730)	(35,386,082)
Purchase of Treasury shares	(5,043,770)	(5,361,482)
Sale of Treasury shares	935,506	30,641,834
At 31 December of the current year	<u>(14,213,994)</u>	<u>(10,105,730)</u>

28. REVALUATION RESERVES

(in HRK)	2012.	2011.
At 31 December of the prior year	47,798,639	29,191,670
(Decrease) / Increase /i/	<u>(6,150,460)</u>	<u>18,606,969</u>
At 31 December of the current year	<u>41,648,179</u>	<u>47,798,639</u>

/i/ The decrease in revaluation reserves was a consequence of investment adjustments into foreign subsidiaries in 2012 in accordance with the mean exchange rate for the USD at the end of the accounting period.

29. RETAINED PROFIT

(in HRK)	2012.	2011.
At 31 December of the prior year	99,128,721	61,291,410
Increase /i/	<u>53,887,379</u>	<u>37,837,311</u>
At 31 December of the current year	<u>153,016,100</u>	<u>99,128,721</u>

/i/ The increase in retained profit in the 2012 was performed by transferring of a portion of the profit from 2011 on the basis of the Decision of the Company Assembly in the amount of HRK 54,460,649 (Note 30), and by adjusting of the opening balance under IFRS 2 in the amount of 573,270 HRK.

30. PROFIT FOR THE YEAR

In 2012, the Company generated a net profit in the amount of HRK 42,530,311 (2011: HRK 57,326,999).

Pursuant to the Decision of the Company's General Assembly held on 19 September 2012, the profit for 2011 in the total amount of HRK 57,326,999 was to be allocated as follows: the amount of HRK 2,866,350 in legal reserves (Note 25) and the amount of HRK 54,837,311 to non allocated profit (Note 29).

ULJANIK PLOVIDBA D.D., PULA

NOTES TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2012

31. LONG-TERM PROVISIONS

<u>(in HRK)</u>	<u>2012</u>	<u>2011</u>
Accrued commitments to employees <i>/i/</i>	<u>1,956,929</u>	<u>1,990,894</u>
	<u>1,956,929</u>	<u>1,990,894</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 (2011.: HRK 914,940) and gross jubilee-awards amount to HRK 1,041,989 (2011.: HRK 1,075,954). The decrease in provisions was made with parallel accounting of earlier provisions as earnings in the amount of 33,965 kuna (Note 4).

32. LONG TERM LIABILITIES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

<u>(in HRK)</u>	<u>2012</u>	<u>2011</u>
Croatian bank for reconstruction and development – Zagreb <i>/i/</i>	-	1,600,484
Croatian bank for reconstruction and development – Zagreb <i>/ii/</i>	25,000,000	-
Raiffeisenbank Austria d.d. Zagreb <i>/ii/</i>	25,406,504	-
Croatian bank for reconstruction and development – Zagreb <i>/iii/</i>	25,000,000	-
Raiffeisenbank Austria d.d. Zagreb <i>/iii/</i>	24,958,165	-
Raiffeisenbank Austria d.d. Zagreb	14,316,985	18,914,805
Raiffeisenbank Austria d.d. Zagreb	35,376,004	72,749,250
	<u>150,057,658</u>	<u>93,264,539</u>
Current portion of long-term borrowings (Note 34)	<u>(58,582,536)</u>	<u>(25,607,736)</u>
Long-term borrowings	<u>91,475,122</u>	<u>67,656,803</u>

/i/ The long-term loan was paid in full in July 2012.

/ii/ In accordance with the Program of economic development, a Loan Agreement was entered into on 21.09.2012 with the Croatian Bank for Reconstruction and Development, Zagreb and Raiffeisenbank Austria d.d., Zagreb, whereby CBRD finances 50% of the loan principal i.e. the amount of HRK 25 million while Raiffeisenbank Austria d.d., Zagreb finances 50% in the counter-value in HRK up to an amount of EUR 3.370.000, with maturity on 30 September 2015.

ULJANIK PLOVIDBA D.D., PULA

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2012

/iii/ In accordance with the Program of economic development, a Loan Agreement was entered into on 17.10.2012 with the Croatian Bank for Reconstruction and Development, Zagreb and Raiffeisenbank Austria d.d., Zagreb, whereby CBRD finances 50% of the loan principal i.e. the amount of HRK 25 million while Raiffeisenbank Austria d.d., Zagreb finances 50% in the counter-value in HRK up to an amount of EUR 3.370.000, with maturity on 30 September 2015.

Long-term loans are secured by a pledge on the shares of the Company, by a lien on property owned by the Company, bills of exchange and promissory notes.

33. SHORT TERM BORROWINGS, DEPOSITS, ETC.

Short-term borrowings are as follows:

<u>(in HRK)</u>	<u>2012</u>	<u>2011</u>
Short term borrowings towards non financial institutions	<u>3,558,000</u>	<u>-</u>
	<u>3,558,000</u>	<u>-</u>

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

<u>(in HRK)</u>	<u>2012</u>	<u>2011</u>
Short-term financial liabilities	28,144,769	26,412,845
Plus: Current portion of long-term borrowings (Note 32)	<u>58,582,536</u>	<u>25,607,736</u>
	<u>86,727,305</u>	<u>52,020,581</u>

Short-term loans are secured by Company blank bills of exchange and promissory notes.

35. TRADE PAYABLES

<u>(in HRK)</u>	<u>2012</u>	<u>2011</u>
Domestic trade payables	<u>182,744</u>	<u>437,537</u>
	<u>182,744</u>	<u>437,537</u>

ULJANIK PLOVIDBA D.D., PULA

**NOTES TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2012**

36. COMMERCIAL BILLS

(in HRK)	2012	2011
Commercial bills /i/	-	70,000,000
	<u>-</u>	<u>70,000,000</u>

/i/ Liabilities for commercial bills were settled in full on 25 July 2012.

37. AMOUNTS DUE TO EMPLOYEES

(in HRK)	2012	2011
Net salaries payable	375,686	371,708
Taxes and contributions from and on salary	364,414	361,361
Other amounts due to employees	445,423	15,268
	<u>1,185,523</u>	<u>748,337</u>

38. TAXES, CONTRIBUTIONS AND OTHER DUTIES PAYABLE

(in HRK)	2012	2011
Income tax liability	-	802,518
VAT payable	-	7,069
	<u>-</u>	<u>809,587</u>

39. DIVIDENDS PAYABLE

(in HRK)	2012	2011
Outstanding dividends payable	2,555,391	2,614,254
	<u>2,555,391</u>	<u>2,614,254</u>

ULJANIK PLOVIDBA D.D., PULA

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2012

40. OTHER CURRENT LIABILITIES

(in HRK)	2012.	2011.
Interest	1,735,365	1,432,388
Supervisory Board (gross)	14,488	14,744
Other	25,855	12,776
	<u>1,775,708</u>	<u>809,587</u>

41. FINANCIAL RISK MANAGEMENT

41.1. 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.

ULJANIK PLOVIDBA D.D., PULA

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2012

41.2. 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.

42. 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)	2012	2011
Sales revenue:		
Income from management and other services (Note 3)	<u>18.639.988</u>	<u>13.729.107</u>
Other operating costs		
Entertainment costs (Note 8)	<u>25.672</u>	<u>11.677</u>
Financial income:		
Income from interests accrued to subsidiaries (Note 10)	<u>5.224.442</u>	<u>4.701.605</u>

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

(in HRK)	2012	2011
Investments in subsidiaries		
United Shipping Services One Inc. (Note 15.1)	447.075.992	429.366.260
Real d.o.o. Pula (Note 15.1)	<u>5.710.000</u>	<u>50.000</u>
	<u>452.785.992</u>	<u>429.416.260</u>
Receivables from operations		
Long-term receivables (Note 16)	67.649.186	92.315.161
Foreign trade debtors (Note 18)	14.839.110	19.226.629
Trade receivables (Note 18)	28.240	14.362
Related party receivables (Note 17)	78.394.982	56.685.547
Short-term financial assets (Note 21)	<u>26.071.260</u>	<u>35.361.694</u>
	<u>186.982.778</u>	<u>203.603.393</u>

**NOTES TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2012**

43. 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.

44. PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS

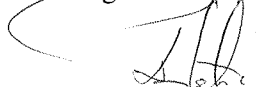
The financial statements set out on the preceding pages were prepared and authorized for issue by the management of the Company on 31 March 2013.

45. AUDIT OF THE FINANCIAL STATEMENTS

The financial statements of the Company for the year 2012 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 PERIOD 01-12/2012

The business activity of ULJANIK PLOVIDBA (the Company) and its foreign subsidiaries in the year 2012 was regular, although strongly affected by the negative fluctuations in the shipping market in both dry cargo and tanker sectors, and extraordinary increased expenses related to taking delivery of m/v Stoja and m/t Istra as well as the dry docking of m/v Volme and also delivery of m/t Pula.

In this period the Company:

- a) realized commercial loss as a result of operating losses of all vessels, increased by over 1.2 million USD due to writing off of the vessels
- b) continued with the Program of fleet renewal:
 - took delivery of m/v STOJA – Supramax 52,000 DWT,
 - took delivery of m/v ISTRA in the 3.MAJ Shipyard,
 - continued with construction of two 52,000 DWT Bulk Carriers of 52,000 DWT in the ULJANIK Shipyard,
- c) maintained constant employment of vessels with the continuation of the Company's fleet high efficiency trend – average of 359 days per vessel,
- d) fulfilled all its loan payment obligations (over 46 mil USD in total) with the positive effects of lower interest rates,
- e) decreased operating expenses of the vessels,
- f) 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,
- g) maintained high efficiency of vessels' management,
- h) full performance of Charterers with all vessels and with full collection of contracted freights,
- 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 result for the period I-XII 2012 has been under the direct impact of extremely low freight rates in the shipping market and integration into commercial exploitation of the new vessels in such low shipping market. The results are higher than in comparative period of 2011, solely because of the increased number of vessels. In addition to increased initial expenses related to commencement of commissioning of the new vessels, operating expenses of the vessels in exploitation have been distinctively reduced in the same time.

2. PERSONNEL

As at 31.12.2012 the Company had 32 employees. The Company employs exclusively Croatian seafarers on all vessels in its fleet.

3. TECHNICAL ASPECT

In the period January-December 2012 m/v Volme underwent regular Dry Docking; furthermore there were no significant technical stoppages in this period. The company keeps maintaining high efficiency of vessel exploitation. The average duration of off-hire per vessel in the year 2012 related to technical stoppages/maintenance was 0.42 days.

4. ACQUISITION OF TREASURY SHARES

In the period I-XII 2012, the Company acquired treasury shares in accordance with art. 233, section 3, point 2 of the Companies Act. The company acquired treasury shares in the amount of 5,043.8 thousand HRK and disposed of treasury shares in the amount of 935.5 thousand HRK.

5. IMPORTANT EVENTS IN 2012

On 15th February 2012 in ULJANIK Shipyard in Pula the Company took delivery of Hull no. 489 – m/v STOJA, a bulk carrier of 52,000 DWT. The vessel's commercial exploitation began after delivery.

On 24th March 2012 the 52,000 DWT Bulk Carrier, Hull no. 489 – m/v PUNTA was launched in the ULJANIK Shipyard. The delivery of the vessel is scheduled for the mid of the year 2013.

On 1th August 2012 in the 3.MAJ Shipyard in Rijeka the Company took delivery of Hull no. 713 – m/t ISTRA, a product carrier for the transportation of petroleum products and chemicals of 52,000 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 was repaid on 26th January 2012 in the amount of 70,000,000.00 HRK. The third tranche in the amount of 35,000,000.00 HRK has been listed on the Official Market of the Zagreb Stock Exchange on 31th January 2012, with maturity of 180 days. The third tranche was repaid in full on 26th July and no new tranche of commercial bills was issued.

According to the Bareboat Charter Party signed on 19th October 2012, m/t Ebony was given to a bareboat charter with charterer's obligation to purchase the vessel on expiry of the bareboat charter, at the latest after two years.

On 25th October 2012 the delivery of m/t PULA of 47,300 DWT, built in 2006 in the 3.MAJ Shipyard in Rijeka, took place, pursuant to the agreement on the sale of the vessel. After delivery the vessel was taken into a long-term leaseback, with a purchase option.

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. 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
- the volatility of USD exchange rate relative to 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, 29th April 2013

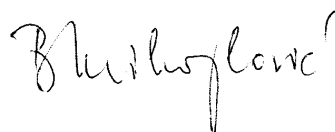
A handwritten signature in black ink, appearing to read 'D. Pavletić', written over a faint circular stamp.

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 2012, 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, 2012

At the meetings of ULJANIK PLOVIDBA's SUPERVISORY BOARD held on the 24th and 25th April 2013., the following

RESOLUTIONS

have been passed:

1. The director's Report on state and business of the Company for the year 2012 is accepted.

1.1. The Resolution proposal is referred to the General Assembly of the Company for passing of a separate resolution on acceptance of the director's Report on state and business of the company for the year 2012.

2. Approval is given to the Company's and Group's Yearly financial reports for the year 2012.

2.1. The Profit and loss statement for ULJANIK PLOVIDBA for the year 2012 is determined as follows:

	2011.	2012.
EARNINGS	101.910.402,30	94.771.866,65
EXPENSES	43.237.800,89	52.066.621,99
PROFIT	58.672.601,41	42.705.244,66
TAX	1.345.602,87	174.933,26
PROFIT	57.326.998,54	42.530.311,40

2.2. The consolidated Profit and loss statement for the ULJANIK PLOVIDBA Group is determined as follows:

	2011.	2012.
EARNINGS	264.412.048	279.373.852
EXPENSES	270.881.785	357.385.390
LOSS	-6.469.737	-78.011.538
TAX	1.345.603	174.933
LOSS OF MINORITY	888.070	3.335.653
LOSS	-6.927.270	-74.850.818

- 2.3. Approval is given to the Company Auditor's report - REVIDAS revizija i konzalting d.o.o.
- 2.4. By the given approval to the Yearly financial reports submitted by the Board of the Company, the Yearly financial reports are deemed determined in accordance with Article 300.d of the Companies Act.
- 2.5. The Director's proposal on application of profit is accepted, and the profit of ULJANIK PLOVIDBA d.d. for the year 2012. in the amount of 42.530.311,40 kunas is allocated as follows:
 - the amount of 2.126.515,57 kuns in statutory reserves,
 - the amount of 40.403.795,83 kunas in unallocated profit.
- 2.6. The resolution proposal is referred to the General Assembly for passing of a separate resolution on allocation of profit for the business year 2012.
3. The director's Report on state and business of the Company for the period 01-03/2013 is accepted.

ULJANIK PLOVIDBA d.d.

Dragutin Pavletić, director

