



**GROUP ULJANIK PLOVIDBA**

**CONSOLIDATED AUDITED FINANCIAL STATEMENTS**

**FOR THE PERIOD**

**JANUARY - DECEMBER 2013**

Pula, April 2014

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PLOVIDBA with Auditor's report for the period January – December  
2013

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**GROUP ULJANIK PLOVIDBA  
PULA**

**Audited annual consolidated financial statements  
for the year ended 31 December 2013**

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## **RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The Management of the Parent Company is responsible for ensuring that the 2013 consolidated financial statements are prepared in accordance with the Croatian Accounting Law and International Financial Reporting Standards ('IFRS'), as adopted by the European Union, which give a true and fair view of the financial position, results of operations, changes in equity and cash flows of the Group for that period.

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

In the course of preparing of these consolidated 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 consolidated financial statements; and
- the consolidated 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 Group and must also ensure that the consolidated financial statements comply with the Croatian Accounting Law and International Financial Reporting Standards as adopted by the European Union. The Management is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Parent Company Management by:

Dragutin Pavletić, director

ULJANIK PLOVIDBA d.d.

Carrarina 6  
52100 Pula

Pula, 31 March 2014



Revizija i konzalting d.o.o.

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## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GROUP ULJANIK PLOVIDBA PULA**

### **Report on consolidated financial statements**

We have audited the accompanying consolidated financial statements of the GROUP ULJANIK PLOVIDBA, Pula, which comprise the consolidated balance sheet as at 31 December 2013 and the related consolidated income statement with comprehensive income, consolidated statement of changes in equity and consolidated 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 Consolidated Financial Statements**

The Parent Company's Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Croatian Accounting Law and International Financial Reporting Standards as adopted by the European Union.. This responsibility includes: designing, implementing and maintaining of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the preparation and fair presentation of the consolidated 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 Parent Company's Management, as well as evaluating the overall presentation of the consolidated financial statements.

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

#### **Opinion**

In our opinion the consolidated financial statements present true and fair, in all material respects, the financial position of GROUP ULJANIK PLOVIDBA, Pula, as at 31 December 2013, the results of its operations, changes in its equity and its cash flows for the year then ended in accordance with Croatian Accounting Law and International Financial Reporting Standards as adopted by the European Union.

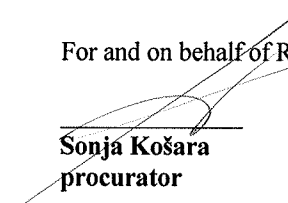
## Report on other legal requirements

### Opinion on compliance with regulations governing the operations of the Group

In our opinion, the attached consolidated financial statements are in accordance with those regulations that govern the Group's operations for which it is, according to Section 6a of the International Audit Standard 250 "Consideration of laws and regulations in an audit of financial statements", generally accepted that they have a direct impact on the determination of material amounts and disclosures in the consolidated financial statements, and nothing has drawn our attention that would cause us to believe that the accompanying consolidated financial statements do not comply with other regulations governing the operations of the Group.


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

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

  
**Sonja Košara**  
procurator



**Pula, 31 March 2014**

  
**Jasna Duić-Bilić**  
certified auditor

**GROUP ULJANIK PLOVIDBA, PULA**

**CONSOLIDATED INCOME STATEMENT WITH COMPREHENSIVE INCOME  
AS OF 31 DECEMBER 2013**

<b>(in HRK)</b>	<b>Notes</b>	<b>2013</b>	<b>2012</b>
Sales	3	227,654,116	215,597,544
Other operating income	4	5,782,644	15,850,438
<b>Operating income</b>		<b>233,436,760</b>	<b>231,447,982</b>
<i>Cost of raw material and supplies</i>		<i>(188,974)</i>	<i>(190,034)</i>
<i>Other external costs</i>		<i>(31,448,624)</i>	<i>(40,283,360)</i>
<b>Material costs</b>	5	<b>(31,637,598)</b>	<b>(40,473,394)</b>
<i>Staff costs</i>	6	<i>(84,375,959)</i>	<i>(85,618,144)</i>
<i>Depreciation</i>	7	<i>(124,003,683)</i>	<i>(127,043,185)</i>
<i>Other expenses</i>	8	<i>(19,255,674)</i>	<i>(19,745,382)</i>
<i>Other operating expenses</i>	9	<i>-</i>	<i>(7,176,713)</i>
<b>Operating expenses</b>		<b>(259,272,914)</b>	<b>(280,056,818)</b>
<b>Financial income</b>	10	<b>19,301,248</b>	<b>47,925,870</b>
<b>Financial expenses</b>	11	<b>(82,673,304)</b>	<b>(77,328,572)</b>
<b>TOTAL INCOME</b>		<b>252,738,008</b>	<b>279,373,852</b>
<b>TOTAL EXPENSES</b>		<b>341,946,218</b>	<b>357,385,390</b>
<b>LOSS BEFORE TAXATION</b>		<b>(89,208,210)</b>	<b>(78,011,538)</b>
<b>Loss of the minority interest</b>		<b>2,020,346</b>	<b>3,335,653</b>
Income tax expense	12	-	(174,933)
<b>LOSS FOR THE YEAR</b>		<b>(87,187,864)</b>	<b>(74,850,818)</b>
Loss from revaluation of financial assets		(800,000)	-
Exchange differences on translating foreign operations		(13,879,935)	(6,150,460)
		<b>(14,679,935)</b>	<b>(6,150,460)</b>
<b>Tax on net other comprehensive loss</b>		<b>2,935,987</b>	<b>1,230,092</b>
<b>Net other comprehensive loss</b>		<b>(11,743,948)</b>	<b>(4,920,368)</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(98,931,812)</b>	<b>(79,771,186)</b>

Signed on behalf of the Parent Company Management:

Dragutin Pavletić, director

Pula, 31 March 2014

**GROUP ULJANIK PLOVIDBA, PULA****CONSOLIDATED BALANCE SHEET  
AS OF 31 DECEMBER 2013**

<b>(in HRK)</b>	<b>Notes</b>	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>			
Concessions, patents, licences, trade and service marks, software and other rights		3,713	18,083
<b>Intangible assets</b>	14	<b>3,713</b>	<b>18,083</b>
Land and biological assets		3,410,129	3,448,335
Buildings		3,036,331	3,086,978
Vessels		1,839,693,750	2,022,902,769
Other plant and equipment		200,116	214,827
<b>Tangible assets</b>	15	<b>1,846,340,326</b>	<b>2,029,652,909</b>
<b>Long-term financial assets</b>	16	<b>4,816,821</b>	<b>5,817,941</b>
<b>Long-term receivables</b>	17	<b>17,778,736</b>	<b>17,102,124</b>
<b>LONG TERM ASSETS</b>		<b>1,868,939,596</b>	<b>2,052,591,057</b>
<b>Inventories</b>	18	<b>3,652,979</b>	<b>3,229,618</b>
Trade receivables	19	59,710,948	72,090,649
Amounts due from the state and other institutions	20	622,901	886,672
Other receivables	21	826,942	3,700,311
<b>Receivables</b>		<b>61,160,791</b>	<b>76,677,632</b>
<b>Short-term financial assets</b>	22	<b>6,017,154</b>	<b>16,765,012</b>
<b>Cash and cash equivalents</b>	23	<b>29,121,054</b>	<b>32,706,009</b>
<b>CURRENT ASSETS</b>		<b>99,951,978</b>	<b>129,378,271</b>
<b>Prepaid expenses and accrued income</b>	24	<b>5,729</b>	<b>4,837</b>
<b>TOTAL ASSETS</b>		<b>1,968,897,303</b>	<b>2,181,974,165</b>

**GROUP ULJANIK PLOVIDBA, PULA**

**CONSOLIDATED BALANCE SHEET - continued  
AS OF 31 DECEMBER 2013**

<b>(in HRK)</b>	<b>Notes</b>	<b>2013</b>	<b>2012</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	25	232,000,000	232,000,000
Capital reserves	26	(20,238,433)	(19,729,681)
Legal reserves	27	16,592,866	14,466,350
Reserves for Treasury shares	28	36,382,812	36,382,812
Treasury shares	29	(14,614,578)	(14,213,994)
Revaluation reserves	30	26,968,244	41,648,179
Retained profit	31	179,937,429	257,000,255
Loss of the year	32	(87,187,864)	(74,850,818)
Minority interest	33	147,518,498	129,891,023
<b>CAPITAL AND RESERVES</b>		<b>517,358,974</b>	<b>602,594,126</b>
Provisions for retirement costs, severance pays and similar liabilities	34	1,932,007	1,956,929
<b>LONG-TERM PROVISIONS</b>		<b>1,932,007</b>	<b>1,956,929</b>
Amounts due to banks and other financial institutions	35	1,183,693,660	1,164,183,526
<b>LONG-TERM LIABILITIES</b>		<b>1,183,693,660</b>	<b>1,164,183,526</b>
Amounts due to banks and other financial institutions	36	123,436,218	254,203,919
Trade payables	37	13,955,967	21,892,994
Amounts due to employees		770,252	752,923
Taxes, contributions and other duties payable	38	2,245	-
Dividends payable	39	2,546,327	2,555,392
Other short-term liabilities	40	34,071,117	36,972,601
<b>SHORT-TERM LIABILITIES</b>		<b>174,782,126</b>	<b>316,377,829</b>
Accrued expenses and deferred income	41	91,130,536	96,861,755
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,968,897,303</b>	<b>2,181,974,165</b>

**Signed on behalf of the Parent Company Management:**

Dragutin Pavletić, director



Pula, 31 March 2014

**GROUP ULJANIK PLOVIDBA, PULA**

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2013**

(in HRK)	Share capital	Capital reserves	Legal reserves	Reserves for treasury shares	Treasury shares	Revaluation reserves	Retained profit	Minority interest	Total
<b>At 31 December 2011</b>	<b>232,000,000</b>	<b>(19,217,000)</b>	<b>11,600,000</b>	<b>36,382,812</b>	<b>(10,105,730)</b>	<b>47,798,639</b>	<b>284,496,016</b>	<b>80,875,917</b>	<b>663,830,654</b>
Adjustment of share value	-	-	-	-	-	(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 losses	-	(512,681)	-	-	-	-	-	-	(512,681)
Transfer of the retained profit from USSO	-	-	-	-	-	-	(22,494,320)	-	(22,494,320)
Allocation of profit for 2011	-	-	2,866,350	-	-	-	(2,866,350)	-	-
Adjustment to retained earnings under the equity method	-	-	-	-	-	-	-	-	-
Loss for 2012	-	-	-	-	-	-	2,833,069	-	2,833,069
Adjustment of retained earnings as per IFRS 2	-	-	-	-	-	-	(74,850,818)	-	(74,850,818)
Exchange differences	-	-	-	-	-	-	(573,270)	-	(573,270)
Minority interest	-	-	-	-	-	-	(4,394,890)	-	(4,394,890)
<b>At 31 December 2012</b>	<b>232,000,000</b>	<b>(19,729,681)</b>	<b>14,466,350</b>	<b>36,382,812</b>	<b>(14,213,994)</b>	<b>41,648,179</b>	<b>182,149,437</b>	<b>129,891,023</b>	<b>602,594,126</b>
Adjustment of share value	-	-	-	-	-	(14,679,935)	-	-	(14,679,935)
Purchase of treasury shares	-	-	-	-	(1,327,232)	-	-	-	(1,327,232)
Sale of treasury shares	-	-	-	-	926,648	-	-	-	926,648
Capital losses	-	(508,752)	-	-	-	-	-	-	(508,752)
Allocation of profit for 2012	-	-	2,126,516	-	-	-	(2,126,516)	-	-
Adjustment to retained earnings under the equity method	-	-	-	-	-	-	-	-	-
Loss for 2013	-	-	-	-	-	-	2,488,021	-	2,488,021
Exchange differences	-	-	-	-	-	-	(87,187,864)	-	(87,187,864)
Minority interest	-	-	-	-	-	-	(2,573,513)	-	(2,573,513)
<b>At 31 December 2013</b>	<b>232,000,000</b>	<b>(20,238,433)</b>	<b>16,592,866</b>	<b>36,382,812</b>	<b>(14,614,578)</b>	<b>26,968,244</b>	<b>92,749,565</b>	<b>147,518,498</b>	<b>517,358,974</b>

**GROUP ULJANIK PLOVIDBA, PULA****CONSOLIDATED CASH-FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2013**

<b>(in HRK)</b>	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax	(89,208,210)	(78,011,538)
Depreciation	124,003,683	127,043,185
Increase in current liabilities	-	15,085,984
Decrease in short-term receivables	15,516,841	-
Decrease in inventories	-	3,457,496
Other increases in cash	45,636,647	37,116,678
<b>Total increase in cash from operating activities</b>	<b>95,948,961</b>	<b>104,691,802</b>
Decrease in current liabilities	(10,828,002)	-
Increase in short-term receivables	-	(72,380,476)
Increase in inventories	(423,361)	-
Other decreases in cash	(5,757,033)	(782,169)
<b>Total decrease in cash from operating activities</b>	<b>(17,008,396)</b>	<b>(73,162,645)</b>
<b>NET INCREASE IN CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>78,940,565</b>	<b>31,529,157</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash receipts from sale of long-term intangible and tangible property	-	94,397,004
<b>Total cash receipts from investing activities</b>	<b>-</b>	<b>94,397,004</b>
Cash paid for purchases of tangible and intangible assets	(77,683)	(394,430,611)
Purchase of debt or equity securities	-	(1,440,000)
<b>Total cash expenses from investing activities</b>	<b>(77,683)</b>	<b>(400,870,611)</b>
<b>NET DECREASE IN CASH FROM INVESTING ACTIVITIES</b>	<b>(77,683)</b>	<b>(306,473,607)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash receipts from the loan principal, debentures, advances and other loans	30,354,132	659,566,439
Other cash receipts from financial activities	54,356,200	52,350,759
<b>Total cash receipts from financial activities</b>	<b>84,710,332</b>	<b>711,917,198</b>
Cash expenses for the repayment of loan principal and bonds	(165,572,221)	(316,626,596)
Cash expenses for the purchase of treasury shares	(909,336)	(4,620,945)
Other cash expenses from financial activities	(676,612)	(112,275,966)
<b>Total cash expenses from financial activities</b>	<b>(167,158,169)</b>	<b>(433,523,507)</b>
<b>NET INCREASE IN CASH FROM FINANCING ACTIVITIES</b>	<b>-</b>	<b>278,393,691</b>
<b>NET DECREASE IN CASH FROM FINANCING ACTIVITIES</b>	<b>(82,447,837)</b>	<b>-</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>32,706,009</b>	<b>29,256,768</b>
<b>Increase in cash and cash equivalents</b>	<b>-</b>	<b>3,449,241</b>
<b>Decrease in cash and cash equivalents</b>	<b>(3,584,955)</b>	<b>-</b>
<b>Cash and cash equivalents at end of period</b>	<b>29,121,054</b>	<b>32,706,009</b>

## **GROUP ULJANIK PLOVIDBA, PULA**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013**

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#### **1. GENERAL**

The Group Uljanik Plovidba, Pula and the related Group companies are as follows:

- Uljanik Plovidba d.d. Pula, registered for trade, travel agency operations, coastal and off-shore shipping services, international maritime transport etc.;
- United Shipping Services One Inc., Monrovia, Liberia, 100% owned by Uljanik Plovidba d.d. and the sole owner of the companies 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 Twelve Inc., United Shipping Services Thirteen Inc., United Shipping Services Fourteen Inc., United Shipping Services Seventeen Inc., United Shipping Adriatic Inc., Uljanik Shipmanagement Inc. and Uljanik Tanker Management Inc., constitute the Group UNITED SHIPPING SERVICES ONE. The mentioned foreign companies' business activity is time-chartering of ships;
- Real d.o.o. Pula, registered for construction and agriculture, 100% owned by Uljanik Plovidba d.d.

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.

The ownership structure as at 31 December 2013 is shown in Note 25.

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

As at 31 December 2013, the number of staff employed by the Group Uljanik Plovidba, Pula was 32 (2012: 32).

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

##### **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 consolidated 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 under the going concern assumption.

## **GROUP ULJANIK PLOVIDBA, PULA**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013**

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

The preparation of consolidated 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 Group.

#### **2.3. Principles and methods of consolidation**

##### *a) Subsidiaries*

Subsidiaries are all entities over which the Group Uljanik Plovidba is entitled to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are consolidated from the date on which control commences and excluded from consolidation once the control terminates. Intra-group transactions between Group entities are eliminated at consolidation.

The consolidated financial statements of the Group consist of consolidated data from the year-end financial statements of Uljanik Plovidba d.d. Pula, Real d.o.o. Pula and the consolidated financial statements of the Group United Shipping Services One. The effects of all intra-group transactions have been eliminated at consolidation.

##### *b) Transactions and minority interests*

The Group is treating transactions with minority interests as transactions with the entities out of the Group. The results of sale to minority interests are gains/losses which are recognised in the Income statement.

#### **2.4. Reporting currency**

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

#### **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 CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2013**

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**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.

On 31 December 2013 the official exchange rate for the Croatian kuna was 7.64 HRK for 1 euro (on 31 December 2012 it was 7.55 HRK) and 5.55 HRK for 1 USD (on 31 December 2012 it was 5.73 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 5 years.

## **GROUP ULJANIK PLOVIDBA, PULA**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013**

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#### **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, vessels, office equipment and furniture.

According to the broker's valuation, the values of the ships have been adjusted to their market value.

When the market values exceed the carrying values they either need to be adjusted with the market values or value in use has to be calculated by estimating of future cash flows and discounting them by the use of the appropriate discount rate.

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.

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
Ships	20 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.

#### **2.12. Investments**

Investments in securities are stated at cost. Dividend income is recognised on receipt. Any permanent decrease in value of a certain investment is recognised as expense in the period in which it has been established.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2013**

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**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 Branch Office 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. Government grants**

Government grants related to assets of the subsidiaries (vessels) are recorded as deferred income and recognised as income over the periods necessary to match them with the related costs on a systematic basis.

**2.16. 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. Arrangement and commitments fees are capitalized and amortized over the facility period as an interest expense.

**2.17. Employee benefits**

*(a) Retirement benefits*

In the normal course of business, the Parent 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 Group 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 CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2013**

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**2.18. Provisions**

Provisions are recognised when the related Companies that constitute the Group have 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.

**2.19. 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.

**2.20. Contingencies**

Contingent liabilities are not recognized in the consolidated 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 consolidated financial statements but disclosed when an inflow of economic benefits is probable.

**2.21. Subsequent events**

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

**GROUP ULJANIK PLOVIDBA, PULA****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2013****3. REVENUES**

<b>(in HRK)</b>	<b>2013</b>	<b>2012</b>
Domestic revenue	522,626	531,230
Foreign revenue /i/	227,131,490	215,066,314
	<b>227,654,116</b>	<b>215,597,544</b>

/i/ Within the stated amount, freight revenue realized by companies within the Group United Shipping Services One amounts to HRK 226,361,196, while revenue from management services provided by the parent company to non affiliated company amounts to HRK 770,294.

**4. OTHER OPERATING REVENUES**

<b>(in HRK)</b>	<b>2013</b>	<b>2012</b>
Recognized part of deferred income (Note 41)	5,721,749	15,751,284
Income from reversal of provisions (Note 34)	24,922	33,965
Other revenues	35,973	65,189
	<b>5,782,644</b>	<b>15,850,438</b>

**5. COST OF MATERIAL AND SERVICES**

<b>(in HRK)</b>	<b>2013</b>	<b>2012</b>
Raw materials and supplies	101,495	98,386
Energy	85,070	85,706
Spare parts and small inventory	2,409	5,942
<b>Raw materials and supplies</b>	<b>188,974</b>	<b>190,034</b>
Operating ship expenses and docking expenses	22,686,618	30,597,379
Transport, telephone, postage	342,832	410,744
Repairs and maintenance	8,372,241	9,234,029
Rental costs	4,960	-
Promotion costs	24,722	23,404
Other	17,251	17,804
<b>Other external services</b>	<b>31,448,624</b>	<b>40,283,360</b>
	<b>31,637,598</b>	<b>40,473,394</b>

**GROUP ULJANIK PLOVIDBA, PULA****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2013****6. STAFF COSTS**

<b>(in HRK)</b>	<b>2013</b>	<b>2012</b>
Crew salaries based on contracts	75,206,869	76,155,745
Net salaries	4,758,332	4,972,095
Taxes and contributions <i>from and on</i> salary /i/	4,410,758	4,490,304
	<b><u>84,375,959</u></b>	<b><u>85,618,144</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>2013</b>	<b>2012</b>
Amortisation (Note 14)	19,939	45,992
Depreciation (Note 15)	123,983,744	126,997,193
	<b><u>124,003,683</u></b>	<b><u>127,043,185</u></b>

**8. OTHER EXPENSES**

<b>(in HRK)</b>	<b>2013</b>	<b>2012</b>
Marine insurance	11,940,649	11,949,520
Fees for administration and management services abroad	4,634,983	4,538,410
Reimbursement of costs to employees /i/	469,661	469,172
Intellectual services /ii/	158,108	175,938
Entertainment	205,002	167,455
Impairment of financial assets	-	267,003
Supervisory board (gross fees)	173,846	174,872
Contributions and municipal levies	161,978	172,856
Bank charges	645,931	911,208
Depository services and broker commission	206,513	253,965
Insurance	243,467	256,935
Donations	15,488	4,000
Other expenses /iii/	400,048	404,048
	<b><u>19,255,674</u></b>	<b><u>19,745,382</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.

/ii/ In the reported amount the audit of financial statements constitutes 79% of the costs.

**GROUP ULJANIK PLOVIDBA, PULA****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2013**

/iii/ Within the other expenses, membership fees amounts to HRK 135,232, legal and notary fees amounts to HRK 86,166, scholarships amounts to HRK 70,000, subsequently identified costs from the previous period amounts to HRK 48,863 and the rest amounts to HRK 59,787.

**9. OTHER OPERATING EXPENSES**

<b>(in HRK)</b>	<b>2013.</b>	<b>2012.</b>
Loss on sale of the vessels sold	-	7,176,713
	<u>-</u>	<u>7,176,713</u>

**10. FINANCIAL INCOME**

<b>(in HRK)</b>	<b>2013</b>	<b>2012</b>
Interest income	5,518,023	991,783
Foreign exchange gains	11,040,066	24,377,232
Transfer of the retained profit from United Shipping Services One Inc.	-	22,494,320
Dividend income	923	62,535
Other financial income (United Shipping Services Six Inc.)	2,742,236	-
	<u>19,301,248</u>	<u>47,925,870</u>

**11. FINANCIAL EXPENSE**

<b>(in HRK)</b>	<b>2013</b>	<b>2012</b>
Interest expense	63,639,246	50,118,075
Foreign exchange losses	18,832,956	27,066,551
Expense from value adjustment of the investments	201,102	143,946
	<u>82,673,304</u>	<u>77,328,572</u>

## GROUP ULJANIK PLOVIDBA, PULA

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

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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>2013</b>	<b>2012</b>
<b>(Loss)/Profit of the parent company before tax</b>	<b>(4,073,828)</b>	<b>18,845,062</b>
Effect of tax disallowable expenses	3,732,951	4,623,040
Effect of non-taxable profit	<u>(35,560)</u>	<u>(22,593,435)</u>
<b>Taxable profit for the year</b>	<b><u>(376,437)</u></b>	<b><u>874,667</u></b>
Tax rate	<u>20.00%</u>	<u>20.00%</u>
<b>Tax liability for the year</b>	<b><u>-</u></b>	<b><u>174,933</u></b>

#### 13. LOSSES PER SHARE

Losses per share in the amount of HRK 160.47 (in 2012: HRK 136.56) have been determined on the basis of the Group's consolidated loss in the amount of HRK 87,187,864 (in 2012: HRK 74,850,818) and the weighted average of ordinary shares, reduced for treasury shares, that was 543,327 (2012: 548,144).

**GROUP ULJANIK PLOVIDBA, PULA**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2013**

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**14. INTANGIBLE ASSETS**

<b>(in HRK)</b>	<b>Total</b>
<b>PURCHASE VALUE</b>	
At 31 December 2011	<b>169,945</b>
Additions	2,265
At 31 December 2012	<b>172,210</b>
Additions	5,569
Retirements, disposals and other	(6,700)
At 31 December 2013	<b>171,079</b>
<b>ACCUMULATED AMORTISATION</b>	
At 31 December 2011	<b>108,135</b>
Amortisation	45,992
At 31 December 2012	<b>154,127</b>
Amortisation	19,939
Retirements, disposals and other	(6,700)
At 31 December 2013	<b>167,366</b>
<b>NET BOOK VALUE</b>	
At 31 December 2013	<b>3,713</b>
At 31 December 2012	<b>18,083</b>

Intangible assets consist of investments in software.

**GROUP ULJANIK PLOVIDBA, PULA**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2013**

**15. PROPERTY, PLANT AND EQUIPMENT**

<b>(in HRK)</b>	<b>Land and buildings</b>	<b>Plant and equipment</b>	<b>Vessels</b>	<b>Total</b>
<b>Cost</b>				
<b>At 31 December 2011</b>	<b>8,690,791</b>	<b>1,554,511</b>	<b>2,293,162,230</b>	<b>2,303,407,532</b>
Additions /i/	-	48,794	399,379,552	399,428,346
Retirements, disposals and other /ii/	-	(210,828)	(168,457,654)	(168,668,482)
Exchange differences	-	-	(38,806,701)	(38,806,701)
<b>At 31 December 2012</b>	<b>8,690,791</b>	<b>1,392,477</b>	<b>2,485,277,427</b>	<b>2,495,360,695</b>
Additions	-	72,114	-	72,114
Retirements, disposals and other	-	(84,034)	-	(84,034)
Exchange differences	-	-	(77,157,902)	(77,157,902)
<b>At 31 December 2013</b>	<b>8,690,791</b>	<b>1,380,557</b>	<b>2,408,119,525</b>	<b>2,418,190,873</b>
<b>Accumulated depreciation</b>				
<b>At 31 December 2011</b>	<b>2,066,623</b>	<b>1,185,369</b>	<b>411,773,131</b>	<b>415,025,123</b>
Depreciation charge for the year	88,855	144,583	126,763,755	126,997,193
Retirements, disposals and other	-	(152,302)	(66,883,937)	(67,036,239)
Exchange differences	-	-	(9,278,291)	(9,278,291)
<b>At 31 December 2012</b>	<b>2,155,478</b>	<b>1,177,650</b>	<b>462,374,658</b>	<b>465,707,786</b>
Depreciation charge for the year	88,853	84,739	123,810,151	123,983,743
Retirements, disposals and other	-	(81,948)	-	(81,948)
Exchange differences	-	-	(17,759,034)	(17,759,034)
<b>At 31 December 2013</b>	<b>2,244,331</b>	<b>1,180,441</b>	<b>568,425,775</b>	<b>571,850,547</b>
<b>Net book value</b>				
<b>At 31 December 2013</b>	<b>6,446,460</b>	<b>200,116</b>	<b>1,839,693,750</b>	<b>1,846,340,326</b>
<b>At 31 December 2012</b>	<b>6,535,313</b>	<b>214,827</b>	<b>2,022,902,769</b>	<b>2,029,652,909</b>

**GROUP ULJANIK PLOVIDBA, PULA****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2013**

The Company has determined that the value of the ships, which was calculated by using the estimated future cash flows method and discounting them at the appropriate discount rate, is higher than their current values expressed in the books. Pursuant to the above, there was no need for impairment of ships at the balance sheet date.

**16. LONG-TERM FINANCIAL ASSETS**

<b>(in HRK)</b>	<b>Holding in %</b>	<b>2013</b>	<b>2012</b>
<b>Investments in subsidiaries and shares</b>			
- United Shipping Adriatic Inc. (100 USD)	0,0007%	555	573
- Istarska kreditna banka d.d. Umag		8,300	8,300
- Istarska autocesta d.o.o. Pula /i/	23,425%	4,167,956	4,369,058
- Uljanik d.d. Pula /ii/		640,000	1,440,000
- Other investments		10	10
		<u>4,816,821</u>	<u>5,817,941</u>

/i/ According to the provisions of IFRS, holding of 20% or more of the share capital is recorded by applying the equity method, meaning that the investments have been adjusted with the associate's equity, with parallel crediting of the income statement (Note 11).

/ii/ In accordance with the adopted accounting policy, investments in securities are valued at fair value at the balance sheet date. Unrealized losses from investments in assets available for sale were attributed to equity as a revaluation reserve.

**17. LONG-TERM RECEIVABLES**

<b>(in HRK)</b>	<b>2013</b>	<b>2012</b>
Long-term receivables of the subsidiaries	5,892,649	5,788,036
Long-term receivables of the parent company	<u>11,886,087</u>	<u>11,421,413</u>
Total long-term receivables	<u>17,778,736</u>	<u>17,209,449</u>
Current portion of long-term receivables (Note 22)	-	(107,325)
Long-term portion of receivables	<u>17,778,736</u>	<u>17,102,124</u>

**GROUP ULJANIK PLOVIDBA, PULA****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2013****18. INVENTORIES**

<b>(in HRK)</b>	<b>2013</b>	<b>2012</b>
Foodstuff, fuel and lubricant supplies on ships	<u>3,652,979</u>	<u>3,229,618</u>
	<b><u>3,652,979</u></b>	<b><u>3,229,618</u></b>

**19. TRADE RECEIVABLES**

<b>(in HRK)</b>	<b>2013</b>	<b>2012</b>
Domestic trade debtors	370,556	255,814
Foreign trade debtors	<u>59,340,392</u>	<u>71,834,835</u>
	<b><u>59,710,948</u></b>	<b><u>72,090,649</u></b>

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

<b>(in HRK)</b>	<b>2013</b>	<b>2012</b>
Income tax refund	531,196	806,928
VAT refund	77,091	67,191
Refund of contributions which do not depend on the operational result	<u>14,614</u>	<u>12,553</u>
	<b><u>622,901</u></b>	<b><u>886,672</u></b>

**21. OTHER CURRENT ASSETS**

<b>(in HRK)</b>	<b>2013</b>	<b>2012</b>
Advances to vessels for the current costs	595,270	702,226
Receivables from the insurers and agents of foreign companies	158,195	186,192
Interest receivables	19,198	157,200
Other receivables	<u>54,279</u>	<u>2,654,653</u>
	<b><u>826,942</u></b>	<b><u>3,700,311</u></b>

**GROUP ULJANIK PLOVIDBA, PULA****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2013**

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**22. SHORT-TERM FINANCIAL ASSETS**

<b>(in HRK)</b>	<b>2013</b>	<b>2012</b>
Total short-term financial assets	6,017,154	16,657,687
Plus: Current portion of long-term receivables (Note 17)	-	107,325
	<u><b>6,017,154</b></u>	<u><b>16,765,012</b></u>

**23. CASH AND CASH EQUIVALENTS**

<b>(in HRK)</b>	<b>2013</b>	<b>2012</b>
Current account balance	28,778,109	32,675,497
Foreign account balance	333,084	7,567
Cash in hand	9,861	22,945
	<u><b>29,121,054</b></u>	<u><b>32,706,009</b></u>

**24. PREPAID EXPENSES AND ACCRUED INCOME**

<b>(in HRK)</b>	<b>2013</b>	<b>2012</b>
Prepaid expenses	5,729	4,837
	<u><b>5,729</b></u>	<u><b>4,837</b></u>

**25. SHARE CAPITAL**

At 31 December 2013, the share capital of the Parent Company amounted to HRK 232,000,000 and consisted of 543,324 ordinary shares, with a nominal value of HRK 400 per share, and of 36,673 treasury shares.

In the ownership structure as at 31 December 2013, small shareholders accounted for 93.68% and treasury shares accounted for 6.32%.

**GROUP ULJANIK PLOVIDBA, PULA****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2013****26. CONSOLIDATED CAPITAL RESERVES**

<b>(in HRK)</b>	<b>2013</b>	<b>2012</b>
At 31 December of the prior year	(19,729,681)	(19,217,000)
Decrease	<u>(508,752)</u>	<u>(512,681)</u>
<b>At 31 December of the current year</b>	<b><u>(20,238,433)</u></b>	<b><u>(19,729,681)</u></b>

**27. CONSOLIDATED LEGAL RESERVES**

<b>(in HRK)</b>	<b>2013</b>	<b>2012</b>
At 31 December of the prior year	14,466,350	11,600,000
Increase /i/	<u>2,126,516</u>	<u>2,866,350</u>
<b>At 31 December of the current year</b>	<b><u>16,592,866</u></b>	<b><u>14,466,350</u></b>

/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.

**28. CONSOLIDATED RESERVES FOR TREASURY SHARES**

<b>(in HRK)</b>	<b>2013</b>	<b>2012</b>
At 31 December of the prior year	36,382,812	36,382,812
Increase / Decrease	<u>-</u>	<u>-</u>
<b>At 31 December of the current year</b>	<b><u>36,382,812</u></b>	<b><u>36,382,812</u></b>

**29. TREASURY SHARES (DEDUCTIBLE ITEM)**

<b>(in HRK)</b>	<b>2013</b>	<b>2012</b>
At 31 December of the prior year	(14,213,994)	(10,105,730)
Purchase of treasury shares	(1,327,232)	(5,043,770)
Sale of treasury shares	<u>926,648</u>	<u>935,506</u>
<b>At 31 December of the current year</b>	<b><u>(14,614,578)</u></b>	<b><u>(14,213,994)</u></b>

**GROUP ULJANIK PLOVIDBA, PULA****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2013**

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**30. CONSOLIDATED REVALUATION RESERVES**

<b>(in HRK)</b>	<b>2013</b>	<b>2012</b>
At 31 December of the prior year	<b>41,648,179</b>	<b>47,798,639</b>
Increase / Decrease	<u>(14,679,935)</u>	<u>(6,150,460)</u>
<b>At 31 December of the current year</b>	<b><u>26,968,244</u></b>	<b><u>41,648,179</u></b>

/i/ The decrease in revaluation reserves was a consequence of investment adjustments into foreign subsidiaries in 2013 in accordance with the mean exchange rate for the USD at the end of the accounting period in the amount of HRK 13,879,935 and of the revaluation of financial assets at fair value at the balance sheet date in the amount of HRK 800,000.

**31. CONSOLIDATED RETAINED PROFIT**

<b>(in HRK)</b>	<b>2013</b>	<b>2012</b>
At 31 December of the prior year	257,000,255	291,423,286
Increase	2,488,021	2,833,069
Decrease /i/	<u>(79,550,847)</u>	<u>(37,256,100)</u>
<b>At 31 December of the current year</b>	<b><u>179,937,429</u></b>	<b><u>257,000,255</u></b>

/i/ Increase in retained earnings in 2013 was achieved by adjusting of the participating shares in accordance with IAS 28 (Note 17), while the decrease appeared by the transfer of loss from 2012, transfer of retained profit, correction of the opening balance based on IFRS 2, transfer of part of the profit into legal reserves and adjustment of the exchange rate differences.

**32. CONSOLIDATED LOSS FOR THE CURRENT YEAR**

In 2013, the Group generated a net consolidated loss in the amount of HRK 87,187,864 (2012: HRK 74,850,818).

## GROUP ULJANIK PLOVIDBA, PULA

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

#### 33. MINORITY INTEREST

(in HRK)	2013	2012
<b>Related Company: Uljanik Brodogradilište d.d. Pula</b>		
% of minority interest /i/	45%	45%
Share capital USD 27,675,090 (2012: 23,417,590)	153,569,074	134,107,714
Exchange differences	257,193	70,732
Loss carried forward	(4,287,423)	(951,770)
Loss of the current year	<u>(2,020,346)</u>	<u>(3,335,653)</u>
<b>Net-capital of minority interest</b>	<b><u>147,518,498</u></b>	<b><u>129,891,023</u></b>

/i/ Pursuant to the Agreement on the purchase of shares, the Contract of investment dated 28 October 2011 and the Contract of investment dated 15 February 2012, Uljanik Brodogradilište d.d. Pula owns a 45% stake in the capital of the company United Shipping Services Twelve Inc. and a 45% stake in the capital of the company United Shipping Services Thirteen Inc.

Increase in the amount of USD 4,257,500 was the result of the Contract of transfer of the investment concluded on 2 April 2013 between Uljanik Brodogradilište d.d. Pula and United Shipping Services One Inc. Monrovia, on the basis of converting receivables in share capital.

#### 34. LONG-TERM PROVISIONS

(in HRK)	2013	2012
Accrued commitments to employees /i/	<u>1,932,007</u>	<u>1,956,929</u>
	<b><u>1,932,007</u></b>	<b><u>1,956,929</u></b>

/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 1,017,067 (2012: HRK 1,041,989). Decrease in provisions was carried out with parallel recognizing in revenue of previous provisions in the amount of HRK 24,922 (Note 4).

**GROUP ULJANIK PLOVIDBA, PULA****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2013****35. LONG TERM LIABILITIES TO BANKS AND OTHER CREDITORS**

<b>(in HRK)</b>	<b>2013</b>	<b>2012</b>
<b>Related companies:</b>		
Credit Suisse /i/	438,780,765	470,854,575
Bayerische Hypo und Vereinsbank AG – United Shipping Services Nine Inc.	107,658,924	119,767,306
ABN AMRO Bank - United Shipping Services Fourteen Inc. /ii/	181,458,710	202,784,393
Zagrebačka banka d.d. Zagreb - United Shipping Services Thirteen Inc.	110,848,211	118,308,406
Privredna banka Zagreb d.d., Zagreb - United Shipping Services Seventeen Inc.	181,868,475	192,635,033
BM Product Tanker, Oslo - United Shipping Services Eight Inc.	95,436,003	102,984,873
	<b>1,116,051,088</b>	<b>1,207,334,586</b>
<b>Parent company:</b>		
HBOR/RBA d.d. PRG 1	42,263,614	50,406,504
HBOR/RBA d.d. PRG 2	41,885,442	49,958,165
Raiffeisenbank Austria d.d. Zagreb	-	49,692,989
HBOR/RBA d.d. PRG 3	23,594,982	-
	<b>107,744,038</b>	<b>150,057,658</b>
 Total long-term borrowings including current portion	 <b>1,223,795,126</b>	 <b>1,357,392,244</b>
 Capitalized borrowing costs	 (7,855,655)	 (9,406,378)
Current portion of long-term borrowings (Note 36)	(32,245,811)	(183,802,340)
 Long-term borrowings	 <b>1,183,693,660</b>	 <b>1,164,183,526</b>

/i/ Loans are granted to related companies United Shipping Services Three Inc., United Shipping Services Four Inc., United Shipping Services Six Inc., United Shipping Services Ten Inc. and United Shipping Services Eleven Inc.

/ii/ Loans are granted to related companies United Shipping Services Fourteen Inc. and United Shipping Services Twelve Inc.

On 23 and 30 October 2013 the Company signed agreements on restructuring of financial indebtedness with the syndicate of banks by which the actual repayment terms of the loans covered by said agreements have been modified.

Long-term borrowings are secured by pledging of shares of the foreign subsidiaries, by first priority mortgages over the ships Levan, Volme, Pula, Marlera, Kastav, Verige, Veruda, Stoja, Pomer i Istra. They are also secured by assignment of insurances and pledging of earnings and retention accounts as

**GROUP ULJANIK PLOVIDBA, PULA****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2013**

well as by pledging of shares of the parent company and shares in company Istarska autocesta d.d. Pula. Furthermore, they are secured by a lien on the property owned by the parent company and the subsidiary, bills of exchange and promissory notes.

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

Short-term borrowings are as follows:

<b>(in HRK)</b>	<b>2013</b>	<b>2012</b>
Borrowings of the Parent Company	91,190,407	31,702,769
Borrowings of the Group	-	38,698,810
	<b>91,190,407</b>	<b>70,401,579</b>
Current portion of long-term borrowings (Note 35)	32,245,811	183,802,340
	<b>123,436,218</b>	<b>254,203,919</b>

Return of short-term borrowings is secured by own blank bills of exchange and promissory notes.

**37. TRADE PAYABLES**

<b>(in HRK)</b>	<b>2013</b>	<b>2012</b>
Domestic trade payables	466,181	182,744
Foreign trade payables	13,489,786	21,710,250
	<b>13,955,967</b>	<b>21,892,994</b>

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

<b>(in HRK)</b>	<b>2013</b>	<b>2012</b>
Other	2,245	-
	<b>2,245</b>	<b>-</b>

**39. DIVIDENDS PAYABLE**

<b>(in HRK)</b>	<b>2013</b>	<b>2012</b>
Outstanding dividends payable	2,546,327	2,555,392
	<b>2,546,327</b>	<b>2,555,392</b>

**GROUP ULJANIK PLOVIDBA, PULA****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2013****40. OTHER SHORT-TERM LIABILITIES**

<b>(in HRK)</b>	<b>2013</b>	<b>2012</b>
Due to brokers and ship lessees	9,067,583	10,585,373
Due to crew	12,113,747	10,466,198
Interest payable	7,655,009	9,296,630
Due to agents	4,210,876	4,163,336
Accruals and other liabilities	1,023,902	2,461,064
	<b>34,071,117</b>	<b>36,972,601</b>

**41. DEFERRED INCOME**

<b>(in HRK)</b>	<b>2013</b>	<b>2012</b>
Deferred income /i/	91,082,058	96,803,807
Other	48,478	57,948
	<b>91,130,536</b>	<b>96,861,755</b>

/i/ Decrease in deferred revenue in 2013 in the amount of HRK 5,721,749 represents a portion of the pertaining subsidy for the year 2013, according to the plan of recognition of revenue (Note 4).

**42. FINANCIAL RISK MANAGEMENT****42.1. Financial risk factors**

The Group'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 parent 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 Group to the credit risk consist of cash, trade receivables and other short-term receivables. The Group'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.

## **GROUP ULJANIK PLOVIDBA, PULA**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013**

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In the opinion of the Group 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.

#### **42.2. 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.

The carrying value of vessels is in compliance with world market value of vessels or with the values obtained by using the estimated future cash flows and discounting them by applying the appropriate discount rate.

### **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 31 the management is of the opinion that no other significant judgments should be disclosed in the consolidated financial statements.

## **GROUP ULJANIK PLOVIDBA, PULA**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013**

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#### **44. PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

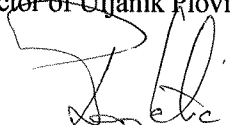
The consolidated financial statements set out on the preceding pages were prepared and authorized for issue by the management of the parent company on 31<sup>st</sup> March 2014.

#### **45. AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements of the Group for the year 2013 were audited by the audit firm REVIDAS d.o.o., Vukovarska 47, Pula.

For the **GROUP ULJANIK PLOVIDBA** Pula:

Dragutin Pavletić,  
Director of Uljanik Plovidba d.d. Pula



## MANAGEMENT REPORT FOR THE PERIOD 01-12/2013

The business activity of ULJANIK PLOVIDBA (the Company) and its foreign subsidiaries in the year 2013 was regular, although strongly affected by the negative fluctuations in the shipping market in both dry cargo and tanker sectors.

In this period the Company:

- a) maintained regular and stable business operation, despite strong negative trends in the shipping market in dry cargo sector as well oil products and chemicals sector, in the period January-December 2013,
- b) realized commercial loss as a result of operating losses of vessels in connection to the negative developments in the global shipping market, with a strong influence of the high financial costs and foreign exchange losses, while maintaining high rates of depreciation,
- c) maintained the existing fleet,
- d) continued to deal with first class international Charterers, with full performance of the Charterers and full collection of freights,
- e) maintained constant employment of vessels with the continuation of the Company's fleet high efficiency trend,
- f) decreased operating expenses of the vessels,
- 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 operating result for the reporting period has been under the direct impact of the low freight rates in the shipping market and has been slightly higher with respect to the year 2012, particularly due to the increase of the freight rates in the last quarter of 2013. The total result was lower due to lower financial income recorded in the current period. Significant savings have been achieved on the expenditure side primarily by reducing operating costs.

### 2. PERSONNEL

As at 31<sup>th</sup> December 2013 the Company had 32 employees. The Company employs exclusively Croatian seafarers on all vessels in its fleet.

### **3. TECHNICAL ASPECT**

In the year 2013 significant work on the maintenance of the main engine, hull and cargo holds on the m/v Veruda was carried out by the Chinese shipyard, furthermore there were no significant technical stoppages in this period, resulting with 99.31% efficiency of the vessel exploitation.

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

In the period I-XII 2013, 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 1,327.2 thousand HRK and disposed of treasury shares in the amount of 926.6 thousand HRK.

### **5. IMPORTANT EVENTS IN 2013**

On 15<sup>th</sup> January 2013 the subsidiary United Shipping Seviles One Inc. has entered into a contract on the sale of 100% of its own shares in United Shipping Services Fifteen Inc. to Uljanik Brodogradilište d.d. Pula.

On 27<sup>th</sup> March 2013 the subsidiary United Shipping Seviles One Inc. has entered into a contract on the sale of 100% of its own shares in United Shipping Services Sixteen Inc. to Uljanik Brodogradilište d.d. Pula.

On 30<sup>th</sup> August 2013 the General Assembly was held which passed the resolution on sharing of the profit for the year 2012. The profit of USD 42,530,311.40 HRK was distributed as follows: 2,126,515.57 HRK to the legal reserves and 40,403,795.83 HRK to retained profit.

On 23<sup>th</sup> and 30<sup>th</sup> October 2013 the Company signed agreements on restructuring of financial indebtedness with the syndicate of banks.

On 1<sup>st</sup> August 2013 the vessel m/t Punta was taken in the full management by the Company.

### **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, 31<sup>st</sup> March 2014

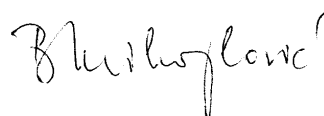
A handwritten signature in black ink, appearing to read 'D. Pavletić'.

Dragutin Pavletić, Director

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

Audited consolidated financial reports of GROUP ULJANIK PLOVIDBA for the period January – December 2013, 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 ULJANIK PLOVIDBA d.d. and the companies included in the consolidation.

Accounting manager



Bojana Mihajlović

Pula, 31<sup>st</sup> March, 2014

At the meeting of ULJANIK PLOVIDBA d.d. Supervisory Board held on the 30th April 2014, the following

## RESOLUTIONS

have been passed:

1. The director's Report on state and business of the Company for the year 2013. 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 2013.

2. Approval is given to the Company's and Group's Yearly financial reports for the year 2013.

2.1. The Profit and loss statement for ULJANIK PLOVIDBA for the year 2013. is determined as follows:

	2013.	2012.
EARNINGS	36.504.385,61	94.771.866,65
EXPENSES	40.578.213,93	52.066.621,99
LOSS/PROFIT	-4.073.828,32	42.705.244,66
TAX	-	174.933,26
LOSS/PROFIT	-4.073.828,32	42.530.311,40

2.2. The consolidated Profit and loss statement for the ULJANIK PLOVIDBA Group for the year 2013. is determined as follows:

	2013.	2012.
EARNINGS	252.738.008	279.373.852
EXPENSES	341.946.218	357.385.390
LOSS	-89.208.210	-78.011.538
TAX	-	174.933
LOSS OF MINORITY	2.020.346	3.335.653
NET LOSS	-87.187.864	-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.
3. The proposal of the Director of the Company on loss cover is accepted, and the loss of the company ULJANIK PLOVIDBA d.d. for the year 2013. in the amount of 4.073.828,32 kunas will be covered by the retained profit.
- 3.1. The resolution proposal is referred to the General Assembly for passing of a separate resolution on loss cover for the business year 2013.
4. The director's Report on state and business of the Company for the period 01-03/2014. is accepted.

ULJANIK PLOVIDBA d.d.

Dragutin Pavletić, director

