GROUP ULJANIK PLOVIDBA

CONSOLIDATED AUDITED FINANCIAL STATEMENTS

FOR THE PERIOD

JANUARY - DECEMBER 2014

Pula, April 2015

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GROUP ULJANIK PLOVIDBA
PULA

Audited annual consolidated financial statements for the year ended 31 December 2014

ULJANIK PLOVIDBA

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RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Management of the Parent Company is responsible for ensuring that the 2014 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 2015

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 2014 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 36).

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 2014, 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

Pula, 31 March 2015

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

Sonja Košara
procurator

REVIZIJA I KONZALTING
REVIDAS
d.o.o PULA

Jasna Duić-Bilić
certified auditor

GROUP ULJANIK PLOVIDBA, PULA

CONSOLIDATED INCOME STATEMENT WITH COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

(in HRK)	Notes	2014	2013
Sales	3	234,867,042	227,654,116
Other operating income	4	7,409,281	5,782,644
Operating income		**242,276,323**	**233,436,760**
Cost of raw material and supplies		*(204,810)*	*(188,974)*
Other external costs		*(46,079,776)*	*(31,448,624)*
Material costs	5	***(46,284,586)***	***(31,637,598)***
Staff costs	6	***(87,578,720)***	***(84,375,959)***
Depreciation	7	***(111,511,349)***	***(124,003,683)***
Other expenses	8	***(17,822,898)***	***(19,255,674)***
Other operating expenses	9	***(20,863,017)***	-
Operating expenses		**(284,060,570)**	**(259,272,914)**
Financial income	10	**30,870,188**	**19,301,248**
Financial expenses	11	**(66,902,594)**	**(82,673,304)**
TOTAL INCOME		**273,146,511**	**252,738,008**
TOTAL EXPENSES		**(350,963,164)**	**341,946,218**
LOSS BEFORE TAXATION		**(77,816,653)**	**(89,208,210)**
Loss of the minority interest	34	**1,368,796**	**2,020,346**
Income tax expense	12	-	-
Tonnage tax	13	(316,305)	-
LOSS FOR THE YEAR		**(76,764,162)**	**(87,187,864)**
Loss from revaluation of financial assets		(144,000)	(800,000)
Exchange differences on translating foreign operations		65,051,011	(13,879,935)
		64,907,011	**(14,679,935)**
Tax on net other comprehensive loss		(12,981,402)	2,935,987
Net other comprehensive loss		**51,925,609**	**(11,743,948)**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(24,838,553)**	**(98,931,812)**

Signed on behalf of the Parent Company Management:

Dragutin Pavletić, director

Pula, 31 March 2015

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

GROUP ULJANIK PLOVIDBA, PULA

CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2014

(in HRK)	Notes	2014	2013
ASSETS			
Concessions, patents, licences, trade and service marks, software and other rights		928	3,713
Intangible assets	15	**928**	**3,713**
Land and biological assets		3,371,925	3,410,129
Buildings		2,985,683	3,036,331
Vessels		1,947,809,966	1,839,693,750
Other plant and equipment		164,874	200,116
Tangible assets	16	**1,954,332,448**	**1,846,340,326**
Long-term financial assets	17	**4,507,998**	**4,816,821**
Long-term receivables	18	**18,040,577**	**17,778,736**
LONG TERM ASSETS		**1,976,881,951**	**1,868,939,596**
Inventories	19	**3,698,434**	**3,652,979**
Trade receivables	20	5,575,771	59,710,948
Amounts due from the state and other institutions	21	264,664	622,901
Other receivables	22	1,186,103	826,942
Receivables		**7,026,538**	**61,160,791**
Short-term financial assets	23	**5,599,111**	**6,017,154**
Cash and cash equivalents	24	**36,876,409**	**29,121,054**
CURRENT ASSETS		**53,200,492**	**99,951,978**
Prepaid expenses and accrued income	25	**4,950**	**5,729**
TOTAL ASSETS		**2,030,087,393**	**1,968,897,303**

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

GROUP ULJANIK PLOVIDBA, PULA

CONSOLIDATED BALANCE SHEET - continued
AS OF 31 DECEMBER 2014

(in HRK)	Notes	2014	2013
EQUITY AND LIABILITIES			
Share capital	26	232,000,000	232,000,000
Capital reserves	27	(20,477,001)	(20,238,433)
Legal reserves	28	16,592,866	16,592,866
Reserves for Treasury shares	29	36,382,812	36,382,812
Treasury shares	30	(15,022,426)	(14,614,578)
Revaluation reserves	31	91,875,255	26,968,244
Retained profit	32	81,948,978	179,937,429
Loss of the year	33	(76,764,162)	(87,187,864)
Minority interest	34	166,039,219	147,518,498
CAPITAL AND RESERVES		**512,575,541**	**517,358,974**
Provisions for retirement costs, severance pays and similar liabilities	35	1,770,801	1,932,007
LONG-TERM PROVISIONS		**1,770,801**	**1,932,007**
Amounts due to banks and other financial institutions	36	1,157,558,305	1,183,693,660
LONG-TERM LIABILITIES		**1,157,558,305**	**1,183,693,660**
Amounts due to banks and other financial institutions	37	205,063,918	123,436,218
Trade payables	38	18,137,770	13,955,967
Amounts due to employees	39	4,062,702	770,252
Taxes, contributions and other duties payable	40	4,076	2,245
Dividends payable	41	2,538,293	2,546,327
Other short-term liabilities	42	42,974,236	34,071,117
SHORT-TERM LIABILITIES		**272,780,995**	**174,782,126**
Accrued expenses and deferred income	43	**85,401,751**	**91,130,536**
TOTAL EQUITY AND LIABILITIES		**2,030,087,393**	**1,968,897,303**

Signed on behalf of the Parent Company Management:

Dragutin Pavletić, director

Pula, 31 March 2015

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

CONSOLIDATED STATEMENT OF CHANGES IN SHARHOLDER'S EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

(in HRK)	Share capital	Capital reserves	Legal reserves	Reserves for treasury shares	Treasury shares	Revaluation reserves	Retained profit	Minority interest	Total
At 31 December 2012	**232,000,000**	**(19,729,681)**	**14,466,350**	**36,382,812**	**(14,213,994)**	**41,648,179**	**182,149,437**	**129,891,023**	**602,594,126**
Reconcilliation of securities at fair value	-	-	-	-	-	(800,000)	-	-	(800.000)
Adjustment of share value	-	-	-	-	-	(13,879,935)	-	-	(13.879.935)
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	-	-	-	-	-	-	2,488,021	-	2,488,021
Loss for 2013	-	-	-	-	-	-	(87,187,864)	-	(87,187,864)
Exchange differences	-	-	-	-	-	-	(2,573,513)	-	(2,573,513)
Minority interest	-	-	-	-	-	-	-	17,627,475	17,627,475
At 31 December 2013	**232,000,000**	**(20,238,433)**	**16,592,866**	**36,382,812**	**(14,614,578)**	**26,968,244**	**92,749,565**	**147,518,498**	**517,358,974**
Reconcilliation of securities at fair value	-	-	-	-	-	(144,000)	-	-	(144,000)
Adjustment of share value	-	-	-	-	-	65,051,011	-	-	65,051,011
Purchase of treasury shares	-	-	-	-	(826,382)	-	-	-	(826,382)
Sale of treasury shares	-	-	-	-	418,534	-	-	-	418,534
Capital losses	-	(238,568)	-	-	-	-	-	-	(238,568)
Adjustment to retained earnings under the equity method	-	-	-	-	-	-	2,323,123	-	2,323,123
Loss for 2014	-	-	-	-	-	-	(76,764,162)	-	(76,764,162)
Exchange differences	-	-	-	-	-	-	(13,123,710)	-	(13,123,710)
Minority interest	-	-	-	-	-	-	-	18,520,721	18,520,721
At 31 December 2014	**232,000,000**	**(20,477,001)**	**16,592,866**	**36,382,812**	**(15,022,426)**	**91,875,255**	**5,184,816**	**166,039,219**	**512,575,541**

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

GROUP ULJANIK PLOVIDBA, PULA

CONSOLIDATED CASH-FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

(in HRK)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(77,816,653)**	**(89,208,210)**
Depreciation	111,511,349	124,003,683
Impairment of assets	17,822,898	-
Increase in current liabilities	16,371,168	-
Decrease in short-term receivables	54,134,253	15,516,841
Other increases in cash	779	45,636,647
Total increase in cash from operating activities	**122,023,794**	**95,948,961**
Decrease in current liabilities	-	(10,828,002)
Increase in inventories	(45,455)	(423,361)
Other decreases in cash	(189,055,838)	(5,757,033)
Total decrease in cash from operating activities	**(189,101,293)**	**(17,008,396)**
NET (DECREASE) INCREASE IN CASH GENERATED FROM OPERATING ACTIVITIES	**(67,077,499)**	**78,940,565**
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchases of tangible and intangible assets	(58,794)	(77,683)
Total cash expenses from investing activities	**(58,794)**	**(77,683)**
NET DECREASE IN CASH FROM INVESTING ACTIVITIES	**(58,794)**	**(77,683)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash receipts from the loan principal, debentures, advances and other loans	162,256,195	30,354,132
Other cash receipts from financial activities	20,307,560	54,356,200
Total cash receipts from financial activities	**182,563,755**	**84,710,332**
Cash expenses for the repayment of loan principal and bonds	(106,763,850)	(165,572,221)
Cash expenses for the purchase of treasury shares	(646,416)	(909,336)
Other cash expenses from financial activities	(261,841)	(676,612)
Total cash expenses from financial activities	**(107,672,107)**	**(167,158,169)**
NET INCREASE / (DECREASE) IN CASH FROM FINANCING ACTIVITIES	**74,891,648**	**(82,447,837)**
Cash and cash equivalents at beginning of period	**29,121,054**	**32,706,009**
Increase in cash and cash equivalents	**7,755,355**	-
Decrease in cash and cash equivalents	-	**(3,584,955)**
Cash and cash equivalents at end of period	**36,876,409**	**29,121,054**

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

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.

At the beginning of the year 2014 two new foreign companies have been established: Uljanik Shipmanagement Pte. Ltd. and Uljanik Tanker Management Pte. Ltd. in Singapore, which began their activity from 1 August 2014. The parent company performs management services for the above-mentioned companies, based on the signed contracts.

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 2014 is shown in Note 26.

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

As at 31 December 2014, the number of staff employed by the Group Uljanik Plovidba, Pula was 33 (2013: 32).

As at 31 December 2014 and 2013, the Company's shares are listed as public stock companies on the Zagreb stock Exchange.

The joint stock company has the General Assembly, the Supervisory Board and Management Board.

Members of the Management Board: Dragutin Pavletić, director

Members of Supervisory Board: Amra Pende, president
Anton Brajković and Robert Banko, members.

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

Standards, amendments and supplements issued by the IASB and adopted by the European Union that have entered into force:

IFRS 10 – Consolidated financial statements (new standard effective for annual periods beginning on 1 January 2014 or later).
IFRS 11 – Joint arrangements (new standard effective for annual periods beginning on 1 January 2014 or later).
IFRS 12 – Disclosure of interests in other entities (new standard effective for annual periods beginning on 1 January 2014 or later).
Changes in IFRS 10, IFRS 11 and IFRS 12 – guide through transitional provisions (effective for annual periods beginning on 1 January 2014 or later).
IAS 27 and IAS 28 – changes due to above mentioned standards for consolidation (effective for annual periods beginning on 1 January 2014 or later).
Changes in IAS 32 – Financial instruments: presentation – amendments and instructions on offsetting financial assets and financial liabilities (effective for periods beginning on 1 January 2014 or later).
Changes in IAS 36 – Impairment of assets – clarifying the scope of disclosure (effective for periods beginning on 1 January 2014 or later).
Changes in IAS 39 – Financial instruments: Recognition and Measurement – renewal of financial derivatives and the continuation of the application of hedge accounting (effective for periods beginning on 1 January 2014 or later).
IFRIC 21 - Levies – binding event that triggers the obligation to pay fees as defined legislation (effective for periods beginning on 17 June 2014 2014 or later).

The adoption of the listed amendments and supplements to existing standards and interpretations has not led to any changes in the accounting policies of the entity or has it affected the Group's profit in the current and previous year.

Standards, interpretations and supplements that have not yet come into effect and that were not previously applied

At the date of approval of these consolidated financial statements, the following interpretations and standards were published that have not yet come into force and have not been previously applied by the Group for the year ended 31 December 2014.

IFRS 14 – Regulatory Deferral Accounts (new standard effective for periods beginning on 1 January 2016 or later).
IFRS 15 – Revenue from Contracts with Customers (new standard effective for periods beginning on 1 January 2017 or later).

Changes in IFRS 7 Financial instruments: disclosure – changes that require publication with the first application of IFRS 9 for which is delayed defining mandatory compliance date.
IFRS 9 –Financial instruments (the new standard for which is delayed defining mandatory date of application)

IFRS - Annual Improvements cycle 2010.-2012. (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, and IAS 38) - according to the IASB, effective for annual periods beginning on 1 January 2017 or later, not adopted by the EU.

IFRS - Annual Improvements cycle 2011.-2013. (IFRS 1, IFRS 3, IFRS 13 and IAS 40) – according to the IASB, effective for annual periods beginning on 1 January 2014 or later, not adopted by the EU.

IFRS - Annual Improvements cycle 2012.-2014.(IFRS 5, IFRS 7, IAS 10 and IAS 34) - according to the IASB, effective for annual periods beginning on 1 January 2016 or later, not adopted by the EU.

The Management of the parent company anticipates that all of the above-mentioned standards and interpretations will be applied in the consolidated financial statements of the Group when they come into force, and that their adoption will not have a material impact on the Group's consolidated financial statements in the period in which they will be applied.

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.

The consolidated financial statements of the GROUP ULJANIK PLOVIDBA Pula have been prepared under the historical cost (purchase cost) method, except for financial assets available for sale which are stated at fair value.

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires that the Management of the parent company make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses of the Group and the disclosure of potential liabilities of the Group. The estimates and the associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the given circumstances, the result of which forms the basis for making estimates of the value of assets and liabilities, which cannot be obtained from other sources. Actual results may differ from such estimates.
The estimates used in preparing of the consolidated financial statements are subject to change as new events occur, additional experience is gained, new information and knowledge are obtained and as the environment in which the Group operates changes.

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.

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.

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 2014 the official exchange rate for the Croatian kuna was 7.66 HRK for 1 euro (on 31 December 2013 it was 7.64 HRK) and 6.30 HRK for 1 USD (on 31 December 2013 it was 5.55 HRK).

2.9. Income tax and tonnage tax

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

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

Income tax liability for the current year is determined on the basis of the result for that year, adjusted for prescribed items of permanent adjustment (income from dividends, a share in the profit and non-deductible expenses) in accordance with national regulations in individual countries in which the subsidiaries operate. Income tax is calculated by the application of tax rates valid on the balance sheet date.
Deferred tax assets and deferred tax liabilities arise from temporary differences between the value of the assets and liabilities reported in the financial statements and the values reported for the purpose of determining of the profit tax base. Deferred tax assets are recognized if there is a probability that taxable profit will be realized in the future on the basis of which the deferred tax assets will be utilized. Deferred tax assets and deferred tax liability are calculated by applying the income tax rate applicable to future periods when such assets or liability will be realized.

In accordance with the provisions of the Maritime Act and by fulfilling the conditions laid down in it, starting from the year 2014, the Group calculates and pays the tonnage tax for the maritime activities based on the Decision issued by the Croatian Ministry of Finance

2.10. Intangible assets

Intangible assets relate to IT programs-software licenses that are capitalized on the basis of the cost of acquisition and costs incurred in bringing of the same into working condition. These costs are amortized over their useful lives over a period of two years.

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 into subsidiaries and associated companies

a) Investments into subsidiaries

Subsidiaries are companies whose operations are directly or indirectly controlled by the Company. Control is achieved if the Company manages the financial and operating policies of the entity so as to obtain benefits from its activities. Investments in subsidiaries are reported by use of the cost method, except for investments abroad that are revalued at the mean rate of the Croatian National Bank on the balance sheet date. Changes are recognized in equity (unrealized gains/losses). Income from shares in subsidiaries is recognized in the period in which transfer of profit occurs, in accordance with the Decision of the owner.

b) Investments into associated companies

Associated companies are entities over which the Company has significant influence but does not have control (generally investments with an ownership portion in the amount of 20% to 50% in the share capital). Significant influence signifies t he power to participate in decisions about financial and operating policies of the entity into which the investment was made, but does not signify control or joint control over such policies. Investments into associated companies are reported by use of the cost method.

2.13. Financial assets

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

Investments with fixed or determinable payments and fixed maturity in respect of which the Company has the positive intent and ability to hold to until maturity are classified as held-to-maturity investments.
Investments acquired primarily for the purpose of generating a profit from short-term fluctuations in price are classified as held-for-trading. All other investments, other than loans and receivables originating from the Company, are classified as available for sale.
Financial instruments included in assets available for sale include debt and equity securities. After initial recognition these instruments (investment cost plus transaction expenses) are recorded at fair value. Fair value of financial instruments traded in active markets is determined on the reporting date in relation to quoted market prices.
The fair value of financial instruments that are not traded in an active market, if possible, is determined using appropriate assessment techniques.

Gains and losses arising from changes in fair value of financial assets available for sale are recognized directly in equity until the moment of sale or decrease, when the cumulative gains or losses previously recognized in equity are included in the profit or loss account for the period.

Dividends from securities classified as available for sale are recorded when their payment is received or when the shareholder's right to receive payment is established.

Financial assets are derecognised when cash is collected or the rights to receive cash flows from the assets have expired.

2.14. Impairment of financial assets

At each balance sheet date the parent Company and related companies assesses whether there is objective evidence of impairment of the financial assets or groups of financial assets. A financial asset or a group of financial assets is considered impaired only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and if the loss affects the estimated future cash flows from the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or group of debtors is experiencing significant financial difficulties, omissions or errors in the payment of interest or principal, credibility of bankruptcy or other financial reorganizations and when observable data indicates that there is a measurable decrease in the estimated future cash flows, such as previous variations or economic conditions related to such failures.

2.15. 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.

2.16. 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.

2.17. Share capital

Share capital consists of ordinary shares. Costs directly attributable to the issue of ordinary shares are recognized as a decrease in equity.

The amount paid for the shares, including directly attributable costs, is recognized as a decrease in equity and reserves. Repurchased shares are classified as treasury shares and represent a deduction from total equity and reserves.

2.18. Borrowings

Borrowings are initially recognized at fair value of cash received. In subsequent periods, borrowings are stated at amortized cost. Any difference between the cash received and the redemption value is recognized in the profit and loss account over the period, using the effective interest method.

Borrowing costs that are directly attributable to the acquisition of assets or assets under construction are capitalized during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are recognised in the profit and loss account.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liabilities for at least 12 months after the balance sheet date.

2.19. 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.

2.20. 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.

2.21. Provisions

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

Provisions are measured at the present value of expenses expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Provisions are reconsidered at each reporting date and adjusted according to the latest best estimates.

2.22. 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.

2.23. 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.

2.24. Comparative amounts

Comparative information has been reclassified, where necessary, to achieve consistency in disclosure of information with data for the current financial year and other data.

2.25. Events after the balance sheet date

Events after the balance sheet date that relate to the financial position of the Company are those favourable and unfavourable events that occurred after the date of the balance sheet, but prior to the date that the financial statements were approved for issue. The Company adjusts the amounts recognized in its financial statements for events that occurred after the balance sheet date that relate to its financial position that require harmonization.

3. REVENUES

(in HRK)	2014	2013
Domestic revenue	480,624	522,626
Foreign revenue /i/	234,386,418	227,131,490
	234,867,042	**227,654,116**

/i/ Within the stated amount, freight revenue realized by companies within the Group United Shipping Services One amounts to HRK 231,902,711, while revenue from management services provided by the parent company to non affiliated company amounts to HRK 2,483,707.

4. OTHER OPERATING REVENUES

(in HRK)	2014	2013
Recognized part of deferred income (Note 43)	5,721,749	5,721,749
Income from reversal of provisions (Note 35)	161,206	24,922
Other revenues /i/	1,526,326	35,973
	7,409,281	**5,782,644**

/i/ Within the reported revenues, the amount of HRK 1,507,643 represents collected life insurance premiums of employees in the parent Company, after the expiry of the insurance period (Note 9, 39).

5. COST OF MATERIAL AND SERVICES

(in HRK)	2014	2013
Raw materials and supplies	116,065	101,495
Energy	72,040	85,070
Spare parts and small inventory	16,705	2,409
Raw materials and supplies	**204,810**	**188,974**
Operating ship expenses and docking expenses	35,705,841	22,686,618
Transport, telephone, postage	297,668	342,832
Repairs and maintenance	10,020,968	8,372,241
Rental costs	-	4,960
Promotion costs	31,101	24,722
Other	24,198	17,251
Other external services	**46,079,776**	**31,448,624**
	46,284,586	**31,637,598**

6. STAFF COSTS

(in HRK)	2014	2013
Crew salaries based on contracts	77,179,629	75,206,869
Net salaries	5,231,869	4,758,332
Taxes and contributions *from* and *on* salary /i/	5,167,222	4,410,758
	87,578,720	**84,375,959**

/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)	2014	2013
Amortisation (Note 15)	2,785	19,939
Depreciation (Note 16)	111,508,564	123,983,744
	111,511,349	**124,003,683**

8. IMPAIRMENT OF ASSETS

(in HRK)	2014	2013
Impairment of vessels (Note 16)	**17,822,898**	**-**

9. OTHER EXPENSES

(in HRK)	2014	2013
Marine insurance	11,225,099	11,940,649
Fees for administration and management services abroad	3,230,186	4,634,983
Reimbursement of costs to employees /i/	4,733,348	469,661
Intellectual services /ii/	161,750	158,108
Entertainment	323,415	205,002
Supervisory board (gross fees)	176,384	173,846
Contributions and municipal levies	161,766	161,978
Bank charges	224,613	645,931
Depository services and broker commission	47,762	206,513
Insurance	157,212	243,467
Donations	-	15,488
Other expenses /iii/	421,482	400,048
	20,863,017	**19,255,674**

/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. Furthermore, the amount of accrued employees' gross salaries, which in accordance with the provisions of the signed Employment contracts are entitled to compensation on the basis of the collected insurance premiums upon expiry of the insurance period, was reported under other substantive rights of employees

Furthermore, the amount of accrued employees' gross salaries, which in accordance with the provisions of the signed Employment contracts are entitled to compensation on the basis of the collected insurance premiums upon expiry of the insurance period, was reported under other substantive rights of employees (Note 4).

/ii/ In the reported amount the audit of financial statements constitutes 77% of the costs.

/iii/ Within the other expenses, membership fees amounts to HRK 154,826, legal and notary fees amounts to HRK 29,463, scholarships amounts to HRK 71,600, subsequently identified costs from the previous period amounts to HRK 133,286 and the rest amounts to HRK 32,307.

9. FINANCIAL INCOME

(in HRK)	2014	2013
Interest income	3,424,346	5,518,023
Foreign exchange gains	24,516,058	11,040,066
Dividend income	884	923
Other financial income (United Shipping Services Six Inc.)	2,928,900	2,742,236
	30,870,188	**19,301,248**

11. FINANCIAL EXPENSE

(in HRK)	2014	2013
Interest expense	63,182,522	63,639,246
Foreign exchange losses	3,555,174	18,832,956
Expense from value adjustment of the investments	164,898	201,102
	66,902,594	**82,673,304**

12. CORPORATE INCOME TAX

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

(in HRK)	2014	2013
Loss of the parent company before tax	**(469,753)**	**(4.073.828)**
Effect of tax disallowable expenses	438,645	3.732.951
Effect of non-taxable profit	(171,572)	(35.560)
Tax loss for the year	(202,680)	(376.437)
Tax losses brought forward	**(376,437)**	-
Tax loss to carry forward	**(579,117)**	**(376.437)**
Tax rate	20,00%	20,00%
Tax liability for the year	-	-

13. TONNAGE TAX

(in HRK)	2014	2013
Total annual tonnage tax liability	**331,856**	-
The amount of tonnage tax paid abroad	(15,551)	-
Annual tonnage tax liability	**316,305**	-

/i/ The tonnage tax liability of the vessels is determined by the Resolution of the Croatian Ministry of Finance issued on 14 April 2014, in accordance with the provisions of the Maritime Act and its conditions which the parent company Uljanik Plovidba d.d. have fulfilled.

14. LOSSES PER SHARE

Losses per share in the amount of HRK 142.20 (in 2013: HRK 160.47) have been determined on the basis of the Group's consolidated loss in the amount of HRK 76,764,162 (in 2013: HRK 87,187,864) and the weighted average of ordinary shares, reduced for treasury shares, that was 539,822 (2013: 543,327).

15. INTANGIBLE ASSETS

(in HRK)	Total
PURCHASE VALUE	
At 31 December 2012	**172,209**
Additions	5,569
Retirements, disposals and other	(6,700)
At 31 December 2013	**171,078**
Retirements, disposals and other	-
At 31 December 2014	**171,078**
ACCUMULATED AMORTISATION	
At 31 December 2012	**154,126**
Amortisation	19,939
Retirements, disposals and other	(6,700)
At 31 December 2013	**167,365**
Retirements, disposals and other	2,785
At 31 December 2014	**170,150**
NET BOOK VALUE	
At 31 December 2014	**928**
At 31 December 2013	**3,713**

Intangible assets consist of investments in software.

16. PROPERTY, PLANT AND EQUIPMENT

(in HRK)	Land and buildings	Plant and equipment	Vessels	Total
Cost				
At 31 December 2012	**8,690,791**	**1,392,477**	**2,485,277,427**	**2,495,360,695**
Additions	-	72,114	-	72,114
Retirements, disposals and other	-	(84,034)	-	(84,034)
Exchange differences	-	-	(77,157,902)	(77,157,902)
At 31 December 2013	**8,690,791**	**1,380,557**	**2,408,119,525**	**2,418,190,873**
Additions	-	58,794	-	58,794
Retirements, disposals and other	-	(13,188)	-	(13,188)
Exchange differences	-	-	326,828,558	326,828,558
At 31 December 2014	**8,690,792**	**1,426,163**	**2,734,948,083**	**2,745,065,038**
Accumulated depreciation				
At 31 December 2012	**2,155,478**	**1,177,650**	**462,374,658**	**465,707,786**
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)
At 31 December 2013	**2,244,331**	**1,180,441**	**568,425,775**	**571,850,547**
Depreciation charge for the year	88,853	94,036	111,325,675	111,508,564
Value adjustment	-	-	17,822,898	17,822,898
Retirements, disposals and other	-	(13,188)	-	(13,188)
Exchange differences	-	-	89,563,769	89,563,769
At 31 December 2014	**2,333,184**	**1,261,289**	**787,138,117**	**790,732,590**
Net book value				
At 31 December 2014	**6,357,608**	**164,874**	**1,947,809,966**	**1,954,332,448**
At 31 December 2013	**6,446,460**	**200,116**	**1,839,693,750**	**1,846,340,326**

Based on decision on the termination of the "bareboat" leaseback agreement of M/T Pula from 2012, on 31 December 2014 the Company made an adjustment of the vessel's carrying value (impairment) in the amount of USD 3,100,000, in accordance with the contracted value in case of return of the vessel (Note 8, 47).

The Company has determined that the value of other vessels, 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 the vessels at the balance sheet date.

17. LONG-TERM FINANCIAL ASSETS

(in HRK)	Holding in %	2014	2013
Investments in subsidiaries and shares			
- United Shipping Adriatic Inc. (100 USD)	0,0007%	630	555
- Istarska kreditna banka d.d. Umag		8,300	8,300
- Istarska autocesta d.o.o. Pula /i/	23,425%	4,003,058	4,167,956
- Uljanik d.d. Pula /ii/		496,000	640,000
- Other investments		10	10
		4,507,998	**4,816,821**

/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.

18. LONG-TERM RECEIVABLES

(in HRK)	2014	2013
Long-term receivables of the subsidiaries	6,688,934	5,892,649
Long-term receivables of the parent company	11,458,968	11,886,087
Total long-term receivables	**18,147,902**	**17,778,736**
Current portion of long-term receivables (Note 23)	(107,325)	-
Long-term portion of receivables	**18,040,577**	**17,778,736**

19. INVENTORIES

(in HRK)	2014	2013
Foodstuff, fuel and lubricant supplies on ships	3,698,434	3,652,979
	3,698,434	**3,652,979**

20. TRADE RECEIVABLES

(in HRK)	2014	2013
Domestic trade debtors	766,430	370,556
Foreign trade debtors	4,809,341	59,340,392
	5,575,771	**59,710,948**

21. AMOUNTS DUE FROM THE STATE AND OTHER INSTITUTIONS

(in HRK)	2014	2013
Income tax refund	199,340	531,196
Tonnage tax refund	15,551	-
VAT refund	36,244	77,091
Other receivables	13,529	14,614
	264,664	**622,901**

22. OTHER CURRENT ASSETS

(in HRK)	2014	2013
Advances to vessels for the current costs	679,035	595,270
Receivables from the insurers and agents of foreign companies	173,906	158,195
Prepayments made	242,300	50,000
Interest receivables	83,101	19,198
Other receivables	7,761	4,279
	1,186,103	**826,942**

23. SHORT-TERM FINANCIAL ASSETS

(in HRK)	2014	2013
Total short-term financial assets	5,491,786	6,017,154
Plus: Current portion of long-term receivables (Note 18)	107,325	-
	5,599,111	**6,017,154**

24. CASH AND CASH EQUIVALENTS

(in HRK)	2014	2013
Current account balance	36,865,913	28,778,109
Foreign account balance of the parent company	4	333,084
Cash in hand	10,492	9,861
	36,876,409	**29,121,054**

25. PREPAID EXPENSES AND ACCRUED INCOME

(in HRK)	2014	2013
Prepaid expenses	4,950	5,729
	4,950	**5,729**

26. SHARE CAPITAL

At 31 December 2014, the share capital of the Parent Company amounted to HRK 232,000,000 and consisted of 539,822 ordinary shares, with a nominal value of HRK 400 per share, and of 40,178 treasury shares.

In the ownership structure as at 31 December 2014, small shareholders accounted for 93.07% and treasury shares accounted for 6.93%.

27. CONSOLIDATED CAPITAL RESERVES

(in HRK)	2014	2013
At 31 December of the prior year	(20,238,433)	(19,729,681)
Decrease	(238,568)	(508,752)
At 31 December of the current year	**(20,477,001)**	**(20,238,433)**

28. CONSOLIDATED LEGAL RESERVES

(in HRK)	2014	2013
At 31 December of the prior year	16,592,866	14,466,350
Increase /i/	-	2,126,516
At 31 December of the current year	**16,592,866**	**16,592,866**

/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. Due to the loss incurred in 2013, no changes have been reported.

29. CONSOLIDATED RESERVES FOR TREASURY SHARES

(in HRK)	2014	2013
At 31 December of the prior year	36,382,812	36,382,812
Increase / Decrease	-	-
At 31 December of the current year	**36,382,812**	**36,382,812**

30. TREASURY SHARES (DEDUCTIBLE ITEM)

(in HRK)	2014	2013
At 31 December of the prior year	(14,614,578)	(14,213,994)
Purchase of treasury shares	(826,382)	(1,327,232)
Sale of treasury shares	418,534	926,648
At 31 December of the current year	**(15,022,426)**	**(14,614,578)**

31. CONSOLIDATED REVALUATION RESERVES

(in HRK)	2014	2013
At 31 December of the prior year	**26,968,244**	**41,648,179**
Increase / Decrease	64,907,011	(14,679,935)
At 31 December of the current year	**91,875,255**	**26,968,244**

/i/ The decrease in revaluation reserves was a consequence of investment adjustments into foreign subsidiaries in 2014 in accordance with the mean exchange rate for the USD at the end of the accounting period in the amount of HRK 65,051,011 and of the revaluation of financial assets at fair value at the balance sheet date in the amount of HRK 144,000.

32. CONSOLIDATED RETAINED PROFIT

(in HRK)	2014	2013
At 31 December of the prior year	179,937,429	257,000,255
Increase /i/	2,323,123	2,488,021
Decrease /i/	(100,311,574)	(79,550,847)
At 31 December of the current year	**81,948,978**	**179,937,429**

/i/ Increase in retained earnings in 2014 was achieved by adjusting of the participating shares in accordance with IAS 28 (Note 17), while the decrease relates to the transfer of loss from 2013, and to the exchange rate differences.

33. CONSOLIDATED LOSS FOR THE CURRENT YEAR

In 2014, the Group generated a net consolidated loss in the amount of HRK 76,764,162 (2013: HRK 87,187,864).

34. MINORITY INTEREST

(in HRK)	2014	2013
Related Company: Uljanik Brodogradilište d.d. Pula		
% of minority interest /i/	45%	45%
Share capital USD 27,675,090 (2013: 27,675,090)	174,411,378	153,569,074
Exchange differences	(695,594)	257,193
Loss carried forward	(6,307,769)	(4,287,423)
Loss of the current year	(1,368,796)	(2,020,346)
Net-capital of minority interest	**166,039,219**	**147,518,498**

/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.

35. LONG-TERM PROVISIONS

(in HRK)	2014	2013
Accrued commitments to employees /i/	1,770,801	1,932,007
	1,770,801	**1,932,007**

/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 840,954 (2013: HRK 914,940) and gross jubilee-awards amount to HRK 929,847 (2013: HRK 1,017,067). Decrease in provisions was carried out with parallel recognizing in revenue of previous provisions in the amount of HRK 161,206 (Note 4).

36. LONG TERM LIABILITIES TO BANKS AND OTHER CREDITORS

(in HRK)	2014	2013
Related companies:		
Credit Suisse /i/	432,785,111	438,780,765
Bayerische Hypo und Vereinsbank AG – United Shipping Services Nine Inc.	122,052,471	107,658,924
ABN AMRO Bank - United Shipping Services Twelve and Fourteen Inc. /ii/	189,016,271	181,458,710
Zagrebačka banka d.d. Zagreb - United Shipping Services Thirteen Inc.	125,892,465	110,848,211
Privredna banka Zagreb d.d., Zagreb - United Shipping Services Seventeen Inc.	206,551,557	181,868,475
BM Product Tanker, Oslo - United Shipping Services Eight Inc.	102,809,196	95,436,003
	1,179,107,070	**1,116,051,088**
Parent company:		
HBOR/RBA d.d. PRG 1	33,554,113	42,263,614
HBOR/RBA d.d. PRG 2	41,951,120	41,885,442
HBOR/RBA d.d. PRG 3	23,668,594	23,594,982
	99,173,827	**107,744,038**
Total long-term borrowings including current portion	**1,278,280,897**	**1,223,795,126**
Capitalized borrowing costs	(7,492,298)	(7,855,655)
Current portion of long-term borrowings (Note 37)	(113,230,294)	(32,245,811)
Long-term borrowings	**1,157,558,305**	**1,183,693,660**

/i/ Loans are granted to related companies United Shipping Services Three Inc., United Shipping Services Four Inc., United Shipping Services Six Inc. (repaid in 2014), United Shipping Services Ten Inc. and United Shipping Services Eleven Inc.

/ii/ Loans are granted to related companies United Shipping Services Twelve Inc. and United Shipping Services Fourteen 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 and Istra. They are also secured by assignment of insurances and pledging of earnings and retention accounts as 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.

37. SHORT TERM BORROWINGS, DEPOSITS, ETC.

Short-term borrowings are as follows:

(in HRK)	2014	2013
Borrowings of the Parent Company	90,100,545	91,190,407
Borrowings of the Group	1,733,079	-
	91,833,624	**91,190,407**
Current portion of long-term borrowings (Note 36)	113,230,294	32,245,811
	205,063,918	**123,436,218**

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

38. TRADE PAYABLES

(in HRK)	2014	2013
Domestic trade payables	330,142	466,181
Foreign trade payables	17,807,628	13,489,786
	18,137,770	**13,955,967**

39. AMOUNTS DUE TO EMPLOYEES

(in HRK)	2014	2013
Liabilities for net wages and salaries	395,563	383.880
Payroll taxes and contributions	386,854	372.262
Other payables to employees /i/	3,280,285	14.110
	4,062,702	**770.252**

/i/ Within the stated obligations, the amount of HRK 2,793,984 represents the accrued obligation for the gross salary of employees deriving from premiums collected upon expiry of the insurance period.

40. TAXES, CONTRIBUTIONS AND OTHER DUTIES PAYABLE

(in HRK)	2014	2013
Other	**4,076**	**2,245**

41. DIVIDENDS PAYABLE

(in HRK)	2014	2013
Outstanding dividends payable	2,538,293	2,546,327
	2,538,293	**2,546,327**

42. OTHER SHORT-TERM LIABILITIES

(in HRK)	2014	2013
Due to brokers and ship lessees	9,534,811	9,067,583
Due to crew	12,041,436	12,113,747
Interest payable	9,817,163	7,655,009
Due to agents	6,956,806	4,210,876
Accruals and other liabilities /i/	4,624,020	1,023,902
	42,974,236	**34,071,117**

/i/ As part of other accrued liabilities, the amount of HRK 2,359,640 is an obligation under the Management Agreement concluded in 2014 between Uljanik Shipmanagement Pte. Ltd. Singapore and Maritime Transport Pula Three Inc. Liberia.

43. DEFERRED INCOME

(in HRK)	2014	2013
Deferred income /i/	85,360,309	91,082,058
Other	41,442	48,478
	85,401,751	**91,130,536**

/i/ Decrease in deferred revenue in the amount of HRK 5,721,749 represents a portion of the pertaining subsidy for the year 2014, according to the plan of recognition of revenue (Note 4).

44. FINANCIAL RISK MANAGEMENT

44.1. Financial risk factors

The Group's activities expose it to a variety of financial risks that include: the market risk (including the currency, interest rate and price risk), credit risk and liquidity risk. Overall risk management is carried out by the Finance Department and the Management Board of the parent Company.

/i/ *Currency and interest rate risk*

Currency risk is the risk that the value of financial instruments may change due to fluctuations in the exchange rates. The Company operates internationally and is exposed to foreign exchange risk arising from various foreign exchange rates primarily tied to the US dollar (USD) and the Euro (EUR). Foreign exchange risk arises from future commercial transactions and from recognized assets and liabilities. Currently valid policies of the Company do not include active hedging.

The majority of income from sales of services abroad and from long-term and short-term debt is denominated in US dollars or Euros. Therefore, fluctuations in exchange rates between the US dollar and the Euro and HRK may have an impact on future operating results and cash flows.

On 31 December 2014, if the US dollar weakened/strengthened by 1% against the HRK, under the assumption that all other variables remained constant, profit after tax for the reporting period would be HRK 76,189 higher(lower), mainly as the result of foreign exchange gains/ (losses) arising from the translation of borrowings and foreign currency cash funds.

On 31 December 2014, if the Euro weakened/strengthened by 1% against the HRK, under the assumption that all other variables remained constant, profit after tax for the reporting period would be HRK 618,973 higher(lower), mainly as the result of foreign exchange gains/ (losses) arising from the translation of borrowings and foreign currency cash funds.

Interest rate risk is the risk that the value of financial instruments will change due to changes in market interest rates. Interest rate risk in cash flows is the risk that the cost of interest on financial instruments will fluctuate over the reporting period.

/ii/ *Credit risk*

Credit risk is the risk of failure of a party to a financial instrument to fulfil its obligation, which could cause a financial loss to the other side. The maximum exposure to credit risk is shown in the value of each financial asset in the balance sheet. The main financial assets of the Company consist of cash and balances on accounts with banks, trade receivables and other receivables and investments.
The credit risk on liquid funds is limited, because the other side is usually represented by banks that have high credit ratings with international agencies. The credit risk of the Company is primarily attributable to its trade receivables, however it is limited due to the fact that most of the receivables from customers abroad represent receivables from its subsidiaries.
Management believes that no additional credit risk exists that could affect the provisions for impairment of trade and other receivables.

/iii/ *Liquidity risk*

Liquidity risk, which is considered a funding risk, is the risk posed by difficulties that the Company may encounter in raising funds to meet its commitments associated with financial instruments. Prudent liquidity risk management implies maintaining of sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to meet all obligations. The finance department regularly monitors available cash resources.

/iv/ Management of capital

The Company monitors capital in accordance with the laws and regulations of the Republic of Croatia that require a minimum paid up capital of HRK 200,000 for joint stock companies.
The primary objective of the Company's management of capital is to support the business and maximize shareholder value. The Company manages its capital and makes adjustments in light of the changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust dividend payments to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013.

The gearing ratio at the reporting date was as follows:

(in HRK)	2014	2013
Total debt on which interest is calculated (long- and short-term loans)	1,362,622,223	1,307,129,878
Less cash and cash equivalents	(36,876,409)	(29,121,054)
Net debt	**1,325,745,814**	**1,278,008,824**
Equity and reserves	**512,575,541**	**517,358,974**
Debt to equity ratio	**258,64%**	**247,03%**

44.2. Fair value estimates

Management's estimates of fair value of the financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

		2014	
(in HRK)	Note	Carrying value	Fair value
Financial assets available for sale	17	496,000	496,000
Investments into subsidiaries and associated companies	17	4,011,998	4,011,998
Long-term receivables	18	18,040,577	18,040,577
Inventories, trade receivables and other receivables	19,20,21,22	10,482,672	10,482,672
Other short-term financial assets and prepayments made	22,23	5,841,411	5,841,411
Liabilities from debt on which are calculated interests	36,37	1,362,622,223	1,362,622,223
Trade payables and other liabilities	38,39,40,41,42	67,717,076	67,717,076

Fair value of financial assets and liabilities is based on the quoted market price at the balance sheet date, if it is available. Where the market price is not available, the Company estimates fair value based on publicly available information from external sources or on the basis of the discounted cash flow method, where applicable.

For receivables and payables whose maturity is less than one year it is deemed that their value reflects the fair value. All other receivables and payables are discounted to determine the fair value.

45. KEY MANAGEMENT

Company's key management includes the executive management w hich c onsists of the director, assistant director and two fleet managers.

Total amount of fees paid to the key management for the year 2014 amounts to HRK 3,345,580 (2013.: HRK 3,133,520).
During the year, the Supervisory Board received fees in the amount of HRK 160,044 (2013.: HRK 160,160).

46. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates are, by definition, seldom equal to the actual results. Estimates and assumptions that could represent a significant risk of adjustment to the carrying amounts of assets and liabilities within the next financial year are given below.

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

47. EVENTS AFTER THE BALANCE SHEET DATE

Pursuant to the "bareboat" leaseback agreement of the vessel "Pula" signed on 15 October 2012 between the company United Shipping Services Eight Inc. and BM Product Tanker AS from Oslo, the above mentioned agreement was terminated on 2 March 2015. The vessel was returned to the owner without declaring the purchase option.

48. 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 31st March 2015.

49. AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year 2014 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

ULJANIK PLOVIDBA

DIRECTOR

Pula, 29.04.2015

MANAGEMENT REPORT FOR THE PERIOD 01-12/2014

The business activity of ULJANIK PLOVIDBA (the Company) and its foreign subsidiaries in the period 01-12/2014 was duly, with full employment of vessels and high functioning management system. After a strong recovery at the end of the previous year, this year's trends are characterized by a strong and continuous decline in freight rates in dry cargo sector, which have experienced their historical minimum in the last quarter of 2014 and at the beginning of 2015, on all routes and for all types of vessels. The recovery of this segment is expected in late February 2015.

In the petroleum products, oils and chemicals transportation sector the observed period can be assessed as stable with the freight rates on the same level as at the end of previous year. In the "clean cargo" transportation segment in the last quarter the strong growth of the world indices is evident in all freight directions. Despite the significant correction of the rates in this segment at the end of 2014 and at the beginning of 2015, the predictions for the year 2015 are very optimistic.

The developments in the maritime transport in 2014 were indisputably influenced by the slowdown in all major economies, especially in China and Europe. Despite the negative developments in the shipping market in the year 2014, predictions until the end of the year and for the next two years are very optimistic for both dry cargo and tanker sector. Reduced activity in the leading shipbuilding zones with reduced orders of new vessels along to increased volume of scrap, connected with the further increase of the total volume of goods transported, will undoubtedly lead to a strong resurgence of maritime activities.

In the year 2014 the Company:

a) maintained the existing fleet with a further reduction in credit exposure,
b) realized increase in revenue despite the dry docking performed on the five vessels with positive operating result for the vessels,
c) reported consolidated loss for the period caused by high cost of depreciation and high financial liabilities, as well as by impairment of the M/t Pula taken into bareboat contract in 2012, as a consequence of the intended return of the vessel without declaring the purchase option,
d) increased total expenses as a result of the direct impact of dry docking cost for five vessels, but keeping the same level of other operating expenses,
e) maintained constant employment of vessels with the continuation of the Company's fleet high efficiency trend,
f) fulfilled all its loan payment obligations with the positive effects of lower interest rates and reduction of the total credit debt,
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, what also confirms

the certificate received by the United States Coast Guard under their Qualship 21 Program,

h) maintained high efficiency of vessels' management,
i) collected all contracted freights from the Charterers of all vessels,
j) 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 revenues for the period 01-12/2014 of 242 mil HRK compared to 233 mil HRK in the same period of 2013 has been under direct impact of the higher freight rates in the tanker shipping market. The operating result was influenced negatively by dry docking cost of the five vessels, as well as the positioning of the vessels and off-hire days during the dry docking period.

2. PERSONNEL

As at 31st December 2014 the Company had 33 employees. The Company employs mainly Croatian seafarers on all vessels in its fleet.

3. TECHNICAL ASPECT

In the period January-December 2014 three supramaxes: m/v Levan, m/v Marlera and m/v Volme as well as two MR tankers: m/t Kastav and m/t Pula underwent dry docking. The company keeps maintaining high efficiency of vessel exploitation with all other vessels in the fleet.

4. ACQUISITION OF TREASURY SHARES

In the period 01-12/2014 the Company acquired treasury shares in accordance with art. 233, section 3 of the Companies Act. The company acquired treasury shares in the amount of 826.4 thousand HRK and disposed of treasury shares in the amount of 418.5 thousand HRK.

5. IMPORTANT EVENTS IN 2014

On 28th January 2014 two foreign subsidiaries were incorporated: ULJANIK SHIPMANAGEMENT PTE. Ltd. Singapore and ULJANIK TANKER MANAGEMENT PTE. Ltd. Singapore, in order to optimize the performance of ship management and expand economic activities in Asia, including direct access to potential investors.

On 14th April 2014 The Ministry of Finance-Tax Administration issued a Resolution on the amount of the annual and monthly payment obligations of the Tonnage tax according to the Resolution of the Ministry of Maritime Affairs, Transport and Infrastructure which gave the permission to the Company to become the taxpayer in the Tonnage tax system for the period of ten years starting from 1st January 2014.

On 1st July 2014 according to the Contract of investment the Company increased its investment in the foreign subsidiary United Shipping Services One Inc. by converting its receivables from subsidiary in the total amount of 8.2 mil USD, into stake.

On 20th August 2014 the Company concluded the Management Agreement for the Newbuilding ULJANIK 501, RO-RO PAX, the vessel intended for liner transportation in Turkmenistan.

On 27th August 2014 the General Assembly of the Company was held which passed the resolution on the sharing of profit/loss for the year 2013. According to the same resolution, the loss of HRK 4,073,828.23 to be covered by the retained profit.

6. COMPANY GROWTH

The Strategy of development of ULJANIK PLOVIDBA d.d. until the year 2030 envisages the continuation of the primary maritime activity in two sectors, transport of dry cargo (supramax) and transport of petroleum products and chemicals (product carriers). 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 AND ENVIRONMENTAL PROTECTION

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. Special attention is focused on technical solutions that enable further savings in fuel consumption, reduce pollution and protect the environment. On the other hand, with a socially responsible business, through investing in the community, care and welfare of employees and their education, the Company's aim is to contribute to the continued economic and social development.

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 in relation 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 2015

Dragutin Pavletić, Director

STATEMENT OF THE PERSONS RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

According to the best of our knowledge:

The audited consolidated financial reports of GROUP ULJANIK PLOVIDBA for the period January – December 2014, have been prepared according to International Financial Reporting Standards and they provide an complete and true presentation of assets, liabilities, profit and loss, financial position and business activities of ULJANIK PLOVIDBA d.d. and the companies included in the consolidation.

The Management Report for the period January – December 2014 contains a true presentation of the development, operating results and the financial position of the Parent Company and the companies included in the consolidation as well as the description of major risks and uncertainties the Parent Company and the companies included in the consolidation are exposed to.

Accounting Manager	Director
Bojana Mihajlović	Dragutin Pavletić

Pula, 29th April, 2015

At the meeting of ULJANIK PLOVIDBA d.d.'s Supervisory Board held on 29th April 2015, the following

R E S O L U T I O N S

have been passed:

1.1. The Director's report on the state and business activity of the Company in the year 2014 is accepted.

1.2. The Company's General Meeting is proposed to pass a separate resolution of acceptance of the Director's report on the state and business activity of the Company in the year 2014.

2.1. Approval is given to the Annual Financial Statements for the year 2014 for ULJANIK PLOVIDBA d.d. and Group ULJANIK PLOVIDBA.

2.2. Approval is given to the Company's Auditors' report - REVIDAS revizija i konzalting d.o.o. on audited Annual Financial Statements for the year 2014.

2.3. ULJANIK PLOVIDBA d.d.'s Profit and Loss Account for the year 2014 is set out as follows:

	2014.	2013.
EARNINGS	52.140.187,44	36.504.385,61
EXPENSES	29.493.860,21	40.578.213,93
LOSS/PROFIT	22.646.327,23	-4.073.828,32
TAX	316.304,55	-
LOSS/PROFIT	22.330.022,68	-4.073.828,32

2.4. The consolidated Profit and Loss Account for ULJANIK PLOVIDBA's Group for the year 2014 is set out as follows:

	2014.	2013.
EARNINGS	273.146.511	252.738.008
EXPENSES	350.963.164	341.946.218
LOSS	-77.816.653	-89.208.210
TAX	316.305	-
LOSS OF MINORITY	1.368.796	2.020.346
NET LOSS	-76.764.162	-87.187.864

2.5. By giving approval to the Annual Financial Statements submitted by the Company's Director, the Annual Financial Statements are deemed to be determined in accordance with the Article 300d. of the Companies Act.

3.1. The Company's Director's proposal on profit distribution is accepted.

3.2. The Company's General Meeting is proposed to distribute the profit of the company ULJANIK PLOVIDBA d.d. for the year 2014 in the amount of 22.330.022,68 kunas, in such a manner as to allocate an amount of 912.809,71 kunas in statutory reserves and the remaining amount of 21.417.212,97 kunas in retained earnings.

4. The Director's report on the state and business activity of the Company in a period 01-03/2015 is accepted.

ULJANIK PLOVIDBA d.d.

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Dragutin Pavletic, director