ULJANIK PLOVIDBA

GROUP ULJANIK PLOVIDBA

CONSOLIDATED AUDITED FINANCIAL STATEMENTS

FOR THE PERIOD

JANUARY - DECEMBER 2015

Pula, April 2016

CONTENT:

ULJANIK PLOVIDBA

GROUP ULJANIK PLOVIDBA
PULA

Audited annual consolidated financial statements for the year ended 31 December 2015

ULJANIK PLOVIDBA

RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Management of the Parent Company is responsible for ensuring that the 2015 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 2016

ULJANIK PLOVIDBA

CONTENTS

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 2015 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 4 to 35).

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 2015, 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.

Emphasis of Matter paragraph related to going concern assumption

Without qualifying our opinion, we draw attention to Note 1.1. to consolidated financial statements, which describes the reasons of the Group's financial difficulties and the steps that are taken in order to improve the operating conditions and financial results of the Group in the next period. Based on the activities undertaken, the Management of the parent company believe that the Group will continue with its operating in future and that the consolidated financial statements are prepared under the going concern assumption of the Group.

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

Pula, 31 March 2016

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

REVIZIJA I KONZALTING
REVIDAS
d.o.o PULA

Sonja Košara
procurator

Jasna Duić-Bilić
certified auditor

CONSOLIDATED INCOME STATEMENT WITH COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

(in HRK)	Notes	2015	2014
Sales	3	212,013,470	234,867,042
Other operating income	4	18,260,727	7,409,281
Operating income		**230,274,197**	**242,276,323**
Cost of raw material and supplies		*(292,086)*	*(204,810)*
Other external costs		*(39,458,903)*	*(46,079,776)*
Material costs	5	*(39,750,989)*	*(46,284,586)*
Staff costs	6	***(84,571,717)***	***(87,578,720)***
Depreciation	7	***(110,292,641)***	***(111,511,349)***
Other expenses	8	***(112,466,014)***	***(17,822,898)***
Other operating expenses	9	*(322,190,060)*	*(20,863,017)*
Operating expenses		**(669,271,421)**	**(284,060,570)**
Financial income	10	**29.844.346**	**30,870,188**
Financial expenses	11	**(66.087.834)**	**(66,902,594)**
TOTAL INCOME		**260,118,543**	**273,146,511**
TOTAL EXPENSES		**(735,359,255)**	**(350,963,164)**
LOSS BEFORE TAXATION		**(475,240,712)**	**(77,816,653)**
Loss of the minority interest	34	**9,133,888**	**1,368,796**
Income tax expense	12	(22,768)	-
Tonnage tax	13	(309,926)	(316,305)
LOSS FOR THE YEAR		**(466,439,518)**	**(76,764,162)**
Loss from revaluation of financial assets		(96,000)	(144,000)
Exchange differences on translating foreign operations		59,518,877	65,051,011
		59,422,877	**64,907,011**
Tax on net other comprehensive profit		(11,884,575)	(12,981,402)
Net other comprehensive profit		**47,538,302**	**51,925,609**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(418,901,216)**	**(24,838,553)**

Signed on behalf of the Parent Company Management:

Dragutin Pavletić, director

Pula, 31 March 2016

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

CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2015

(in HRK)	Notes	2015	2014
ASSETS			
Concessions, patents, licenses, trade and service marks, software and other rights		-	928
Intangible assets	15	**-**	**928**
Land and biological assets		3,333,719	3,371,925
Buildings		2,935,036	2,985,683
Vessels		1,330,023,401	1,947,809,966
Other plant and equipment		126,140	164,874
Tangible assets	16	**1,336,418,296**	**1,954,332,448**
Long-term financial assets	17	**4,861,065**	**4,507,998**
Long-term receivables	18	**10,750,405**	**18,040,577**
LONG TERM ASSETS		**1,352,029,766**	**1,976,881,951**
Inventories	19	**4,679,220**	**3,698,434**
Trade receivables	20	8,645,701	5,575,771
Amounts due from the state and other institutions	21	111,108	264,664
Other receivables	22	1,469,807	1,186,103
Receivables		**10,226,616**	**7,026,538**
Short-term financial assets	23	**5,302,677**	**5,599,111**
Cash and cash equivalents	24	**25,649,408**	**36,876,409**
CURRENT ASSETS		**45,857,921**	**53,200,492**
Prepaid expenses and accrued income	25	**11,741**	**4,950**
TOTAL ASSETS		**1,397,899,428**	**2,030,087,393**

CONSOLIDATED BALANCE SHEET - continued
AS OF 31 DECEMBER 2015

(in HRK)	Notes	2015	2014
EQUITY AND LIABILITIES			
Share capital	26	232,000.000	232,000,000
Capital reserves	27	(21,677,477)	(20,477,001)
Legal reserves	28	17,505,676	16,592,866
Reserves for Treasury shares	29	36,382,812	36,382,812
Treasury shares	30	(13,764,816)	(15,022,426)
Revaluation reserves	31	151,298,132	91,875,255
Retained profit	32	(18,629,325)	81,948,978
Loss of the year	33	(466,439,518)	(76,764,162)
Minority interest	34	174,904,016	166,039,219
CAPITAL AND RESERVES		**91,579,500**	**512,575,541**
Provisions for retirement costs, severance pays and similar liabilities	35	1,855,361	1,770,801
LONG-TERM PROVISIONS		**1,855,361**	**1,770,801**
Amounts due to banks and other financial institutions	36	1,038,542,892	1,157,558,305
LONG-TERM LIABILITIES		**1,038,542,892**	**1,157,558,305**
Amounts due to banks and other financial institutions	37	135,247,657	205,063,918
Trade payables	38	19,461,946	18,137,770
Amounts due to employees	39	2,431,302	4,062,702
Taxes, contributions and other duties payable	40	228	4,076
Dividends payable	41	2,534,798	2,538,293
Other short-term liabilities	42	38,252,015	42,974,236
SHORT-TERM LIABILITIES		**197,927,946**	**272,780,995**
Accrued expenses and deferred income	43	**67,993,729**	**85,401,751**
TOTAL EQUITY AND LIABILITIES		**1,397,899,428**	**2,030,087,393**

Signed on behalf of the Parent Company Management:

Dragutin Pavletić, director

Pula, 31 March 2016

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 2015

(in HRK)	Share capital	Capital reserves	Legal reserves	Reserves for treasury shares	Treasury shares	Revaluation reserves	Retained profit	Minority interest	Total
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**
Reconciliation 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**
Allocation of profit of the Parent Company from 2014	-	-	912.810	-	-	-	(912,810)	-	-
Reconciliation of securities at fair value	-	-	-	-	-	(96,000)	-	-	(96,000)
Adjustment of share value	-	-	-	-	-	59,518,877	-	-	59,518,877
Purchase of treasury shares	-	-	-	-	(773,277)	-	-	-	(773,277)
Sale of treasury shares	-	-	-	-	2,030,887	-	-	-	2,030,887
Capital losses	-	(1,200,476)	-	-	-	-	-	-	(1,200,476)
Adjustment to retained earnings under the equity method	-	-	-	-	-	-	2,209,162	-	2,209,162
Loss for 2015	-	-	-	-	-	-	(466,439,518)	-	(466,439,518)
Exchange differences	-	-	-	-	-	-	(25,110,493)	-	(25,110,493)
Minority interest	-	-	-	-	-	-	-	8,864,797	8,864,797
At 31 December 2015	**232,000,000**	**(21,677,477)**	**17,505,676**	**36,382,812**	**(13,764,816)**	**151,298,132**	**(485,068,843)**	**174,904,016**	**91,579,500**

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

CONSOLIDATED CASH-FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

(in HRK)	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(475,240,712)**	**(77,816,653)**
Depreciation	110,292,641	111,511,349
Impairment of assets	112,466,014	17,822,898
Increase in current liabilities	-	16,371,168
Decrease in short-term receivables	-	54,134,253
Other increases in cash	604,253,601	779
Total increase in cash from operating activities	**351,771,544**	**122,023,794**
Increase in short-term receivables	(3,200,078)	-
Decrease in current liabilities	(5,036,788)	-
Increase in inventories	(980,786)	(45,455)
Other decreases in cash	(189,980,041)	(189,055,838)
Total decrease in cash from operating activities	**(199,197,693)**	**(189,101,293)**
NET INCREASE / (DECREASE) IN CASH GENERATED FROM OPERATING ACTIVITIES	**152,573,851**	**(67,077,499)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchases of tangible and intangible assets	(48,643)	(58,794)
Other cash expenses from investing activities	(562,958)	-
Total cash expenses from investing activities	**(611,601**	**(58,794)**
NET DECREASE IN CASH FROM INVESTING ACTIVITIES	**(611,601)**	**(58,794)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash receipts from the loan principal, debentures, advances and other loans	133,225,239	162,256,195
Other cash receipts from financial activities	25,642,424	20,307,560
Total cash receipts from financial activities	**158,867,663**	**182,563,755**
Cash expenses for the repayment of loan principal and bonds	(322,056,914)	(106,763,850)
Cash expenses for the purchase of treasury shares	-	(646,416)
Other cash expenses from financial activities	-	(261,841)
Total cash expenses from financial activities	**(322,056,914)**	**(107,672,107)**
NET (DECREASE) / INCREASE IN CASH FROM FINANCING ACTIVITIES	**(163,189,251)**	**74,891,648**
Cash and cash equivalents at beginning of period	**36,876,409**	**29,121,054**
Increase in cash and cash equivalents	**-**	**7,755,355**
Decrease in cash and cash equivalents	**(11,227,001)**	**-**
Cash and cash equivalents at end of period	**25,649,408**	**36,876,409**

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 Three Inc., United Shipping Services Five Inc., United Shipping Services Eight Inc., United Shipping Services Nine Inc., United Shipping Adriatic Inc. and United Shipping Services Seven Inc. are currently dormant.

The ownership structure as at 31 December 2015 is shown in Note 26.

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

As at 31 December 2015, the number of staff employed by the Group Uljanik Plovidba, Pula was 34 (2014: 33).

As at 31 December 2015 and 2014, 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.

1.1. GOING CONCERN

Group ULJANIK PLOVIDBA reported consolidated loss for the year 2015 in the amount of HRK 466,325,557 (in 2014: HRK 76,764,162).

The generated consolidated loss is the result of the impairment of vessels, significant depreciation costs related to the sale of two oldest dry cargo vessels, as well as high financial expenses.

During 2015, as in previous years, the bulk cargo maritime transport was marked by a strong and continued fall in freight rates, as well as by decline in market value of the vessels, which have reached a historical minimum in the last quarter of 2015, on all routes and for all types of vessels.

In 2015, the movements in the maritime transport of bulk cargo have been influenced by the slowdown in all major world economies, primarily in China, but also South American countries, as well as by the slow recovery of European countries.

The tanker fleet's operating income and revenues from ship-management services were increased, while the operating costs of the vessels were reduced in 2015, that gives assumption for consolidation of the Group's business in the future.

Furthermore, the full employment of the vessels has been achieved with the continuation of the Group's fleet high efficiency trend. In 2015, all loan repayment obligations were fulfilled with retaining the adequate liquidity, and special agreements on refinancing of long-term borrowings were signed.

By the Development Strategy of the Group ULJANIK PLOVIDBA until 2030, Management intends to participate in the market of new and used vessels continuously, in order to optimize the fleet and its efficiency, as well as further focusing the activities in ship management operations for external users.

Pursuant to the above mentioned, by all the measures taken, following the Group's Development Strategy together with the slight recovery in the maritime transport of bulk cargo which began in February 2016, with a further tendency of growth, the Management Board of the parent company believes that Group's ability to continue as a going concern is certain.

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).
Changes in IAS 19 – Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on 1 February 2015 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 or later).

IFRS - Annual Improovements 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 Improovements 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.

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 2015.

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).

IFRS 9 –Financial instruments (the new standard effective for periods beginning on 1 January 2018 or later).
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization (effective for periods beginning on 1 January 2016 or later).
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (effective for periods beginning on 1 January 2016 or later).
Amendments to IAS 16 and IAS 41: Bearer Plants (effective for periods beginning on 1 January 2016 or later).
Amendments to IAS 1: Disclosure Initiative (effective for periods beginning on 1 January 2016 or later).
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities – Applying the Consolidation Exception (effective for periods beginning on 1 January 2016 or later).
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for periods beginning on 1 January 2016 or later).
Amendments to IAS 27: Equity Method in Separate Financial Statements (effective for periods beginning on 1 January 2016 or later).

IFRS - Annual Improovements 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 recognized 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 recognized 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 2015 the official exchange rate for the Croatian kuna was 7.64 HRK for 1 euro (on 31 December 2014 it was 7.66 HRK) and 6.99 HRK for 1 USD (on 31 December 2014 it was 6.30 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 the 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 derecognized 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 recognized 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 recognized 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 recognized 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)	2015	2014
Domestic revenue	375,174	480,624
Foreign revenue /i/	211,638,296	234,386,418
	212,013,470	**234,867,042**

/i/ Within the stated amount, realized by companies within the Group United Shipping Services One, freight revenue amounts to HRK 206,680,128 (2014: HRK 231,902,711), while revenue from management services provided to non-affiliated companies amounts to HRK 4,958,168 (2014: HRK 2,483,707).

4. OTHER OPERATING REVENUES

(in HRK)	2015	2014
Recognized part of deferred income (Note 43)	17,748,526	5,721,749
Income from reversal of provisions (Note 35)	141,325	161,206
Government grants	280,960	-
Other revenues	89,916	1,526,326
	18,260,727	**7,409,281**

5. COST OF MATERIAL AND SERVICES

(in HRK)	2015	2014
Raw materials and supplies	112,132	116,065
Energy	110,570	72,040
Spare parts and small inventory	69,384	16,705
Raw materials and supplies	**292,086**	**204,810**
Operating ship expenses and docking expenses	28,428,179	35,705,841
Transport, telephone, postage	284,769	297,668
Repairs and maintenance	10,599,493	10,020,968
Rental costs	103,139	-
Promotion costs	13,219	31,101
Other	30,104	24,198
Other external services	**39,458,903**	**46,079,776**
	39,750,989	**46,284,586**

6. STAFF COSTS

(in HRK)	2015	2014
Crew salaries based on contracts	74,185,694	77,179,629
Net salaries	5,347,052	5,231,869
Taxes and contributions *from* and *on* salary /i/	5,038,971	5,167,222
	84,571,717	**87,578,720**

/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)	2015	2014
Amortization (Note 15)	928	2,785
Depreciation (Note 16)	110,291,713	111,508,564
	110,292,641	**111,511,349**

8. IMPAIRMENT OF ASSETS

(in HRK)	2015	2014
Impairment of vessels (Note 16)	**112,466,014**	**17,822,898**

9. OTHER EXPENSES

(in HRK)	2015	2014
Losses on sale of vessels (Note 16)	302,803,746	-
Marine insurance	11,774,865	11,225,099
Fees for administration and management services abroad	3,717,874	3,230,186
Accrued expenses for severance payments	225,885	
Reimbursement of costs to employees /i/	1,588,459	4,733,348
Intellectual services /ii/	177,445	161,750
Entertainment	322,500	323,415
Supervisory board (gross fees)	166,016	176,384
Contributions and municipal levies	139,227	161,766
Bank charges	435,778	224,613
Depository services and broker commission	201,691	47,762
Insurance	103,861	157,212
Account receivables write off	13,313	-

(in HRK)	2015	2014
Donations	43,436	-
Other expenses /iii/	475,964	421,482
	322,190,060	**20,863,017**

/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 (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 173,983, legal and notary fees amounts to HRK 54,723, scholarships in the amount of HRK 67,200, costs of submission of the financial reports in the amount of HRK 128,118 and the rest amounts to HRK 51,940.

10. FINANCIAL INCOME

(in HRK)	2015	2014
Interest income	1,731,700	3,424,346
Foreign exchange gains	28,111,762	24,516,058
Dividend income	884	884
Other financial income (United Shipping Services Six Inc.)		2,928,900
	29,844,346	**30,870,188**

11. FINANCIAL EXPENSE

(in HRK)	2015	2014
Interest expense	56,709,854	63,182,522
Foreign exchange losses	9,264,019	3,555,174
Expense from value adjustment of the investments (Note 17)	113,961	164,898
	66,087,834	**66,902,594**

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)	2015	2014
Profit / (Loss) of the parent company before tax	**568,584**	**(469,753)**
Effect of tax disallowable expenses	285,258	438,645
Effect of non-taxable profit	(160,887)	(171,572)
Tax loss for the year	692,955	(202,680)
Tax losses brought forward	**(579,117)**	**(376,437)**
Tax loss to carry forward	**113,838**	**(579,117)**
Tax rate	20,00%	20,00%
Tax liability for the year	**22,768**	**-**

13. TONNAGE TAX

(in HRK)	2015	2014
Total annual tonnage tax liability	**309,926**	**331,856**
The amount of tonnage tax paid abroad	-	(15,551)
Annual tonnage tax liability	**309,926**	**316,305**

/i/ The tonnage tax liability of the vessels liability in the 2015 and 2014 was 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 863.29 (in 2014: HRK 142.20) have been determined on the basis of the Group's consolidated loss in the amount of HRK 466,439,518 (in 2014: HRK 76,764,162) and the weighted average of ordinary shares, reduced for treasury shares, that was 540,306 (2014: 539,822).

15. INTANGIBLE ASSETS

(in HRK)	Total
PURCHASE VALUE	
At 31 December 2013	**171,078**
Retirements, disposals and other	-
At 31 December 2014	**171,078**
Retirements, disposals and other	-
At 31 December 2015	**171,078**
ACCUMULATED AMORTISATION	
At 31 December 2013	**167,365**
Retirements, disposals and other	2,785
At 31 December 2014	**170,150**
Retirements, disposals and other	928
At 31 December 2015	**171,078**
NET BOOK VALUE	
At 31 December 2015	-
At 31 December 2014	**928**

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 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**
Additions	-	48,643	-	48,643
Retirements, disposals and other	-	(54,545)	(1,048,886,484)	(1,048,886,484)
Exchange differences	-	-	299,308,990	299,308,990
At 31 December 2015	**8,690,792**	**1,420,261**	**1,985,370,589**	**1,995,481,642**
Accumulated depreciation				
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**
Depreciation charge for the year	88,853	86,291	110,116,569	110,291,713
Value adjustment			112,466,014	112,466.014
Retirements, disposals and other	-	(53,459)	(444,718,529)	(444,771,988)
Exchange differences	-	-	90,345,017	90,345,017
At 31 December 2015	**2,422,037**	**1,294,121**	**655,347,188**	**659,063,346**
Net book value				
At 31 December 2015	**6,268,755**	**126,140**	**1,330,023,401**	**1,336,418,296**
At 31 December 2014	**6,357,608**	**164,874**	**1,947,809,966**	**1,954,332,448**

In the year 2015, upon completion of the bareboat charter agreement, the vessel Pula was returned to its owner. Furthermore, two bulk carriers (m/b Marlera and m/b Volme) were sold. The losses on sale are presented on a net basis (Note 9).

Pursuant to the estimation of the Management, the impairment of the vessels as at 31 December 2015 was performed in the amount of HRK 112,466,014 (Note 8).

17. LONG-TERM FINANCIAL ASSETS

(in HRK)	Holding in %	2015	2014
Investments in subsidiaries and shares			
- United Shipping Adriatic Inc. (100 USD)	0,0007%	699	630
- Istarska kreditna banka d.d. Umag		8,300	8,300
- Istarska autocesta d.o.o. Pula */i/*	23,425%	3,889,097	4,003,058
- Uljanik d.d. Pula */ii/*		400,000	496,000
- Other investments		10	10
		4,298,106	**4,507,998**
Other			
Deposits		562,959	-
		562,959	-
		4,861,065	**4,507,998**

/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)	2015	2014
Long-term receivables of the subsidiaries	-	6,688,934
Long-term receivables of the parent company	10,818,464	11,458,968
Total long-term receivables	**10,818,464**	**18,147,902**
Current portion of long-term receivables (Note 23)	(68,059)	(107,325)
Long-term portion of receivables	**10,750,405**	**18,040,577**

19. INVENTORIES

(in HRK)	2015	2014
Foodstuff, fuel and lubricant supplies on ships	4,679,220	3,698,434
	4,679,220	**3,698,434**

20. TRADE RECEIVABLES

(in HRK)	2015	2014
Domestic trade debtors	1,210,090	766,430
Foreign trade debtors	7,435,611	4,809,341
	8,645,701	**5,575,771**

21. AMOUNTS DUE FROM THE STATE AND OTHER INSTITUTIONS

(in HRK)	2015	2014
Income tax refund	26,573	199,340
Tonnage tax refund	49,207	15,551
VAT refund	27,852	36,244
Other receivables	7,476	13,529
	111,108	**264,664**

22. OTHER CURRENT ASSETS

(in HRK)	2015	2014
Advances to vessels for the current costs	673,871	679,035
Receivables from the insurers and agents of foreign companies	371,977	173,906
Prepayments made	333,680	242,300
Interest receivables	-	83,101
Other receivables	90,279	7,761
	1,469,807	**1,186,103**

23. SHORT-TERM FINANCIAL ASSETS

(in HRK)	2015	2014
Total short-term financial assets	5,234,618	5,491,786
Plus: Current portion of long-term receivables (Note 18)	68,059	107,325
	5,302,677	**5,599,111**

24. CASH AND CASH EQUIVALENTS

(in HRK)	2015	2014
Current account balance	25,645,733	36,865,913
Foreign account balance of the parent company	747	4
Cash in hand	2,928	10,492
	25,649,408	**36,876,409**

25. PREPAID EXPENSES AND ACCRUED INCOME

(in HRK)	2015	2014
Prepaid expenses	11,741	4,950
	11,741	**4,950**

26. SHARE CAPITAL

At 31 December 2015, the share capital of the Parent Company amounted to HRK 232,000,000 and consisted of 540,306 ordinary shares, with a nominal value of HRK 400 per share, and of 39,694 treasury shares.

In the ownership structure as at 31 December 2015, small shareholders accounted for 93.16% and treasury shares accounted for 6.84%.

27. CONSOLIDATED CAPITAL RESERVES

(in HRK)	2015	2014
At 31 December of the prior year	(20,477,001)	(20,238,433)
Decrease	(1,200,476)	(238,568)
At 31 December of the current year	**(21,677,477)**	**(20,477,001)**

28. CONSOLIDATED LEGAL RESERVES

(in HRK)	2015	2014
At 31 December of the prior year	16,592,866	16,592,866
Increase */i/*	912,810	-
At 31 December of the current year	**17,505,676**	**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. The increase in legal reserves was followed by distribution of profit of the parent Company for the year 2014, according to the Decision of the General Assembly.

29. CONSOLIDATED RESERVES FOR TREASURY SHARES

(in HRK)	2015	2014
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)	2015	2014
At 31 December of the prior year	(15,022,426)	(14,614,578)
Purchase of treasury shares	(773,277)	(826,382)
Sale of treasury shares	2,030,887	418,534
At 31 December of the current year	**(13,764,816)**	**(15,022,426)**

31. CONSOLIDATED REVALUATION RESERVES

(in HRK)	2015	2014
At 31 December of the prior year	**91,875,255**	**26,968,244**
Increase / Decrease	59,422,877	64,907,011
At 31 December of the current year	**151,298,132**	**91,875,255**

/i/ The increase in revaluation reserves was a consequence of investment adjustments into foreign subsidiaries in 2015 in accordance with the mean exchange rate for the USD at the end of the accounting period in the amount of HRK 59,518,877 and of the revaluation of financial assets at fair value at the balance sheet date in the amount of HRK 96,000.

32. CONSOLIDATED RETAINED PROFIT

(in HRK)	2015	2014
At 31 December of the prior year	81,948,978	179,937,429
Increase /i/	2,209,162	2,323,123
Decrease /i/	(102,787,465)	(100,311,574)
At 31 December of the current year	**(18,629,325)**	**81,948,978**

/i/ Increase in retained earnings in 2015 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 2014, and to the exchange rate differences.

33. CONSOLIDATED LOSS FOR THE CURRENT YEAR

In 2015, the Group generated a net consolidated loss in the amount of HRK 466,439,518 (2014: HRK 76,764,162).

34. MINORITY INTEREST

(in HRK)	2015	2014
Related Company: ULJANIK Group Pula		
% of minority interest /i/	45%	45%
Share capital USD 27,675,090 (2013: 27,675,090)	193,504,229	174,411,378
Exchange differences	(1,789,760)	(695,594)
Loss carried forward	(7,676,565)	(6,307,769)
Loss of the current year	(9,133,888)	(1,368,796)
Net-capital of minority interest	**174,904,016**	**166,039,219**

/i/ Minority interest of 45% stake in the share capitals of the companies United Shipping Services Twelve Inc. and United Shipping Services Thirteen Inc is in the ownership of ULJANIK Group Pula.

35. LONG-TERM PROVISIONS

(in HRK)	2015	2014
Accrued commitments to employees /i/	1,855,361	1,770,801
	1,855,361	**1,770,801**

/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 839,317 (2014: HRK 840,954) and gross jubilee-awards amount to HRK 1,016,044 (2014: HRK 929,847). By increasing the provisions in relation to the 2014, the expenses have been charged in the amount of HRK 225,885 (Note 8). The decrease in provisions was made with parallel accounting of earlier provisions as earnings in the amount of 141,325 (Note 4).

36. LONG TERM LIABILITIES TO BANKS AND OTHER CREDITORS

(in HRK)	2015	2014
Related companies:		
Credit Suisse /i/	594,826,832	432,785,111
Bayerische Hypo und Vereinsbank AG – United Shipping Services Nine Inc.	-	122,052,471
ABN AMRO Bank - United Shipping Services Twelve Inc.	68,968,803	189,016,271
Zagrebačka banka d.d. Zagreb - United Shipping Services Thirteen Inc. /ii/	138,271,605	125,892,465
Privredna banka Zagreb d.d., Zagreb - United Shipping Services Seventeen Inc. /ii/	193,847,683	206,551,557
BM Product Tanker, Oslo - United Shipping Services Eight Inc.	-	102,809,196
	995,914,923	**1,179,107,070**
Parent company:		
HBOR/RBA d.d. Zagreb /ii/	33,495,098	33,554,113
HBOR/RBA d.d. Zagreb /ii/	41,878,286	41,951,120
HBOR/RBA d.d. Zagreb /ii/	23,336,969	23,668,594
	98,710,353	**99,173,827**
Non-financial institutions	**2,757,000**	-
Total long-term borrowings including current portion	**1,097,382,276**	**1,278,280,897**
Capitalized borrowing costs	(7,114,451)	(7,492,298)
Current portion of long-term borrowings (Note 37)	(51,724,933)	(113,230,294)
Long-term borrowings	**1,038,542,892**	**1,157,558,305**

/i/ Loans are granted to related companies United Shipping Services Three Inc., United Shipping Services Four Inc (repaid in 2015), United Shipping Services Ten Inc., United Shipping Services Eleven Inc. and United Shipping Services Fourteen Inc..
On 13 October 2015, it was signed an agreement on the restructuring of the financial arrangement concluded in 2013, with the Syndicate of foreign banks led by Credit Suisse Bank, by which the former terms of payments for the borrowings included in the financial arrangement were changed, with the final maturity in September 2020.

/ii/ In 2015 contracts on refinancing loans were also concluded with the Zagrebačka banka, Privredna banka Zagreb and Raiffeisenbank Austria/Croatian Bank for Reconstruction and Development.

Long-term borrowings are secured by pledging of shares of the foreign subsidiaries, by first priority mortgages over the ships Levan, 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)	2015	2014
Borrowings of the Parent Company	83,522,724	90,100,545
Borrowings of the Group	-	1,733,079
	83,522,724	**91,833,624**
Current portion of long-term borrowings (Note 36)	51,724,933	113,230,294
	135,247,657	**205,063,918**

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

38. TRADE PAYABLES

(in HRK)	2015	2014
Domestic trade payables	596,517	330,142
Foreign trade payables	18,865,429	17,807,628
	19,461,946	**18,137,770**

39. AMOUNTS DUE TO EMPLOYEES

(in HRK)	2015	2014
Liabilities for net wages and salaries	380,442	395,563
Payroll taxes and contributions	385,246	386,854
Other payables to employees /i/	1,665,614	3,280,285
	2,431,302	**4,062,702**

/i/ Within the stated obligations, the amount of HRK 693,723 (in 2014: HRK 2,793,984) represents the accrued obligation for the gross salary of employees deriving from premiums collected upon expiry of the insurance period (Note 9).

40. TAXES, CONTRIBUTIONS AND OTHER DUTIES PAYABLE

(in HRK)	2015	2014
Other	**228**	**4,076**

41. DIVIDENDS PAYABLE

(in HRK)	2015	2014
Outstanding dividends payable	2,534,798	2,538,293
	2,534,798	**2,538,293**

42. OTHER SHORT-TERM LIABILITIES

(in HRK)	2015	2014
Due to brokers and ship lessees	8,088,422	9,534,811
Due to crew	11,949,336	12,041,436
Interest payable	6,736,953	9,817,163
Due to agents	7,220,880	6,956,806
Accruals and other liabilities	4,256,424	4,624,020
	38,252,015	**42,974,236**

43. DEFERRED INCOME

(in HRK)	2015	2014
Deferred income */i/*	67,611,783	85,360,309
Other	381,946	41,442
	67,993,729	**85,401,751**

/i/ Decrease in deferred revenue in the amount of HRK 17,748,526 represents a pertaining portion of the subsidy for the year 2015, 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.

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 2015 and 31 December 2014.

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:

		2015	
(in HRK)	**Note**	**Carrying value**	**Fair value**
Financial assets available for sale	17	400,000	400,000
Investments into subsidiaries and associated companies	17	4,576,026	4,576,026
Long-term receivables	18	10,750,405	10,750,405
Inventories, trade receivables and other receivables	19,20,21,22	14,231,965	14,231,965
Other short-term financial assets and prepayments made	22,23	5,976,348	5,976,348
Liabilities from debt on which are calculated interests	36,37	1,173,790,549	1,173,790,549
Trade payables and other liabilities	38,39,40,41,42	62,680,289	62,680,289

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 which consists of the director, assistant director, two fleet managers, purchase manager, travel agency manager and personnel manager.

Total amount of fees paid to the key management for the year 2015 amounts to HRK 4,567,836 (2014.: HRK 4,594,839).
During the year, the Supervisory Board received fees in the amount of HRK 160,016 (2014.: HRK 160,444).

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

47. 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 2016.

48. AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year 2015 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, 29.04.2016

MANAGEMENT REPORT
FOR THE PERIOD 01-12/2015

The business activity of ULJANIK PLOVIDBA (the Company) and its foreign subsidiaries in the period 01-12/2015 was proper, with full employment of vessels and high functioning management system. In dry cargo sector this year's trends are characterized by a continuous decline in freight rates and values of the vessels, which have experienced their historical minimum in the last quarter of 2015 and at the beginning of 2016, on all routes and for all types of vessels. The developments in the dry cargo maritime transport in 2015 were indisputably influenced by the slowdown in all major economies, especially in China but also in South American countries and the slow recovery of the countries of Europe. Extremely negative developments in the sector have resulted in increased scrap activity, reduction in the total number of orders for new ships and the postponement of deadlines for delivery of the ships under construction, as well as a large number of laid up vessels. A slight recovery in this sector began in mid-February 2016 while a stronger recovery is expected in the third quarter of 2016.

In the petroleum products, oils and chemicals transportation sector the observed period can be assessed as stable with increased freight rates with respect to the previous year. In the “clean cargo” transportation segment the whole year 2015 was marked by a stronger demand in all routes, as well as by the freights that enable long-term regular operations and return on capital. Trends in the year 2016 and predictions for the next period are very optimistic.

Long-term charter parties concluded in relation to three tankers as well as the positive effects of operation with one tanker on the spot market, give a lot of optimism for the proper operation of the Company in the future. Unfortunately, the further deepening of the crisis in the bulk sector has an extremely negative impact on the Company's operations.

In the year 2015 the Company:

a) achieved a consolidated positive operating result of the vessels due to: increased operating income of the tanker fleet, income from ship management services carried out to third parties on the revenue side, as well as reduced operating expenses of the vessels despite dry docking of two ships, on the expenditure side (EBITDA 86.4 mil USD),
b) generated high consolidated total loss for the year 2015 as a direct result of increased costs due to impairment of the vessels, increased depreciation costs in relation to the selling of two oldest dry cargo vessels (loss on sale) as well high financial liabilities
c) achieved constant employment of vessels with the continuation of the Company’s fleet high efficiency trend,
d) realized the refinancing of about 150 million dollars of long-term loan obligations,
e) retained the proper liquidity,
f) fulfilled all its loan repayment obligations in 2015 - over 44 mil USD,

g) sold the oldest dry cargo vessels: Marlera and Volme,
h) 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;
i) maintained high efficiency of vessels' management with a further increase in the number of vessels in management ,
j) collected 100% of contracted freights from the Charterers of all vessels with their full performance.

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

1. COMMERCIAL ASPECT

The operating revenues for the period 01-12/2015 of 230 mil HRK compared to 242 mil HRK in the same period of 2014 has been under direct impact of the higher freight rates in the tanker shipping market, but also of historically low freight rates in the bulk sector and the decreased number of vessels (bulkers). The operating result was influenced negatively by dry docking cost of two vessels.

2. PERSONNEL

As at 31st December 2015 the Company had 34 employees.

3. TECHNICAL ASPECT

In the period January-December 2015 vessels Verige and Veruda underwent dry docking and there were no technical problems on board. The company keeps maintaining high efficiency of vessel exploitation with all other vessels in the fleet. Furthermore, m/t Pomer underwent dry docking at the beginning of 2016 and m/b Levan is currently under dry docking.

4. ACQUISITION OF TREASURY SHARES

In the period 01-12/2015 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 773.3 thousand HRK and disposed of treasury shares in the amount of 2,030.9 thousand HRK.

5. IMPORTANT EVENTS IN 2015

On 7th March 2015 the Bareboat Charter of M/t Pula was terminated and the said vessel has been taken into management for and on behalf of the new Bareboat Charterer.

On 15th July the Company signed the long-term Bareboat charter of the M/t Istra with the Norwegian company Ebony A/S, Bergen.

On 14th August 2015 the Company concluded the Management Agreement for the Newbuilding ULJANIK 502, RO-RO PAX vessel built up in Uljanik Pula Shipyard, intended for liner transportation in Turkmenistan.

On 27th August 2015 the General Assembly of the Company was held which passed the resolution on the sharing of profit/loss for the year 2014. According to the same resolution, the profit of HRK 22,330,022.68 was allocated as follows: HRK 912,809.71 to legal reserves and HRK 21,417,212.97 to retained profit.

On 13th October 2015 the Company through its subsidiaries – members of the Group ULJANIK PLOVIDBA, signed a credit agreement with a Syndicate of foreign banks led by Credit Suisse Bank in the total amount of about 86 million USD, in the profile of a 12-year repayment period with an annual interest of 250 index points on USD LIBOR. In addition, the Company has in 2015 concluded contracts on refinancing loans totaling approximately 63 million USD with Zagrebačka banka, Privredna banka Zagreb and Raiffeisenbank Austria /Croatian Bank for Reconstruction and Development.

On 14th October 2015 the Company sold M/v Marlera, the oldest ship in the fleet of the Company, intended for transportation of bulk cargoes. The delivery of the vessel to the Buyer took place in the port of Fujairah.

On 8th December 2015 the Company sold M/v Volme, the ship in the Company's fleet, intended for transportation of bulk cargoes. The proper delivery of the vessel to the Buyer took place in the port of Durban.

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 shipping and 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 ships;
- 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 Governance Code.

Pula, 29th April 2016

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 2015, 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 2015 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, 2016

ULJANIK PLOVIDBA

Supervisory Board

Pula, 29.04.2016.

According to the provisions of Article 300.c and Article 300.d of the Companies Act ("Official Gazette" number 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13 and 110/15) and Article 37. of ULJANIK PLOVIDBA d.d.'s Bylaws, the Supervisory Board of ULJANIK PLOVIDBA d.d. at the meeting held on 29 April 2016, passed the following

RESOLUTION

I. Approval is given to the Financial Statements of ULJANIK PLOVIDBA d.d. and the Group ULJANIK PLOVIDBA for the year 2015.

II. Approval is given to the Independent Auditor's Report - REVIDAS revizija i konzalting d.o.o, on audited Financial Statements of ULJANIK PLOVIDBA d.d. and the Group ULJANIK PLOVIDBA for the year 2015.

III. ULJANIK PLOVIDBA d.d.'s Profit and Loss Account for the year 2015 is set out as follows:

	2015.	2014.
EARNINGS	56,303,815.95	52,140,187.44
EXPENSES	32,762,114.20	29,493,860.21
PROFIT	23,541,701.75	22,646,327.23
TAX	332,693.39	316,304.55
NET PROFIT	23,209,008.36	22,330,022.68

IV. The consolidated Profit and Loss Account for ULJANIK PLOVIDBA's Group for the year 2015 is set out as follows:

	2014.	2013.
EARNINGS	260,118,543.00	273,146,511.00
EXPENSES	735,359,255.00	350,963,164.00
LOSS	- 475,240,712.00	- 77,816,653.00
TAX	332,694.00	316,305.00
LOSS OF MINORITY	9,133,888.00	1,368,796.00
NET LOSS	- 466,439,518.00	- 76,764,162.00

V. By giving approval to the Financial Statements of ULJANIK PLOVIDBA d.d. and the Group ULJANIK PLOVIDBA for the year 2015 and the Independent Auditor's Report made by REVIDAS revizija i konzalting d.o.o, the Board of Directors and the Supervisory Board of ULJANIK PLOVIDBA d.d. determined the same in accordance with the Article 300.d of the Companies Act.

President of the Supevisory Board

Amra Pende

ULJANIK PLOVIDBA

Supervisory Board

Pula, 29.04.2016.

According to the provisions of Article 300.c and Article 280. Paragraph 3. of the Companies Act ("Official Gazette" number 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13 and 110/15) and Article 37. of ULJANIK PLOVIDBA d.d.'s Bylaws, the Supervisory Board of ULJANIK PLOVIDBA d.d. at the meeting held on 29 April 2016, passed the following

RESOLUTION

I. Proposal on distribution of profit for the year 2015, made by the Board of Directors of ULJANIK PLOVIDBA d.d. is accepted.

II. ULJANIK PLOVIDBA d.d.'s General Meeting is proposed to distribute the profit of the company for the year 2015 in the amount of 23.209.008,36 kunas, in such a manner as to allocate an amount of 1.160.450,41 kunas in statutory reserves and the remaining amount of 22.048.557,95 kunas in retained earnings.

President of the Supevisory Board
Amra Pende