

**JADROPLOV d.d., SPLIT**

**ANNUAL REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

This version of the financial statements is a translation from the original, which was prepared in Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the financial statements takes precedence over this translation.

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## Management Report

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The Management Board presents its annual report for the year ended 31 December 2018.

### Principal activity

Jadroplov d.d. (the "Company") was incorporated in Croatia as a joint stock company, registered with the Commercial Court in Split, number 060000041. The Company and its subsidiaries (collectively the "Group") own and operate a fleet of vessels which sail under Croatian and Maltese flags. The Group's principal activities are chartering, crew and technical management. The business is carried on primarily outside Croatia.

At the end of 2018, the Group's fleet consisted of 6 ships, with a total capacity of 292,939 DWT and average age of 12.7 years.

### Supervisory Board

Supervisory Board members were as follows: Čedo Petrina (President, dismissed on 24 January 2018), Siniša Prnjak (Vice president until 21 March 2018, member since then), Zoran Miletić (dismissed on 11 March 2019), Paško Karlo (member until 21 March 2018, President since then), Ksenija Koščević-Čuvalo (appointed on 24 January 2018, Vice president from 21 March 2018), and as a representative of workers Vesna Gudelj.

### Management Board

Management Board members were as follows: Branimir Kovačić (President), Mario Radačić and Dalibor Filipović (Members), with 5 year mandate until 31 July 2022.

<b>Shareholder's structure of Jadroplov d.d. (at 31 December 2018)</b>	<b>Number of shares</b>	<b>Percentage %</b>
Restructuring and Sale Center	1,152,519	70.42 %
Domestic individuals	420,759	25.70 %
Financial institutions	39,896	2.44 %
Companies	10,233	0.63 %
Foreign investors	3,256	0.20 %
Treasury shares	10,011	0.61 %
<b>Total</b>	<b>1,636,674</b>	<b>100.00%</b>

Total number of shareholders as at 31 December 2018 was 2,941.

### Result

The Group realized a loss of USD 5,259 thousand in 2018. With the exclusion of the effect of foreign exchange gains in the amount of USD 292 thousand the normalized loss would amount to USD 4,967 thousand.

## **Management Report (continued)**

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### **Significant events during 2018**

#### *1.) Trends in the shipping market*

Growth of the global economy has continued in 2018 at slightly higher rate compared to 2017.

World's GDP increased by 3.7% in 2018 compared to 3.8% in 2017.

Same as the previous year, China retained the primacy in the total size of industrial development in 2018 with a growth rate of 6.6%. The significant growth was achieved in the United States with a growth rate of 2.9% and in Germany with growth rate of 1.5% compared to the previous year.

In the European Union there has been the recovery of the economy and GDP growth on an annual basis by 1.8% in comparison with 2017 when GDP increased by 2.4%.

These indicators should have positive effects to the total world trade and hence maritime transport of goods.

During 2018 the maritime goods transportation increased by 2.7%. Thereof, the transportation of oil and oil products increased by 0.7%, container transport by 4.2% and dry bulk transportation increased by 2.7%.

Throughout the year, transportation capacity of the dry bulk carrier fleet increased by 2.9%, but for us, particularly interesting is the market segment with capacity from 40,000 to 65,000 DWT which grew at the rate of 2.6%.

The Company possesses 6 dry bulk carriers, therefore we give a brief review of this maritime market segment.

#### *Dry bulk freight market*

Since the majority of our ships for transport of bulk cargo (bulk carriers) individually have capacity of about 48,823 DWT, we pay attention to the market of "Supramax" ships, although their average capacity is slightly higher than the capacity of our ships.

Over the past years the BSI (Baltic Supramax Index) experienced significant fluctuations and was as follows:

- 12th December 2013. – 1,562 points,
- 11th April 2014. - 927 points,
- 02nd January 2015. - 884 points,
- 16th April 2015. - 612 points,
- 12th February 2016. - 243 points,
- 22nd April 2016. - 558 points
- 23rd December 2016. - 903 points
- 08th June 2017. - 649 points
- 22nd December 2017. - 914 points
- 13th February 2018. - 817 points
- 11th October 2018. – 1,207 points.

## Management Report (continued)

### Significant events during 2017 (continued)

#### 1.) Trends in the shipping market (continued)

Annual average of hire rates in USD:

	T/C BCI	T/C BPI	T/C BSI	T/C BHSI
<b>2016</b>	7,557	5,515	6,750	5,371
<b>2017</b>	15,751	9,812	10,680	7,840
<b>2018</b>	16,276	11,670	12,783	8,945
<b>% change</b>	3.3	18.9	19.7	14.1

The above table shows that BDI increased from 3.3% to 19.7% compared with the 2017 on all types of vessels.

The main reason for this was balanced increase in fleet capacity in the observed period, where the fleet grew by 2.9% annually on average. In the same time the increase of the transported cargo volume was on the level of about 2.7% annually.

During 2017 the fleet capacity increased by 3% accompanied with growth in the bulk cargo trade of 3.8%. In 2018 the fleet increased by 2.9%, while sea cargo trade increased around 2.7%.

These data shows that there is equalization of supply and demand, which should have a positive impact on the freight movement if oil prices increases.

### Subsequent events

#### 1.) Trends in the shipping market

##### a) Dry bulk carriers market

Freight rates are on somewhat lower levels in 2019 compared with 2018.

The daily charter rate - hire expressed in USD (for a period of 12 months) for the modern „Handymax“ and “Supramax” vessels in the first weeks of the months was as follows:

Year/												
Month	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
<b>2016</b>	4,750	4,750	4,500	4,750	5,750				6,750	6,500	7,500	7,500
<b>2017</b>	7,000	7,250	8,750	10,500	9,250	8,500	9,750	9,750	10,250	11,250	11,000	11,000
<b>2018</b>	11,000	11,750	13,000	13,000	13,250	13,250	13,000	13,000	13,250	13,250	12,750	12,000
<b>2019</b>	11,750	9,500	11,125	10,000								

The above table shows that the daily charter rates are on a lower level compared with the beginning of 2018.

## **Management Report (*continued*)**

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### **Subsequent events (*continued*)**

#### *b) Expectations for 2019*

In 2018, according to the order books, 34.3 million DWT of newbuilding delivery for the transport of bulk cargo should have been delivered, out of which the Handymax sector accounts for about 6.5 million DWT. Realized deliveries amounted to 28.4 million DWT. This data is important because the realisation of deliveries was around 83% from what was planned. Considering the situation on the overall market, a further decline in the influx of newly built vessels is expected due to problems related to financing their construction and purchase. Demolition activity of older ships shows that 2.694 million DWT was scrapped up to 5 April 2019, compared to 1.624 million DWT up to 6 April 2018. During last year 4.45 million DWT of bulk carriers was scrapped. If we look at the realisation in this year's first quarter, the fleet capacity grew by 0.7%, which would on, an annual basis, lead to a growth of around 2.8%. However, if we take into account that growth of fleet capacity is slowing down in the second part of the year, we can anticipate an overall fleet increase of approximately 2%, which is below expected growth in maritime commerce. According to the forecast, this year the stabilisation of the market is expected, with further improvements in the years ahead.

Application of new regulations, more demanding environmental protection regulations and high energy prices driven by the usage of low sulphur fuels from 1<sup>st</sup> January 2019, should lead to a more successful results of the shipping companies with a fleet ready for the new market requirements.

By orientation on the gradual cost reduction in previous years, the Company managed to become cost-competitive compared to other international dry bulk shipping companies which is intended to allow the Company's quick recovery in case of small-scale market improvement.

### **Business projections for 2019**

Taking into consideration a decrease in fleet growth of new dry bulk deliveries, improvement in freight rates is expected in second half of 2019, which should lead to considerable better business performance in 2019, compared to 2018.

### **Risks that the Company is exposed**

#### **Market risk**

The Group operates in the international shipping market, and therefore is exposed to considerable market risk due to cyclical changes in supply and demand in the shipping market, which affects the level of freights. Also, there are risks due to the changes in currency exchange rates.

#### **Interest rate risk**

Due to the fact that the Group uses loans with variable interest rates, the Group is exposed to the interest rate changes. All the Group loans were contracted at variable interest rates. The Company doesn't have the instruments to hedge against the interest rate risk.

#### **Credit risk**

Credit risk is related to trade receivables, and refers to the risk of not meeting contractual obligations of the counter party, whereby the Group would have suffered financial losses. The Group has no significant concentration of credit risk because it has adopted a policy of operating only with credit worthy parties respectively giving ships into lease to first class charterers.

#### **Currency risk**

Since the Group operates in the international market, most transactions are in foreign currency, and therefore it is exposed to risks of exchange rate changes. The Group is mainly exposed to the USD or EUR.

#### **Liquidity risk**

Due to the prolonged crisis in the shipping market and the historically low freight rates that reached the lowest level in 2016, the Group operates under conditions of heavier liquidity. In a view of historically low rates recorded in the previous period, in order to ensure the existence of the Group, negotiations with the Group's creditors on the deferral of the principle were made, which allowed the maintenance of the level of liquidity sufficient for the operational business of the Group. In order to improve liquidity, the Company has taken more measures. On 2 May 2018, the European Commission approved the restructuring plan of the Company, whose realisation is in process which should improve the liquidity of the Company. For more details on liquidity risk, see Note 2 (b).

## Management Report (*continued*)

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### Environment protection

The Company's principal activity is the international maritime transport, which means that there is a risk of exposure to environmental protection. During 2018 there were no environmental incidents. In order to improve the environment, great attention is paid to regular maintenance and renewal of the fleet, and also the professional training of maritime personnel.

For and on behalf of the Management Board:



**Branimir Kovačić**

President of the  
Management Board



**Dalibor Filipović**

Member of the  
Management Board



**Mario Radačić**

Member of the  
Management Board

30 April 2019





## **Statement on application of corporate governance code**

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### **General information**

The Company adheres to the objectives and guidelines of the Corporate Governance Code and the principles contained therein, in accordance with the legal regulations and regulations of the Republic of Croatia. The goal of such corporate governance is to ensure an effective and transparent distribution of corporate body roles and responsibilities, balanced strategic oversight, management and control functions, with emphasis on risk management and property protection.

Jadroplov d.d. is a company whose shares are quoted on the official market of the Zagreb Stock Exchange and applies the Code of Corporate Governance which was brought by the Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange. The Code was published on the Zagreb Stock Exchange website.

### **Corporate Governance Structure**

According to the Companies Act and the Articles of Association of the Company, the organs of the Company are: the General Assembly, the Supervisory Board and the Management Board, and the mentioned acts regulate their duties and responsibilities.

#### General Assembly

The General Assembly decides on matters defined by the Law and the Articles of Association of the Company and, inter alia, makes the Statute, decides about on the use of profit, decides on capital increase and decrease, selects and dismisses members of the Supervisory Board, dismisses the members of the Management Board and the Supervisory Board, appoints an external auditor of the Company, and other activities in accordance with the Law and the Statute of the Company.

The regular annual General Assembly was held on 30 August 2018.

#### Supervisory Board

The Supervisory Board of the Company supervises the management of the company's business and, for that purpose, reviews and examines the business books and documentation of the Company. The Supervisory Board submits to the General Assembly of the Company a written report on the supervised conduct of the Company's business. The Supervisory Board of the Company consists of five members. As a rule, regular sessions of the Supervisory Board are convened once every three months. The Board of Supervisors may decide on important and irrelevant matters at sessions held in writing / telephone.

Supervisory Board members were as follows: Čedo Petrina (President, resigned on 24 January 2018), Siniša Prnjak (Vice president until 21 March 2018, member since then), Zoran Miletić (resigned on 11 March 2019), Paško Karlo (member until 21 March 2018, President since then), Ksenija Košćević-Čuvalo (appointed on 24 January 2018, Vice president from 21 March 2018), and as a representative of workers Vesna Gudelj.

#### Management

The Management manages the Company's affairs, establishes business plans and controls their realization, and coordinates the activities of individual organizational units of the Company. The number of board members varies from one to five. Management Board members were as follows: Branimir Kovačić (President), Mario Radačić and Dalibor Filipović (Members), with 5 year mandate until 31 July 2022.

## Statement on application of corporate governance code (*continued*)

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### Key elements of internal control systems and risk management related to financial reporting

Complete control systems include:

- Responsible organization structure at all levels with division of duties and defined levels of authority;
- Internal controls integrated into business processes and activation
- Providing of justified and prudent judgments and assessments;
- A Comprehensive set of accounting policies and procedures related to the preparation of the annual report in accordance with International Accounting Standards and International Financial Reporting Standards adopted by the European Union.



**Branimir Kovačić**

President of the Management Board



**Dalibor Filipović**

Member of the Management Board



**Mario Radačić**

Member of the Management Board

30 April 2019



## Statement of Management Board's Responsibility

According to the Croatian Accounting Law, the Management Board is responsible for ensuring that the financial statements are prepared for each financial year in accordance with International Financial Reporting Standards as adopted by the EU (IFRS) which give a true and fair view of the financial position and results of Jadroplov d.d. and its subsidiaries (collectively the "Group") for that period.

After making inquiries and taking into account events after the reporting date, the Management Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

In preparing those financial statements, the responsibilities of the Management Board include ensuring that:

- suitable accounting policies are selected and then applied consistently
- judgments and estimates are reasonable and prudent
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company and the group and must also ensure that the financial statements comply with the Croatian Accounting Law. The Management Board 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.

The financial statements set out on pages 16 to 55, alternative presentation and supplementary information set out on pages 56 to 57 were authorised by the Management Board and are signed below to signify this.

Signed on behalf of the Management Board on 30 April 2019.



**Branimir Kovačić**

President of the  
Management Board



**Dalibor Filipović**

Member of the  
Management Board



**Mario Radačić**

Member of the  
Management Board





## **Independent Auditors' Report to the shareholders of Jadroplov d.d. Report on the Audit of the Financial Statements**

### ***Opinion***

We have audited the consolidated financial statements of Jadroplov d.d. ("the Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position of the Group as at 31 December 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information (further referred to as "the financial statements").

In our opinion, the accompanying financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

### ***Basis for Opinion***

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Croatia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Material Uncertainty Related to Going Concern***

We draw attention to Note 2. b) of the consolidated financial statements, which indicates that the Group, during the year ended 31 December 2018, incurred a loss after tax of HRK 34,020 thousand and, as at 31 December 2018, the Group's current liabilities exceeded its current assets by HRK 259,845 thousand. As stated in Note 2. b), these events or conditions, along with other matters why it would be impossible to implement the measures envisaged by the restructuring plan, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.



## Independent Auditors' Report to the shareholders of Jadroplov d.d. (continued)

### Report on the Audit of the Financial Statements (continued)

#### Key Audit Matters (continued)

##### Impairment of vessels

Carrying amount of Vessels at 31 December 2018: HRK 652,156 thousand (31 December 2017: HRK 668,730 thousand).

Refer to Note 2 (f) and (j) of *Significant accounting policies* and Note 10 *Property, plant and equipment* of the consolidated financial statements

Key audit matter	How our audit addressed the matter
<p>The Group incurred a net loss of HRK 34,020 thousand for the year ended 31 December 2017. Furthermore, the deteriorated economic outlook and low hire rates in dry bulk freight market represent indicators of potential impairment of the Group's property, plant and equipment (i.e. fleet).</p> <p>As required by relevant financial reporting standards, individual items of property, plant and equipment or cash generating units (CGUs) for which impairment indicators exist are required to be tested by the Group for potential impairment. Any such impairment would be recognised in the amount by which the carrying amount of the asset (or a related CGU) exceeds its recoverable amount.</p> <p>The estimation of the recoverable amount of vessels, which is generally considered to be their value in use (based on discounted cash flow models) or, in some cases fair value less costs to sell, relies on significant judgments and assumptions about the future, including: future profitability growth, capital expenditure, working capital, residual value, inflation and the most appropriate discount rate. These projections are exposed to significant variability due to changing market conditions.</p> <p>Therefore, the assessment of recoverable amount and impairment testing of vessels is determined to be a key audit matter.</p>	<p>We have performed the following procedures, amongst others:</p> <ul style="list-style-type: none"><li>▪ Reviewed the Group's conclusions over the identification of impairment triggers;</li><li>▪ Assessed the appropriateness of the Company's judgments regarding identification of assets or CGUs which may be impaired;</li><li>▪ Assessed the appropriateness of allocation of assets to CGUs;</li><li>▪ Critically assessed the Group's assumptions and estimates used to determine the recoverable amounts of vessels and any impairment losses recognised, using our own valuations specialists. This included:<ul style="list-style-type: none"><li>– assessment of the historical accuracy of management's budgeting by comparing the prior periods' budgeted figures to actual results;</li><li>– testing the integrity of the model, including its mathematical accuracy, and evaluating the key assumptions applied (such as freight rates and operating costs, residual values, discount rate and growth rate) for reasonableness compared to both externally derived data and historical financial performance;</li><li>– analysis of the sensitivity of the impairment tests' results in respect of changes of the key assumptions;</li></ul></li><li>• Evaluated the adequacy and completeness of disclosures in respect of impairment.</li></ul>

This version of our report is a translation from the original, which was prepared in Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.



## **Independent Auditors' Report to the shareholders of Jadroplov d.d. (continued)**

### **Report on the Audit of the Financial Statements (continued)**

#### **Other Information**

Management is responsible for the other information. The other information comprises the Management Report and Corporate Governance Statement included in the Annual Report of the Group, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Management Report and Corporate Governance Statement, we also performed procedures required by the Accounting Act in Croatia ("Accounting Act"). Those procedures include considering whether:

- the Management Report has been prepared in accordance with the requirements of Articles 21 and 24 of the Accounting Act,
- the specific information in the Corporate Governance Statement required by Article 22, paragraph 1, items 3 and 4 of the Accounting Act ("relevant sections of the Corporate Governance Statement") has been prepared in accordance with the requirements of Article 22 of the Accounting Act; and
- the Corporate Governance Statement includes the information specified in Article 22, paragraph 1, items 2, 5, 6 and 7 of the Accounting Act.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and procedures above, in our opinion:

- the information given in the Management Report and the relevant sections of the Corporate Governance Statement for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the financial statements;
- the Management Report and the relevant sections of the Corporate Governance Statement have been prepared, in all material respects, in accordance with the requirements of Articles 21, 22 and 24 of the Accounting Act, respectively;
- the Corporate Governance Statement includes the information specified in Article 22 paragraph 1, items 2, 5, 6 and 7 of the Accounting Act.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are also required to report if we have identified material misstatements in the Management Report and Corporate Governance Statement. We have nothing to report in this respect.



## **Independent Auditors' Report to the shareholders of Jadroplov d.d. (continued)**

### **Report on the Audit of the Financial Statements (continued)**

#### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with EU IFRS, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

#### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



## **Independent Auditors' Report to the shareholders of Jadroplov d.d. (continued)**

### **Report on the Audit of the Financial Statements (continued)**

#### ***Auditors' Responsibilities for the Audit of the Financial Statements (continued)***

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.





## Independent Auditors' Report to the shareholders of Jadroplov d.d. (continued)

### Report on Other Legal and Regulatory Requirements

We were appointed by those charged with governance on 30 August 2018 to audit the consolidated financial statements of the Group for the year ended 31 December 2018. Our total uninterrupted period of engagement is eleven years, covering the periods ending 31 December 2008 to 31 December 2018.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Supervisory Board of the Company;
- for the period to which our statutory audit relates, we have not provided any prohibited non-audit services referred to in Article 44 of the Audit Act. We also remained independent of the audited entity in conducting the audit.

The engagement partner on the audit resulting in this independent auditors' report is Domagoj Hrkać.

*KPMG Croatia d.o.o.*

**KPMG Croatia d.o.o. za reviziju**  
Croatian Certified Auditors  
Eurotower, 17th floor  
Ivana Lučića 2a  
10000 Zagreb, Croatia

**30 April 2019**

**KPMG Croatia**  
d.o.o. za reviziju  
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Ivana Lučića 2a, 10000 Zagreb  
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## Consolidated statement of comprehensive income

For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

	Note	2018	2017
Operating revenue	3	128,743	113,689
Other operating revenue	4	<u>100,454</u>	<u>81,687</u>
<b>Total revenue</b>		<b><u>229,197</u></b>	<b><u>195,376</u></b>
Vessel operating costs	5	(162,019)	(167,595)
Depreciation and amortisation		(37,946)	(44,499)
Staff costs	6	(4,968)	(4,761)
Other operating expenses	7	<u>(30,322)</u>	<u>(5,053)</u>
<b>Total operating expenses</b>		<b><u>(235,255)</u></b>	<b><u>(221,908)</u></b>
<b>Loss from operations</b>		<b><u>(6,058)</u></b>	<b><u>(26,532)</u></b>
Finance income	8	6,652	17,144
Finance costs	8	<u>(34,619)</u>	<u>(27,442)</u>
<b>Net finance costs</b>		<b><u>(27,967)</u></b>	<b><u>(10,298)</u></b>
<b>Loss before taxation</b>		<b><u>(34,025)</u></b>	<b><u>(36,830)</u></b>
Income tax	9	<u>5</u>	<u>(5)</u>
<b>Loss for the year</b>		<b><u>(34,020)</u></b>	<b><u>(36,835)</u></b>
<b>Other comprehensive income</b>			
Translation reserve		<u>10,168</u>	<u>(50,240)</u>
<b>Other comprehensive income/(loss) for the year</b>		<b><u>10,168</u></b>	<b><u>(50,240)</u></b>
<b>Total comprehensive income/(loss)</b>		<b><u>(23,852)</u></b>	<b><u>(87,075)</u></b>
Basic and diluted loss per share (in HRK)	16	<u>(20.91)</u>	<u>(22.64)</u>

The accompanying notes on pages 20 to 55 form an integral part of these consolidated financial statements.

## Consolidated statement of financial position

As of 31 December 2018

(All amounts are expressed in thousands of HRK)

	Note	31 December 2018	31 December 2017
<b>ASSETS</b>			
Property, plant and equipment	10	656,800	674,297
Intangible assets	11	1	34
Receivables and other assets	13	-	4
<b>Non-current assets</b>		<b>656,801</b>	<b>674,335</b>
Inventories	12	12,116	8,847
Receivables and other assets	13	21,583	21,656
Cash and cash equivalents	14	1,517	4,377
<b>Current assets</b>		<b>35,216</b>	<b>34,880</b>
<b>Total assets</b>		<b>692,017</b>	<b>709,215</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	15	81,834	81,834
Treasury shares	15	(2,423)	(2,423)
Reserves	15	229,299	219,131
Accumulated losses		(76,170)	(42,150)
<b>Total equity</b>		<b>232,540</b>	<b>256,392</b>
Interest bearing loans and borrowings	17	164,246	181,835
Provisions	18	170	14,623
<b>Non-current liabilities</b>		<b>164,416</b>	<b>196,458</b>
Interest bearing loans and borrowings	17	242,797	213,708
Trade and other payables	19	52,264	42,657
<b>Current liabilities</b>		<b>295,061</b>	<b>256,365</b>
<b>Total liabilities</b>		<b>459,477</b>	<b>452,823</b>
<b>Total equity and liabilities</b>		<b>692,017</b>	<b>709,215</b>

The accompanying notes on pages 20 to 55 form an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity

For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

	Share capital	Treasury shares	Translation and other reserves	Accumulated losses	Total
<b>At 1 January 2017</b>	<b>180,034</b>	<b>(2,423)</b>	<b>269,371</b>	<b>(103,515)</b>	<b>343,467</b>
<b>Total comprehensive income for the year</b>					
Loss for the year	-	-	-	(36,835)	(36,835)
<i>Other comprehensive income</i>					
Translation reserve	-	-	(50,240)	-	(50,240)
Total other comprehensive income	-	-	(50,240)	-	(50,240)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(50,240)</b>	<b>(36,835)</b>	<b>(87,075)</b>
<i>Transactions with owners</i>					
Accumulated losses covered by reduction of share capital	(98,200)	-	-	98,200	-
<b>At 31 December 2017</b>	<b>81,834</b>	<b>(2,423)</b>	<b>219,131</b>	<b>(42,150)</b>	<b>256,392</b>
<b>Total comprehensive income for the year</b>					
Loss for the year	-	-	-	(34,020)	(34,020)
<i>Other comprehensive income</i>					
Translation reserve	-	-	10,168	-	10,168
Total other comprehensive income	-	-	10,168	-	10,168
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>10,168</b>	<b>(34,020)</b>	<b>(23,852)</b>
<i>Transactions with owners</i>					
Accumulated losses covered by reduction of share capital	-	-	-	-	-
<b>At 31 December 2018</b>	<b>81,834</b>	<b>(2,423)</b>	<b>229,299</b>	<b>(76,170)</b>	<b>232,540</b>

The accompanying notes on pages 20 to 55 form an integral part of these consolidated financial statements.

**Consolidated statement of cash flows**  
**For the year ended 31 December 2018**  
(All amounts are expressed in thousands of HRK)

	Note	2018	2017
<b>Operating activities</b>			
Loss for the year		(34,020)	(36,835)
<i>Adjusted by:</i>			
Amortisation	10, 11	37,946	44,499
Allowances for impairment of trade receivables	7, 13	25,028	52
Reversal of allowance for impairment of trade receivables	4, 13	-	(36)
Movement in provisions	18	(14,914)	(25)
Write-off of other liabilities	4	(332)	(228)
Gain from sale of property, plant and equipment		(24)	-
Interest and similar expenses	8	24,450	19,098
Interest and similar income	8	(509)	(231)
Income tax expense	9	(5)	5
Foreign exchange differences		2,583	(7,502)
		<b>40,203</b>	<b>18,797</b>
<b>Changes in working capital</b>			
(Increase)/decrease in trade and other receivables		(24,830)	391
(Increase)/decrease in inventories		(3,269)	(360)
Increase/(decrease) in trade and other payables		1,032	3,052
<b>Cash used in operations</b>		<b>13,136</b>	<b>21,880</b>
Interest paid		(15,543)	(18,539)
<b>Net cash used in operating activities</b>		<b>(2,407)</b>	<b>3,341</b>
<b>Investing activities</b>			
Acquisitions of property, plant and equipment		(292)	(783)
Proceeds from sale of property, plant and equipment		24	-
Net investment in deposits		(4)	(141)
Given loans		(20)	-
Proceeds from loans given		4	26
Interest received		509	231
<b>Net cash generated from investing activities</b>		<b>221</b>	<b>(667)</b>
<b>Financing activities</b>			
Loans received		-	-
Repayment of loan and finance lease		(674)	(993)
<b>Net cash generated from/(used in) financing activities</b>		<b>(674)</b>	<b>(993)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(2,860)</b>	<b>1,681</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>4,377</b>	<b>2,696</b>
<b>Cash and cash equivalents at end of year</b>	14	<b>1,517</b>	<b>4,377</b>

The accompanying notes on pages 20 to 55 form an integral part of these financial statements.

## Notes to the consolidated financial statements

### For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

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#### 1. GENERAL

Jadroplov d.d. (the "Company") is a joint stock company registered at the Commercial Court in Split, Croatia, under the registration number 060000041. The consolidated financial statements for Group for the year ended 31 December 2018 incorporate the financial statements of the Company and its subsidiaries. The Company and its subsidiaries (collectively the "Group") own and operate a fleet of vessels that sail under Croatian and Maltese flags. The Group's principal activities are chartering, crew and technical management.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are set out below.

##### a) Basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

The financial statements have been prepared on the historical cost basis, except for certain financial instruments that are carried at fair value.

The financial statements are denominated in Croatian Kuna (HRK) and rounded to the nearest thousand. At 31 December 2018, the exchange rate for USD 1 was HRK 6.47 and for EUR 1 was HRK 7.42, respectively (31 December 2017: USD 1 was HRK 6.27 and EUR 1 was HRK 7.51, respectively).

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. These estimates are based on the information available as at the reporting date and actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

##### b) The going concern basis

In the year ended 31 December 2018, the Company incurred a net loss of HRK 34,020 thousand (2016: 36,835 thousand). Furthermore, as at 31 December 2018, the Company's current liabilities exceeded its current assets by HRK 259,845 thousand (2017: HRK 221,486 thousand).

Considering the difference, it should be noted that the Company obtained a permit from the European Commission on 2 May 2018, as a process for the realisation of restructuring plan.

## Notes to the consolidated financial statements

### For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

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#### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### b) The going concern basis (continued)

The restructuring plan intends to provide help in the amount of HRK 105.6 million, consisting of bank guarantees for financial restructuring of the company in the amount of USD 10 million and HRK 24.3 million, and non-refundable aid amounting to HRK 13 million. Own contribution to restructuring costs is estimated at HRK 144.9 million, which consist of credit loans and funds realised from vessel sales in 2015, credit loans in the amount of HRK 24.3 million, which will be approved by two banks and which is not covered by the government guarantees, and of savings on reprogramming of loans for which the State guarantees 20% of the value.

The plan provides for refinancing of most credit liabilities for a period of seven to ten years which would result in a better solvency of the Group, thus creating the preconditions for stabilizing the business over a longer period. Refinancing of credit liabilities is explained in more detail in Note 17.

In the process of preparing the restructuring plan, the Company has agreed on a moratorium on loan repayment with all creditors with a regular liability to settle interest. Restructuring plan is prepared in cooperation with Ministry of the Sea, Transport and Infrastructure and Ministry of Finance, and in pre-notification it is aligned to European Commission. After the approval of restructuring plan, implementation of intended measures has started.

On 30 November 2018, a State granted USD 10 million guarantee which serves as a guarantee for a new loan that will refinance loan liabilities under points (1) and (2) within Note 17.

During 2018, the Company, in accordance with the restructuring plan, received HRK 8 million of non-refundable subsidy funds intended for the restructuring of the Company. The remaining HRK 5 million subsidy is foreseen for realization in 2019, of which HRK 4.64 million was paid on 28 February 2019.

The Company expects finalisation of negotiations with creditors and the decision of the Government of the Republic of Croatia to grant a loan guarantee for financial restructuring in the amount of HRK 24.3 million, thus creating the preconditions for realizing the proposed restructuring plan. A new loan would refinance the current credit obligations under items (3) and (4) recorded in Note 17.

With the realisation of the proposed restructuring plan and the improved conditions on the global freight market, the Management Board considers that the Group can provide adequate resources in the foreseeable future, i.e. to continue operating on the going concern basis.

In the event of non-existence of planned market conditions, which could be achieved in accordance with external expert forecasts, while at the same time implementing measures from the restructuring plan, the Group has enough space to realize the economic benefits of its assets and to ensure the solvency of the Group in the future.

## Notes to the consolidated financial statements

### For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

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#### 2. SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

##### b) The going concern basis (*continued*)

If for some reason the continuation of the restructuring process does not continue, there is a significant uncertainty that the Group will not be able to continue operating according to the going concern principle. This would have an impact on the ability of the Group to realize economic benefits from its assets at current recognized values or to settle its liabilities in the normal course of business in the amounts recognized in the consolidated financial statements.

##### c) Adoption of new and revised International Financial Reporting Standards and legislative changes

A number of new standards, amendments to standards and interpretations have been released and are effective but not mandatory for the year ended 31 December 2018, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company.

##### **IFRS 16 Leases**

IFRS 16 introduces a unique balance sheet model for lessee's accounting. The lessee acknowledges the right to use the property and the obligation to pay the rent. There is an exception for short-term leases and rentals of small value items. The lessor's accountancy remains similar to the existing standard and they still classify the leases as financial or operating leases. The Standard will be effective for annual periods beginning on or after 1 January 2019. Earlier application is allowed for entities that applied IFRS 15 Revenue from customer contracts on or before the date of first-time adoption of IFRS 16. It is not expected that it will have a significant impact on the financial statements.



## Notes to the consolidated financial statements

### For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

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#### 2. SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

##### d) Consolidation

Subsidiary undertakings are enterprises controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities. The consolidated financial statements incorporate the financial statements of the subsidiaries from the effective date of acquisition and up to the effective date on which the Company has no longer control over a subsidiary. A listing of subsidiaries is provided in note 22.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All significant intercompany transactions and balances between the Group enterprises are eliminated on consolidation.

##### e) Foreign currencies

The functional currency of the company is the Croatian kuna (HRK), and the functional currency of the subsidiaries is the US dollar (USD).

###### (i) *Foreign currency transactions*

Transactions in currencies other than Croatian Kuna are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Gains and losses arising on exchange are included in net profit or loss for the period. Non-monetary assets carried at historical cost of foreign currency are not retranslated at the new rates.

###### (ii) *Financial statements of foreign operations*

Assets and liabilities are translated in HRK at the exchange rate at the reporting date, while items of income and expense are translated at the exchange rate at the date of the transaction. Resulting exchange differences are recognised in statement of comprehensive income within reserves (translation reserves), through a cumulative translation adjustment. Translation of subsidiary company balances into HRK at year end is done using the current rate method.

## Notes to the consolidated financial statements

### For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

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#### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### f) Property, plant and equipment

Property, plant and equipment are stated at purchase cost less accumulated depreciation and any impairment loss. Property, plant and equipment under construction are stated at cost less any recognised impairment loss. Cost includes expenditures directly attributable to bringing the assets to a working condition for their intended use, including borrowing costs during construction of the qualifying asset.

If acquisition of property, plant and equipment was aided through government grant, purchase cost or carrying value of property, plant and equipment, respectively, is reduced by the amount of government grant.

Depreciation of assets commences when the assets are ready for their intended use. The basis for depreciation is the purchase cost less the amount of government grant and estimated residual value of the asset.

Depreciation is charged to profit or loss and it is calculated using the straight-line method over their estimated useful lives. Assets under construction are not depreciated.

Depreciation method and useful life, as well as the residual value are revised each year. If there is an indication of impairment, impairment estimates are made.

Estimated useful lives of property, plant and equipment are as follows:

Buildings	40 years
Plant and equipment	4-10 years
Vessels	25 years

##### g) Repairs and maintenance

Repair and maintenance costs are charged to profit or loss when incurred, except for reconstruction and adaptations, by which the capacity or purpose of the property, plant and equipment is changed, in which case the costs are capitalized.

## Notes to the consolidated financial statements

### For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

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#### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### h) Intangible assets

Intangible assets are stated at purchase cost less accumulated amortisation and any impairment loss. Subsequent expenses related to capitalised intangible assets are recognised as part of carrying amount of the asset only if the increased inflow of future economic benefits to the Company is expected from them. All other expenses are recognised in the profit and loss statement as they are incurred.

Amortisation of intangible assets commences when the assets are ready for their intended use.

Amortisation is charged to profit or loss and it is calculated using the straight-line method over the estimated useful lives of individual items of intangible assets, unless the estimated useful life is unlimited.

Estimated useful lives are revised on an annual basis. If there is an indication for impairment, impairment estimates are made.

Estimated useful lives of intangible assets are as follows:

Software	5 years
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##### i) Assets held for sale

Non-current assets are classified as held for sale if their carrying value will be largely compensated through sale rather than through its continuing use; if these assets are available for immediate sale in their existing state under conditions frequent and common for sale of such assets, and if the sale is probable.

Assets held for sale are stated at the lower of net book value and fair value less cost to sell. Loss on impairment from reduction to fair value less cost to sell, is charged to profit or loss.

## Notes to the consolidated financial statements

### For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

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#### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### j) Impairment of property, plant and equipment and intangible assets

Carrying value of property, plant and equipment and intangible assets of the Company is revised at every reporting date to determine if there is any indication for impairment. If there is such indication, the recoverable amount of assets is estimated.

Assets subject to depreciation and amortisation are revised every time there is an event or change in circumstances which indicate that the carrying value of assets may not be recoverable.

Loss resulting from impairment is charged to profit or loss when the carrying value of asset or money generating unit exceeds its recoverable amount. Loss from impairment is charged to profit and loss statement under other operating expenses.

The recoverable amount of an asset is its net realisable value or value in use, depending on which of the two is higher. Value in use is estimated through discounting of estimated cash receipts and expenditures, using a discount rate before tax, which reflects the current market estimated time value of money and risks specific to the asset. For assets not generating independent cash receipts, the recoverable amount is determined based on the group to which the asset belongs.

Loss from impairment is reversed if there has been a change in the estimates used in determining the recoverable amount.

Reversal of loss from impairment is charged to the amount not exceeding the book value of the asset which would have been determined after reduction for depreciation (amortisation), if the loss from impairment had not been initially recognised.

##### k) Leases

###### (i) Sale and lease-back transactions

A sale and lease-back transaction involves cash payment from the sale of vessels and the leasing of the same vessels back to the seller. When a sale and leaseback transaction is a financial lease, any excess of sales proceeds over the carrying amount is deferred and recognised as income over the lease term.

###### (ii) Operating leases – the Group as lessor

Assets leased out under operating lease are included in the statement of financial position under property, plant and equipment and depreciated over the expected useful lives of the assets consistent with other similar assets. Rental income is recognised in the accounting period to which it relates, in accordance with underlying lease contracts.

## Notes to the consolidated financial statements

### For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

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#### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises all direct costs and those costs that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Inventories consist mainly of lubricants, fuels and spare parts.

##### m) Trade receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

##### n) Cash

Cash and cash equivalents consist of cash in hand and cash with banks, a vista deposits and time deposits with maturity of up to three months.

##### o) Loans and receivables originated by the Group

Loans and receivables originated by the Group represent financial assets acquired by the Group by providing money, goods or services directly to creditors. Loans and receivables are recognised after money, goods or services have been provided to the borrower. Loans are initially recognised at cost (purchase) and subsequently subject to review for impairment. A loan is impaired if its carrying amount is greater than its estimated recoverable amount. Recoverable amount is estimated on the basis of the sum of future cash inflows over the period of loan repayment, discounted to their present value by applying market interest rates. Principal is reduced by the difference between the carrying value and the recoverable amount of the loan and such difference is charged to profit or loss for the reporting period.

##### p) Trade and other payables

Trade and other payables are carried at amount required to settle the obligation, which is usually the invoiced amounts.

##### q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

## Notes to the consolidated financial statements

### For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

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#### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### r) Retirement benefit costs and jubilee awards

The Company has no defined post-retirement benefit plans for its employees or management in Croatia or abroad. Accordingly, the Company has no outstanding liabilities in this respect, either to its present or former employees.

The Company makes payments to its employees for retirement benefits and jubilee awards in accordance with Collective agreement between employer and employee. Retirement benefit right is defined as HRK 8,000 lump sum per employee. Employees earn jubilee awards under the following criteria:

- HRK 1,500 for 10 years of continuous service
- HRK 2,000 for 15 years of continuous service
- HRK 2,500 for 20 years of continuous service
- HRK 3,000 for 25 years of continuous service
- HRK 3,500 for 30 years of continuous service
- HRK 4,000 for 35 years of continuous service
- HRK 5,000 for 40 years of continuous service.

##### s) Revenue

Revenue from operations is earned primarily in three forms: route charter shipping, technical management and crew management. Revenue earned from route charter shipping is recognised during the year based on terms and freights determined in time charter or voyage charter contracts. Revenue earned from voyages in progress at the year-end is recognised in the current year results to the extent that the service is substantially complete and there is no uncertainty of collection. Revenue earned from technical and crew management is recognised based on monthly calculations for services provided.

##### t) Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs. Grants related to tangible assets are recognised in profit or loss over the periods and in the proportions in which depreciation on those assets is recognised. In the statement of financial position, government grant is deducted in arriving at the carrying amount of the underlying asset and is recognised in the profit or loss over the useful life of depreciable asset by way of a reduced depreciation charge.

## Notes to the consolidated financial statements

### For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

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#### 2. SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

##### u) Net finance (cost)/income

Net finance costs consist of loan interest expense, interest income on investments and foreign exchange gains or losses.

Interest expense on borrowings is recognised in profit or loss using the applicable interest rate. Borrowing costs for loans raised to finance items of property, plant and equipment that take a substantial period of time to get ready for their intended use are capitalised.

Interest income arising from receivables is recognised in profit or loss in the period when incurred. Dividend income is recognised in profit or loss when declared.

##### v) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

##### w) Use of estimates in the preparation of the financial statements

The preparation of financial statements in conformity with International Reporting Financial Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements during the reporting period and reported amounts of revenues and expenses. Actual results could differ from those estimates. These financial statements reflect all normal recurring adjustments that are, in the opinion of management, necessary to present fairly the financial position and results of operations for the respective periods.

## Notes to the consolidated financial statements

### For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

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#### 2. SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

##### x) Operating segments

Since most of the Group's operations relate to the core business, shipping, and the fleet consists only of bulk carriers, the Management believes that the Group has only one operating segment.

##### y) Financial instruments

###### *Financial assets*

The principal financial assets of the Group consist of bank accounts, cash and receivables. Trade receivables are shown at fair value, net of adequate allowance for irrecoverable amounts.

###### *Financial liabilities and financing instruments*

Significant financial liabilities include principal and interest payable on borrowings, trade and other payables. Finance cost is accounted for on an accrual basis and is added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Trade and other payables are stated at their nominal value.



## Notes to the consolidated financial statements

### For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

#### 3. OPERATING REVENUE

	2018	2017
Route charter shipping – operating lease	<u>128,743</u>	<u>113,689</u>

#### 4. OTHER OPERATING REVENUE

	2018	2017
Fuel reimbursement	68,439	72,117
Release of provisions	14,940	-
Restructuring subsidy	8,000	-
Insurance refunds and damage claims	3,245	4,321
Hold cleaning	1,449	1,661
Income from government grants for trainee boarding	1,240	1,172
Rent income	824	811
Revenues from settlements	810	-
Write-off of liabilities	332	228
Reversal of allowance for impairment of trade receivables	-	36
Other	<u>1,175</u>	<u>1,341</u>
	<u><b>100,454</b></u>	<u><b>81,687</b></u>

#### 5. VESSEL OPERATING COSTS

	2018	2017
Fuel	71,823	75,087
Crew costs	34,244	36,333
Materials and spare parts	17,856	21,150
Insurance	7,523	7,530
Repairs and maintenance	7,065	5,627
Dry-docking	6,107	4,444
Brokerage, agency, commissions	5,947	4,933
Loss of hire	2,516	6,382
Port costs	1,772	-
Other	<u>7,166</u>	<u>6,109</u>
	<u><b>162,019</b></u>	<u><b>167,595</b></u>

## Notes to the consolidated financial statements

### For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

#### 6. STAFF COSTS

	2018	2017
Net wages and salaries	2,895	2.659
Taxes and contributions from salaries	1,188	1.030
Contributions on salaries	685	628
Termination benefits	-	261
Other staff costs	200	183
	<u>4,968</u>	<u>4.761</u>

The number of employees at the year-end was 31 (2017: 31).

Remuneration to Management Board members:

	2018	2017
Gross salaries	914	977
Other benefits (benefits in kind)	1	1
	<u>915</u>	<u>978</u>

#### 7. OTHER OPERATING EXPENSES

	2018	2017
Impairment of trade receivables	25,028	52
Services provided	1,598	1,839
Bank charges and commissions	724	701
Damage compensations	585	20
Taxes and contributions irrespective of operating result	566	565
Raw materials	395	413
Business travel expenses	347	215
Fees to the members of Supervisory Board	198	219
Other	881	1,029
	<u>30,322</u>	<u>5,053</u>

Services provided in 2018 includes HRK 105 thousand (2016: HRK 47 thousand) related to the support service in the process of notification of potential state support to the European Commission, provided by the audit firm.

## Notes to the consolidated financial statements

### For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

#### 8. FINANCIAL INCOME AND COST

	2018	2017
Interest and similar income	509	231
Foreign exchange gains	<u>6,143</u>	<u>16,913</u>
<b>Total finance income</b>	<b><u>6,652</u></b>	<b><u>17,144</u></b>
Interest and similar expenses	(24,450)	(19,098)
Foreign exchange losses	<u>(10,169)</u>	<u>(8,344)</u>
<b>Total finance costs</b>	<b><u>(34,619)</u></b>	<b><u>(27,442)</u></b>
<b>Net finance costs</b>	<b><u>(27,967)</u></b>	<b><u>(10,298)</u></b>

#### 9. INCOME TAX

Corporate income tax is calculated at a rate of 12% (2016: 12%) on the tax base determined by the Croatian law.

Reconciliation of income tax expense is as follows:

	2018	2017
Current tax expense	-	-
Release of deferred tax assets	<u>(5)</u>	<u>5</u>
<b>Income tax expense</b>	<b><u>(5)</u></b>	<b><u>5</u></b>

Reconciliation of deferred tax assets is as follows:

	2018	2017
Balance at 1 January	28	33
Increase/(release) of deferred tax assets	<u>5</u>	<u>(5)</u>
<b>Balance at 31 December</b>	<b><u>33</u></b>	<b><u>28</u></b>

A deferred tax asset is recognised on tax non-deductible provisions for jubilee awards and regular retirement benefits.

## Notes to the consolidated financial statements

### For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

#### 9. INCOME TAX (CONTINUED)

The reconciliation of income tax for the year and the profit reported in profit or loss is as follows:

	2018	2017
<b>Loss before taxation</b>	<b>(34,020)</b>	<b>(36,835)</b>
Loss from the shipping activities taxed on the basis of the net tonnage	(21,896)	(24,347)
<b>Loss from the activities taxed by Corporate Profit Tax</b>	<b>(12,124)</b>	<b>(12,488)</b>
Income tax at rate of 12% (2017: 12%)	(1,455)	(1,499)
Non-deductible expenses	2	4
Tax loss for which deferred tax asset has not been recognised	1,448	1,500
<b>Income tax</b>	<b>(5)</b>	<b>5</b>

#### Tax losses

Tax losses can be utilised for offsetting against future taxable profits. Tax losses may be carried forward for 5 years subsequent to the year in which the loss was incurred.

	2018	2017
Tax loss from 2013 – expires 31 December 2018	-	(43,994)
Tax loss from 2014 – expires 31 December 2019	(5,971)	(5,971)
Tax loss from 2015 – expires 31 December 2020	(18,609)	(18,609)
Tax loss from 2016 – expires 31 December 2021	(12,534)	(12,534)
Tax loss from 2017 – expires 31 December 2022	(12,454)	(12,454)
Tax loss from 2018 – expires 31 December 2023	(12,066)	-
	<b>(61,634)</b>	<b>(93,562)</b>

Pursuant to the article 429 of the Maritime code, which defines terms and conditions of the shipping companies in international shipping market, shipping companies may choose to have their shipping activities taxed on the basis of the net tonnage of their fleet rather than Corporate Profit Tax which they would otherwise have to pay on profits earned from international shipping. Tonnage tax is a tax that is accounted for and paid instead of Corporate Profit Tax as regulated by the Corporate Profit Tax law, irrespective of profit or loss generated in tax period for which tax liability is determined. Corporate Profit Tax is applied on all other business activities.

The Company registered six vessels in the system of tonnage tax. Tonnage tax for 2018 in the amount of HRK 199 thousand (2017: HRK 193 thousand) is disclosed within other operating expenses (note 7).

By changing the Income Tax Act in 2017, the Company is obliged to calculate income tax at a rate of 12%, since taxable income for income tax is less than HRK 3 million in the tax period.

## Notes to the consolidated financial statements

### For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

#### 10. PROPERTY, PLANT AND EQUIPMENT

	Building	Plant and equipment	Vessels	Assets under construction	Total
<b>Cost</b>					
At 1 January 2017	42,335	12,059	1,308,609	205	1,363,208
Additions	-	-	-	783	783
Transfer	-	785	38	(823)	-
Disposals	-	(7)	-	-	(7)
Foreign exchange differences	-	(270)	(164,076)	(23)	(164,369)
<b>At 31 December 2017</b>	<b>42,335</b>	<b>12,567</b>	<b>1,144,571</b>	<b>142</b>	<b>1,199,615</b>
At 1 January 2018	42,335	12,567	1,144,571	142	1,199,615
Additions	-	-	-	292	292
Transfer	-	292	-	(292)	-
Disposals	-	(179)	-	-	(179)
Foreign exchange differences	-	84	36,412	5	36,501
<b>At 31 December 2018</b>	<b>42,335</b>	<b>12,764</b>	<b>1,180,983</b>	<b>147</b>	<b>1,236,229</b>
<b>Accumulated depreciation and impairment loss</b>					
At 1 January 2017	36,892	11,716	496,800	-	545,408
Charge for the year	997	135	43,332	-	44,464
Disposals	-	(7)	-	-	(7)
Foreign exchange differences	-	(256)	(64,291)	-	(64,547)
<b>At 31 December 2017</b>	<b>37,889</b>	<b>11,588</b>	<b>475,841</b>	<b>-</b>	<b>525,318</b>
At 1 January 2018	37,889	11,588	475,841	-	525,318
Charge for the year	997	215	36,701	-	37,913
Disposals	-	(179)	-	-	(179)
Foreign exchange differences	-	62	16,315	-	16,377
<b>At 31 December 2018</b>	<b>38,886</b>	<b>11,686</b>	<b>528,857</b>	<b>-</b>	<b>579,429</b>
<b>Carrying value</b>					
<b>At 31 December 2018</b>	<b>3,449</b>	<b>1,078</b>	<b>652,126</b>	<b>147</b>	<b>656,800</b>
<b>At 31 December 2017</b>	<b>4,446</b>	<b>979</b>	<b>668,730</b>	<b>142</b>	<b>674,297</b>

#### Loan repayment security

Property, plant and equipment in the amount of HRK 656,446 thousand (2017: HRK 673,957 thousand) is pledged as a security for the repayment of borrowings (note 17).

## Notes to the consolidated financial statements

### For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

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#### 10. PROPERTY, PLANT AND EQUIPMENT (*CONTINUED*)

##### Fleet fair value and impairment

Based on an independent valuers' valuations as at 31 December 2018 vessels are estimated below their carrying value.

Since the fair value less cost to sell is below carrying value of the vessels in the fleet, therefore leading to indications of impairment, the Company determined value in use of the vessels for which the carrying value as at 31 December 2018 was below their fair value.

In accordance with *International Accounting Standard ("IAS") 36, Impairment of assets*, the Company calculated value in use applying a discount rate of 7.2% (2017: 7.2%) that reflects asset-related risks and industry risk. Estimated cash flows are based on a five-year business plan, which assumes a 3.8% growth rate over the next five years (2017: 3.6%) and a growth rate of 2% in the period after the fifth year until the end of the lifetime of a single vessel (2017: 2%).

Impairment was made on the single vessel level, since each vessel makes a separately identified money-generating unit and taking into account the remaining useful life of the vessel and the estimated value of the vessel's value at the end of its useful life.

Based on the analysis, it was determined that the carrying amounts of the vessels were lower than their values in use and was no need for impairment loss.

The sensitivity analysis suggests that in the event of an increase in the discount rate (with unchanged terminal rate of growth) or a reduction of the terminal growth rate (with an unchanged discount rate) of 50 basis points, there would be no need to reduce the value of the vessels.

## Notes to the consolidated financial statements

### For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

#### 10. PROPERTY, PLANT AND EQUIPMENT (*CONTINUED*)

At 31 December 2018, the Group owned and operated a fleet of six vessels, whose technical description is presented in the following table.

##### Technical data of the vessels in the fleet of the Group as at 31 December 2018

	Vessel	Class	Type	Gross tonnage	Net tonnage	Deadweight tonnage dwt	Volume	Engine power - kw	Lifting tonnes	Length (in m)	Width (in m)	Max draft (in m)	Manufactured in	Age (in yrs.)	Flag
1	Trogir	CRS, BV	Bulk Carrier	25,600	14,558	44,389	53,648	8,260	4x30	183.00	32.20	11.50	Croatia	17	Croatia
2	Split	CRS, LR	Bulk Carrier	24,533	13,824	42,584	51,125	7,150	4x30	187.63	30.80	10.987	Croatia	20	Croatia
3	Sveti Dujam	CRS, BV	Bulk Carrier	30,092	17,852	52,096	64,985	8,600	4x35	189.90	32.24	12.369	Croatia	8	Croatia
4	Peristil	CRS, BV	Bulk Carrier	30,092	17,852	52,113	64,985	8,600	4x35	189.90	32.24	12.350	Croatia	8	Croatia
5	Solin	CRS, BV	Bulk Carrier	30,092	17,852	51,545	62,330	7,500	4x35	189.90	32.24	12.371	Croatia	6	Croatia
6	Bene	CRS, LR	Bulk Carrier	27,993	17,077	50,212	58,136	8,090	4x30	189.80	32.26	11.925	Japan	17	Croatia
<b>TOTAL</b>				<b>168,402</b>	<b>99,015</b>	<b>292,939</b>	<b>355,209</b>	<b>48,200</b>	-	-	-	-	-	-	-

## Notes to the consolidated financial statements

### For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

#### 10. PROPERTY, PLANT AND EQUIPMENT (*CONTINUED*)

In the course of its ordinary business, the Group charters its vessels to various charterers under operating lease. At 31 December 2018, vessels under operating lease ("charter") were disclosed in accordance with IAS 17 Leases:

	Vessels	Plant & equipment	Total
<b>Cost</b>			
At 1 January 2017	1,308,609	2,115	1,310,724
Additions	38	780	818
Foreign exchange differences	(164,076)	(270)	(164,346)
<b>At 31 December 2017</b>	<b>1,144,571</b>	<b>2,625</b>	<b>1,147,196</b>
At 1 January 2018	1,144,571	2,625	1,147,196
Additions	-	269	269
Foreign exchange differences	36,412	84	36,496
<b>At 31 December 2018</b>	<b>1,180,983</b>	<b>2,978</b>	<b>1,183,961</b>
<b>Accumulated depreciation and impairment loss</b>			
At 1 January 2017	496,800	1,997	498,797
Charge for the year	43,332	103	43,435
Foreign exchange differences	(64,291)	(256)	(64,547)
<b>At 31 December 2017</b>	<b>475,841</b>	<b>1,844</b>	<b>477,685</b>
At 1 January 2018	478,841	1,844	477,685
Charge for the year	36,701	201	36,902
Foreign exchange differences	16,315	62	16,377
<b>At 31 December 2018</b>	<b>528,857</b>	<b>2,107</b>	<b>530,964</b>
<b>Carrying value</b>			
<b>At 31 December 2018</b>	<b>652,126</b>	<b>871</b>	<b>652,997</b>
<b>At 31 December 2017</b>	<b>668,730</b>	<b>781</b>	<b>669,511</b>



## Notes to the consolidated financial statements

### For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

#### 10. PROPERTY, PLANT AND EQUIPMENT (*CONTINUED*)

All vessels owned by the Group are chartered under operating lease terms, which vary from contract to contract. Lease term ranges from 1 month to 3 months. An average daily charter rate (hire) as at 31 December 2018 amounts to USD 8,210 (2016: USD 9,392).

Total minimum lease payments under non-cancellable operating leases per contracts effective on 31 December were as follows (in thousands of USD):

	2018	2017
Up to 1 year	661	2,117
From 1 to 5 years	-	-
	<u>661</u>	<u>2,117</u>

#### 11. INTANGIBLE ASSETS

	Software
<b>Cost</b>	
At 1 January 2017	1,373
Additions	-
<b>At 31 December 2017</b>	<u>1,373</u>
At 1 January 2018	1,373
Additions	-
<b>At 31 December 2018</b>	<u>1,373</u>
<b>Accumulated amortisation</b>	
At 1 January 2017	1,304
Charge for the year	35
<b>At 31 December 2017</b>	<u>1,339</u>
At 1 January 2018	1,339
Charge for the year	33
<b>At 31 December 2018</b>	<u>1,372</u>
<b>Carrying value</b>	
<b>At 31 December 2018</b>	<u>1</u>
<b>At 31 December 2017</b>	<u>34</u>

## Notes to the consolidated financial statements

### For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

#### 12. INVENTORIES

	2018	2017
Lubricants	2,063	1,690
Fuel	10,024	7,128
Low valued inventory and spare parts	29	29
	<u>12,116</u>	<u>8,847</u>

#### 13. RECEIVABLES AND OTHER ASSETS

	2018	2017
<i>Long-term (due after more than one year)</i>		
Housing loans	-	4
	<u>-</u>	<u>4</u>
<i>Short-term</i>		
Trade receivables	27,551	3,541
Impairment of trade receivables	(25,947)	(1,358)
Prepaid expenses and accrued income	10,570	9,862
Receivables for court cases	830	830
Impairment of receivables for court cases	(790)	(790)
Receivables for indemnification of damages	3,541	3,687
Advances given	615	686
Housing loans	63	43
Deferred tax assets	33	28
Receivables for deposits	3,546	3,446
Other receivables	1,571	1,681
	<u>21,583</u>	<u>21,656</u>
	<u>21,583</u>	<u>21,660</u>

Receivables from term deposits consist of deposits related to the loan agreements and guarantee liabilities at an interest rate from 2.5% to 3% annually (2017: at an interest rate from 2.5% to 3% annually).

## Notes to the consolidated financial statements

### For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

#### 13. RECEIVABLES AND OTHER ASSETS (*CONTINUED*)

<b>Ageing of net trade receivables</b>	<b>2018</b>	<b>2017</b>
Up to 30 days	56	1,452
30 – 90 days	423	147
90 – 180 days	210	122
180 – 365 days	200	34
Over 365 days	715	428
<b>At 31 December</b>	<b>1,604</b>	<b>2,183</b>

  

<b>Impairment of trade receivables</b>	<b>2018</b>	<b>2017</b>
At 1 January	1,358	3,166
Increases	25,028	52
Recovered	-	(36)
Write-off	(402)	(1,471)
Foreign exchange differences	(37)	(353)
<b>At 31 December</b>	<b>25,947</b>	<b>1,358</b>

Total trade receivables, net of allowances, held by the Group at 31 December 2018 amounted to HRK 1.604 thousand (2017: HRK 2,183 thousand).

The Group recorded impairment losses on all receivables past due beyond 365 days. Exempted there from are receivables in the amount of HRK 715 thousand (2017: HRK 428 thousand), which management considers recoverable because they relate to amounts receivable upon final leases.

Within trade receivables, HRK 25,028 thousand refers to receivables that arose from lease contract with the lessee. Given that the collection of the entire claim will be the subject of arbitration or of out-of-court settlement, the full amount of trade receivables from the noted lease contract is impaired.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited, as customer base is formed from a limited number of customers from the international market. Accordingly, management believes that there is no further impairment required in excess of the allowance for doubtful debts. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected proceeds.

## Notes to the consolidated financial statements

### For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

#### 14. CASH AND CASH EQUIVALENTS

	2018	2017
Foreign currency accounts at banks	1,417	4,349
Giro account	94	25
Cash in hand	6	3
	<u>1,517</u>	<u>4,377</u>

#### 15. CAPITAL AND RESERVES

##### *Share capital*

	Number of shares issued	Total amount	Treasury shares	Total
At 31 December 2017	<u>1,636,674</u>	<u>81,834</u>	<u>(2,423)</u>	<u>79,411</u>
At 31 December 2018	<u>1,636,674</u>	<u>81,834</u>	<u>(2,423)</u>	<u>79,411</u>

Ownership structure of the Company is as follows:

Overview of shareholders at 31 December	Number of shares 2018	Capital share % 2018	Number of shares 2017	Capital share % 2017
Restructuring and Sale Center	1,152,519	70.42 %	1,152,519	70.42 %
Domestic individuals	420,759	25.70 %	404,924	24.73 %
Financial institutions	39,896	2.44 %	49,700	3.04 %
Companies	10,233	0.63 %	18,024	1.11 %
Foreign investors	3,256	0.20 %	1,496	0.09 %
Treasury shares	10,011	0.61 %	10,011	0.61 %
<b>Total</b>	<u><b>1,636,674</b></u>	<u><b>100.00%</b></u>	<u><b>1,636,674</b></u>	<u><b>100.00%</b></u>

## Notes to the consolidated financial statements

### For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

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#### 15. CAPITAL AND RESERVES (CONTINUED)

Share capital of the Company consists of 1,636,674 ordinary shares (2017: 1,636,674), of which 10,011 were treasury shares (2017: 10,011). Pursuant to the Decision of the regular General Assembly of the Company held on 11 September 2017 the Company conducted a simplified reduction of share capital in order to cover accumulated losses by reducing nominal value of the share for HRK 60 from HRK 110 to HRK 50. Ordinary shareholders are entitled to receive dividends and are entitled to one vote per share at general assembly meeting of the Company.

#### *Translation and other reserves*

Translation reserves in the amount of HRK 226,795 thousand (2017: HRK 216,627 thousand) arose on conversion of the financial statements of foreign subsidiaries. Other reserves relate to reserves for treasury shares in the amount of HRK 2,423 thousand (2017: HRK 2,423 thousand) and to reserves for investments in the amount of HRK 81 thousand (2017: HRK 81 thousand).

#### 16. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share are calculated as follows:

	2018	2017
Net loss for the year in thousands of HRK	(34,020)	(36,835)
Weighted average number of shares in issue	<u>1,626,663</u>	<u>1,626,663</u>
<b>Basic and diluted loss per share (in HRK)</b>	<b><u>(20.91)</u></b>	<b><u>(22.64)</u></b>

## Notes to the consolidated financial statements

### For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

#### 17. INTEREST BEARING LOANS AND BORROWINGS

	Principal in foreign currency (on loan origination)	Principal in foreign currency at 31 December 2018	2018	2017
<b>(a) Long-term bank borrowings</b>				
(1) Secured loan	\$ 33,000,000	\$ 23,100,000	149,439	144,831
(2) Secured loan	\$ 30,000,000	\$ 26,840,000	173,633	168,280
(3) Secured loan	\$ 2,750,000	\$ 1,423,675	9,210	9,339
(3) Secured loan	EUR 2,500,000	EUR 1,187,460	8,808	9,173
(4) Secured loan	\$ 4,150,000	\$ 4,150,000	26,847	26,019
(5) Secured loan	\$ 6,045,000	\$ 6,045,000	<u>39,106</u>	<u>37,901</u>
<b>Total long-term bank borrowings</b>			<b><u>407,043</u></b>	<b><u>395,543</u></b>
Current portion of long-term bank borrowings			<u>(242,797)</u>	<u>(213,708)</u>
<b>Long-term portion of bank borrowings</b>			<b><u>164,246</u></b>	<b><u>181,835</u></b>
<b>(b) Short-term bank borrowings</b>				
(1) Short-term bank borrowings	-	-	-	-
<b>Total short-term bank borrowings</b>			-	-
Long-term portion of bank borrowings			164,246	181,835
Short-term portion of long-term bank borrowings and short-term bank borrowings			<u>242,797</u>	<u>213,708</u>
<b>Total borrowings</b>			<b><u>407,043</u></b>	<b><u>395,543</u></b>

Borrowings totalling HRK 407.043 thousand (2017: HRK 395,543 thousand) are secured by the Group's fleet (note 10).

#### *Movement adjustments of loan liabilities with cash flows from financial activities*

During the year HRK 674 thousand (2017: HRK 993 thousand) was repaid on loans, while the remaining change in financial liabilities in the amount of HRK 12,174 thousand (2017: HRK 55,456 thousand) derives from the exchange rate fluctuations.

## Notes to the consolidated financial statements

### For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

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#### 17. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

The repayment schedule of bank borrowings for the next five years is as follows:

Year	Amount
2019	242,797
2020	31,439
2021	67,230
2022	13,370
2023	52,207
After 2023	-
	<u>407,043</u>

- (1) The long-term loan was approved to finance building of the motor vessel "Solín" in the amount of USD 33,000,000. The loan was approved in December 2010, with interest rate equal to LIBOR + 3.0% and withdrawn on 24 May 2011. The loan principal and interest are repayable on a quarterly basis, with the first instalment due on 24 August 2011 and the ultimate repayment deadline 24 May 2018. As security, mortgage on the vessels "Peristil" and "Sveti Dujam" has been registered in favour of the Bank. On 2 November 2016 an Amendment Agreement was signed by which the moratorium period for repayment of principal until February 2018 was agreed. According to Letter of intent from 2 January 2019, it is planned to reprogram this loans in such a way that the remaining principal of this loan and loan under number (2) will be aggregated into one loan in the total amount of USD 50 million with the offered interest rate of LIBOR plus 2.75%, a quarterly payments in 28 installments of \$ 1 million starting from the second quarter of 2019 and ending in 2026 with a one-time payment of the remaining principal. Security for a single loan will be mortgages on the vessels "Peristil", "Sveti Dujam", "Solín" and "Bene" and a state guarantee in the amount of 20% of the loan value
- (2) The long-term loan was approved for working capital and for the purchase of the motor vessel "Bene" in the amount of USD 30,000,000. The loan was approved in September 2013 and withdrawn on 1 October 2013 in several tranches, with weighted average interest rate equal to LIBOR + 2.98%. The loan principal and interest are repayable on a quarterly basis, with the first instalment due on 1 October 2014 and the ultimate repayment deadline 1 July 2023 and 1 July 2021. As security, a mortgage on the vessels "Solín" and "Bene" has been registered in favour of the Bank. On 2 November 2016 an Amendment Agreement was signed by which the moratorium period for repayment of principal until April 2018 was agreed. According to the Letter of intent from 2 January 2019, it is planned to reprogram this loan together with the loan under number (1), as described in the previous paragraph.

## Notes to the consolidated financial statements

### For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

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#### 17. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

- (3) The long-term loans were approved to restructure consolidated balance sheet of Jadroplov Group in June 2012. Both loans were withdrawn on 29 June 2012; first in the amount of EUR 2,500,000 with interest rate of 3-month EURIBOR + 4.0%, and second in the amount of USD 2,750,000 with interest rate of 3-month LIBOR + 4.8%. The principal and interest are repayable on a quarterly basis. Interest repayment started on 1 October 2012, with the first instalment due on 1 April 2013, and the ultimate repayment deadline 1 January 2019. As security, mortgage on the vessel "Split" has been registered in favor of the Bank. On 25 October 2017 the bank made the decision about moratorium period for principal repayment until 1 January 2018, with the first instalment 1 April 2018, and with unchanged maturity date. On 6 June 2018, the bank made the decision about moratorium period for principal repayment until 1 July 2018 with unchanged maturity date. On 23 October 2018, a decision was made on a one-time repayment of the remaining loan amount by the end of the repayment deadline on 1 January 2019. On 18 January 2019, a decision was made on a one-off repayment of the remaining loan amount by the end of the repayment deadline on 1 April 2019. Negotiations are ongoing with the bank on the further prolongation of the moratorium.
- (4) The long-term loan was approved for working capital in the amount of USD 4,150,000. The loan was approved in May 2015 and withdrawn in 2 parts: first in the amount of USD 2,500,000 on 5 June 2015 and second in the amount of USD 1,650,000 on 31 July 2015 with interest rate of 6,75% per annum. The loan principal is repayable on semi-annually basis, with the first instalment due on 30 November 2016 and the ultimate repayment deadline 31 May 2020. The interest is repayable on the monthly basis, beginning from the 30 June 2015. As security, a mortgage on the vessel "Trogir" and property has been registered in favor of the Bank. On 14 December 2017 the bank made the decision about moratorium period for principal repayment until 31 March 2018 with unchanged maturity date. On 27 June 2018, the bank made the decision about moratorium period for principal repayment until 30 September 2018 with unchanged maturity. On 13 February 2019, a decision for moratorium on repayment of principal was issued by 31 March 2019 with an unchanged maturity date. Negotiations with the bank on the further prolongation of the moratorium are ongoing.
- (5) The long-term loan was approved for working capital in the amount of USD 6,045,000. The loan was approved in July 2016 and withdrawn in 5 parts in the period from 3 August 2016 until 12 December 2016, with interest rate of 5.18% per annum. The loan principal is repayable quarterly, with the first instalment due on 30 September 2018 and the ultimate repayment deadline 30 September 2022. The interest is repayable quarterly, beginning from the 31 December 2016. As security, a mortgage on the properties of the Company have been recognised. The Management believes that the fair value of fixed interest loans is not significantly different from the carrying amount. Negotiations with the bank on the further prolongation of the moratorium are ongoing.

In accordance with the restructuring plan and in accordance with the letters of intent of the two domestic banks on loan in the amount of HRK 48.6 million received on 1 February 2019 and 15 March 2019, the Company plans to settle its liabilities under the loans mentioned under paragraphs (3) and (4). Bank, in the letter of intent, proposes an interest rate of 4%, the beginning of repayment in 2021 with a final maturity in 2028. The loan would be secured by mortgages on the properties of the company and by state guarantee in the amount of 50% of the principal amount of the loan.



## Notes to the consolidated financial statements

### For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

#### 18. PROVISIONS

	Provisions for jubilee awards and retirement bonuses	Provisions for risks and charges	Total provisions
At 31 December 2017	144	14,479	14,623
Provided for during the year	39	-	39
Used during the year	(13)	-	(13)
Released during the year	-	(14,940)	(14,940)
Exchange rate conversion effect	-	461	461
<b>At 31 December 2018</b>	<b>170</b>	<b>-</b>	<b>170</b>

The nature of provisions for risks and charges is further discussed in note 20 – Contingent liabilities.

#### 19. TRADE AND OTHER PAYABLES

	2018	2017
Trade payables	32,031	29,114
Accrued expenses and deferred income	1,746	3,815
Liabilities towards employees	4,618	4,706
Accrued interest	13,330	4,423
Other payables	539	599
	<b>52,264</b>	<b>42,657</b>

#### 20. CONTINGENT LIABILITIES

Following an investigation by the state authorities, certain individuals formerly employed by the Company have been charged with the fraudulent presentation of marine damages and the partial collection of fraudulent insurance claims from a local insurance company. Due to the sensitive nature of the investigation, management believes that it is not possible to predict the ultimate outcome. Amount previously provided for represented approximately the total amount on disputed invoices from the period of mid-nineties. Considering the further course of the court process, as stated in the Management's opinion, it has become certain that no potential damages to the Company will occur, therefore the provision has been completely released (note 18).

During the year, a dispute with SSM, for which the Company has an obligation in the amount of HRK 2,944 thousand, was finalized in favour of the supplier. In the other two disputes with the same supplier, the Company has receivables in the amount of HRK 5,515 thousand, which are reported in the bankruptcy proceedings. It is expected that the mutual claims will be resolved by the Supreme Court ruling, following the revision of the Bankruptcy proceedings. The Management believes that no additional provision for potential interest is needed, as it is unlikely that there will be any additional cash outflows.

## Notes to the consolidated financial statements

### For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

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#### 21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

##### a) Capital risk management

The Company manages its capital to ensure it will be able to continue as a going concern while maximizing the return to stakeholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged since 2007.

The capital structure of the Company consists of debt, which includes borrowings, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

##### b) Gearing ratio

The management of the Company reviews the capital structure. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The actual gearing ratio in 2018 was 174.39% (2017: 152.57%).

The gearing ratio at end of the year was as follows:

	<b>2018</b>	<b>2017</b>
Debt	407,043	395,543
Cash and cash equivalents	(1,517)	(4,377)
Net debt/(cash)	<u>405,526</u>	<u>391,166</u>
Equity	<u>232,540</u>	<u>256,392</u>
<b>Net debt to equity ratio</b>	<b><u>174.39%</u></b>	<b><u>152.57%</u></b>

Debt is defined as long-term and short-term borrowings, and financial lease obligations. Equity includes entire capital and reserves of the Company.

## Notes to the consolidated financial statements

### For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

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#### 21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (*CONTINUED*)

##### c) Categories of financial instruments

	2018	2017
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)	12,497	16,147
<b>Financial liabilities</b>		
Amortised cost (borrowings, trade and other payables)	457,561	434,385

At the reporting date there are no significant concentrations of credit risk for loans and receivables designated at fair value through profit or loss. The above stated amount represents the Group's maximum exposure to credit risk for loans given and receivables.

##### d) Financial risk management objectives

The Corporate Treasury function of the Group provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group operates in international market, which exposes it to the risk arising from fluctuations in exchange rates.

##### e) Price risk management

The largest market in which the Group sells and provides its services is international market. Management of the Company determines the prices of its services on the basis of market rates.

## Notes to the consolidated financial statements

### For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

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#### 21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (*CONTINUED*)

##### **f) Interest rate risk**

The Group is exposed to interest rate risk as it borrows funds at floating interest rates. All of the Group's borrowings are at variable rates.

##### *Interest rate risk sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates during the year. For floating rate liabilities, the analysis is prepared according to repayment plan per separate liability over borrowing or received financial lease. A 50 basis point increase or decrease is used when reporting interest rate risk internally and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had changed for 50 basis points with the presumption of all other variables being constant, there would be following changes in interest expenses of the Group: for the year 2018 change would amount to HRK 2,138 thousand (2017: change would amount to HRK 1,598 thousand).

##### **g) Credit risk**

The Group has no significant concentration of credit risk with any counter party having similar characteristics. The Group monitors financial position of a customer as a part of its credit risk management.

The maximum credit risk exposure is represented by the carrying amount of each financial asset included in the statement of financial position. In the opinion of the management, its maximum exposure is reflected by the amount of trade receivables and other current asset net of provisions for impairment recognised at the reporting date.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, as a means of mitigating the risk of financial loss from defaults. The Group only deals with entities that are rated the equivalent of investment grade and above. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Trade receivables consist of receivables from limited number of customers from international market. Ongoing credit analysis is performed on the financial condition of accounts receivable and, where necessary, covered with credit guarantee insurance.

## Notes to the consolidated financial statements (*continued*)

### For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

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#### 21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (*CONTINUED*)

##### h) Foreign exchange risk management

The Group undertakes most of its transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exposure to foreign exchange risk is managed by approved parameters defined in the policy.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

At 31 December	Liabilities		Assets	
	2018	2017	2018	2017
USA (USD)	441,181	415,198	9,316	13,369
European Union (EUR)	13,312	14,603	351	354

##### *Foreign currency sensitivity analysis*

The Group is mainly exposed to the currencies of the countries whose currency is USD and EUR.

The following table details the Company's sensitivity to a 10% decrease in Croatian Kuna against USD and EUR. The 10% sensitivity rate is the rate used in internal key management reports and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for the 10% change in the foreign currency rate. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit and other equity where Croatian Kuna strengthens against the relevant currency by 10%. For the 10% decrease of Croatian Kuna versus the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	USD impact		EUR impact	
	2018	2017	2018	2017
Profit/(loss)	(43,187)	(40,183)	(1,296)	(1,425)

In management's opinion, sensitivity analysis does not reflect the inherent foreign currency risk.

## Notes to the consolidated financial statements (*continued*)

For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

### 21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (*CONTINUED*)

#### i) Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the Management Board, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, using appropriate banking facilities and central reserves borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

#### *Liquidity and interest rate risk tables*

The Group's remaining contractual maturity for its financial liabilities is analysed in the following table. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Weighted average interest rate %	Less than 1 month	1 - 3 months	3 months to 1 year	1 – 2 years	Over 2 years	Total
<b>2018</b>							
Non-interest bearing		13,213	7,070	5,289	2,313	9,303	<b>37,188</b>
Interest bearing	6.25 %	<u>260,670</u>	<u>2,880</u>	<u>6,725</u>	<u>90,990</u>	<u>59,108</u>	<b>420,373</b>
		<b>273,883</b>	<b>9,950</b>	<b>12,014</b>	<b>93,303</b>	<b>68,411</b>	<b>457,561</b>
<b>2017</b>							
Non-interest bearing		11,375	5,816	5,580	2,728	8,920	<b>34,419</b>
Interest bearing	4.42 %	<u>32,573</u>	<u>5,895</u>	<u>179,663</u>	<u>39,001</u>	<u>142,834</u>	<b>399,966</b>
		<b>43,948</b>	<b>11,711</b>	<b>185,243</b>	<b>41,729</b>	<b>151,754</b>	<b>434,385</b>

The Group's non-interest bearing liabilities up to one month comprise mainly trade payables in the amount of HRK 8,099 thousand for 2018 (2017: HRK 6,102 thousand) and liabilities towards employees in the amount of HRK 4,618 thousand for 2018 (2017: HRK 4,706 thousand).

Interest bearing liabilities include short-term and long-term borrowings, and finance lease obligations.

The Management is aware of the uncertainty of the Company to realize its financing needs and to refinance or service its liabilities as they fall due, but it is important to note that, in the current period of improved freight, the Company is in a position to regularly settle current liabilities, including financial liabilities to banks (note 17).

## Notes to the consolidated financial statements (*continued*)

For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

### 21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (*CONTINUED*)

#### i) Liquidity risk management (*continued*)

The tables below detail contractual maturities of the Group's financial assets presented on the statement of financial position at the period end.

The tables have been drawn up based on the undiscounted cash flows of financial assets on maturity. The table includes both principal and interest cash flows.

	Weighted average interest rate %	Less than 1 month	1 - 3 months	3 months to 1 year	1 – 2 years	Over 2 years	Total
<b>2018</b>							
Non-interest bearing		1,574	4,139	3,987	431	2,303	<b>12,434</b>
Interest bearing	4.82 %	-	-	27	-	36	<b>63</b>
		<b>1,574</b>	<b>4,139</b>	<b>4,014</b>	<b>431</b>	<b>2,339</b>	<b>12,497</b>
<b>2017</b>							
Non-interest bearing		5,851	3,642	3,638	239	2,730	<b>16,100</b>
Interest bearing	5.00 %	-	-	6	4	37	<b>47</b>
		<b>5,851</b>	<b>3,642</b>	<b>3,644</b>	<b>243</b>	<b>2,767</b>	<b>16,147</b>

#### j) Fair value of financial assets and financial liabilities

Fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments

Financial instruments held to maturity in the normal course of operations are carried at the lower of cost or the net amount less portion repaid. Fair value is determined as the amount at which a financial instrument can be exchanged between willing and knowledgeable parties in an arm's-length transaction, except in the event of forced sale or liquidation. The fair value of a financial instrument is the one quoted on the securities market or obtained using the discounted cash flow method.

At 31 December 2018, the carrying amounts of cash, short-term deposits, receivables, short-term liabilities, accrued expenses, short-term borrowings and other financial instruments correspond to their market value due to the short-term nature of those assets and liabilities.

## Notes to the consolidated financial statements (*continued*)

### For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

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#### 22. GROUP COMPANIES

##### List of the subsidiaries

Jadroplov d.d. (the "Company") is incorporated and located in the Republic of Croatia.

A listing of all subsidiaries fully owned by the Company, directly or indirectly, is provided below:

		Country of incorporation	Ship owned 2018
	<i>Companies in existence as of 31 December 2018</i>		
1	April Marine Inc., Monrovia	Liberia	Solin
2	Bene Maritime Inc., Majuro	Marshall Islands	Bene
3	Mosor Maritime Inc., Majuro	Marshall Islands	-
4	Peristil Maritime Inc., Majuro	Marshall Islands	Peristil
5	Radunica Maritime Inc., Majuro	Marshall Islands	Sveti Dujam
6	Split Maritime Inc., Majuro	Marshall Islands	Split
7	Trogir Maritime Inc., Majuro	Marshall Islands	Trogir

#### 23. RELATED PARTY TRANSACTIONS

##### Ultimate parent

As shown in note 15, the Company is indirectly owned by Republic of Croatia through the Restructuring and Sale Centre which is the legal successor of the Agency for state property management.

##### Transactions with key management and members of the Supervisory board

Remuneration to the Management Board includes regular monthly salary payments and other receipts. Remuneration paid to the Management Board is disclosed in note 6.

Remuneration to members of the Supervisory board is disclosed within note 7.

##### Other related party transactions

The Company is associated with government institutions and other state owned entities since its majority owner is the Republic of Croatia.

Significant related party transactions relate to government grant for trainee boarding received from the Ministry of Maritime Affairs, Transport and Infrastructure under the Programme of co-financing boarding for deck, engine and electrical engineering trainees on ships in international and domestic voyages. Income from government grants for trainee boarding is disclosed within note 4.



## Notes to the consolidated financial statements (*continued*)

### For the year ended 31 December 2018

(All amounts are expressed in thousands of HRK)

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#### 23. RELATED PARTY TRANSACTIONS (CONTINUED)

##### Other related party transactions (continued)

During 2018 in accordance with the approved Restructuring Plan, the Company received from the Ministry of Maritime Affairs, Transport and Infrastructure HRK 8 million of subsidy intended for restructuring. The remaining HRK 5 million subsidy, of which part of HRK 4.64 million was received on 28 February 2019, is foreseen for realization in 2019. Revenue from restructuring subsidy is shown in Note 4.

Bank loans under numbers 4 and 5 in the note 17 are received from banks with majority state ownership. Interest expense for these loans during the year were HRK 4,688 thousand (2017: HRK 3,929 thousand).

#### 23. EVENTS AFTER THE REPORTING DATE

After December 31, 2018, there were no events that have a significant impact on the financial statements for 2018.

By the ruling of the Municipal Court in Split on 29 March 2019, the statute of limitation on persecution was established, which relates to the dispute previously described in note 20.

#### 24. AUDIT FEE

Total expense for the audit of the consolidated financial statements of Jadroplov d.d. and its subsidiaries for the year 2018 amounts to HRK 255 thousand (2017: HRK 234 thousand).

#### 25. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Management Board and authorised for issue on 30 April 2019.

**Branimir Kovačić**

President of the Management Board

**Dalibor Filipović**

Member of the Management Board

**Mario Radačić**

Member of the Management Board



## Appendix 1

### Supplemental statements in thousands of USD

For the year ended 31 December 2018

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#### Consolidated statement of comprehensive income

The supplementary consolidated statement of comprehensive income and the consolidated statement of financial position have been prepared on different bases as follows. The consolidated statement of comprehensive income represents the USD values of transactions in USD and USD equivalent values of transactions in other currencies translated into USD at the exchange rates prevailing at the transaction date. The consolidated statement of financial position is derived from the statement of financial position prepared in HRK translated into USD at the respective year end rates at 31 December 2018 (USD 1 = HRK 6.47) and 31 December 2017 (USD 1 = HRK 6.27).

*(All amounts are expressed in thousands of USD)*

	<b>2018</b>	<b>2017</b>
Operating revenue	20,370	17,133
Other operating revenue	<u>15,883</u>	<u>12,365</u>
<b>Total revenue</b>	<b><u>36,253</u></b>	<b><u>29,498</u></b>
Vessel operating costs	(25,882)	(25,190)
Depreciation	(6,053)	(6,770)
Staff costs	(790)	(728)
Other operating expenses	<u>(4,705)</u>	<u>(769)</u>
<b>Total operating expenses</b>	<b><u>(37,430)</u></b>	<b><u>(33,457)</u></b>
<b>Loss from operations</b>	<b><u>(1,177)</u></b>	<b><u>(3,959)</u></b>
Net financial loss	<u>(4,083)</u>	<u>(1,915)</u>
<b>Loss before taxation</b>	<b><u>(5,260)</u></b>	<b><u>(5,874)</u></b>
Income tax	<u>1</u>	<u>(1)</u>
<b>Net loss for the year</b>	<b><u>(5,259)</u></b>	<b><u>(5,875)</u></b>
<b>Other comprehensive income</b>		
Translation reserve	<u>1,572</u>	<u>(8,013)</u>
<b>Other comprehensive income/(loss) for the year</b>	<b><u>1,572</u></b>	<b><u>(8,013)</u></b>
<b>Total comprehensive income/(loss) for the year</b>	<b><u>(3,687)</u></b>	<b><u>(13,888)</u></b>
Basic and diluted loss per share (in USD)	<u>(3.23)</u>	<u>(3.61)</u>

These supplemental statements are not part of the audited consolidated financial statements and are provided for illustrative purposes only. They represent the statement of financial position and statement of comprehensive income of the Group.

## Appendix 1

### Supplemental statements in thousands of USD *(continued)*

For the year ended 31 December 2018

#### Consolidated statement of financial position

*(All amounts are expressed in thousands of USD)*

	2018	2017
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	101,527	107,548
Intangible assets	-	5
Receivables and other assets	-	1
	<b>101,527</b>	<b>107,554</b>
<b>Current assets</b>		
Inventories	1,873	1,411
Receivables and other assets	3,336	3,454
Cash and cash equivalents	235	698
	<b>5,444</b>	<b>5,563</b>
<b>Total assets</b>	<b>106,971</b>	<b>113,117</b>
<b>EQUITY</b>		
Share capital	12,650	13,052
Treasury shares	(375)	(387)
Reserves	35,445	34,951
Accumulated losses	(11,774)	(6,723)
	<b>35,946</b>	<b>40,893</b>
<b>Non-current liabilities</b>		
Interest bearing loans and borrowings	25,389	29,002
Provisions	26	2,332
	<b>25,415</b>	<b>31,334</b>
<b>Current liabilities</b>		
Interest bearing loans and borrowings	37,531	34,086
Trade and other liabilities	8,079	6,804
	<b>45,610</b>	<b>40,890</b>
	<b>71,025</b>	<b>72,224</b>
<b>Total equity and liabilities</b>	<b>106,971</b>	<b>113,117</b>

These supplementary statements are not part of the audited consolidated financial statements and are provided for illustrative purposes only. They represent the consolidated statement of financial position and statement of comprehensive income of the Group.