

"True Copy"

**ESJA SEAFOOD LIMITED**  
**(formerly Katla Seafood Holding Limited)**  
**15 Nafliou Street,**  
**1st Floor, Flat/Office 102,**  
**3025 Limassol.**

**ΠΙΣΤΟΠΟΙΗΤΙΚΟ**

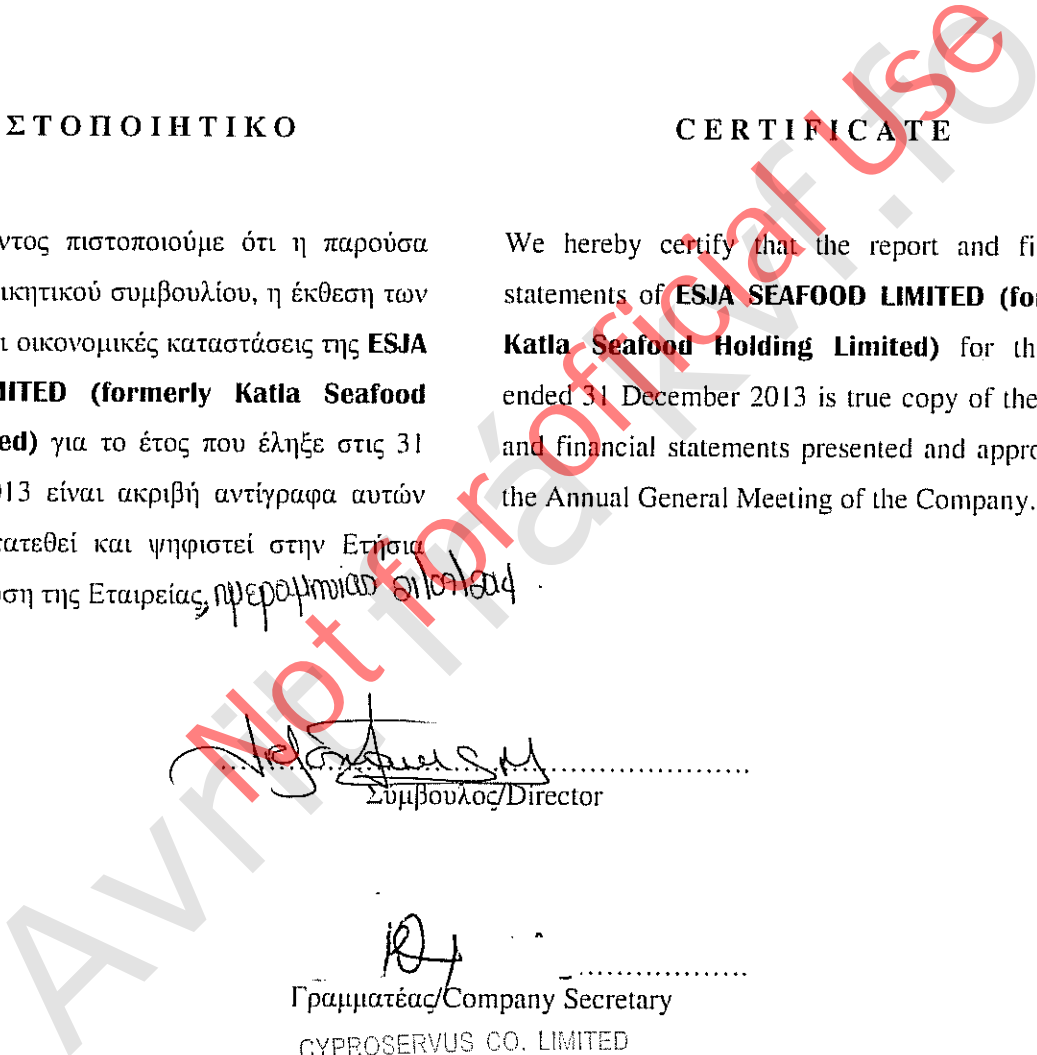
**CERTIFICATE**

Δια του παρόντος πιστοποιούμε ότι η παρούσα έκθεση του διοικητικού συμβουλίου, η έκθεση των ελεγκτών και οι οικονομικές καταστάσεις της **ESJA SEAFOOD LIMITED (formerly Katla Seafood Holding Limited)** για το έτος που έληξε στις 31 Δεκεμβρίου 2013 είναι ακριβή αντίγραφα αυτών που έχουν κατατεθεί και ψηφιστεί στην Ετήσια Γενική Συνέλευση της Εταιρείας, *πραγματικά στοιχεία*.

We hereby certify that the report and financial statements of **ESJA SEAFOOD LIMITED (formerly Katla Seafood Holding Limited)** for the year ended 31 December 2013 is true copy of the report and financial statements presented and approved at the Annual General Meeting of the Company.

*[Signature]*  
.....  
Σύμβουλος/Director

*[Signature]*  
.....  
Γραμματέας/Company Secretary  
CYPROSERVUS CO. LIMITED





**ESJA SEAFOOD LIMITED**  
**(formerly Katla Seafood Holding Limited)**  
**REPORT AND FINANCIAL STATEMENTS**  
For the year ended 31 December 2013

AVRIL 11 2014  
Not for Official Use

**ESJA SEAFOOD LIMITED**  
**(formerly Katla Seafood Holding Limited)**  
**REPORT AND FINANCIAL STATEMENTS**  
**For the year ended 31 December 2013**

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ESJA SEAFOOD LIMITED

(formerly Katla Seafood Holding Limited)

OFFICERS AND PROFESSIONAL ADVISORS

1

Board of Directors	Ingvar Gudmundur Juliusson (Icelandic) (appointed on 18 June 2013)
	Marios Intzeyiannis (Cypriot)
	Demosthenes Mavrellis (Cypriot)
	Guadalupe Bengoechea (Spanish) (resigned on 18 June 2013)
Secretary	Cyproservus Co. Limited
Independent Auditors	KPMG Limited Certified Public Accountants and Registered Auditors 11, June 16th 1943 Street 3022 Limassol Cyprus
Bankers	DnB NOR ASA, Norway
	La Caixa, Las Palmas de Gran Canaria, Spain
	Arion Banki hf, Iceland
Registered Office	15 Nafpliou Street 1st Floor, Flat/Office 102 3025 Limassol Cyprus
Registration number	205441

**ESJA SEAFOOD LIMITED****(formerly Katla Seafood Holding Limited)****BOARD OF DIRECTORS' REPORT**

The Board of Directors of **Esja Seafood Limited (formerly Katla Seafood Holding Limited)** (the "Company") presents to the members its Annual Report together with the audited financial statements of the Company for the year ended 31 December 2013.

**PRINCIPAL ACTIVITIES**

The principal activities of the Company continued to be the fishing operations and the holding of investments for long term capital appreciation purposes, finance the subsidiary, related and other companies.

**FINANCIAL RESULTS**

The Company's financial results for the year ended 31 December 2013 are set out on page 6 of the financial statements. The net profit for the year attributable to the owners of the Company amounted to US\$ 3.491.615 (2012: profit US\$ 5.117.366).

**EXAMINATION OF THE DEVELOPMENT, POSITION AND PERFORMANCE OF THE ACTIVITIES OF THE COMPANY**

The current financial position as presented in the financial statements is considered satisfactory.

**REVENUE**

The Company's revenue for the year ended 31 December 2013 was US\$ 47.249.667 (2012: US\$ 144.997.174).

**DIVIDENDS**

The Board of Directors does not recommend the payment of a dividend and the net profit for the year is retained.

**MAIN RISKS AND UNCERTAINTIES**

A description of how risks are managed is shown in note 24 of the financial statements.

**FUTURE DEVELOPMENTS**

The Board of Directors does not expect major changes in the principal activities of the Company in the foreseeable future.

**SHARE CAPITAL**

There were no changes in the share capital of the Company during the year.

**BRANCHES**

During the year ended 31 December 2013 the Company did not operate any branches.

**ESJA SEAFOOD LIMITED**

(formerly Katla Seafood Holding Limited)

**BOARD OF DIRECTORS' REPORT** (continued)**BOARD OF DIRECTORS**

The members of the Company's Board of Directors as at 31 December 2013 and at the date of this report are presented on page 1.

**EVENTS AFTER THE REPORTING PERIOD**

There were no material events after the reporting period, which affect the financial statements as at 31 December 2013.

**INDEPENDENT AUDITORS**

The independent auditors of the Company, KPMG Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

By order of the Board of Directors,



Cyproservus Co. Limited  
Secretary PROSERVUS CO. LIMITED

Limassol, 21 July 2014



KPMG Limited  
Chartered Accountants  
11, June 16th 1943 Street  
3022 Limassol, Cyprus  
P.O.Box 50161  
3601 Limassol, Cyprus

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Fax +357 25 363842  
E-mail limassol@kpmg.com.cy  
Internet www.kpmg.com.cy

**INDEPENDENT AUDITORS' REPORT**  
**TO THE MEMBERS OF**  
**ESJA SEAFOOD LIMITED**  
**(formerly Katla Seafood Holding Limited)**

**Report on the financial statements**

We have audited the accompanying financial statements of **Esja Seafood Limited (formerly Katla Seafood Holding Limited)** (the "Company") on pages 6 to 31 which comprise the statement of financial position as at 31 December 2013, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Board of Directors' responsibility for the financial statements*

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors as well as evaluating the overall presentation of the financial statements.

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

**Board Members:**

N.G. Symris, A.K. Christofides, E.Z. Hadjizacharias, P.G. Loizou  
A.M. Gregoriades, A.A. Demetrou, D.S. Vakis, A.A. Apostolou  
S.A. Loizides, M.A. Loizides, S.G. Sotocleous, M.M. Antoniadis  
C.V. Vasiliou, P.E. Antoniadis, M.J. Hsios, M.P. Michael, P.A. Peletres  
G.V. Markides, M.A. Papacosta, K.A. Papanicolaou, A.I. Shammoutis  
G.N. Tzortzis, H.S. Charalambous, C.P. Anayiotos, I.P. Ghalanos  
M.G. Gregoriades, H.A. Kakoulis, G.P. Savva, C.A. Kallias, C.N. Kallias  
M.H. Zavrou, P.S. Eha, M.G. Lazarou, Z.E. Hadjizacharias  
P.S. Theophanous, M.A. Karantoni, C.A. Markides

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Fax +357 23 820084

**Pala Chrysochou**

P.O. Box 66014, 8339  
Telephone +357 26 322098

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of **Esja Seafood Limited (formerly Katla Seafood Holding Limited)** as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

### **Report on other legal requirements**

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as it appears from our examination of these books.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of the information available to us and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 2 and 3 is consistent with the financial statements.

### **Other matter**

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Panicos G. Loizou, FCA  
Certified Public Accountant and Registered Auditor

for and on behalf of

KPMG Limited  
Certified Public Accountants and Registered Auditors

11, June 16th 1943 Street  
3022 Limassol  
Cyprus

Limassol, 21 July 2014



## ESJA SEAFOOD LIMITED

(formerly Katla Seafood Holding Limited)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOMEFor the year ended 31 December 2013

	Note	2013 US\$	2012 US\$
<b>Revenue</b>	4	47,249,667	144,997,174
Dividend income from subsidiary company and from other investments	23 (ii)	<u>1,685,602</u>	<u>-</u>
<b>Total revenue</b>		<u>48,935,269</u>	<u>144,997,174</u>
Vessel operating expenses		(56,091,896)	(142,022,010)
Net profit from investing activities	5	8,956,120	1,209,447
Administrative expenses		(349,609)	(111,964)
Loss from disposal of financial assets at fair value through profit or loss		<u>(46,192)</u>	<u>-</u>
		<u>(47,531,577)</u>	<u>(140,924,527)</u>
<b>Operating profit</b>	6	<u>1,403,692</u>	<u>4,072,647</u>
Finance income	7	5,284,762	5,302,955
Finance expenses	7	<u>(3,196,839)</u>	<u>(3,851,976)</u>
<b>Net finance income</b>		<u>2,087,923</u>	<u>1,450,979</u>
<b>Profit before tax</b>		3,491,615	5,523,626
Tax	8	<u>-</u>	<u>(406,260)</u>
<b>Profit for the year</b>		<u>3,491,615</u>	<u>5,117,366</u>
<b>Other comprehensive income</b>			
Available-for-sale financial assets - Fair value gains	12	1,180,502	5,487,205
Available-for-sale financial assets - Foreign exchange gains	12	<u>2,878,042</u>	<u>-</u>
<b>Other comprehensive income for the year</b>		<u>4,058,544</u>	<u>5,487,205</u>
<b>Total comprehensive income for the year</b>		<u>7,550,159</u>	<u>10,604,571</u>

The notes on pages 10 to 31 are an integral part of these financial statements.

**ESJA SEAFOOD LIMITED**

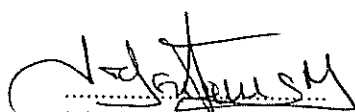
(formerly Katla Seafood Holding Limited)

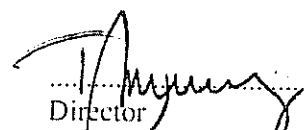
STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Note	2013 US\$	2012 US\$
<b>Assets</b>			
<b>Non-current assets</b>			
Vessel's machinery and equipment	9	206,787	45,492
Investments in subsidiaries	10	-	3,833,000
Available-for-sale financial assets	12	34,801,655	30,743,111
Loans receivable	13	-	14,382,603
<b>Total non-current assets</b>		<u>35,008,442</u>	<u>49,004,206</u>
<b>Current assets</b>			
Loans receivable	13	2,495,841	-
Inventories	14	-	3,253,722
Trade and other receivables	15	78,195,767	74,561,169
Financial assets at fair value through profit or loss	16	-	6,475,904
Refundable tax	21	703,943	674,072
Cash and cash equivalents	17	22,486,930	20,555,749
<b>Total current assets</b>		<u>103,882,481</u>	<u>105,520,616</u>
<b>Total assets</b>		<u>138,890,923</u>	<u>154,524,822</u>
<b>Equity</b>			
Share capital	18	1,472	1,472
Reserves		65,377,386	57,827,227
<b>Total equity</b>		<u>65,378,858</u>	<u>57,828,699</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Provisions for other liabilities and charges	19	630,000	2,490,000
<b>Total non-current liabilities</b>		<u>630,000</u>	<u>2,490,000</u>
<b>Current liabilities</b>			
Trade and other payables	20	72,882,065	94,206,123
<b>Total current liabilities</b>		<u>72,882,065</u>	<u>94,206,123</u>
<b>Total equity and liabilities</b>		<u>138,890,923</u>	<u>154,524,822</u>

On 21 July 2014 the Board of Directors of Esja Seafood Limited authorised these financial statements for issue.

  
Director

  
Director

**ESJA SEAFOOD LIMITED**  
(formerly Katla Seafood Holding Limited)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Note	Share capital US\$	Fair value reserve - available-for-sale financial assets US\$	Retained earnings US\$	Total US\$
<b>Balance at 1 January 2012</b>		1,472		39,686,997	39,688,469
Surplus due to merger with subsidiary company	11	-	-	7,535,659	7,535,659
Profit for the year		-		5,117,366	5,117,366
Other comprehensive income for the year		-	5,487,205	-	5,487,205
<b>Balance at 31 December 2012</b>		<u>1,472</u>	<u>5,487,205</u>	<u>52,340,022</u>	<u>57,828,699</u>
<b>Balance at 1 January 2013</b>		1,472	5,487,205	52,340,022	57,828,699
Profit for the year		-	-	3,491,615	3,491,615
Other comprehensive income for the year		-	4,058,544	-	4,058,544
<b>Balance at 31 December 2013</b>		<u>1,472</u>	<u>9,545,749</u>	<u>55,831,637</u>	<u>65,378,858</u>

The notes on pages 10 to 31 are an integral part of these financial statements.

**ESJA SEAFOOD LIMITED**

(formerly Katla Seafood Holding Limited)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Note	2013 US\$	2012 US\$
<b>Cash flows from operating activities</b>			
Profit for the year		3,491,615	5,117,366
Adjustments for:			
Profit from the disposal of investments in subsidiaries	5	(8,956,120)	-
Fair value gains on financial assets at fair value through profit or loss	5	-	(1,209,447)
Provisions for dry dock	19	(1,860,000)	(1,930,000)
Dividend income		(1,685,602)	-
Interest income	7	(5,148,124)	(5,302,955)
Interest expense	7	3,196,839	3,118,710
Income tax expense	8	-	406,260
<b>Cash flows (used in)/from operations before working capital changes</b>		<u>(10,961,392)</u>	<u>199,934</u>
Decrease/(increase) in inventories		3,253,722	(3,253,722)
Increase in trade and other receivables		(3,634,598)	(70,307,016)
Decrease/(increase) in financial assets at fair value through profit or loss		6,475,904	(5,266,457)
(Decrease)/increase in trade and other payables		(21,324,058)	94,165,330
Increase in provisions		-	4,420,000
<b>Cash flows (used in)/from operations</b>		<u>(26,190,422)</u>	<u>19,958,069</u>
Dividends received		1,685,602	-
Tax paid		(29,871)	(1,080,332)
<b>Net cash flows (used in)/from operating activities</b>		<u>(24,534,691)</u>	<u>18,877,737</u>
<b>Cash flows from investing activities</b>			
Acquisition of vessel's machinery and equipment due to the merger with subsidiary - carrying amount	9	-	(45,492)
Payment for acquisition of vessel's machinery and equipment	9	(161,295)	-
Payment for acquisition of available-for-sale financial assets	12	-	(25,255,906)
Payment for addition of investments in subsidiary company	10	(1,210,880)	-
Loans granted	13	-	(14,382,603)
Loans repayments received		11,886,762	-
Proceeds from the disposal of investments in subsidiary company		14,000,000	-
Interest received		5,148,124	5,302,955
<b>Net cash flows from/(used in) investing activities</b>		<u>29,662,711</u>	<u>(34,381,046)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(3,196,839)	(3,118,710)
Net assets transferred from subsidiary company due to the merger	11	-	39,177,768
<b>Net cash flows (used in)/from financing activities</b>		<u>(3,196,839)</u>	<u>36,059,058</u>
<b>Net increase in cash and cash equivalents</b>		1,931,181	20,555,749
Cash and cash equivalents at the beginning of the year		<u>20,555,749</u>	<u>-</u>
<b>Cash and cash equivalents at the end of the year</b>	17	<u>22,486,930</u>	<u>20,555,749</u>

The notes on pages 10 to 31 are an integral part of these financial statements.

**ESJA SEAFOOD LIMITED**

(formerly Katla Seafood Holding Limited)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2013

**1. INCORPORATION AND PRINCIPAL ACTIVITIES**

**Esja Seafood Limited (formerly Katla Seafood Holding Limited)** (the "Company") was incorporated in Cyprus on 11 August 2007 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its Registered Office is at 15, Naflpiou street, 1st Floor, Flat/Office 102, 3025 Limassol, Cyprus.

The principal activities of the Company continued to be the fishing operations and the holding of investments for long term capital appreciation purposes, finance the subsidiary and related companies.

**Change of Company name**

On 30 July 2013, the Company changed its name from **Katla Seafood Holding Limited** to **Esja Seafood Limited**.

**2. BASIS OF PREPARATION****(a) Statement of compliance**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113.

These Financial Statements are separate financial statements of the Company. The Company is not required by the Cyprus Companies Law, Cap.113, to prepare consolidated financial statements because the ultimate parent company, **Samherji hf** publishes consolidated financial statements in accordance with Generally Accepted Accounting Principles in Iceland and the Company does not intend to issue consolidated financial statements for the year ended 31 December 2013.

Since the 7th Directive of the European Union permits the preparation of consolidated financial statements in accordance with the Directive or in a manner equivalent to the Directive, and since the Cyprus Companies Law, Cap. 113, provides the aforementioned exemption, the provisions of International Accounting Standard 27 "Consolidated and separate financial statements" that require the preparation of consolidated financial statements in accordance with IFRS do not apply.

**(b) Basis of measurement**

The financial statements have been prepared under the historical cost convention, except in the case of land, buildings and equipment, leases, and investments, which are shown at their fair value.

**(c) Adoption of new and revised International Financial Reporting Standards and Interpretations**

During the current year the Company adopted all the changes to International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2013. This adoption did not have a material effect on the accounting policies of the Company.

At the date of approval of these financial statements, Standards, Revised Standards and Interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a significant effect on the financial statements of the Company.

**ESJA SEAFOOD LIMITED**

(formerly Katla Seafood Holding Limited)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2013

**2. BASIS OF PREPARATION (continued)****(d) Use of estimates and judgments**

The preparation of financial statements in accordance with IFRSs requires from Management the exercise of judgment, to make estimates and assumptions that influence the application of accounting principles and the related amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may deviate from such estimates.

The estimates and underlying assumptions are revised on a continuous basis. Revisions in accounting estimates are recognised in the period during which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

- **Provision for bad and doubtful debts**  
The Company reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record and the customer's overall financial position. If indications of irrecoverability exist, the recoverable amount is estimated and a respective provision for bad and doubtful debts is made. The amount of the provision is charged through the profit or loss. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly.
- **Income taxes**  
Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.
- **Impairment of available-for-sale financial assets**  
The Company follows the guidance of IAS 39 in determining when an investment is other-than-temporarily impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

**(e) Functional and presentation currency**

The financial statements are presented in United States Dollars (US\$) which is the functional currency of the Company.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies have been applied consistently for all the years presented in these financial statements and in stating the financial position of the Company.

## ES,JA SEAFOOD LIMITED

(formerly Katla Seafood Holding Limited)

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2013**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*Subsidiary companies

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

Revenue recognition

Revenues earned by the Company are recognised on the following bases:

- Sale of goods  
Sales of goods are recognised when significant risks and rewards of ownership of the goods have been transferred to the customer, which is usually when the Company has sold or delivered goods to the customer, the customer has accepted the goods and collectability of the related receivable is reasonably assured.
- Rendering of services  
Sales of services are recognised in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.
- Dividend income  
Dividend income is recognised when the right to receive payment is established.

Finance income

Finance income includes interest income which is recognised based on an accrual basis.

Finance expenses

Finance expenses include interest expense on loans, finance leases and bank overdrafts as well as bank charges. Finance expenses are recognised as expenses in the period in which they fall due.

Foreign currency translation*(i) Functional and presentation currency*

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US\$), which is the Company's functional and presentation currency.

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

**ESJA SEAFOOD LIMITED****(formerly Katla Seafood Holding Limited)****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2013****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****Vessel's machinery and equipment and depreciation**

The Company's vessel machinery and equipment are measured at cost less accumulated depreciation and impairment losses.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Expenditure for repairs and maintenance of vessel is charged to profit or loss of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposal of the vessel's machinery and equipment are determined by comparing proceeds with carrying amount and are included in profit or loss.

Depreciation is recognised in the statement of comprehensive income on the straight-line basis so as to write off the cost less the estimated residual value (scrap value) of the vessels over the estimated useful economic life. The annual depreciation rates used for the current and comparative periods are as follows:

No depreciation is provided for vessel's machinery and equipment because it is not in use.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

**Financial instruments**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

**(i) Trade receivables**

Trade and other receivables are stated at their nominal values after deducting the specific provision for doubtful debts, which is calculated based on an examination of all outstanding balances as at the year end. Bad debts are written off when identified.

**(ii) Loans granted**

Loans originated by the Company by providing money directly to the borrower are categorised as loans and are carried at amortised cost. The amortised cost is the amount at which the loan granted is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.



**ESJA SEAFOOD LIMITED**

(formerly Katla Seafood Holding Limited)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

Financial instruments (continued)

(ii) Loans granted (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

(iii) Investments

The Company classifies its investments in equity and debt securities in the following categories: financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of investments at initial recognition.

- Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in the held for trading category if acquired principally for the purpose of generating a profit from short-term fluctuations in price. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months from the reporting date.

- Available-for-sale financial assets

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the reporting date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Regular way purchases and sales of investments are recognised on trade-date which is the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Realised and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in profit or loss in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and then in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in profit or loss.

**ESJA SEAFOOD LIMITED**

(formerly Katla Seafood Holding Limited)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2013

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial instruments (continued)****(iii) Investments (continued)**

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

**(iv) Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank.

**(v) Trade payables**

Trade payables are stated at their nominal values.

**Impairment of assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

**Inventories**

Stocks are stated at the lower of cost and net realisable value. Fuel stock is valued based on the first-in first-out method. The other stock categories are valued based on the weighted average cost method. The net realisable value is based on the estimated selling price less any additional expenses expected to occur by the stock's date of sale. When considered necessary, a general or specific provision is made for defective and obsolete stock or slow-moving stock, which is included in cost of sales.

**Share capital**

Ordinary shares are classified as equity.

**Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

**Comparatives**

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

**ESJA SEAFOOD LIMITED**

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**4. REVENUE**

	2013 US\$	2012 US\$
Rendering of services	5,948,625	7,125,000
Sales of fish	<u>41,301,042</u>	<u>137,872,174</u>
	<u>47,249,667</u>	<u>144,997,174</u>

**5. NET PROFIT FROM INVESTING ACTIVITIES**

	Note	2013 US\$	2012 US\$
Profit from the disposal of investment in subsidiary company	10	8,956,120	-
Fair value gains on financial assets at fair value through profit or loss	15	<u>-</u>	<u>1,209,447</u>
		<u>8,956,120</u>	<u>1,209,447</u>

**6. OPERATING PROFIT**

	Note	2013 US\$	2012 US\$
Operating profit is stated after charging the following items:			
Directors' fees	23 (i)	2,441	1,200
Auditors' remuneration			
- current year		30,000	30,000
- prior years		<u>13,419</u>	<u>6,692</u>

## ESJA SEAFOOD LIMITED

(formerly Katla Seafood Holding Limited)

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2013

## 7. NET FINANCE INCOME AND EXPENSES

	2013 US\$	2012 US\$
<b>Finance income</b>		
Interest on bank current accounts	12.882	19.410
Interest on trade balances	4.819.785	5.283.545
Other interest income	315.457	-
Realised exchange profit	136.638	-
	<u>5.284.762</u>	<u>5.302.955</u>
<b>Finance expenses</b>		
Interest on trade balances	3.094.173	2.927.398
Bank charges	102.666	187.630
Interest on taxes	-	3.682
Realised exchange loss	-	733.266
	<u>3.196.839</u>	<u>3.851.976</u>

## 8. TAXATION

	2013 US\$	2012 US\$
Corporation tax		
- current for the year	-	431.901
- prior years	-	(25.641)
Charge for the year	<u>-</u>	<u>406.260</u>

Reconciliation of tax based on the taxable income and tax based on accounting profits:

	2013 US\$	2012 US\$
Accounting profit before tax	<u>3.491.615</u>	<u>5.523.626</u>
Tax calculated at the applicable tax rates	436.452	552.363
Tax effect of expenses not deductible for tax purposes	21.803	483
Tax effect of allowances and income not subject to tax	(1.330.215)	(120.945)
Tax effect of loss for the for the year	871.960	-
Prior year tax	-	(25.641)
Tax as per statement of comprehensive income - charge	<u>-</u>	<u>406.260</u>

## ESJA SEAFOOD LIMITED

(formerly Katla Seafood Holding Limited)

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2013**8. TAXATION (continued)**

The corporation tax rate is 12.5% (2012:10%).

Under certain conditions interest income may be subject to defence contribution at the rate of 30% (up to 29 April 2013:15%). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter.

Tax losses may be carried forward for the years until their final write off. Group companies may deduct losses against profits arising during the same tax year.

**9. VESSEL'S MACHINERY AND EQUIPMENT**

2013	Vessel's machinery and equipment US\$
<b>Cost</b>	
Balance at 1 January	454,925
Additions	<u>161,295</u>
Balance at 31 December	<u>616,220</u>
<b>Depreciation</b>	
Balance at 1 January	<u>409,433</u>
Balance at 31 December	<u>409,433</u>
<b>Carrying amounts</b>	
Balance at 31 December	<u>206,787</u>
<ul style="list-style-type: none"> <li>• No depreciation is provided on the machinery and equipment of the vessel because it is not in use.</li> <li>• During the year the Company acquired spare parts for the vessel's machinery and equipment.</li> </ul>	
<b>2012</b>	<b>Plant and machinery US\$</b>
<b>Cost</b>	
Acquisitions due to merger with subsidiary company	<u>454,925</u>
Balance at 31 December	<u>454,925</u>
<b>Depreciation</b>	
Acquisitions due to merger with subsidiary company	<u>409,433</u>
Balance at 31 December	<u>409,433</u>
<b>Carrying amounts</b>	
Balance at 31 December	<u>45,492</u>

**ESJA SEAFOOD LIMITED**

(formerly Katla Seafood Holding Limited)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**10. INVESTMENTS IN SUBSIDIARIES**

	2013 US\$	2012 US\$
Balance at 1 January	3.833.000	35.475.109
Additions	1.210.880	-
Disposals	(5.043.880)	-
Elimination of investments due to the merger with the subsidiary, Katla Seafood Limited (Note 11)	-	(31.642.109)
Balance at 31 December	<u>-</u>	<u>3.833.000</u>

The details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	2013 Holding %	2012 Holding %	2013 US\$	2012 US\$
Katla Seafood Canarias S.L.U.	Spain	Vessel service provider	-	100	<u>-</u>	<u>3.833.000</u>
					<u>-</u>	<u>3.833.000</u>

On 11 June 2013 the Company disposed to third party the subsidiary company Katla Seafood Canarias S.L.U., for US\$ 14.000.000. During the year there was an increase of share capital of the subsidiary by US\$ 1.210.880.

## ESJA SEAFOOD LIMITED

(formerly Katla Seafood Holding Limited)

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2013**11. MERGER WITH SUBSIDIARY COMPANY**

On 1 January 2012 the Company merged with its subsidiary company, Katla Seafood Limited, a shipping company which it was providing fishing operations.

The assets and liabilities were transferred at carrying amounts to the Company on 1 January 2012 as follows:

	2013 US\$	2012 US\$
<b>Assets</b>		
Vessel's machinery and equipment	-	45,492
Non - current loans receivables	-	16,760,780
Other investments (Note 16)	-	5,266,457
Inventories	-	4,830,876
Trade and other receivables	-	75,959,574
Cash and cash equivalents	-	21,624,184
	<u>-</u>	<u>124,487,363</u>
<b>Liabilities</b>		
Trade payables	-	(80,518,800)
Current tax liabilities	-	(770,795)
Provisions for other liabilities and charges	-	(4,020,000)
	<u>-</u>	<u>(85,309,595)</u>
Net assets transferred from subsidiary company	-	39,177,768
Less: cost of investment in subsidiary company	-	(31,642,109)
	<u>-</u>	<u>7,535,659</u>
Surplus arisen from the merger with subsidiary company and transferred to retained earnings (Page 8)	<u>-</u>	<u>7,535,659</u>

In accordance with the relevant reorganization plan and subject to the terms of the relevant Merger Agreement, the subsidiary company, Katla Seafood Limited will be dissolved without going into liquidation, by transferring all of its assets and liabilities to the Company on 1 January 2012. The Merger is approved by the Court of the Republic of Cyprus on 20 December 2012, as well as by the Cyprus Income Tax Authorities.

**12. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	2013 US\$	2012 US\$
Balance at 1 January	30,743,111	-
Additions	-	25,255,906
Fair value gains on revaluation of investments were transferred to equity	1,180,502	5,487,205
Foreign exchange gains on cost of investments were transferred to equity	<u>2,878,042</u>	<u>-</u>
Balance at 31 December	<u>34,801,655</u>	<u>30,743,111</u>

**ESJA SEAFOOD LIMITED**

(formerly Katla Seafood Holding Limited)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**12. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)**

	Fair values 2013 US\$	Cost 2013 US\$	Fair values 2012 US\$	Cost 2012 US\$
Kaldbakur ehf - Bonds (Note 1)	21,004,594	15,672,622	18,899,548	15,672,622
Rikisb - Bonds (Note 2)	10,996,831	6,572,274	8,832,553	6,572,274
Onward Investments Limited - Preference Shares (Note 3)	<u>2,800,230</u>	<u>3,011,010</u>	<u>3,011,010</u>	<u>3,011,010</u>
	<u>34,801,655</u>	<u>25,255,906</u>	<u>30,743,111</u>	<u>25,255,906</u>

Note 1

On February 2012, the Company acquired senior unsecured bonds from a related company which is owned 100% by the ultimate shareholder, Kaldbakur ehf, a private limited company incorporated in Iceland. The maturity date of the bonds is the 1st March 2022. The related company's principal total size limit of unsecured bonds, is ISK 10,000,000,000 (nominal value) and issued the amount of ISK 2,423,300,000 (nominal value). The issuer shall pay interest annually from 1 March 2013 to maturity date at interest rate of 7% p.a.

The annual repayments of the principal amount, is stated as follows:

- 20% of the original principal on 1 March 2017
- 20% of the original principal on 1 March 2018
- 20% of the original principal on 1 March 2019
- 20% of the original principal on 1 March 2020
- 19% of the original principal on 1 March 2021
- 1% of the original principal on 1 March 2022

Note 2

Esja Seafood Limited (formerly Katla Seafood Holding Limited) acquired Rikisb (RIKS) bonds from the Icelandic Stock Exchange. The maturity date is 26 February 2019 and carries interest rate at 8.75% p.a.

Note 3

The Company has received the rights and obligations from Katla Seafood Limited based on the loan agreement amounting to of CAD\$8,000,000, dated on 31 March 2011 which was concluded between the related parties, Miginato Holdings Limited, Katla Seafood Limited and Onward Investments Limited.

The Company has released the Onward Investment Limited's obligations and liabilities in respect of CAD\$3,000,000 of the total amount of the loan CAD\$8,000,000 in return of the allotment and issue at par of 10% Cumulative Preference Shares of CAD\$1.00 each in Onward Investment Limited.



**ESJA SEAFOOD LIMITED**

(formerly Katla Seafood Holding Limited)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**13. LOANS RECEIVABLE**

	2013 US\$	2012 US\$
Loans receivable	2,495,841	-
Loans to related companies (Note 23 (vi))	<u>-</u>	<u>14,382,603</u>
	<u>2,495,841</u>	<u>14,382,603</u>
Non-current portion	-	14,382,603
Current portion	<u>2,495,841</u>	<u>-</u>
	<u>2,495,841</u>	<u>14,382,603</u>

The exposure of the Company to credit risk is reported in note 24 of the financial statements.

**14. INVENTORIES**

	2013 US\$	2012 US\$
Fuel	-	1,433,648
Fish for resale	-	1,556,714
Packing Materials	<u>-</u>	<u>263,360</u>
	<u>-</u>	<u>3,253,722</u>

**15. TRADE AND OTHER RECEIVABLES**

	2013 US\$	2012 US\$
Trade receivables	691,320	3,112,024
Receivables from related companies (Note 23 (v))	75,541,781	67,509,009
Receivables from parent company (Note 23 (iv))	-	2,483,426
Deposits and prepayments	1,744,894	1,456,710
Other receivables	<u>217,772</u>	<u>-</u>
	<u>78,195,767</u>	<u>74,561,169</u>

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 24 of the financial statements.

**ESJA SEAFOOD LIMITED**

(formerly Katla Seafood Holding Limited)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2013 US\$	2012 US\$
Balance at 1 January	6.475.904	-
Acquisition due to merger o subsidiary company (Note 11)		5.266.457
Disposals	(6.429.712)	-
Loss from disposal (page 6)	(46.192)	-
Change in fair value (Note 5)	<u>-</u>	<u>1.209.447</u>
Balance at 31 December	<u>-</u>	<u>6.475.904</u>

The investment in REM Offshore ASA, Norway (699.481 ordinary shares) was acquired during the year 2011. As at 31 December 2012 the investment has revalued at fair value as the market value of shares at the same date was NOK 52 per share. During the year 2013 the Company disposed the investment.

**17. CASH AND CASH EQUIVALENTS**

For the purposes of the statement of cash flows, the cash and cash equivalents include the following:

	2013 US\$	2012 US\$
Cash at bank	<u>22.486.930</u>	<u>20.555.749</u>
	<u>22.486.930</u>	<u>20.555.749</u>

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 24 of the financial statements.

**18. SHARE CAPITAL**

	2013 Number of shares	2013 US\$	2012 Number of shares	2012 US\$
<b>Authorised</b>				
Ordinary shares of €1 each	<u>1.000</u>		<u>1.000</u>	
<b>Issued and fully paid</b>				
Balance at 1 January	<u>1.000</u>	<u>1.472</u>	<u>1.000</u>	<u>1.472</u>
Balance at 31 December	<u>1.000</u>	<u>1.472</u>	<u>1.000</u>	<u>1.472</u>

## ESJA SEAFOOD LIMITED

(formerly Katla Seafood Holding Limited)

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2013**19. PROVISIONS FOR OTHER LIABILITIES AND CHARGES**

	Provision for Dry Dock US\$
<b>Balance at 1 January 2012</b>	-
Charged/(credited) to profit or loss	(1,930,000)
Transferred due to merger	<u>4,420,000</u>
<b>Balance at 1 January 2013</b>	2,490,000
Charged/(credited) to profit or loss	<u>(1,860,000)</u>
<b>Balance at 31 December 2013</b>	<u>630,000</u>

The amounts included in the statement of financial position include the following:

	2013 US\$	2012 US\$
Provisions to be used after more than twelve months	<u>630,000</u>	<u>2,490,000</u>

**20. TRADE AND OTHER PAYABLES**

	2013 US\$	2012 US\$
Trade payables	2,433,746	2,707,605
Accruals	789,380	1,342,956
Payables to parent company and subsidiary company (Note 23 (vii))	125,879	4,546,484
Payables to related companies (Note 23 (viii))	<u>69,533,060</u>	<u>85,609,078</u>
	<u>72,882,065</u>	<u>94,206,123</u>

The exposure of the Company to liquidity risk in relation to financial instruments is reported in note 24 of the financial statements.

**21. REFUNDABLE TAX**

	2013 US\$	2012 US\$
Corporation tax	<u>(703,943)</u>	<u>(674,072)</u>
	<u>(703,943)</u>	<u>(674,072)</u>

**ESJA SEAFOOD LIMITED**

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**22. OPERATING ENVIRONMENT OF THE COMPANY**

The Cyprus economy has been adversely affected over the last few years by the international credit crisis and the instability in the financial markets. During 2012 there was a considerable tightening of financing availability from Cypriot financial institutions, mainly resulting from financial instability in relation to the Greek sovereign debt crisis, including the impairment of Greek Government Bonds, and its impact on the Cyprus economy. In addition, following its credit downgrades, the ability of the Republic of Cyprus to borrow from international markets has been significantly affected. The Cyprus government entered into negotiations with the European Commission, the European Central Bank and the International Monetary Fund, in order to obtain financial support. The programme aims to address the exceptional economic challenges that Cyprus is facing and to restore the viability of the financial sector, with the view of restoring sustainable economic growth and sound public finances over the coming years.

On 22 March 2013 the House of Representatives voted legislation relating to capital controls affecting transactions executed through banking institutions operating in Cyprus. The extent and duration of the capital controls is decided by the Minister of Finance and the Governor of the Central Bank of Cyprus and were enforced on 28 March 2013. The Company's management is monitoring the developments in relation to these capital controls and is assessing the implications on the Company's operations.

On 12 April 2013 the Eurogroup welcomed the agreement that has been reached between Cyprus and the Troika institutions regarding the macroeconomic adjustment programme for Cyprus and stated that the necessary elements were in place to launch the relevant national procedures required for the formal approval of the European Stability Mechanism financial assistance facility agreement.

A new legislator has been voted relating to capital controls affecting transactions executed through banking institutions operating in Cyprus. The Company's management is monitoring the developments in relation to these capital controls and is assessing the implications on the Company's operations.

The Company's management believes that it is taking all the necessary measures to maintain the viability of the Company and the development of its business in the current business and economic environment.

**23. RELATED PARTY TRANSACTIONS**

The Company is held by Polaris Seafood ehf, incorporated in Iceland, which owns 100% of the Company's shares.

The following transactions took place in the normal course of the Company's business and were carried out at an arm's length basis:

**(i) Directors' remuneration**

The remuneration of Directors and other members of key management was as follows:

	2013	2012
	US\$	US\$
Directors' fees	<u>2,441</u>	<u>1,200</u>
	<u>2,441</u>	<u>1,200</u>

## ESJA SEAFOOD LIMITED

(formerly Katla Seafood Holding Limited)

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2013**23. RELATED PARTY TRANSACTIONS (continued)****(ii) Sales of goods and services, interest income and dividend income**

	<u>Nature of transactions</u>	2013 US\$	2012 US\$
Atlantex Sp.zo.o	Crew lease	5.733.241	5.887.042
Atlantex Sp.zo.o	Operating expenses	-	1.383.577
Samherji Island ehf	Operating expenses	669.021	1.804.186
Polaris Seafood ehf	Operating expenses	-	927.928
Framherji Sp/f	Operating expenses	-	1.475.340
Esja Fishing (Pty) Ltd	Operating expenses	2.057.827	-
Katla Seafood Namibia (Pty) Limited	Operating expenses	-	262.434
Katla Seafood Namibia (Pty) Limited	Bareboat charter income	-	4.200.000
Atlantex Sp.zo.o	Bareboat charter income	5.948.625	2.475.000
Onward Fishing Company NL Ltd	Interest income	370.121	580.995
Snaefell Limited	Interest income	505.890	754.960
Onward Fishing Company Ltd	Interest income	1.324.630	1.199.674
Katla Seafood Namibia (Pty) Limited	Interest income	425.961	472.551
Kaldbakur ehf	Interest income	1.443.039	1.126.592
Esja Shipping Limited (formerly Katla Shipping Holding Limited)	Interest income	409.164	520.707
Onward Investment Limited	Interest income	311.622	297.006
Katla Seafood Canarias S.L.U.	Dividend income	1.341.290	-
REM Offshore ASA	Dividend income	344.312	-
		<u>20.884.743</u>	<u>23.367.992</u>

Sales of goods and services to the related companies were made on commercial terms and conditions. The interest income from related companies has accrued at market rate.

**(iii) Purchases of goods and services and interest expenses**

	<u>Nature of transactions</u>	2013 US\$	2012 US\$
Katla Seafood Canarias S.L.U.	Technical support and management services	-	5.798.859
Esja Shipping Limited (Katla Shipping Holding Limited)	Transportation services	2.433.562	13.478.678
Polaris Seafood ehf	Bareboat charter expenses	2.125.000	3.825.000
Ice Fresh Seafood ehf	Transportation services	1.108.186	-
Samherji Island ehf	Bareboat charter	3.087.903	2.250.000
Samherji Island ehf	Marketing fee	582.141	-
Samherji Island ehf	Operating expenses	633.224	-
Snaefell Limited	Bareboat charter	900.000	3.600.000
Seadove Shipping Company Limited	Bareboat charter	-	3.600.000
Katla Seafood Namibia (Pty) Limited	Purchase of fish products	-	25.668.509
Samherji Island ehf	Purchase of fish products	6.544.233	14.793.218
Utgerdarfelag Akureyringa ehf	Purchase of fish products	7.491.943	-
Seadove Shipping Company Limited	Interest expenses	3.094.173	2.927.462
		<u>28.000.365</u>	<u>75.941.726</u>

Purchases for goods and services from related companies were made on commercial terms and conditions. The interest expense from related company has accrued at market rate.

## ESJA SEAFOOD LIMITED

(formerly Katla Seafood Holding Limited)

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2013**23. RELATED PARTY TRANSACTIONS** (continued)**(iv) Receivables from parent company**

<u>Name</u>	<u>Nature of transactions</u>	2013 US\$	2012 US\$
Polaris Seafood ehf	Trade	-	2,483,426
			<u>2,483,426</u>

**(v) Receivables from related companies (Note 15)**

<u>Name</u>	<u>Nature of transactions</u>	2013 US\$	2012 US\$
Esja Shipping Limited (formerly Katla Shipping Holding Limited )	Finance	8,843,679	10,247,877
Onward Fishing Company Limited	Finance	26,564,352	24,540,513
Onward Investments Limited	Finance	7,599,213	5,545,885
Snaefell Limited	Trade	315,432	330,568
Samherji Island ehf	Trade	-	997,538
Onward Fishing Company Limited	Finance	10,325,773	10,238,602
Miginnato Holdings Limited	Trade	19,260	-
Ditalo Shipping Company Ltd	Finance	3,439,731	-
Heinaste Investment Ltf	Trade	19,555	-
Esja Investments Ltd	Finance	11,265	4,330
Framherji Sp/f	Trade	242,322	672,368
Atlantex Sp.zo.o	Trade	1,419,615	13,743,932
Hekla Mar sari	Trade	-	81,774
Kaldbakur ehf	Trade	7,551,739	1,105,622
Framinvest SP/F	Trade	366,119	-
Esja Fishing (Pty) Ltd	Trade	4,697,055	-
Esja Mar (Pty) Ltd	Trade	4,126,671	-
		<u>75,541,781</u>	<u>67,509,009</u>

The receivables from related companies on finance transactions, carry interest rate of six months LIBOR plus 4%, and have no specific repayment day.

**(vi) Loans to related company (Note 13)**

	<u>Terms</u>	2013 US\$	2012 US\$
Snaefell Limited	Loan	-	14,382,603
			<u>14,382,603</u>

The loan to related company Snaefell Limited was carrying interest rate, a six month LIBOR plus 4% p.a.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

**23. RELATED PARTY TRANSACTIONS (continued)**

**(vii) Payables to parent company and subsidiary company (Note 20)**

<u>Name</u>	<u>Nature of transactions</u>	2013 US\$	2012 US\$
Polaris Seafood ehf	Trade	125.879	-
Katla Seafood Canarias S.L.U.	Trade	-	4.546.484
		<u>125.879</u>	<u>4.546.484</u>

**(viii) Payables to related companies (Note 20)**

<u>Name</u>	<u>Nature of transactions</u>	2013 US\$	2012 US\$
Seadove Shipping Company Limited	Finance	57.890.978	75.227.669
Katla Seafood Namimbia (Pty) Ltd	Trade	7.978.261	9.373.750
Katla Seafood ehf	Trade	-	61.972
Axel ehf	Trade	2.011	3.487
Utgerdafelag Akureyring ehf	Trade	806.578	660.498
Katla Seafood Canarias S.L.U.	Trade	75.761	-
Ice Fresh Seafood ehf	Trade	300.037	281.702
Samherji hf	Trade	109.138	-
Samherji IT GmbH	Trade	23.677	-
Mercury Food Canarias S.L.	Trade	110.904	-
Samherji Island Ehf	Trade	2.235.715	-
		<u>69.533.060</u>	<u>85.609.078</u>

The payables to the related companies on finance transaction carry interest rate of six months LIBOR plus 4% p.a. and have no specific repayment date.

**24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

Financial risk factors

The Company is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Shipping industry risk
- Other risks

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Company's activities.

## ESJA SEAFOOD LIMITED

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NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2013

## 24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(i) Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has no significant concentration of credit risk. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with high credit quality financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2013 US\$	2012 US\$
Loans receivable	2.495.841	-
Loans receivables from related parties	-	14.382.603
Trade and other receivables	909.092	3.093.562
Cash at bank	22.486.930	20.555.749
Receivables from related companies	75.541.781	67.527.471
Receivable from parent company	-	2.483.426
	<u>101.433.644</u>	<u>108.042.811</u>

(ii) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

31 December 2013	Carrying amounts US\$	Contractual cash flows US\$	Between 1-12 months US\$	Between 1-5 years US\$	Over than 5 years US\$
Trade and other payables	2.433.746	2.433.746	2.433.746	-	-
Payables to related companies	69.658.939	69.658.939	69.658.939	-	-
	<u>72.092.685</u>	<u>72.092.685</u>	<u>72.092.685</u>	-	-



## ESJA SEAFOOD LIMITED

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NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2013**24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** (continued)*(ii) Liquidity risk* (continued)

31 December 2012	Carrying amounts US\$	Contractual cash flows US\$	Between 1-12 months US\$	Between 1-5 years US\$	More than 5 years US\$
Trade and other payables	2.707.605	2.707.605	2.707.605	-	-
Payables to related companies	90.155.562	90.155.562	90.155.562	-	-
Payable to subsidiary companies	4.546.484	4.546.484	4.546.484	-	-
	<u>97.409.651</u>	<u>97.409.651</u>	<u>97.409.651</u>	-	-

*(iii) Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Icelandic Krona and the Euro. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

*(iv) Shipping industry risks*

The operation of the vessel entails significant risks, such as, significant impacts on obstacles in ports, equipment damages, collisions, environmental risks, labour constructions, unfavorable weather conditions.

The Company maintains an insurance cover which is considered by the Board as appropriate based on industry norms, against such kinds of risks. It is not always certain that this insurance will be at the same price or will be adequate to cover a possible cost of compensation that may be requested by the shipowning company, or the loss of revenue as a result of a possible immobilization of the vessel.

*(v) Other risks*

The general economic environment prevailing in Cyprus and internationally may affect the Company's operations to a great extent. Economic conditions such as inflation, unemployment, and development of the gross domestic product are directly linked to the economic course of every country and any variation in these and the economic environment in general may create chain reactions in all areas hence affecting the Company.

Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while increasing the return to owners through the strive to improve the debt/equity ratio. The Company's overall strategy remains unchanged from last year.

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**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2013

**25. CONTINGENT LIABILITIES**

The Company had no contingent liabilities as at 31 December 2013.

**26. COMMITMENTS**

The Company had no capital or other commitments as at 31 December 2013.

**27. EVENTS AFTER THE REPORTING PERIOD**

There were no material events after the reporting period, which affect the financial statements as at 31 December 2013.

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