

"True Copy"


ESJA SHIPPING LIMITED
15, Nafpliou 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 SHIPPING 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, *με γραμμίας αλληλοσφραγισμένης.*

We hereby certify that the report and financial statements of **ESJA SHIPPING 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.


.....
Σύμβουλος/Director


.....
Γραμματέας/Company Secretary

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ESJA SHIPPING LIMITED
(Formerly Katla Shipping Holding Limited)
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2013

AVRIL 11 2014
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ESJA SHIPPING LIMITED
(Formerly Katla Shipping Holding Limited)
REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2013

CONTENTS

| | <u>Page</u> |
|--|-------------|
| Officers and Professional Advisors | 1 |
| Board of Directors' Report | 2 & 3 |
| Independent Auditors' report | 4 & 5 |
| Statement of profit or loss and other comprehensive income | 6 |
| Statement of financial position | 7 |
| Statement of changes in equity | 8 |
| Statement of cash flows | 9 |
| Notes to the financial statements | 10 - 28 |
| Additional information | |

ESJA SHIPPING LIMITED

(Formerly Katla Shipping Holding Limited)

OFFICERS AND PROFESSIONAL ADVISORS

| | |
|----------------------|---|
| Board of Directors | Ingvar Gudmundur Juliusson (Icelander) (appointed on 18 June 2013) Demosthenis Mavrellis (Cypriot) Marios Intzeyiannis (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 |
| Banker | DnB NOR ASA, Norway |
| Registered Office | 15, Nafpliou street 1st Floor, Flat/Office 102 3025 Limassol Cyprus |
| Registration number | HE199033 |

ESJA SHIPPING LIMITED

(Formerly Katla Shipping Holding Limited)

BOARD OF DIRECTORS' REPORT

The Board of Directors of Esja Shipping Limited (formerly Katla Shipping Holding Limited) (the "Company") presents to the members its seventh 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 holding of investments, the provision of finance to the subsidiary and related companies and the provision of transportation services.

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 loss for the year attributable to the owners of the Company amounted to US\$2,998,410 (2012: profit US\$177,825).

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

The current financial position as presented in the financial statements is not considered satisfactory and the Board of Directors is making an effort to reduce the Company losses.

REVENUE

The Company's revenue for the year ended 31 December 2013 was US\$9,044,451 (2012: US\$21,937,010).

DIVIDENDS

The Board of Directors does not recommend the payment of a dividend.

MAIN RISKS AND UNCERTAINTIES

A description of how risks are managed is shown in note 22 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 SHIPPING LIMITED**(Formerly Katla Shipping 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

CYPROSERVUS 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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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
ESJA SHIPPING LIMITED
(Formerly Katla Shipping Holding Limited)

Report on the financial statements

We have audited the accompanying financial statements of parent company **Esja Shipping Limited (formerly Katla Shipping Holding Limited)** (the "Company") on pages 6 to 28 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. Syrimis, A.K. Christofidas, E.Z. Hadjizacharias, P.G. Loizou
A.M. Gregoriades, A.A. Demetriou, D.S. Vakis, A.A. Apostolou
S.A. Loizides, M.A. Loizides, S.G. Sofocleous, M.M. Antoniadis
C.V. Vasiliou, P.E. Antoniadis, M.J. Halios, M.P. Michael, P.A. Pelatias
G.V. Markides, M.A. Papacosta, K.A. Papanicolaou, A.I. Shiammoutis
G.N. Tziortzis, H.S. Charalambous, C.P. Anavistos, I.P. Ghalanos
M.G. Gregoriades, H.A. Kakoulis, G.P. Savva, C.A. Kalias, C.N. Kallis
M.H. Zavrou, P.S. Elia, M.G. Lazarou, Z.E. Hadjizacharias
P.S. Theophanous, M.A. Karantoni, C.A. Markides

Nicosia

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Paralimni / Ayia Naps

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Fax +357 23 820084

Polis Chrysochou

P.O.Box 66014, 8330
Telephone +357 26 322098
Fax +357 26 322722

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of parent company **Esja Shipping Limited (formerly Katla Shipping 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 additional 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 SHIPPING LIMITED

(Formerly Katla Shipping Holding Limited)

STATEMENT OF COMPREHENSIVE INCOMEFor the year ended 31 December 2013

| | Note | 2013 US\$ | 2012 US\$ |
|--|------|---------------------|---------------------|
| Revenue | 4 | <u>9,044,451</u> | <u>21,937,010</u> |
| Vessels' operating expenses | | (8,272,030) | (19,930,244) |
| Administrative expenses | | (90,469) | (201,304) |
| Other operating expenses | 5 | <u>(1,971,107)</u> | <u>(36,378)</u> |
| | | <u>(10,333,606)</u> | <u>(20,167,926)</u> |
| Operating (loss)/profit | 6 | <u>(1,289,155)</u> | <u>1,769,084</u> |
| Finance income | 8 | 72,387 | 325,833 |
| Finance expenses | 8 | <u>(1,781,642)</u> | <u>(1,917,092)</u> |
| Net finance expenses | | <u>(1,709,255)</u> | <u>(1,591,259)</u> |
| (Loss)/profit before tax | | (2,998,410) | 177,825 |
| Tax | 9 | - | - |
| (Loss)/profit for the year | | (2,998,410) | 177,825 |
| Other comprehensive (expense)/income | | - | - |
| Total comprehensive (expense)/income for the year | | <u>(2,998,410)</u> | <u>177,825</u> |

The notes on pages 10 to 28 are an integral part of these financial statements.

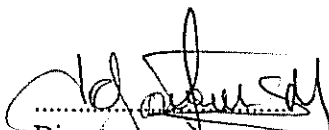
ESJA SHIPPING LIMITED
(Formerly Katla Shipping Holding Limited)

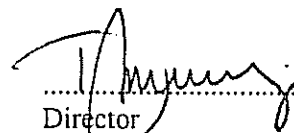
STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

| | Note | 2013 US\$ | 2012 US\$ |
|--------------------------------------|------|-------------------|-------------------|
| Assets | | | |
| Non-current assets | | | |
| Vessels and equipment | 10 | 569.503 | 2.752.281 |
| Investments in subsidiaries | 11 | 37.745.524 | 35.890.391 |
| Non-current loans receivable | 12 | - | 3.000.000 |
| Total non-current assets | | <u>38.315.027</u> | <u>41.642.672</u> |
| Current assets | | | |
| Trade and other receivables | 13 | 3.084.661 | 2.975.216 |
| Loans receivable | 12 | - | 2.000.000 |
| Refundable tax | 18 | 258.207 | 258.207 |
| Cash at bank | 14 | 1.066.282 | - |
| Total current assets | | <u>4.409.150</u> | <u>5.233.423</u> |
| Total assets | | <u>42.724.177</u> | <u>46.876.095</u> |
| Equity | | | |
| Share capital | 15 | 1.472 | 1.472 |
| Reserves | | <u>1.660.035</u> | <u>4.658.445</u> |
| Total equity | | <u>1.661.507</u> | <u>4.659.917</u> |
| Non-current liabilities | | | |
| Loans and borrowings | 16 | <u>28.700.772</u> | - |
| Total non-current liabilities | | <u>28.700.772</u> | - |
| Current liabilities | | | |
| Loans and borrowings | 16 | 1.500.000 | - |
| Trade and other payables | 17 | <u>10.861.898</u> | <u>42.216.178</u> |
| Total current liabilities | | <u>12.361.898</u> | <u>42.216.178</u> |
| Total equity and liabilities | | <u>42.724.177</u> | <u>46.876.095</u> |

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


.....
Director


.....
Director

The notes on pages 10 to 28 are an integral part of these financial statements.

ESJA SHIPPING LIMITED

(Formerly Katla Shipping Holding Limited)

STATEMENT OF CHANGES IN EQUITYFor the year ended 31 December 2013

| | Note | Share capital US\$ | Retained earnings US\$ | Total US\$ |
|--|------|--------------------------|------------------------------|------------------|
| Balance at 1 January 2012 | | 1.472 | 8.440.244 | 8.441.716 |
| Profit for the year | | - | 177.825 | 177.825 |
| Deficit due to the merger with subsidiary company, Katla Shipping Limited | 19 | - | (3.959.624) | (3.959.624) |
| Balance at 31 December 2012 | | <u>1.472</u> | <u>4.658.445</u> | <u>4.659.917</u> |
| Balance at 1 January 2013 | | 1.472 | 4.658.445 | 4.659.917 |
| Loss for the year | | - | (2.998.410) | (2.998.410) |
| Balance at 31 December 2013 | | <u>1.472</u> | <u>1.660.035</u> | <u>1.661.507</u> |

ESJA SHIPPING LIMITED

(Formerly Katla Shipping Holding Limited)

STATEMENT OF CASH FLOWSFor the year ended 31 December 2013

| | Note | 2013 US\$ | 2012 US\$ |
|--|------|--------------|--------------|
| Cash flows from operating activities | | | |
| (Loss)/profit for the year | | (2,998,410) | 177,825 |
| Adjustments for: | | | |
| Depreciation of Vessels and Equipment | 10 | 180,805 | 217,175 |
| Loss from the sale of Vessels and Equipment | 5 | 1,884,058 | - |
| Realized exchange loss/(profit) | 8 | 117,248 | (50,984) |
| Interest income | 8 | (72,387) | (274,849) |
| Interest expense | 8 | 1,661,186 | 1,916,250 |
| Cash flows from operations before working capital changes | | 772,500 | 1,985,417 |
| Increase in trade and other receivables | | (109,445) | (2,148,626) |
| Decrease in trade and other payables | | (31,354,280) | (74,708,921) |
| Cash flows used in operations | | (30,691,225) | (74,872,130) |
| Tax paid | | - | (258,207) |
| Net cash flows used in operating activities | | (30,691,225) | (75,130,337) |
| Cash flows from investing activities | | | |
| Payment for acquisition of vessels and equipment | 10 | (5,000,000) | (1,156,028) |
| Payment for acquisition of investments in subsidiaries | 11 | (1,855,133) | (3,288) |
| Loans granted | 12 | - | (5,000,000) |
| Loans repayments received | 12 | 5,000,000 | - |
| Proceeds from disposal of vessels and equipment | 10 | 5,117,915 | (1,813,428) |
| Interest received | | 72,387 | 274,849 |
| Net cash flows from/(used in) investing activities | | 3,335,169 | (7,697,895) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | 16 | 30,200,772 | - |
| Realized exchange (loss)/profit | | (117,248) | 50,984 |
| Interest paid | | (1,661,186) | (1,916,250) |
| | | - | 84,693,498 |
| Net cash flows from financing activities | | 28,422,338 | 82,828,232 |
| Net increase in cash and cash equivalents | | 1,066,282 | - |
| Cash and cash equivalents at the beginning of the year | | - | - |
| Cash and cash equivalents at the end of the year | 14 | 1,066,282 | - |

The notes on pages 10 to 28 are an integral part of these financial statements.

ESJA SHIPPING LIMITED**(Formerly Katla Shipping Holding Limited)****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2013****1. INCORPORATION AND PRINCIPAL ACTIVITIES**

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

The principal activities of the Company continued to be the holding of investments, the provision of finance to the subsidiary and related companies and the provision of transportation services.

Change of Company name

On 30 June 2013, the Company changed its name from **Katla Shipping Holding Limited** to **Esja Shipping Holding 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 the separate financial statements of the Company. The Company is not required by the Cyprus Companies Law, Cap.113, to prepare consolidated financial statements because its ultimate parent company, **Samherji hf** publishes consolidated financial statements on the basis of 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.

(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 and interpretations were issued by the International Accounting Standards Board which were not yet effective. 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 SHIPPING LIMITED

(Formerly Katla Shipping 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.

- **Fair value of financial assets**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. The fair value of the financial assets available for sale has been estimated based on the fair value of these individual assets.

(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.

ESJA SHIPPING LIMITED

(Formerly Katla Shipping Holding Limited)

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 20133. 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:

- 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.

Employee retirement benefit scheme

The Company and its employees contribute to the Government Social Insurance Fund based on employees' salaries. The Company's contributions are expensed as incurred and are included in staff costs. The Company has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Finance income

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

Finance expenses

Finance expenses include interest expense on loans and 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.

Dividends

Dividend distribution to the Company's owners is recognised in the Company's financial statements in the year in which they are approved by the Company's owners.

ESJA SHIPPING LIMITED

(Formerly Katla Shipping Holding Limited)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Vessels and depreciation

The Company's vessels is carried at cost less any accumulated depreciation and less any recognised impairment loss.

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

Expenditure for repairs and maintenance of the vessels is charged to profit or loss of the year in which it is incurred. The costs of major renovations and other subsequent expenditure are included in the carrying amount of the vessels or recognised as a separate 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 vessels 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 the 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:

| | |
|--------------------------|----|
| Vessels and improvements | 8% |
|--------------------------|----|

No depreciation is provided for vessels' machinery and equipment, because it is not in use.

Depreciation methods, useful lives and residual values are assessed at each 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) Borrowings

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(iii) Trade payables

Trade payables are stated at their nominal values.

ESJA SHIPPING LIMITED

(Formerly Katla Shipping Holding Limited)

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Share capital

Ordinary shares are classified as equity.

Comparatives

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

4. REVENUE

| | 2013 US\$ | 2012 US\$ |
|-----------------------|------------------|-------------------|
| Rendering of services | 9,044,451 | 21,937,010 |
| | <u>9,044,451</u> | <u>21,937,010</u> |

5. OTHER OPERATING EXPENSES

| | 2013 US\$ | 2012 US\$ |
|--------------------------------------|------------------|---------------|
| Loss on disposal of vessel (Note 10) | 1,884,058 | - |
| Amount receivable written off | 87,049 | 36,378 |
| | <u>1,971,107</u> | <u>36,378</u> |

6. OPERATING (LOSS) /PROFIT

| | Note | 2013 US\$ | 2012 US\$ |
|---|-------|--------------|--------------|
| Operating (loss)/profit is stated after charging the following items: | | | |
| Vessel depreciation | 10 | 180,805 | 217,175 |
| Directors' fees | 21(i) | 2,053 | 1,100 |
| Staff cost | 7 | 84 | - |
| Crew costs | | 1,085,828 | 2,233,538 |
| Auditors' remuneration - current year | | 25,000 | 24,901 |
| - prior years | | <u>1,502</u> | <u>2,181</u> |

ESJA SHIPPING LIMITED

(Formerly Katla Shipping Holding Limited)

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2013

7. STAFF COSTS

| | Note | 2013 US\$ | 2012 US\$ |
|------------------------------------|------|--------------|--------------|
| Wages and salaries | | 76 | - |
| Social insurance contributions | | 6 | - |
| Social cohesion fund contributions | | 2 | - |
| | | <u>84</u> | <u>-</u> |
| Total staff costs | 6 | <u>84</u> | <u>-</u> |

As from 30 December 2013 the Company employs one person.

8. NET FINANCE INCOME AND EXPENSES

| | 2013 US\$ | 2012 US\$ |
|---|------------------|------------------|
| Finance income | | |
| Bank interest | 85 | - |
| Interest income from related company (Note 21 (iii)) | 72.302 | 274.849 |
| Realised exchange profit | - | 50.984 |
| | <u>72.387</u> | <u>325.833</u> |
| Finance expenses | | |
| Interest expense | | |
| Interest on loan from related company (Note 21 (iii)) | 1.268.871 | - |
| Interest paid to related companies (Note 21 (iii)) | 392.315 | 1.915.478 |
| Interest on taxes | - | 772 |
| Sundry finance expenses | | |
| Bank charges | 3.208 | 842 |
| Net foreign exchange transaction losses | | |
| Realised exchange loss | <u>117.248</u> | <u>-</u> |
| | <u>1.781.642</u> | <u>1.917.092</u> |

ESJA SHIPPING LIMITED

(Formerly Katla Shipping Holding Limited)

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2013

9. TAXATION

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

| | 2013 US\$ | 2012 US\$ |
|--|--------------------|----------------|
| Accounting (loss)/profit before tax | <u>(2,998,410)</u> | <u>177,825</u> |
| Tax calculated at the applicable tax rates | (374,801) | 17,783 |
| Tax effect of expenses not deductible for tax purposes | 269,048 | 25,470 |
| Tax effect of allowances and income not subject to tax | (26,063) | (21,718) |
| Tax effect of tax losses brought forward | - | (21,535) |
| Tax effect of loss for the for the year | <u>131,816</u> | <u>-</u> |
| Tax as per statement of comprehensive income - charge | <u>-</u> | <u>-</u> |

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 five years until their final write off. Group companies may deduct losses against profits arising during the same tax year.

10. VESSELS AND EQUIPMENT

| 2013 | Vessels US\$ | Plant and machinery US\$ | Total US\$ |
|---------------------------|--------------------|--------------------------------|--------------------|
| Cost | | | |
| Balance at 1 January | 2.605.262 | 569.503 | 3.174.765 |
| Additions | 5.000.000 | - | 5.000.000 |
| Disposals | <u>(7.605.262)</u> | <u>-</u> | <u>(7.605.262)</u> |
| Balance at 31 December | <u>-</u> | <u>569.503</u> | <u>569.503</u> |
| Depreciation | | | |
| Balance at 1 January | 350.232 | 72.252 | 422.484 |
| Depreciation for the year | 180.805 | - | 180.805 |
| On disposals | <u>(603.289)</u> | <u>-</u> | <u>(603.289)</u> |
| Transfer | <u>72.252</u> | <u>(72.252)</u> | <u>-</u> |
| Balance at 31 December | <u>-</u> | <u>-</u> | <u>-</u> |
| Carrying amounts | | | |
| Balance at 31 December | <u>-</u> | <u>569.503</u> | <u>569.503</u> |

ESJA SHIPPING LIMITED

(Formerly Katla Shipping Holding Limited)

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2013

10. VESSELS AND EQUIPMENT (continued)

| 2012 | Vessels US\$ | Plant and machinery US\$ | Total US\$ |
|---|------------------|--------------------------------|------------------|
| Cost | | | |
| Transfer through merger on 1 January 2012 | 1,449,234 | 569,503 | 2,018,737 |
| Additions | 1,156,028 | | 1,156,028 |
| Balance at 31 December | <u>2,605,262</u> | <u>569,503</u> | <u>3,174,765</u> |
| Depreciation | | | |
| Transfer through merger on 1 January 2012 | 205,309 | - | 205,309 |
| Depreciation for the year | 144,923 | 72,252 | 217,175 |
| Balance at 31 December | <u>350,232</u> | <u>72,252</u> | <u>422,484</u> |
| Carrying amounts | | | |
| Balance at 31 December | <u>2,255,030</u> | <u>497,251</u> | <u>2,752,281</u> |

- On 1 January 2012 the vessel m.v. "Rey" and one auxiliary engine has been transferred through merger with subsidiary company Kala Shipping Limited. During the year 2012 the cost of improvements of m.v. "Rey" has been capitalised. The vessel m.v. "Rey" (formerly "Norma Mary") is insured for Hull & Machinery for €2,000,000 until 31 December 2012.
- On 29 January 2013 and 20 May 2013 the Company acquired the vessels m.v. "Yaiza" and m.v. "Reina" for US\$ 1,250,000 and US\$3,750,000 respectively.
- On 29 January 2013, 5 June 2013 and 6 June 2013, the Company disposed the vessels m.v. "Yaiza", m.v. "Rey", and m.v. "Reina" respectively for US\$5,150,000.

In the statement of cash flows, proceeds from sale of Vessels and Equipment comprise:

| | 2013 US\$ | 2012 US\$ |
|--|------------------|--------------|
| Carrying amounts | 7,001,973 | - |
| Shipbroker's fee | 32,085 | - |
| Loss from the disposal of vessels (Note 5) | (1,884,058) | - |
| Proceeds from disposal of vessels | <u>5,150,000</u> | <u>-</u> |

11. INVESTMENTS IN SUBSIDIARIES

| | 2013 US\$ | 2012 US\$ |
|---|-------------------|-------------------|
| Balance at 1 January | 35,890,391 | 124,540,225 |
| Additions | 1,855,133 | 3,288 |
| Elimination of investment due to the merger with the subsidiary company, in Katla Shipping Limited (Note 19) | - | (88,653,122) |
| Balance at 31 December | <u>37,745,524</u> | <u>35,890,391</u> |

ESJA SHIPPING LIMITED

(Formerly Katla Shipping Holding Limited)

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2013**11. INVESTMENTS IN SUBSIDIARIES** *(continued)*

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\$ |
|--|---------------------------------|-----------------------------|----------------------|----------------------|-------------------|-------------------|
| Seadove Shipping Company Limited | Cyprus | Fishing Operations | 100 | 100 | 31,642.109 | 31,642.109 |
| Atlantex Sp.z.o.o | Poland | Fishing Operations | 100 | 100 | 4,221.929 | 4,221.929 |
| Snaefell Limited | Cyprus | Ship owner | 100 | 100 | 1.336 | 1.336 |
| Geysir S/pf | Faroe Islands | Dormant | 100 | 100 | 21.714 | 21.714 |
| Esja Mar Fishing (Proprietary) Limited | Namibia | Fishing operations | 100 | 100 | 15 | 15 |
| Esja Investments Limited (formerly Katla Chartering Limited) | Cyprus | Chartering of vessels | 100 | 100 | 3.288 | 3.288 |
| Ditalo Shipping Company Limited | Cyprus | Chartering of vessels | 100 | - | 1,001.374 | - |
| Mercury Seafood Canarias, S.L.U. | Spain | Dormant | 100 | - | 853.759 | - |
| | | | | | <u>37.745.524</u> | <u>35.890.391</u> |

12. LOANS RECEIVABLE

| | 2013 US\$ | 2012 US\$ |
|--|--------------|--------------|
| Loans to related companies (Note 21 (v)) | - | 5,000.000 |
| | - | 5,000.000 |
| Non-current portion | - | 3,000.000 |
| Current portion | - | 2,000.000 |
| | - | 5,000.000 |

ESJA SHIPPING LIMITED

(Formerly Katla Shipping Holding Limited)

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2013**12. LOANS RECEIVABLE** *(continued)*

The fair values of non-current receivables are as follows:

| | 2013 US\$ | 2012 US\$ |
|--------------------------|--------------|------------------|
| Loans to related company | - | 5,000,000 |
| | <u>-</u> | <u>5,000,000</u> |

13. TRADE AND OTHER RECEIVABLES

| | 2013 US\$ | 2012 US\$ |
|---|------------------|------------------|
| Trade receivables | 53,591 | 501,788 |
| Receivables from related companies (Note 20 (iv)) | 2,997,022 | 2,368,315 |
| Guarantee payment | - | 104,929 |
| Other receivables | 1,379 | 184 |
| Refundable VAT | <u>32,669</u> | <u>-</u> |
| | <u>3,084,661</u> | <u>2,975,216</u> |

During the year 2012, the Company deposited the amount of US\$ 104,929 as a guarantee payment for the releasing the m.v. Oreon.

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 22 of the financial statements.

14. CASH AT BANK

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>1,066,282</u> | <u>-</u> |
| | <u>1,066,282</u> | <u>-</u> |

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 22 of the financial statements.

ESJA SHIPPING LIMITED

(Formerly Katla Shipping Holding Limited)

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2013

15. SHARE CAPITAL

| | 2013 Number of shares | 2013 US\$ | 2012 Number of shares | 2012 US\$ |
|------------------------------|-----------------------------|--------------|-----------------------------|--------------|
| Authorised | | | | |
| Ordinary shares of €1 each | <u>1,000</u> | | <u>1,000</u> | |
| Issued and fully paid | | | | |
| 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> |

16. LOANS AND BORROWINGS

| | 2013 US\$ | 2012 US\$ |
|---------------------------------|-------------------|--------------|
| Long term liabilities | | |
| Loans from subsidiary companies | <u>28,700.772</u> | <u>-</u> |
| Short term liabilities | | |
| Loans from subsidiary companies | <u>1,500.000</u> | <u>-</u> |
| Total (None 21 (viii)) | <u>30,200.772</u> | <u>-</u> |

The exposure of the Company to interest rate risk in relation to financial instruments is reported in note 22 of the financial statements.

17. TRADE AND OTHER PAYABLES

| | 2013 US\$ | 2012 US\$ |
|---|-------------------|-------------------|
| Trade payables | 228.378 | 275.105 |
| Social insurance and other taxes | 13 | - |
| Payables to parent company (Note 21 (vi)) | 700.120 | 31,589.446 |
| Accruals | 25.086 | 103.256 |
| Other creditors | 71 | - |
| Payables to related companies (Note 21 (vii)) | <u>9,908.230</u> | <u>10,248.371</u> |
| | <u>10,861.898</u> | <u>42,216.178</u> |

The exposure of the Company to liquidity risk in relation to financial instruments is reported in note 22 of the financial statements.

ESJA SHIPPING LIMITED

(Formerly Katla Shipping Holding Limited)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

18. REFUNDABLE TAX

| | 2013 US\$ | 2012 US\$ |
|-----------------|------------------|------------------|
| Corporation tax | <u>(258,207)</u> | <u>(258,207)</u> |
| | <u>(258,207)</u> | <u>(258,207)</u> |

19. MERGER WITH SUBSIDIARY COMPANY

On 1 January 2012 the Company merged with its subsidiary company, Katla Shipping Limited, a shipping company which was providing transportation services and the provision of finance to its related companies.

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

| | 2013 US\$ | 2012 US\$ |
|--|--------------|---------------------|
| Assets | | |
| Vessels and equipment | - | 1,813,428 |
| Non-current loans receivables | - | 4,000,000 |
| Trade and other receivables | - | 80,991,253 |
| Other receivables | <u>-</u> | <u>1,000,000</u> |
| | <u>-</u> | <u>87,804,681</u> |
| Liabilities | | |
| Trade and other payables | - | (2,424,460) |
| Tax liabilities | <u>-</u> | <u>(686,723)</u> |
| | <u>-</u> | <u>(3,111,183)</u> |
| Net assets transferred from subsidiary company | - | 84,693,498 |
| Less: Investment in subsidiary company, Katla Shipping Ltd (Note 11) | <u>-</u> | <u>(88,653,122)</u> |
| Deficit arising from merger with subsidiary company and transferred to retained earnings | <u>-</u> | <u>(3,959,624)</u> |

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

ESJA SHIPPING LIMITED

(Formerly Katla Shipping Holding Limited)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

20. 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.

21. 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 (Note 6) | 2,053 | 1,100 |
| | 2,053 | 1,100 |

ESJA SHIPPING LIMITED

(Formerly Katla Shipping Holding Limited)

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2013**21. RELATED PARTY TRANSACTIONS (continued)****(ii) Rendering of services and interest income**

| | | 2013 | 2012 |
|---|-------------------------------|------------------|-------------------|
| | <u>Nature of transactions</u> | US\$ | US\$ |
| Atlantex Sp.z.o.o. | Transportation services | 5.368.310 | 3.458.503 |
| Esja Seafood Limited (formerly Katla Seafood Holding Limited) | Transportation services | 2.433.562 | 13.478.678 |
| Katla Seafood Namibia (Pty) | Rendering of services | - | 192.397 |
| Samherji hf | Rendering of services | 418.504 | 948.277 |
| Samherji Island ehf | Charter income | 540.000 | - |
| FramInvest Sp/f | Interest income | 72.302 | 274.849 |
| | | <u>8.832.678</u> | <u>18.352.704</u> |

The rendering of services to related companies were made on commercial terms and conditions. The interest income from subsidiary company has accrued at market rate.

(iii) Rendering of services and interest expense

| | | 2013 | 2012 |
|---|-------------------------------|------------------|------------------|
| | <u>Nature of transactions</u> | US\$ | US\$ |
| Framinvest Sp/F | Bareboat charter | 350.000 | 1.320.000 |
| Katla Seafood Canarias SLU | Operating expenses | - | 101.580 |
| Polaris Seafood ehf | Interest expenses | - | 1.394.773 |
| Esja Seafood Limited (formerly Katla Seafood Holding Limited) | Interest expense | 409.164 | 520.705 |
| Samherji Island ehf | Operating expenses | - | 13.970 |
| Ditalo Shipping Company Limited | Bareboat charter | 99.000 | - |
| Mercury Seafood Canarias SLU | Support services | 60.461 | - |
| Framinvest Sp/F | Vessels acquired | 5.000.000 | - |
| Seadove Shipping Company Limited | Interest expenses | 29.751 | - |
| Snaefell Limited | Interest expenses | 14.292 | - |
| | | <u>5.962.668</u> | <u>3.351.028</u> |

The services received from related companies were made on commercial terms and conditions. The interest paid to the parent company has accrued at market rate.

(iv) Receivables from related companies (Note 13)

| | | 2013 | 2012 |
|------------------------------------|-------------------------------|------------------|------------------|
| <u>Name</u> | <u>Nature of transactions</u> | US\$ | US\$ |
| Onward Investments Limited | Accrued interest | 792.137 | 844.839 |
| FramInvest Sp/F | Finance | - | 18.211 |
| Seadove Shipping Company Limited | Trade | - | 201.428 |
| Esja Seafood Namibia (Pty) Limited | Trade | 193.794 | 192.208 |
| Samherji Island ehf | Trade | 1.906.653 | 936.693 |
| Atlantex Sp.zo.o | Trade | 104.438 | 500 |
| Snaefell Limited | Trade | - | 174.436 |
| | | <u>2.997.022</u> | <u>2.368.315</u> |

ESJA SHIPPING LIMITED

(Formerly Katla Shipping Holding Limited)

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2013**21. RELATED PARTY TRANSACTIONS** (continued)**(iv) Receivables from related companies** (Note 13) (continued)

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

(v) Loan receivable from related company (Note 12)

| | 2013 US\$ | 2012 US\$ |
|-----------------|--------------|------------------|
| FramInvest Sp/F | - | 5.000.000 |
| | <u>-</u> | <u>5.000.000</u> |

The loan was transferred from the subsidiary company, Katla Shipping Limited due to the merger on 1 January 2012. The loan was receivable from related company FramInvest Sp/F, carried interest rate six months LIBOR plus 4% p.a. The loan was repayable in sixteen equal half annual installments of US\$500.000 plus interest starting from 30 June 2010. The loan was unsecured. The loan had been used for the purchase of the vessels m.v. Yaiza and m.v. Reina. During the year the loan has been settled.

(vi) Payables to parent company (Note 17)

| <u>Name</u> | <u>Nature of transactions</u> | 2013 US\$ | 2012 US\$ |
|---------------------|-------------------------------|----------------|-------------------|
| Polaris Seafood ehf | Finance | 700.120 | 31.589.446 |
| | | <u>700.120</u> | <u>31.589.446</u> |

The amount payable to parent company, carries interest rate of three month LIBOR plus 4% p.a. and it was repayable on or before 31 December 2013.

(vii) Payables to related companies (Note 17)

| <u>Name</u> | <u>Nature of transactions</u> | 2013 US\$ | 2012 US\$ |
|--|-------------------------------|------------------|-------------------|
| Esja Seafood Limited (formaly Katla Seafood Holding Limited) | Finance | 8.843.679 | 10.247.877 |
| Deutsche Fishfang Union GmbH & Co | Trade | - | 494 |
| Katla Canarias | Trade | 9.740 | - |
| Ditalo Shiiiping Company Limited | Trade | 239.421 | - |
| Mercury Seafood Canarias S.L. | Trade | 60.666 | - |
| Esja Investments Limited | Finance | 1.379 | - |
| Seadove Shipping Company Limited | Trade | 479.566 | - |
| FramInvest Sp/F | Trade | 259.487 | - |
| Snaefell Limited | Trade | 14.292 | - |
| | | <u>9.908.230</u> | <u>10.248.371</u> |

ESJA SHIPPING LIMITED
(Formerly Katla Shipping Holding Limited)
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

21. RELATED PARTY TRANSACTIONS (continued)

(viii) Loans from subsidiary companies (Note 16)

| | 2013 US\$ | 2012 US\$ |
|----------------------------------|-------------------|--------------|
| Seadove Shipping Company Limited | 20,400,772 | - |
| Snaefell Limited | 9,800,000 | - |
| | <u>30,200,772</u> | <u>-</u> |

The loan received on 10 December 2013 from related company, Seadove Shipping Company Limited. It carries interest rate of 3.5% p.a. and it is repayable within 10 years by annual installments of US\$1,000,000 each, starting one year after the drawdown date. The loan received on 10 December 2013 from related company, Snaefell Limited. It carries interest rate of 3.5% p.a. and it is repayable within 10 years with annual repayments of US\$500,000 each, starting one year after the drawn date.

22. 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

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.

(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.

ESJA SHIPPING LIMITED

(Formerly Katla Shipping Holding Limited)

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2013**22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT***(continued)**(i) Credit risk (continued)*Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

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 receivables from related parties | - | 5.000.000 |
| Trade and other receivables | 53.591 | 501.972 |
| Cash at bank | 1.066.282 | - |
| Receivables from related companies | <u>2.997.022</u> | <u>2.368.315</u> |
| | <u>4.116.895</u> | <u>7.870.287</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 | 228.449 | 228.378 | 228.378 | - | - |
| Payables to related parties | 10.608.350 | 10.608.350 | 10.608.350 | - | - |
| Loans from subsidiary companies | <u>30.200.772</u> | <u>30.200.772</u> | <u>30.200.772</u> | - | - |
| | <u>41.037.571</u> | <u>41.037.500</u> | <u>41.037.500</u> | - | - |
| 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 | 275.105 | 275.105 | 275.105 | - | - |
| Payables to related parties | <u>41.837.817</u> | <u>41.837.817</u> | <u>41.837.817</u> | - | - |
| | <u>42.112.922</u> | <u>42.112.922</u> | <u>42.112.922</u> | - | - |

ESJA SHIPPING LIMITED

(Formerly Katla Shipping Holding Limited)

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2013

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(continued)

(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.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

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 Iceland 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.

ESJA SHIPPING LIMITED**(Formerly Katla Shipping Holding Limited)****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2013****23. CONTINGENT LIABILITIES**

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

24. COMMITMENTS

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

25. 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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