

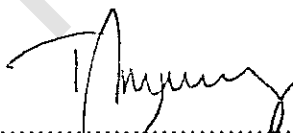
**ESJA SHIPPING LIMITED**  
**15 Nafpliou Street,**  
**1st Floor, Flat/Office 102**  
**3025 Limassol.**

**ΠΙΣΤΟΠΟΙΗΤΙΚΟ**

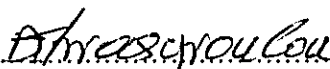
**CERTIFICATE**

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 2014 είναι ακριβή αντίγραφα αυτών που έχουν κατατεθεί και ψηφιστεί στην Ετήσια Γενική Συνέλευση της Εταιρείας, ημερομηνίας 08/05/2015

We hereby certify that the report and financial statements of **ESJA SHIPPING LIMITED** for the year ended 31 December 2014 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

**CYPROSERVUS CO. LIMITED**



**ESJA SHIPPING LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**

For the year ended 31 December 2014

AVRIL  
Not for Official Use

**ESJA SHIPPING LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 December 2014**

**C O N T E N T S**

|  | <u>Page</u> |
|--|-------------|
| Officers and Professional Advisors                         | 1           |
| Report of the Board of Directors                           | 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 - 27     |

**ESJA SHIPPING LIMITED****OFFICERS AND PROFESSIONAL ADVISORS**

|                      |  |
|----------------------|--|
| Board of Directors   | Ingvar Juliusson (Icelander)<br>Demosthenis Mavrellis (Cypriot)<br>Christakis Klerides (Cypriot)<br>(appointed on 14 November 2014)<br>Marios Intzeyiannis (Cypriot)<br>(resigned on 14 November 2014) |
| Secretary            | Cyproservus Co. Limited  |
| Independent Auditors | KPMG Limited<br>Certified Public Accountants and Registered Auditors<br>11, June 16th 1943 Street<br>3022 Limassol<br>Cyprus   |
| Bankers              | DnB NOR ASA, Norway<br>Hellenic Bank Public Company Ltd  |
| Registered Office    | 15 Nafpliou street,<br>1st Floor, Flat/Office 102,<br>3025 Limassol,<br>Cyprus.  |
| Registration number  | HE199033   |

**ESJA SHIPPING LIMITED****BOARD OF DIRECTORS' REPORT**

The Board of Directors of **Esja Shipping Limited** (the "Company") presents to the members its eighth Annual Report together with the audited financial statements of the Company for the year ended 31 December 2014.

**RESTRUCTURING**

On 1 January 2014, **Esja Shipping Limited** acquired all assets and liabilities of the subsidiary company **Seadove Shipping Company Limited** and has undertaken any contingent liabilities of the subsidiary company which may not have appeared in its audited financial statements for the year ended 31 December 2013. The restructuring plan was approved by the Limassol District Court on 4 December 2014, as well as by the Cyprus Income Tax Authorities.

**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. As from 1 January 2014, the Company commenced the holding of investments and the provision of finance to its subsidiary and related companies, activities that were transferred from Seadove Shipping Company Limited.

**FINANCIAL RESULTS**

The Company's financial results for the year ended 31 December 2014 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\$11,459,308 (2013: Loss US\$2,998,410).

**REVENUE**

The Company's revenue for the year ended 31 December 2014 was US\$15,180,972 (2013: US\$9,044,451).

**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 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.

**ESJA SHIPPING LIMITED****BOARD OF DIRECTORS' REPORT** *(continued)***SHARE CAPITAL**

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

**BRANCHES**

During the year ended 31 December 2014 the Company did not operate any branches.

**BOARD OF DIRECTORS**

The members of the Company's Board of Directors as at 31 December 2014 and at the date of this report are presented on page 1.

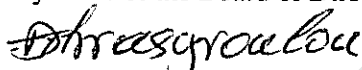
**EVENTS AFTER THE REPORTING PERIOD**

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

**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

Cyproservus Co. Limited  
Secretary

Limassol, 28 May 2015



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

Telephone +357 25 869000  
Fax +357 25 363842  
E-mail [limassol@kpmg.com.cy](mailto:limassol@kpmg.com.cy)  
Internet [www.kpmg.com.cy](http://www.kpmg.com.cy)

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF

### ESJA SHIPPING LIMITED

#### Report on the financial statements

We have audited the accompanying financial statements of parent company **Esja Shipping Limited** (the "Company") on pages 6 to 27 which comprise the statement of financial position as at 31 December 2014, 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:**

**Nicosia**  
N.G. Symis, A.H. Christofides, E.Z. Papaioannides, P.G. Loflou,  
A.M. Gregoriades, A.A. Demetriou, D.S. Vakis, A.A. Apostolou,  
S.A. Lezides, M.A. Lozides, S.G. Setocheus, M.M. Antoniadis,  
C.V. Vasiliou, P.E. Antoniadis, M.J. Fakos, M.P. Michael, P.A. Pelelias,  
G.V. Marantes, M.A. Papacosta, K.A. Papanicolaou, A.I. Siamithiouts,  
G.N. Tsaltzis, H.S. Charalambous, C.P. Anagnostou, I.P. Goularas,  
M.G. Gregoriades, H.A. Kafoulis, G.P. Savva, C.A. Kalas, C.H. Kalis,  
M.H. Zavou, P.S. Eli, M.G. Lazarou, Z.E. Hadjicatharas,  
P.S. Theophanous, M.A. Karanton, C.A. Markides, G.V. Andreou,  
J.C. Nicolaidou, G.S. Pindremou, A.S. Setocheus, G.N. Symis,  
T.J. Vasenides

KPMG Limited, a private company limited by shares, registered in Cyprus  
under trading status number HE 132922 A.M. It is registered official  
14, Escorial Street, 1067, Nicosia, Cyprus.

#### **Nicosia**

P.O. Box 21121, 1502  
Telephone +357 22 269000  
Fax +357 22 678200

#### **Larnaca**

P.O. Box 46076, 6300  
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Fax +357 24 200200

#### **Paphos**

P.O. Box 66098, 8101  
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Fax +357 26 943600

#### **Paralimni Aya Napa**

P.O. Box 33200, 9311  
Telephone +357 23 620000  
Fax +357 23 620004

#### **Polis Chrysochou**

P.O. Box 66614, 8330  
Telephone +357 26 322000  
Fax +357 26 322700

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of parent company **Esja Shipping Limited** as at 31 December 2014, 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, so far as 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, 28 May 2015



## ESJA SHIPPING LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

|  | Note | 2014<br>US\$       | 2013<br>US\$        |
|--|------|--------------------|---------------------|
| <b>Revenue</b>   | 4    | <u>15.180.972</u>  | <u>9.044.451</u>    |
| Vessels' operating expenses                              |      | (5.051.683)        | (8.272.030)         |
| Administrative expenses                                  |      | (232.972)          | (90.469)            |
| Other operating expenses                                 | 5    | <u>-</u>           | <u>(1.971.107)</u>  |
|  |      | <u>(5.284.655)</u> | <u>(10.333.606)</u> |
| <b>Operating profit/(loss)</b>                           | 6    | <u>9.896.317</u>   | <u>(1.289.155)</u>  |
| Finance income   | 8    | 2.247.964          | 72.387              |
| Finance expenses   | 8    | <u>(684.973)</u>   | <u>(1.781.642)</u>  |
| <b>Net finance income/(cost)</b>                         |      | <u>1.562.991</u>   | <u>(1.709.255)</u>  |
| <b>Profit/(loss) before tax</b>                          |      | 11.459.308         | (2.998.410)         |
| Tax  | 9    | <u>-</u>           | <u>-</u>            |
| <b>Profit/(loss) for the year</b>                        |      | 11.459.308         | (2.998.410)         |
| <b>Other comprehensive income</b>                        |      | <u>-</u>           | <u>-</u>            |
| <b>Total comprehensive income/(expense) for the year</b> |      | <u>11.459.308</u>  | <u>(2.998.410)</u>  |

The notes on pages 10 to 27 are an integral part of these financial statements.

## ESJA SHIPPING LIMITED

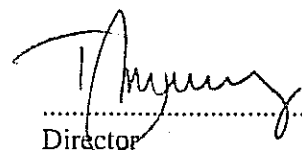
STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

|                                      | Note | 2014<br>US\$      | 2013<br>US\$      |
|--------------------------------------|------|-------------------|-------------------|
| <b>Assets</b>                        |      |                   |                   |
| <b>Non-current assets</b>            |      |                   |                   |
| Vessel and equipment                 | 10   | 576.225           | 569.503           |
| Investments in subsidiaries          | 11   | <u>35.104.182</u> | <u>37.745.524</u> |
| <b>Total non-current assets</b>      |      | <u>35.680.407</u> | <u>38.315.027</u> |
| <b>Current assets</b>                |      |                   |                   |
| Trade and other receivables          | 13   | 2.551.007         | 3.084.661         |
| Loans receivable                     | 12   | 35.859.463        | -                 |
| Corporation tax refundable           | 18   | 263.316           | 258.207           |
| Cash and cash equivalents            | 14   | <u>15.325.332</u> | <u>1.066.282</u>  |
| <b>Total current assets</b>          |      | <u>53.999.118</u> | <u>4.409.150</u>  |
| <b>Total assets</b>                  |      | <u>89.679.525</u> | <u>42.724.177</u> |
| <b>Equity</b>                        |      |                   |                   |
| Share capital                        | 15   | 1.472             | 1.472             |
| Reserves                             |      | <u>88.915.466</u> | <u>1.660.035</u>  |
| <b>Total equity</b>                  |      | <u>88.916.938</u> | <u>1.661.507</u>  |
| <b>Liabilities</b>                   |      |                   |                   |
| Loans and borrowings                 | 16   | -                 | <u>28.700.772</u> |
| <b>Total non-current liabilities</b> |      | -                 | <u>28.700.772</u> |
| <b>Current liabilities</b>           |      |                   |                   |
| Loans and borrowings                 | 16   | -                 | 1.500.000         |
| Trade and other payables             | 17   | <u>762.587</u>    | <u>10.861.898</u> |
| <b>Total current liabilities</b>     |      | <u>762.587</u>    | <u>12.361.898</u> |
| <b>Total equity and liabilities</b>  |      | <u>89.679.525</u> | <u>42.724.177</u> |

On 28 May 2015 the Board of Directors of Esja Shipping Limited authorised these financial statements for issue.

  
.....  
Director

  
.....  
Director

The notes on pages 10 to 27 are an integral part of these financial statements.

## ESJA SHIPPING LIMITED

STATEMENT OF CHANGES IN EQUITYFor the year ended 31 December 2014

|  | Note | Share<br>capital<br>US\$ | Retained<br>earnings<br>US\$ | Total<br>US\$     |
|--|------|--------------------------|------------------------------|-------------------|
| <b>Balance at 1 January 2013</b>   |      | 1.472                    | 4.658.445                    | 4.659.917         |
| Loss for the year  |      | -                        | (2.998.410)                  | (2.998.410)       |
| <b>Balance at 31 December 2013</b>   |      | <u>1.472</u>             | <u>1.660.035</u>             | <u>1.661.507</u>  |
| <b>Balance at 1 January 2014</b>   |      | 1.472                    | 1.660.035                    | 1.661.507         |
| Profit for the year  |      | -                        | 11.459.308                   | 11.459.308        |
| Surplus due to the merger with subsidiary company,<br>Seadove Shipping Company Limited | 19   | -                        | 75.796.123                   | 75.796.123        |
| <b>Balance at 31 December 2014</b>   |      | <u>1.472</u>             | <u>88.915.466</u>            | <u>88.916.938</u> |

The notes on pages 10 to 27 are an integral part of these financial statements.

## ESJA SHIPPING LIMITED

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

|  | Note | 2014<br>US\$        | 2013<br>US\$        |
|--|------|---------------------|---------------------|
| <b>Cash flows from operating activities</b>                      |      |                     |                     |
| Profit/(loss) for the year                                       |      | 11,459,308          | (2,998,410)         |
| Adjustments for:   |      |                     |                     |
| Depreciation of Vessels and Equipment                            | 10   | 1,681               | 180,805             |
| Loss from the sale of Vessels and Equipment                      |      |                     | 1,884,058           |
| Dividend income  | 4    | (9,329,454)         | -                   |
| Unrealised exchange difference on refundable tax                 |      | (5,109)             | -                   |
| Realised exchange loss   | 8    | 449,169             | 117,248             |
| Interest income  | 8    | (2,247,964)         | (72,387)            |
| Interest expense   | 8    | 231,525             | 1,661,186           |
| <b>Cash flows from operations before working capital changes</b> |      | 559,156             | 772,500             |
| Decrease/(increase) in trade and other receivables               |      | 533,654             | (109,445)           |
| Decrease in trade and other payables                             |      | (10,099,311)        | (31,354,280)        |
| <b>Cash flows used in operations</b>                             |      | (9,006,501)         | (30,691,225)        |
| Dividends received   | 4    | 9,329,454           | -                   |
| <b>Net cash flows from/(used in) operating activities</b>        |      | <u>322,953</u>      | <u>(30,691,225)</u> |
| <b>Cash flows from investing activities</b>                      |      |                     |                     |
| Payment for acquisition of Vessels and Equipment                 | 10   | (8,403)             | (5,000,000)         |
| Payment for acquisition of investments in subsidiaries           | 11   | (29,000,767)        | (1,855,133)         |
| Loans granted  |      | (45,188,917)        | -                   |
| Loans repayments received  |      | 9,329,454           | 5,000,000           |
| Proceeds from disposal of Vessels and Equipment                  | 10   | -                   | 5,117,915           |
| Interest received  |      | 2,247,964           | 72,387              |
| <b>Net cash flows (used in)/from investing activities</b>        |      | <u>(62,620,669)</u> | <u>3,335,169</u>    |
| <b>Cash flows from financing activities</b>                      |      |                     |                     |
| Repayment of borrowings  |      | (30,200,772)        | -                   |
| Proceeds from borrowings   |      | -                   | 30,200,772          |
| Interest paid  |      | (231,525)           | (1,661,186)         |
| Realised exchange loss   |      | (449,169)           | (117,248)           |
| Net assets transferred from subsidiary company due to the merger | 19   | 107,438,232         | -                   |
| <b>Net cash flows from financing activities</b>                  |      | <u>76,556,766</u>   | <u>28,422,338</u>   |
| <b>Net increase in cash and cash equivalents</b>                 |      | 14,259,050          | 1,066,282           |
| Cash and cash equivalents at the beginning of the year           |      | <u>1,066,282</u>    | -                   |
| <b>Cash and cash equivalents at the end of the year</b>          | 14   | <u>15,325,332</u>   | <u>1,066,282</u>    |

The notes on pages 10 to 27 are an integral part of these financial statements.

**ESJA SHIPPING LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2014

**1. INCORPORATION AND PRINCIPAL ACTIVITIES**

**Esja Shipping 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 Nafliou 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. As from 1 January 2014, the Company commenced the holding of investments and the provision of finance to its subsidiary and related companies, activities that were transferred from Seadove Shipping Company 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 2014.

The European Union has concluded that since its 4th Directive requires parent companies to prepare separate financial statements, and since the Cyprus Companies Law, Cap. 113, requires the preparation of such financial statements in accordance with IFRS as adopted by the European Union, 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 2014. 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****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2014

**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.

**ESJA SHIPPING LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2014

**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.

**Consolidated financial statements**

The Company has subsidiary undertakings for which section 142(1)(b) of the Cyprus Companies Law Cap. 113 requires consolidated financial statements to be prepared and laid before the Company at the Annual General Meeting.

**Subsidiary companies**

Subsidiaries are entities controlled by the Group. Control exists where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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.

**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.

**ESJA SHIPPING LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

**3. SIGNIFICANT ACCOUNTING POLICIES**

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.

Vessels' machinery and equipment and depreciation

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

Depreciation is recognised in profit or loss on the straight-line method over the useful lives of each part of an item of vessels' machinery and equipment. The annual depreciation rates used for the current and comparative periods are as follows:

|                                  | %  |
|----------------------------------|----|
| Vessels' machinery and equipment | 8  |
| Computer Hardware                | 20 |

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

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 Vessels and Equipment 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 vessels' machinery and equipment are determined by comparing proceeds with carrying amount and are included in profit or loss.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

**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**

|                       | 2014<br>US\$      | 2013<br>US\$     |
|-----------------------|-------------------|------------------|
| Rendering of services | 5,851,518         | 9,044,451        |
| Dividend income       | 9,329,454         | -                |
|                       | <u>15,180,972</u> | <u>9,044,451</u> |

**5. OTHER OPERATING EXPENSES**

|                                      | 2014<br>US\$ | 2013<br>US\$     |
|--------------------------------------|--------------|------------------|
| Loss on disposal of vessel (Note 10) | -            | 1,884,058        |
| Amount receivable written off        | -            | 87,049           |
|                                      | <u>-</u>     | <u>1,971,107</u> |

**6. OPERATING PROFIT /(LOSS)**

|   | Note   | 2014<br>US\$     | 2013<br>US\$     |
|---|--------|------------------|------------------|
| Operating profit/(loss) is stated after charging the following items: |        |                  |                  |
| Vessel depreciation   | 10     | 1,681            | 180,805          |
| Directors' fees   | 21 (i) | 26,350           | 2,053            |
| Staff costs   | 7      | 29,136           | 84               |
| Auditors' remuneration  |        |                  |                  |
| - current year  |        | 60,756           | 25,000           |
| - prior years   |        | 16,000           | 1,502            |
| Crew costs  |        | <u>1,712,899</u> | <u>1,085,828</u> |

## ESJA SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2014**7. STAFF COSTS**

|                                    | Note | 2014<br>US\$  | 2013<br>US\$ |
|------------------------------------|------|---------------|--------------|
| Wages and salaries                 |      | 27,137        | 76           |
| Social insurance contributions     |      | 1,591         | 6            |
| Social cohesion fund contributions |      | 408           | 2            |
| Total staff costs                  | 6    | <u>29,136</u> | <u>84</u>    |

The average number of employees employed by the Company during the year 2014 and 2013 were 1 and 1 respectively.

**8. NET FINANCE INCOME AND EXPENSES**

|   | 2014<br>US\$     | 2013<br>US\$     |
|---|------------------|------------------|
| <b>Finance income</b>                                 |                  |                  |
| Interest on bank current accounts                     | 744              | 85               |
| Interest income from related company (Note 21 (ii))   | <u>2,247,220</u> | <u>72,302</u>    |
|   | <u>2,247,964</u> | <u>72,387</u>    |
| <b>Finance expenses</b>                               |                  |                  |
| <b>Interest expense</b>                               |                  |                  |
| Interest on loan from related company (Note 21 (iii)) | 231,525          | 1,252,017        |
| Interest paid to related companies (Note 21 (iii))    | -                | 409,169          |
| <b>Sundry finance expenses</b>                        |                  |                  |
| Bank charges  | 4,365            | 3,208            |
| <b>Net foreign exchange transaction losses</b>        |                  |                  |
| Realised exchange loss                                | <u>449,083</u>   | <u>117,248</u>   |
|   | <u>684,973</u>   | <u>1,781,642</u> |

## ESJA SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## 9. TAXATION

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

|  | 2014<br>US\$      | 2013<br>US\$       |
|--|-------------------|--------------------|
| Accounting profit/(loss) before tax  | <u>11.459.308</u> | <u>(2.998.410)</u> |
| Tax calculated at the applicable tax rates                                     | 1.432.414         | (374.801)          |
| Tax effect of expenses not deductible for tax purposes                         | 2.303             | 269.048            |
| Tax effect of allowances and income not subject to tax                         | (1.166.392)       | (26.063)           |
| Tax effect of group tax relief   | (150.194)         | 131.816            |
| Tax effect of loss for the year  | <u>(118.131)</u>  | <u>-</u>           |
| Tax as per statement of profit or loss and other comprehensive income - charge | <u>-</u>          | <u>-</u>           |

The corporation tax rate is 12,5% (2013:12,5%).

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

| 2014                      | Vessel's<br>machinery<br>and<br>equipment<br>US\$ | Computer<br>Hardware<br>US\$ | Total<br>US\$  |
|---------------------------|---|------------------------------|----------------|
| <b>Cost</b>               |   |                              |                |
| Balance at 1 January      | 569.503   | -                            | 569.503        |
| Additions                 | -   | 8.403                        | 8.403          |
| Balance at 31 December    | <u>569.503</u>                                    | <u>8.403</u>                 | <u>577.906</u> |
| <b>Depreciation</b>       |   |                              |                |
| Depreciation for the year | -   | 1.681                        | 1.681          |
| Balance at 31 December    | <u>-</u>  | <u>1.681</u>                 | <u>1.681</u>   |
| <b>Carrying amounts</b>   |   |                              |                |
| Balance at 31 December    | <u>569.503</u>                                    | <u>6.722</u>                 | <u>576.225</u> |

## ESJA SHIPPING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## 10. VESSELS AND EQUIPMENT (continued)

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

- 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.
- On 29 January 2013 and 5 June 2013 and 6 June 2013 the Company disposed the vessels m.v. "Yaiza" and m.v. "Reina" and m.v. "Rey" respectively for US\$5.150.000.

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

|   | 2014<br>US\$ | 2013<br>US\$ |
|---|--------------|--------------|
| Carrying amounts                                | -            | 7.001.973    |
| Shipbrokers' commission                         | -            | 32.085       |
| Loss from the disposal of Vessels (Note 5)      | -            | (1.884.058)  |
| Proceeds from disposal of Vessels and Equipment | -            | 5.150.000    |

## 11. INVESTMENTS IN SUBSIDIARIES

|  | 2014<br>US\$ | 2013<br>US\$ |
|--|--------------|--------------|
| Balance at 1 January   | 37.745.524   | 35.890.391   |
| Additions  | 29.000.767   | 1.855.133    |
| Elimination of investment due to the merger with the subsidiary company, in Seadove Shipping Company Limited (Note 19) | (31.642.109) | -            |
| Balance at 31 December   | 35.104.182   | 37.745.524   |

**ESJA SHIPPING LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

**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> | 2014<br>Holding<br>% | 2013<br>Holding<br>% | 2014<br>US\$      | 2013<br>US\$      |
|---|---------------------------------|-----------------------------|----------------------|----------------------|-------------------|-------------------|
| Atlantex Sp.z.o.o   | Poland                          | Fishing Operations          | 100                  | 100                  | 4,221,929         | 4,221,929         |
| Tindaholmur Sp/f<br>(formerly Geysir S/pf)                          | Faroe Islands                   | Shipping                    | 100                  | 100                  | 21,714            | 21,714            |
| Esja Mar Fishing<br>(Proprietary) Limited                           | Namibia                         | Fishing operations          | 100                  | 100                  | 15                | 15                |
| Scombrus Shipping<br>Limited (formerly Esja<br>Investments Limited) | Cyprus                          | Chartering of<br>vessels    | 100                  | 100                  | 1,001,379         | 3,288             |
| Ditalo Shipping<br>Company Limited                                  | Cyprus                          | Chartering of<br>vessels    | 100                  | 100                  | 1,001,374         | 1,001,374         |
| Mercury Seafood<br>Canarias, S.L.U.                                 | Spain                           | Dormant                     | 100                  | 100                  | 853,759           | 853,759           |
| Heinaste Investment<br>Limited                                      | Cyprus                          | Ship owner                  | 100                  | -                    | 28,001,300        | -                 |
| Quenya Holdings<br>Limited  | Cyprus                          | Ship owner                  | 100                  | -                    | 1,376             | -                 |
| Snaefell Limited  | Cyprus                          | Ship owner                  | 100                  | 100                  | 1,336             | 1,336             |
| Seadove Shipping<br>Company Limited                                 | Cyprus                          | Fishing<br>Operations       | -                    | 100                  | -                 | 31,642,109        |
|   |                                 |                             |                      |                      | <u>35,104,182</u> | <u>37,745,524</u> |

Note

The subsidiary company Snaefell Limited, ceased its operations on 3 September 2013, the date of disposal of its vessel and started the procedures for voluntary liquidation.

**12. LOANS RECEIVABLE**

|  | 2014<br>US\$      | 2013<br>US\$ |
|--|-------------------|--------------|
| Loans to related companies (Note 21 (v)) | <u>35,859,463</u> | <u>-</u>     |
|  | <u>35,859,463</u> | <u>-</u>     |

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

|                          | 2014<br>US\$      | 2013<br>US\$ |
|--------------------------|-------------------|--------------|
| Loans to related company | <u>35,859,463</u> | <u>-</u>     |
|                          | <u>35,859,463</u> | <u>-</u>     |

**ESJA SHIPPING LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

**13. TRADE AND OTHER RECEIVABLES**

|   | 2014<br>US\$     | 2013<br>US\$     |
|---|------------------|------------------|
| Trade receivables                                 | 56.565           | 53.591           |
| Receivables from related companies (Note 21 (iv)) | 2.404.144        | 2.997.022        |
| Other receivables                                 | 62.221           | 1.379            |
| Refundable VAT                                    | <u>28.077</u>    | <u>32.669</u>    |
|   | <u>2.551.007</u> | <u>3.084.661</u> |

During the year 2012, the Company deposited the amount of US\$ 104.929 as a guarantee payment for the releasing the m.v. Orion.

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 AND CASH EQUIVALENTS**

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

|              | 2014<br>US\$      | 2013<br>US\$     |
|--------------|-------------------|------------------|
| Cash at bank | <u>15.325.332</u> | <u>1.066.282</u> |
|              | <u>15.325.332</u> | <u>1.066.282</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.

**15. SHARE CAPITAL**

|                              | 2014<br>Number of<br>shares | 2014<br>US\$ | 2013<br>Number of<br>shares | 2013<br>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 SHIPPING LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

**19. MERGER WITH SUBSIDIARY COMPANY**

On 1 January 2014 the Company merged with its subsidiary company, Seadove Shipping Company Limited, a shipping company which was providing the activities of holding of investments and the provision of finance to its subsidiary and related companies.

The assets and liabilities were transferred at carrying amounts, to the Company on 1 January 2014 as follows:

|  | 2014<br>US\$        |
|--|---------------------|
| <b>Assets</b>  |                     |
| Investments in subsidiaries  | 28.001.300          |
| Non-current loans receivable   | 19.400.772          |
| Trade and other receivables  | 59.090.677          |
| Loans receivables  | <u>1.000.000</u>    |
|  | <u>107.492.749</u>  |
| <b>Liabilities</b>   |                     |
| Loans and borrowings   | -                   |
| Trade and other payables   | <u>54.517</u>       |
|  | (54.517)            |
| Net assets transferred from subsidiary company   | 107.438.232         |
| Less: Investment in subsidiary company, Seadove Shipping Company Limited (Note 11)       | <u>(31.642.109)</u> |
| Surplus arising from merger with subsidiary company and transferred to retained earnings | <u>75.796.123</u>   |

In accordance with the relevant reorganisation plan and subject to the terms of the relevant Merger Agreement, the subsidiary company, Seadove Shipping Company Limited will be dissolved without going into liquidation, by transferring all of its assets and liabilities to the Company on 1 January 2014. The Merger was approved by the Court of the Republic of Cyprus on 4 December 2014.

**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.



**ESJA SHIPPING LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

**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:

|                 | 2014<br>US\$  | 2013<br>US\$ |
|-----------------|---------------|--------------|
| Directors' fees | <u>26.350</u> | <u>2.053</u> |
|                 | <u>26.350</u> | <u>2.053</u> |

**(ii) Rendering of services and interest income**

|  | <u>Nature of transactions</u> | 2014<br>US\$     | 2013<br>US\$     |
|--|-------------------------------|------------------|------------------|
| Atlantex Sp.zo.o.  | Transportation services       | 4.839            | 5.368.310        |
| Esja Seafood Limited   | Transportation services       | 261.447          | 2.433.562        |
| Samherji hf  | Rendering of services         | -                | 418.504          |
| Samherji Island ehf  | Charter income                | 3.992.000        | 540.000          |
| Esja Fishing (Pty) Ltd   | Charter income                | 233.333          | -                |
| FramInvest Sp/f  | Interest income               | -                | 72.302           |
| Scombrus Shipping Limited<br>(formerly Esja Investments Limited) | Interest income               | 156.474          | -                |
| Esja Seafood Limited   | Interest income               | <u>2.090.746</u> | <u>-</u>         |
|  |                               | <u>6.738.839</u> | <u>8.832.678</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**

|  | <u>Nature of transactions</u> | 2014<br>US\$     | 2013<br>US\$     |
|--|-------------------------------|------------------|------------------|
| FramInvest Sp/f  | Bareboat charter              | -                | 350.000          |
| Scombrus Shipping Limited<br>(formerly Esja Investments Limited) | Bareboat charter              | 547.500          | -                |
| Esja Seafood Limited   | Interest expense              | -                | 409.164          |
| Samherji hf  | Head office services          | 111.589          | -                |
| Ditalo Shipping Company Limited                                  | Bareboat charter              | 547.500          | 99.000           |
| Mercury Seafood Canarias S.L.U.                                  | Support services              | 79.376           | 60.461           |
| FramInvest Sp/f  | Vessels acquired              | -                | 5.000.000        |
| Seadove Shipping Company Limited                                 | Interest expense              | -                | 29.751           |
| Snaefell Limited   | Interest expense              | <u>231.525</u>   | <u>14.292</u>    |
|  |                               | <u>1.517.490</u> | <u>5.962.668</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.

**ESJA SHIPPING LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

**(iv) Receivables from related companies (Note 13)**

| <u>Name</u>                                 | <u>Nature of transactions</u> | 2014<br>US\$     | 2013<br>US\$     |
|---|-------------------------------|------------------|------------------|
| Onward Investments Limited                  | Accrued interest              | 725.875          | 792.137          |
| Katla Seafood Namibia (Proprietary) Limited | Finance                       | 193.250          | 193.794          |
| Samherji Island ehf                         | Trade                         | 859.486          | 1.906.653        |
| Atlantex Sp.zo.o                            | Trade                         | 289.736          | 104.438          |
| Quenya Holdings Limited                     | Finance                       | 206.365          | -                |
| Defalto Holdings Limited                    | Finance                       | 5.552            | -                |
| Tindholmur SP/f (formerly Geysir S/pf)      | Finance                       | 116.514          | -                |
| Heinaste Investments Limited                | Finance                       | 851              | -                |
| Mermaria Investments Limited                | Finance                       | 6.515            | -                |
|   |                               | <u>2.404.144</u> | <u>2.997.022</u> |

- 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.
- The balance of the subsidiary company Snaefell Limited has been eliminated due to the liquidation (Note 11)

**(v) Loan receivable from related companies (Note 12)**

|   | 2014<br>US\$      | 2013<br>US\$ |
|---|-------------------|--------------|
| Scombrus Shipping Limited (formerly Esja Investments Limited) | 2.461.474         | -            |
| Esja Seafood Limited  | <u>33.397.989</u> | -            |
|   | <u>35.859.463</u> | -            |

- The loan was transferred from the subsidiary company, Seadove Shipping Company Limited due to the merger on 1 January 2014. The loan is receivable from the subsidiary company Scombrus Shipping Limited (formerly Esja Investments Limited), carries interest rate 5,50% p.a. The loan is repayable in 60 equal monthly installments of US\$45.000 plus interest starting from 28 February 2014. The total amount of the loan facility is US\$3.200.000. On 7 January 2014 a draw down of US\$3.000.000 was made by the borrower. As at 31 December 2014 the amount of US\$200.000 is unused of the loan facility. The loan is unsecured.
- The loan granted on 1 June 2014 to related company Esja Seafood Limited, carries interest rate of 5,5% p.a. and is repayable on 31 May 2015.

## ESJA SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

**21. RELATED PARTY TRANSACTIONS** (continued)**(vi) Payables to parent company (Note 17)**

| <u>Name</u>         | <u>Nature of transactions</u> | 2014<br>US\$ | 2013<br>US\$   |
|---------------------|-------------------------------|--------------|----------------|
| Polaris Seafood ehf | Finance                       | -            | 700.120        |
|                     |                               | <u>-</u>     | <u>700.120</u> |

The amount payable to parent company, carries interest rate of three month LIBOR plus 4% p.a.

**(vii) Payables to related companies (Note 17)**

| <u>Name</u>  | <u>Nature of transactions</u> | 2014<br>US\$   | 2013<br>US\$     |
|--|-------------------------------|----------------|------------------|
| Ditalo Shiiping Company Limited                                  | Trade                         | 31.672         | 239.421          |
| Mercury Seafood Canarias S.L.                                    | Trade                         | 6.084          | 60.666           |
| Scombrus Shipping Limited<br>(formerly Esja Investments Limited) | Trade                         | 1.500          | 1.379            |
| Snaefell Limited   | Finance                       | 1.336          | 14.292           |
| Samherji hf  | Trade                         | 111.589        | -                |
| Esja Seafood Limited   | Trade                         | -              | 8.843.679        |
| Katla Seafood Canarias S.L.U                                     | Trade                         | -              | 9.740            |
| Seadove Shipping Company Limited                                 | Trade                         | -              | 479.566          |
| FramInvest Sp/F  | Finance                       | -              | 259.487          |
|  |                               | <u>152.181</u> | <u>9.908.230</u> |

**(viii) Loans from related undertakings (Note 16)**

|                                  | 2014<br>US\$ | 2013<br>US\$      |
|----------------------------------|--------------|-------------------|
| Seadove Shipping Company Limited | -            | 20.400.772        |
| Snaefell Limited                 | -            | 9.800.000         |
|                                  | <u>-</u>     | <u>30.200.772</u> |

The loan from the company Seadove Shipping Company Limited has been eliminated due to the merger on 1 January 2014.

**ESJA SHIPPING LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

**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
- 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.

(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.

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:

|  | 2014              | 2013             |
|--|-------------------|------------------|
|  | US\$              | US\$             |
| Loans receivables from related parties | 35,859,463        | -                |
| Trade and other receivables            | 56,565            | 53,591           |
| Cash at bank                           | 15,325,332        | 1,066,282        |
| Receivables from related companies     | <u>2,404,144</u>  | <u>2,997,022</u> |
|  | <u>53,645,504</u> | <u>4,116,895</u> |

## ESJA SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

**22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** (continued)*(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 2014            | Carrying amounts<br>US\$ | Contractual cash flows<br>US\$ | Between 1-12 months<br>US\$ | Between 1-5 years<br>US\$ | Over than 5 years<br>US\$ |
|-----------------------------|--------------------------|--------------------------------|-----------------------------|---------------------------|---------------------------|
| Trade and other payables    | 537.558                  | 537.558                        | 537.558                     | -                         | -                         |
| Payables to related parties | 152.181                  | 152.181                        | 152.181                     | -                         | -                         |
|                             | <u>689.739</u>           | <u>689.739</u>                 | <u>689.739</u>              | <u>-</u>                  | <u>-</u>                  |
| 31 December 2013            | Carrying amounts<br>US\$ | Contractual cash flows<br>US\$ | Between 1-12 months<br>US\$ | Between 1-5 years<br>US\$ | More than 5 years<br>US\$ |
| Trade and other payables    | 228.449                  | 228.449                        | 228.449                     | -                         | -                         |
| Payables to related parties | 10.608.350               | 10.608.350                     | 10.608.350                  | -                         | -                         |
| Loans from subsidiaries     | 30.200.772               | 30.200.772                     | 30.200.772                  | -                         | -                         |
|                             | <u>41.037.571</u>        | <u>41.037.571</u>              | <u>41.037.571</u>           | <u>-</u>                  | <u>-</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.

*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 functional 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.

**ESJA SHIPPING LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2014

**22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** *(continued)**(iv) 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.

**23. CONTINGENT LIABILITIES**

The Company had no contingent liabilities as at 31 December 2014.

**24. COMMITMENTS**

The Company had no capital or other commitments as at 31 December 2014.

**25. EVENTS AFTER THE REPORTING PERIOD**

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

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