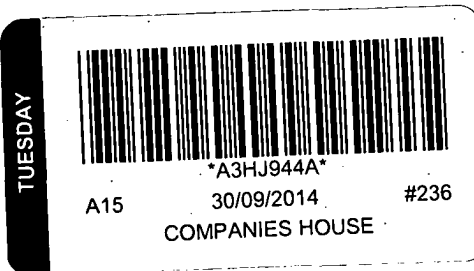


Watling Street Shipping Limited

Report and Financial Statements

For the year to

31 December 2013



Watling Street Shipping Limited
Report and Financial Statements
For the year to 31 December 2013

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Watling Street Shipping Limited
Report of the Director to 31 December 2013

Report of the Director

The director submits his annual report together with the audited financial statements for the year ended 31 December 2013.

Registered Office

The Company's registered office is situated at 25 Moorgate, London, EC2R 6AY.

Review of Activities and Review of Business

The Company did not trade during the year.

The director intends to formally liquidate the Company in the foreseeable future. The financial statements have therefore been prepared on a break up basis. The Company has taken steps to ensure that all of its trade and related payables will be settled.

Key Performance Indicators

Given the Company did not trade during the year, and the director intends to formally liquidate the Company in the foreseeable future, no key performance indicators are considered to be relevant.

Key Risk and Uncertainties

The key risk facing the Company was considered to be the ongoing availability of finance as the Company was in breach of loan covenants on its long term debt. The director intends to formally liquidate the Company.

Results and Dividends

The Company's results are set out on page 5. The loss attributable to shareholders of €169,085 (2012: €779,829) has been transferred to reserves. The director does not recommend the payment of a dividend.

Directors

The director during the financial year and up to the date of this report was as follows:

Nigel Rowland Hill

Watling Street Shipping Limited
Report of the Director to 31 December 2013

Report of the Director

Statement of Director's Responsibilities

The Director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with IFRS as adopted by the European Union and applicable law. The financial statements must, in accordance with IFRS as adopted by the European Union, present fairly the financial position and performance of the Company; such references in the UK Companies Act 2006 to such financial statements giving a true and fair view are references to their achieving a fair presentation. Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view. In preparing these financial statements, the director is required to:

- ☐ select suitable accounting policies and then apply them consistently;
- ☐ make judgements and accounting estimates that are reasonable and prudent;
- ☐ state whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union;
- ☐ prepare the financial statements on an appropriate basis, which the director believes to be a break up basis.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

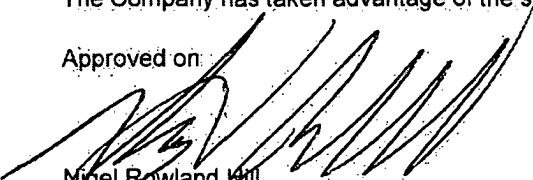
Director's Declaration

The director confirms:

- (a) so far as the director is aware, there is no relevant audit information of which the Company's independent auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a director, including making appropriate enquiries of the Company's independent auditors for that purpose, in order to make him aware of any information needed by the Company's independent auditors in connection with preparing his report and to establish that the Company's independent auditors are aware of that information.

The Company has taken advantage of the small companies' exemption from preparing a strategic report.

Approved on:


Nigel Rowland Hill
Director

19 September 2014

Independent Auditors Report to the Shareholder of Watling Street Shipping Limited

We have audited the financial statements of Watling Street Shipping Limited for the year ended 31 December 2013 which are set out on pages 5 to 16. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements have been prepared on a break up basis.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the director and auditors

As explained more fully in the Statement of Director's Responsibilities set out on page 2, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Boards (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- ☐ give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its result for the year then ended;
- ☐ have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- ☐ have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - basis of preparation

As disclosed in note 2(a), the financial statements have been prepared on a break up basis as it is the intention of the director to formally liquidate the Company. Our opinion is not qualified in this respect.

Opinion on other matter prescribed by the Companies Act 2006

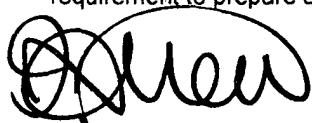
In our opinion the information given in the Report of the Director for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditors Report to the Shareholder of Watling Street Shipping Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- ☐ adequate accounting records have not been kept by the Company; or
- ☐ the financial statements are not in agreement with the accounting records and returns; or
- ☐ certain disclosures of directors' remuneration specified by law are not made; or
- ☐ we have not received all the information and explanations we require for our audit; or
- ☐ the director was not entitled to take advantage of the small companies' exemption from the requirement to prepare a strategic report.



Joanne Allen, Senior Statutory Auditor

For and on behalf of
Moore Stephens LLP, Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB

Date: 30 September 2014

Watling Street Shipping Limited
Financial statements for the year to 31 December 2013

Company Number: 06472241

Statement of Comprehensive Income

(Expressed in Euros)

	Note	2013 €	2012 €
Revenue	2(i)	-	1,684,475
Vessel operating costs		-	(1,870,632)
Administrative expenses		(60,744)	(236,839)
Loss from operations	4	(60,744)	(422,996)
Other income		-	66,074
Finance costs, net	5	(108,341)	(422,907)
Loss before tax		(169,085)	(779,829)
Income tax	6	-	-
Total comprehensive loss for the year		(169,085)	(779,829)

Watling Street Shipping Limited
Financial statements for the year to 31 December 2013

Company Number: 06472241

Statement of Financial Position

(Expressed in Euros)

	Note	2013 €	2012 €
Current assets			
Trade and other receivables	10	35,754	37,484
Cash and cash equivalents	11	837,018	936,130
		<u>872,772</u>	<u>973,614</u>
Vessel, held for sale	9	-	-
Total assets		<u>872,772</u> =====	<u>973,614</u> =====
Current liabilities			
Current portion of long term debt	13	2,511,660	2,511,660
Trade and other payables	12	239,616	171,373
Amounts due to fellow subsidiaries		3,160,517	3,160,517
Amount due to parent company	14	31,410,288	31,410,288
Total liabilities		<u>37,322,081</u>	<u>37,253,838</u>
Capital and reserve			
Share capital	15	1	1
Accumulated losses		(36,449,310)	(36,280,225)
Total deficit		<u>(36,449,309)</u>	<u>(36,280,224)</u>
Total equity and liabilities		<u>872,772</u> =====	<u>973,614</u> =====

Approved and authorised for issue on 19 SEPTEMBER 2014

Nigel Rowland Hill
 Director

Watling Street Shipping Limited
Financial statements for the year to 31 December 2013

Statement of Changes in Equity
 (Expressed in Euros)

	Share capital €	Accumulated losses €	Total €
At 1 January 2012	1	(35,500,396)	(35,500,395)
Total comprehensive loss for the year	-	(779,829)	(779,829)
At 1 January 2013	1	(36,280,225)	(36,280,224)
Total comprehensive loss for the year	-	(169,085)	(169,085)
At 31 December 2013	1	(36,449,310)	(36,449,309)

Watling Street Shipping Limited
Financial statements for the year to 31 December 2013

Statement of Cash Flows

(Expressed in Euros)

	Note	2013 €	2012 €
Operating activities			
Comprehensive loss for the year		(169,085)	(779,829)
Adjustments for:-			
Interest expense	5	108,341	422,907
		(60,744)	(356,922)
Decrease in trade and other receivables		1,730	405,190
Decrease in inventories		-	60,620
(Decrease)/increase in trade and other payables		(40,098)	260,861
Cash (used in)/generated from operations		(99,112)	369,749
Net interest paid		-	(364,097)
Net cash (used in)/generated from operating activities		(99,112)	5,652
Investing activities			
Proceeds on sale of vessel		-	34,850,000
Net cash generated from investing activities		-	34,850,000
Financing activities			
Repayment of long term debt		-	(34,640,556)
Net cash used in financing activities		-	(34,640,556)
Net (decrease)/increase in cash and cash equivalents		(99,112)	215,096
Cash and cash equivalents at beginning of year		936,130	721,034
Cash and cash equivalents at end of year (Note 11)		837,018	936,130

Notes to the Financial Statements

1. General

Watling Street Shipping Limited (the "Company") is incorporated and domiciled in the United Kingdom. The principal place of business during the year was 25 Moorgate, London, EC2R 6AY.

The activity of the Company was owning and chartering out a ro-pax vessel under a fixed rate time charter. During the year ended 31 December 2012, the vessel was sold and the Company has ceased trading.

2. Significant Accounting Policies

(a) Going Concern

The financial statements have been prepared on the break up basis, as the Company has ceased trading and it is the intention of the director to liquidate the Company.

(b) Basis of Preparation of the Financial Statements

The financial statements have been prepared on the break up basis and in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are stated in Euro, being the functional currency of the Company. The principal accounting policies adopted are set out below.

The Company has adopted the new interpretations and revised standards effective for the year ended 31 December 2013. The adoption of these interpretations and revised standards did not have a significant impact on the financial statements during the year.

A number of new standards and amendments to existing standards have been published which are mandatory, but are not effective for the year ended 31 December 2013. The director does not anticipate that the adoption of these revised standards and interpretations will have a significant impact on the figures included in the financial statements as the Company is expected to be liquidated.

(c) Vessel

The vessel had been classified as held for sale and was stated at the lower of its carrying amount at the date of reclassification and its fair value less costs to sell. No depreciation had been charged since the vessel was classified as held for sale. The vessel was sold during the year ended 31 December 2012.

(d) Trade and Other Receivables

The Company carries its accounts receivables at net realisable value. On a periodic basis, the Company evaluates its accounts receivables and establishes an allowance for doubtful accounts, based on a history of past write-offs, collections and current credit conditions. The Company does not generally charge interest on past-due accounts unless the accounts are subject to legal action, and accounts are written off as uncollectible when all reasonable collection efforts have failed. Accounts are deemed as past-due based on contractual terms.

Notes to the Financial Statements

2. Significant Accounting Policies (Continued)

(e) Interest-bearing Borrowings and Borrowing Costs

Interest-bearing borrowings are stated at the contractual amounts without taking any account of attributable transaction costs.

(f) Trade and Other Payables

Trade and other payables are stated at the contractual amounts.

(g) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

(h) Taxation

The Company has entered the UK tonnage tax regime under which its ship operating activities are taxed based on the net tonnage of vessels operated. Amounts are recorded within vessel operating costs. Any income and profits outside the tonnage tax regime are taxed under the normal U.K. corporation tax rates.

(i) Revenue Recognition

The Company chartered out its vessel on a time charter during the prior year, which involved placing the vessel at the charterer's disposal for a period of time during which the charterer used the vessel in return for the payment of a specified fixed daily hire rate. Such revenues are accounted for as operating leases as a significant portion of the risks and rewards of ownership are retained by the Company. Revenue was recognised on a straight line basis as service was performed.

No revenue has been recognised in the current year as the vessel has been sold.

(j) Foreign Currencies

The Company's functional currency is the Euro as this reflects the primary economic environment in which the entity operates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the reporting date. Expenses paid in foreign currencies are recorded at the rate of exchange at the transaction date. Exchange gains and losses are included in the determination of total comprehensive income for the year.

(k) Finance costs

Finance costs are determined based on the interest rate applicable to the related borrowing and expensed in the profit or loss in the year in which they are incurred.

3. Critical Accounting Estimates

The critical accounting judgement concerning the future or key source of estimation uncertainty at the reporting date that could have a significant risk of causing a material adjustment to the financial statements is the amount that will need to be paid to extinguish the Company's liabilities.

Notes to the Financial Statements

4. Loss from Operations

Loss from operations is arrived at after charging:-

	2013 €	2012 €
Vessel operating costs:		
Tonnage tax	-	1,676
Administrative expenses		
Auditor's remuneration	5,188	16,164
Tax service fees	-	4,432
Loss on exchange	-	4,549
	=====	=====

5. Finance Costs, Net

	2013 €	2012 €
Interest expense on long term debt	108,341	422,907
	=====	=====

6. Income Tax

The entire loss before tax is subject to the UK tonnage tax regime. The Company bears no income tax.

7. Employees

There were no employees employed by the Company in the year (2012: Nil).

8. Key Management Remuneration

No director's remuneration has been paid nor is payable for the year (2012: €36,045). There are not considered to be any other key management.

Watling Street Shipping Limited
Financial statements for the year to 31 December 2013

Notes to the Financial Statements

9. Vessel, held for sale

Fair value	€
At 1 January 2012	34,850,000
Disposal	(34,850,000)
At 31 December 2012	=====

10. Trade and Other Receivables

	2013	2012
	€	€
Other receivables	35,754	37,484
	=====	=====

All receivables are expected to be recovered within one year.

11. Cash and Cash Equivalents

	2013	2012
	€	€
Cash at bank	837,018	936,130
	=====	=====

All bank balances have been pledged to the bank as security for the loan facilities granted (see Note 13).

Notes to the Financial Statements

12. Trade and Other Payables

	2013 €	2012 €
Trade payables	649	649
Other payables and accruals	238,967	170,724
	<u>239,616</u>	<u>171,373</u>
	=====	=====

All trade, other payables and accruals are due for settlement within one year.

13. Current Portion of Long Term Debt

At 31 December, the bank loan was repayable as follows:

	2013 €	2012 €
Within 1-year	2,511,660	2,511,660
	<u>2,511,660</u>	<u>2,511,660</u>
	=====	=====

The Company and three of its fellow subsidiaries established a €182,260,000 secured loan facility with HSH Nordbank, Deutsche Schiffsbank Aktiengesellschaft and DVB Bank N.V. At 31 December 2008 the whole amount had been drawn down and the amount of €46,120,000 allocated to the Company.

All four vessels were sold in the year ended 31 December 2012 and the loan balance substantially repaid. The remainder of the loan is repayable on demand.

The Company is jointly and severally liable with the fellow subsidiaries for the total amount of the facility drawn down. At 31 December 2013 the total amount due under the facility amounted to €8,270,540 (2012: €8,270,540).

The loan bears interest at EURIBOR plus a margin of 1.85% plus 2% default interest.

The loan is secured by, inter alia, a pledge over the bank accounts of the Company, a guarantee from the former holding company and a charge over the shares of the Company.

Notes to the Financial Statements

14. Amount due to Parent Company

The amount due to the parent company is non-trade related, unsecured and interest free.

Repayment of the balance is subordinated to the long term debt.

The parent company filed for liquidation on 16 May 2011.

15. Share capital

	2013		2012	
	No. of Shares	€	No. of shares	€
Authorised:-				
Ordinary shares of £1 each	1,000	1,480	1,000	1,480
	=====	=====	=====	=====
Issued and fully paid:-				
Ordinary shares of £1 each	1	1	1	1
	=====	=====	=====	=====

16. Financial Risk Management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, interest rate risk, fair values and exchange rate risk.

(a) Management of Capital

The Company regarded the following as capital:

	2013 €	2012 €
Shareholder's deficit	(36,449,309)	(36,280,224)
Long term debt	2,511,660	2,511,660
Amounts due to parent company	31,410,288	31,410,288
	=====	=====
	(2,527,361)	(2,358,276)
	=====	=====

However, the Company has been unable to meet its debt covenants so the long term loan is in default and is repayable on demand.

Notes to the Financial Statements

16. Financial Risk Management (Continued)

(b) Financial Risks

(i) Credit risk

The Company ceased trading during the prior year and the credit risk attributable to receivables is no longer considered to be significant.

No receivables are considered to be past due or impaired.

Concentrations of credit risk exist to the extent that at 31 December 2013 and 2012 all current accounts and short-term deposits were held with one financial institution, HSH Nordbank AG.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its obligations.

The Company continued to breach lending covenants in the year and has been unable to obtain additional funding from other sources.

All liabilities are now due on demand and the director intends to file for liquidation.

(iii) Interest rate risk

The Company's interest bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial positions and cash flows.

The Company's exposure to changes in interest rates relates primarily to its long term debt which is disclosed in note 13.

The impact on the result for the year of a 100 b.p. change in the spot Euro 3 months EURIBOR rate at each fixing date would be an increase of approximately €25,000 (2012: €25,000) or decrease of €25,000 (2012: €25,000) respectively. Sensitivity remains unchanged in the current year as the company has ceased trading following the sale of the vessel in the prior year and no repayments of long term debt have been made following the sale.

Notes to the Financial Statements

16. Financial Risk Management (Continued)

(iv) Fair values

All financial assets are carried at amounts not materially different from their fair values as at 31 December 2013 and 2012.

The fair value of financial liabilities as at 31 December 2013 is considered to be €872,772 (2012: €973,614).

(v) Exchange rate risk

The Company is not exposed to significant exchange rate risk as all material assets and liabilities are denominated in Euros.

17. Related Party Transactions and Controlling Interests

As at 16 May 2011 the Company was a wholly owned subsidiary of New Paragon Investments Limited, a company incorporated in Hong Kong. On 16 May 2011 New Paragon Investments Limited filed for liquidation.

On 8 June 2011 HSH Nordbank AG ("HSH") exercised its rights under the loan facility and the shares of the Company were transferred from New Paragon Investments Limited to HSH's appointed nominee Epic Shipping Project 7 Limited ("Epic"). On 7 September 2012 the shares were transferred from Epic to another HSH appointed nominee Abelia Shipping Inc. Abelia Shipping Inc. is a wholly owned subsidiary of Woodstreet Inc, a company over which the director has significant control. These transfers do not affect the beneficial ownership of the Company which remains with New Paragon Investments Limited.

During the year the Company was charged an administration fee of €15,239 by Abelia Shipping Inc. (2012: €3,949 by Woodstreet Inc.) and a fee for directors services by Woodstreet Inc. of €nil (2012: €5,939).

18. Commitments

Prior to the sale of the vessel during the year ended 31 December 2012, the Company chartered out its vessel under a time charter party agreement which was classified as a non-cancellable operating lease. Time charter hire income is recognised as revenue in the statement of comprehensive income and the total revenue for the year amounted to €nil (2012: €1,684,475).

The Company had no contracted future minimum lease receipts as at 31 December 2013 and 2012.