

Current report No 15/2013

Date: 15.05.2013

KDM SHIPPING PUBLIC LIMITED
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the 3 months ended 31 March 2013

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the 3 months ended 31 March 2013

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KDM SHIPPING PUBLIC LIMITED

BOARD OF DIRECTORS AND PROFESSIONAL ADVISORS

Board of Directors	Konstantyn Molodkovets - Executive Director, CEO (appointed on 22 February 2012)
	Denys Molodkovets - Executive Director, CFO (appointed on 22 February 2012)
	Ivaylo Georgiev Getsov, COO (appointed on 29 March 2012 and resigned on 12 February 2013)
	Oleksiy Veselovskyy - Executive Director, COO (appointed on 22 February 2012 and passed away on 25 March 2012)
	Konstantin Anisimov - Non-executive Director (appointed on 22 February 2012)
	Mykhailo Chubai - Non-executive Director (appointed on 22 February 2012)
	Stelios Stylianides - Non-executive Director (resigned on 22 February 2012)
Audit Committee	Konstantin Anisimov – Head of Committee (appointed on 19 March 2012)
	Mykhailo Chubai (appointed on 19 March 2012)
Remuneration Committee	Mykhailo Chubai – Head of Committee (appointed on 19 March 2012)
	Konstantin Anisimov (appointed on 19 March 2012)
Secretary	Boomer Secretarial Limited 3 Michael Koutsofta Str. 3031, Limassol Cyprus
Independent Auditors	KPMG Limited
Registered Office	3 Michael Koutsofta Str. 3031, Limassol Cyprus

KDM SHIPPING PUBLIC LIMITED

Declaration of the Members of the Board of Directors and the person responsible for the preparation of the condensed consolidated interim financial statements of the Company

We, the Members of the Board of Directors and the person responsible for the preparation of the condensed consolidated interim financial statements of KDM Shipping Public Limited for the 3 months ended 31 March 2013, based on our knowledge, which is the product of careful and conscientious work, declare that the particulars which are specified in the interim consolidated financial statements are true and complete.

Members of the Board of Directors:

Konstantyn Molodkovets	
Denys Molodkovets	
Konstantin Anisimov	
Mykhailo Chubai	

Person responsible for the preparation of the condensed consolidated interim financial statements for the 3 months ended 31 March 2013:

Denys Molodkovets	
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14 May 2013

KDM SHIPPING PUBLIC LIMITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 3 months ended 31 March 2013

		3 months ended	
	Note	31 March 2013	31 March 2012
		USD'000	USD'000
Revenue		5.741	2.787
Cost of sales		(3.424)	(1.698)
Gross profit		2.317	1.089
Administrative expenses		(139)	(121)
Selling and distribution expenses		(1)	(4)
Other operating income/(expenses)		(131)	(134)
Operating profit		2.046	830
Finance expenses	5	(129)	(92)
Net finance expenses		(129)	(92)
Profit before tax		1.917	738
Tax		41	3
Profit for the period		<u>1.958</u>	<u>741</u>
Other comprehensive income			
Effect of translation into presentation currency		29	94
Total comprehensive income for the period		<u>1.987</u>	<u>835</u>
Profit for the period attributable to:			
Owners of the Company		1.959	741
Non-controlling interest		(1)	-
Profit for the period		<u>1.958</u>	<u>741</u>
Total comprehensive income attributable to:			
Owners of the Company		1.987	835
Non-controlling interest		-	-
Total comprehensive income for the period		<u>1.987</u>	<u>835</u>
Basic and diluted earnings per share (USD)	10	<u>0,27</u>	<u>0,20</u>

The notes on pages 8 to 19 are an integral part of these condensed consolidated interim financial statements.

KDM SHIPPING PUBLIC LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2013

	Note	31 March 2013 USD'000	31 December 2012 USD'000
Assets			
Vessels, property, plant and equipment	6	31.138	31.564
Intangible assets		110	110
Trade and other receivables		3.000	3.000
Deferred tax assets		235	236
Total non-current assets		<u>34.483</u>	<u>34.910</u>
Inventories	7	3.242	749
Trade and other receivables		4.635	5.060
Tax asset		2	1
Cash and cash equivalents		13.036	12.954
Total current assets		<u>20.915</u>	<u>18.764</u>
Total assets		<u><u>55.398</u></u>	<u><u>53.674</u></u>
Equity			
Share capital	8	91	91
Share premium	8	7.355	7.355
Translation reserve		(9.519)	(9.548)
Retained earnings		48.089	46.130
Total equity attributable to owners of the Company		<u>46.016</u>	<u>44.028</u>
Non-controlling interest		91	92
Total equity		<u><u>46.107</u></u>	<u><u>44.120</u></u>
Liabilities			
Loans and borrowings	9	2.031	2.433
Deferred tax liabilities		2.941	2.983
Other long-term liabilities		256	250
Total non-current liabilities		<u>5.228</u>	<u>5.666</u>
Loans and borrowings	9	2.422	2.038
Trade and other payables		1.641	1.850
Tax liability		-	-
Total current liabilities		<u>4.063</u>	<u>3.888</u>
Total liabilities		<u>9.291</u>	<u>9.554</u>
Total equity and liabilities		<u><u>55.398</u></u>	<u><u>53.674</u></u>

Konstantyn Molodkovets,
Director, CEO

Denys Molodkovets, CFO
Director, CFO

The notes on pages 8 to 19 are an integral part of these condensed consolidated interim financial statements.

KDM SHIPPING PUBLIC LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 3 months ended 31 March 2013

	Attributable to owners of the Company				Total	Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve	Retained earnings			
	USD'000	USD'000	USD'000	USD'000			
Balance at 1 January 2013	91	7.355	(9.548)	46.130	44.028	92	44.120
Comprehensive income							
Profit for the period	-	-	-	1.959	1.959	(1)	1.958
Effect from translation into presentation currency	-	-	29	-	29	-	29
Total comprehensive income for the period	-	-	29	1.959	1.988	(1)	1.987
Transactions with owners, recognized directly in equity							
<i>Contributions by and distributions to owners</i>							
Total transactions with owners	-	-	-	-	-	-	-
Balance at 31 March 2013	91	7.355	(9.519)	48.089	46.016	91	46.107

The notes on pages 8 to 19 are an integral part of these condensed consolidated interim financial statements.

KDM SHIPPING PUBLIC LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont)

For the 3 months ended 31 March 2013

	Attributable to owners of the Company				Non-controlling interests	Total equity	
	Share capital	Share premium	Translation reserve	Retained earnings			Total
	USD'000	USD'000	USD'000	USD'000			USD'000
Balance at 1 January 2012	18	-	(9.535)	33.638	24.121	48	24.169
Comprehensive income							
Profit for the period	-	-	-	741	741	-	741
Effect from translation into presentation currency	-	-	94	-	94	-	94
Total comprehensive income for the period	-	-	94	741	835	-	835
Transactions with owners, recognized directly in equity							
<i>Contributions by and distributions to owners</i>							
Issue of share capital on 22 February 2012	63	-	-	-	63	-	63
Total transactions with owners	63	-	-	-	63	-	63
Balance at 31 March 2012	81	-	(9.441)	34.379	25.019	48	25.067

The notes on pages 8 to 19 are an integral part of these condensed consolidated interim financial statements.

KDM SHIPPING PUBLIC LIMITED**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the 3 months ended 31 March 2013

	Note	3 months ended	
		31 March 2013 USD'000	31 March 2012 USD'000
Cash flows from operating activities:			
Profit for the period		1,958	741
Depreciation of vessels, property plant and equipment		437	386
Recovery of provision for impairment of receivables		(7)	-
Recovery of payables previously written off		(86)	-
Discount of notes issued	5	6	5
Other provisions		(1)	(9)
Interest expense	5	123	86
Tax		(41)	(3)
Cash generated from operating activities before working capital changes		2,389	1,206
Decrease/(increase) in inventories		(2,493)	112
Decrease/(increase) in trade and other receivables		429	224
(Decrease)/increase in trade and other payables		(245)	(1,257)
Cash generated from operating activities		80	286
Tax paid		-	-
Net cash from operating activities		80	286
Cash flows from investing activities			
Payment for acquisition of vessels, property plant and equipment	6	(7)	(387)
Net cash used in investing activities		(7)	(387)
Cash flows from financing activities			
Interest paid		(20)	(42)
Issued and paid share capital		-	63
Net cash (used in)/generated from financing activities		(20)	21
Effects of translation into presentation currency		29	67
Net increase in cash and cash equivalents		82	(13)
Cash and cash equivalents at the beginning of the period		12,954	80
Cash and cash equivalents at the end of the period		13,036	67

The notes on pages 8 to 20 are an integral part of these condensed consolidated interim financial statements.

KDM SHIPPING PUBLIC LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the 3 months ended 31 March 2013

1. INCORPORATION AND PRINCIPAL ACTIVITIES

KDM Shipping Public Limited (formerly V.S. Marine Engineering Services Limited) (the "Company") was incorporated in Cyprus on 2 December 1999 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its registered office is at 3 Michael Koutsofta Str., 3031, Limassol, Cyprus.

The condensed consolidated interim financial statements as at and for the period 1 January 2013 to 31 March 2013 comprise the financial statements of the Company and its subsidiaries (together referred to as "the Group").

The principal activities of the Group are cargo transportation, passenger transportation, ship repair and shipbuilding.

On 9 August 2012 the shares of the Company were admitted on the regulated market of the Warsaw Stock Exchange (refer note 10 for details).

The Group's subsidiaries, country of incorporation, and effective ownership percentages are disclosed below:

<u>Name</u>	<u>Country of incorporation</u>	<u>31 March 2012 Holding%</u>	<u>31 December 2012 Holding%</u>
KD Shipping Co. Limited Inc.	Panama	100,00	100,00
LLC Danapris	Ukraine	99,84	99,84
LLC Capital Shipping Company	Ukraine	99,57	99,57
LLC Hylea-Servise	Ukraine	99,57	99,57
LLC CSC-Agent	Ukraine	99,84	99,84
LLC Riverest Tur	Ukraine	94,61	94,61

The parent company of the Group is KDM Shipping Public Limited (formerly V.S. Marine Engineering Services Limited), with an issued share capital of 7 296 000 ordinary shares with nominal value of €0,01 per share. The shares were distributed as follows:

Owner	30 March 2013		31 December 2012	
	Number of shares	Ownership Interest %	Number of shares	Ownership Interest %
Konstantyn Molodkovets	5.100.000	69,9	5.100.000	69,9
Denys Molodkovets	749.999	10,3	749.999	10,3
Miralex Inc	449.998	6,2	449.998	6,2
Oleksiy Veselovskyy ⁽¹⁾	200.000	2,7	200.000	2,7
Konstantin Anisimov	1	-	1	-
Liudmyla Molodkovets	1	-	1	-
Iurii Molodkovets	1	-	1	-
Public	796.000	10,9	796.000	10,9

⁽¹⁾ Since Mr. Veselovskyy passed away on 25 March 2012, these Shares in the Issuer constitute a part of estate to be transferred to heirs of Mr. Veselovskyy. The heir(s) will enter into possession of the Shares not earlier than after 6 months from the date of death, while the title to the shares will have passed to the relevant heir(s) as of the date of death.

KDM SHIPPING PUBLIC LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the 3 months ended 31 March 2013

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

The condensed consolidated interim financial statements for the 3 months ended 31 March 2013 have been prepared in accordance with IAS 34 “Interim Financial Reporting” and the requirements of the Cyprus Companies Law, Cap. 113 and were not audited by the external independent auditors’ of the Group. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2012. These condensed consolidated interim financial statements do not include all the information required for full annual consolidated financial statements prepared in accordance with International financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

These condensed consolidated interim financial statements were approved by the Board of Directors on 14 May 2013.

(b) Judgments and estimates

Preparing the condensed consolidated interim financial statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, significant judgements made by Management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2012.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2012.

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the 3 months ended 31 March 2013

4. OPERATING SEGMENTS

The Group has three reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different services and are managed separately. Information regarding the results of each reportable segment is included below:

3 months ended 31 March 2013	Freight USD'000	Ship repair USD'000	Passenger transport USD'000	Total USD'000
Revenue	4.771	949	21	5.741
Cost of sales	(2.800)	(619)	(5)	(3.424)
Gross profit	1.971	330	16	2.317
Expenses	(216)	(54)	(1)	(271)
Operating profit	1.755	276	15	2.046
Net finance cost	(129)	-	-	(129)
Profit before tax	1.626	276	15	1.917
Tax	-	41	-	41
Net profit for the period	1.626	317	15	1.958
As at 31 March 2013				
Non-current assets	11.286	11.792	11.405	34.483
Current assets	17.389	2.430	1.096	20.915
Total assets	28.675	14.222	12.501	55.398
Non-current liabilities	-	99	5.129	5.228
Current liabilities	1.041	2.233	789	4.063
Total liabilities	1.041	2.332	5.918	9.291
3 months ended 31 March 2012				
Revenue	2.312	453	22	2.787
Cost of sales	(1.401)	(291)	(6)	(1.698)
Gross profit	911	162	16	1.089
Expenses	(224)	(23)	(12)	(259)
Operating profit	687	139	4	830
Net finance cost	(92)	-	-	(92)
Profit before tax	595	139	4	738
Tax	-	3	-	3
Net profit for the period	595	142	4	741
As at 31 March 2012				
Non-current assets	7.704	11.277	11.235	30.216
Current assets	2.017	423	948	3.388
Total assets	9.722	11.700	12.183	33.604
Non-current liabilities	-	134	5.738	5.872
Current liabilities	435	1.722	508	2.665
Total liabilities	435	1.856	6.246	8.537

KDM SHIPPING PUBLIC LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the 3 months ended 31 March 2013

5. NET FINANCE EXPENSES

	3 months ended	
	31 March 2013 USD'000	31 March 2012 USD'000
Finance expenses		
Interest expense		
Loan interest	121	87
Interest payable on leases	2	-
	<u>123</u>	<u>87</u>
Other finance expenses		
Discount of notes issued	6	5
	<u>129</u>	<u>92</u>

6. VESSELS, PROPERTY, PLANT AND EQUIPMENT

During the 3 months ended 31 March 2013, the Group acquired assets with a cost, excluding capitalised borrowing costs, of USD 7 thousand (3 months ended 31 March 2012: USD 318 thousand)

7. INVENTORIES

	31 March	31 December
	2013 USD'000	2012 USD'000
Goods for re-sale	1,726	-
Raw materials	808	38
Work in progress	433	338
Fuel	256	354
Spare parts and other consumables	10	10
Other materials	<u>9</u>	<u>9</u>
	<u>3,242</u>	<u>749</u>

KDM SHIPPING PUBLIC LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the 3 months ended 31 March 2013

8. SHARE CAPITAL

	31 March 2013	31 March 2013	31 December 2012	31 December 2012
	Number of shares	Nominal value USD'000	Number of shares	Nominal value USD'000
Authorised				
Ordinary shares of USD 0,01/1,75 each (Euro 0,01/1,71 each)	20.000.000	265	20.000.000	265
Issued and fully paid				
Balance at 1 January	10.000	18	10.000	18
Share split 22 February 2012	1.700.000	-	1.700.000	-
Issue of share capital 22 February 2012	4.790.000	63	4.790.000	63
Issue of share capital 09 August 2012	796.000	10	796.000	10
Balance at 31 March/ /31 December	7.296.000	91	7.296.000	91

Dividends

No dividends were declared and paid by the Company for the periods ended 31 March 2013 and 2012.

The owners of the parent company as at 31 March 2013 and 31 December 2012 were as follows:

	31 March 2013 USD'000	31 December 2012 USD'000
Kostiantyn Molodkovets	64	64
Denys Molodkovets	9	9
Miralex Inc.	6	6
Oleksiy Veselovskyy	2	2
Konstantin Anisimov	-	-
Liudmyla Molodkovets	-	-
Iurii Molodkovets	-	-
Public	10	10
	<u>91</u>	<u>91</u>

KDM SHIPPING PUBLIC LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the 3 months ended 31 March 2013

8. SHARE CAPITAL (cont.)*Authorised share capital*

On 22 February 2012, it was resolved that the authorized share capital of the Company be increased from €17.100 divided into 1.710.000 ordinary shares of €0,01 each to €200.000 divided to 20.000.000 ordinary shares of €0,01 each by the creation of 18.290.000 new ordinary shares of nominal value €0,01 each. The new shares have the same rights as the existing shares.

Issued share capital

On 22 February 2012 it was resolved that the value of the shares of the Company's share capital is divided from €1,71 (USD 0,75) each to €0,01 (USD 0,01) each. As a result the currently existing 10.000 ordinary shares of nominal value €1,71 each, all of which have been issued and are fully paid up, be divided into 1.710.000 ordinary shares of €0,01 each, fully paid up.

Additionally, on the same date, it was resolved to issue and allot 4.790.000 shares of nominal value €0,01. As a result of the above, the issued share capital amounts to €65.000 (USD 81.000) and is divided into 6.500.000 ordinary shares of €0,01 each.

On 9 August 2012, the Company's shares started trading on the main market of Warsaw Stock Exchange ("WSE"). The offer price for each Company's share was established at PLN 32,4 (USD 9,80/EURO 7,96) and the investors subscribed for 796 000 shares of the Company which represent 10,9% of the total issued share capital. The number of Company's shares allotted was: 66 525 to retail investors and 729 475 to institutional investors.

This resulted an increase in ordinary share capital of USD 73 000 and share premium of USD 7 355 000 net of transactions costs.

9. LOANS AND BORROWINGS

	31 March 2013 USD'000	31 December 2012 USD'000
Long term liabilities		
Bank loans	2.000	2.400
Obligations under finance leases	31	33
	<hr/> 2.031	<hr/> 2.433
Short term liabilities		
Bank overdrafts	-	15
Bank loans	415	417
Short term portion of long term loans	2.000	1.600
Obligations under finance leases	7	6
	<hr/> 2.422	<hr/> 2.038
Total	<hr/> 4.453	<hr/> 4.471

KDM SHIPPING PUBLIC LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the 3 months ended 31 March 2013

9. LOANS AND BORROWINGS (cont.)

Maturity of non-current borrowings:

	31 March 2013 USD'000	31 December 2012 USD'000
Within one year	<u>2.000</u>	<u>1.600</u>
Between one and five years	<u>2.000</u>	<u>2.400</u>
	<u>4.000</u>	<u>4.000</u>

The accrued interest on loans and borrowings amounts to USD 372 thousand (31 December 2012: USD 271 thousand) and is included in other accounts payable.

The bank loans and overdrafts are secured as follows:

- By mortgage against the vessels with net book value of USD 5.597 thousand (31 December 2012: USD 5 724 thousand),

The weighted average effective interest rates at the reporting date were as follows:

	<u>31 March 2013</u>	<u>31 December 2012</u>
Bank loans	3M Libor + 10,5%	3M Libor + 10,5%

Obligations under finance lease liabilities

	Minimum lease payments 31 March 2013 USD'000			Minimum lease payments 31 December 2012 USD'000		
	Interest 31 March 2013 USD'000	Principal 31 March 2013 USD'000	Interest 31 December 2012 USD'000	Principal 31 December 2012 USD'000	Interest 31 December 2012 USD'000	Principal 31 December 2012 USD'000
Within one year	13	6	13	7	7	6
Between one and five years	<u>48</u>	<u>17</u>	<u>51</u>	<u>18</u>	<u>33</u>	<u>33</u>
	<u>61</u>	<u>23</u>	<u>64</u>	<u>25</u>	<u>39</u>	<u>39</u>

All lease obligations are denominated in United States Dollars.

The fair values of lease obligations approximate to their carrying amounts as presented above.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

KDM SHIPPING PUBLIC LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the 3 months ended 31 March 2013

10. EARNINGS PER SHARE

The calculation of earnings per share was based on the profit attributable to ordinary owners and the number of ordinary shares outstanding, calculated as follows:

Profit attributable to ordinary owners:

	31 March 2013 USD '000	31 March 2012 USD '000
Profit for the period	1.959	741
Number of ordinary shares:		
	31 March 2013 '000	31 March 2012 '000
Issued ordinary shares at 1 January	10	10
Effect of share split as a result of change in nominal value from €1,71 to €0,01 on 22 February 2012	1.700	1.700
Effect of 4.790.000 shares issued on 22 February 2012	4.790	2.053
Effect of 796.000 shares issued on 09 August 2012	796	-
Weighted average number of ordinary shares at 31 March	7.296	3.763
Total basic earnings per share	0,27	0.20

11. RELATED PARTY BALANCES AND TRANSACTIONS

The majority of the Company's share capital is held by Molodkovets Kostiantyn who owns 69,9% and Molodkovets Denys who owns 10,28%. Since 9 August 2012, 10,91% of the Company's share capital is traded at the Warsaw Stock Exchange and is held by both institutional and retail investors.

In the ordinary course of its business, the Group has engaged and continue to engage in transactions with related parties.

For the purposes of these condensed consolidated interim financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Group enters into transactions with both related and unrelated parties. It is generally not possible to objectively determine whether any transaction with a related party would have been entered into if the parties had not been related, or whether such transactions would have been effected on the same terms, conditions and amounts if the parties had not been related.

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the 3 months ended 31 March 2013

11. RELATED PARTY BALANCES AND TRANSACTIONS (cont.)

According to these criteria the related parties of the Group are divided into the following categories:

- A. Key management;
- B. Companies which activities are significantly influenced by the Group's owners.

(i) Remuneration of key management

Salary costs of key management for the period/year ended 31 March 2013 and 31 December 2012 were as follows:

	31 March 2013 USD'000	31 December 2012 USD'000
Salaries	13	57
Contributions to pension funds	6	26
	<u>19</u>	<u>83</u>

Number of key management personnel for the period/year ended 31 March 2013 and 31 December 2012 was as follows:

	31 March 2013 USD'000	31 December 2012 USD'000
Number of key management personnel, persons	<u>16</u>	<u>20</u>

(ii) Amounts receivable to directors/owners

	31 March 2013 USD'000	31 December 2012 USD'000
Receivable from directors/owners	<u>18</u>	<u>18</u>

The amount receivable from owners are interest free, and have no specific repayment date.

No other material related party transactions have occurred since the end of 2012.

There are no material transaction with the related parties, which are not member of the Group in period/year ended 31 March 2013 and 31 December 2012, other than described herein.

(iii) Amounts payable to directors/owners

	31 March 2013 USD'000	31 December 2012 USD'000
Payable to directors/owners	<u>83</u>	<u>86</u>

KDM SHIPPING PUBLIC LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the 3 months ended 31 March 2013

12. FINANCIAL RISK MANAGEMENT

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2012.

13. CONTINGENT AND CONTRACTUAL LIABILITIES**a) *Economical environment***

Main operating activity of the Group is carried out within Ukraine. Laws and other regulatory acts affecting the activities of entities in Ukraine may be subject to changes during short periods of time. As a result, assets and operating activity of the Group may be exposed to the risk in case of any unfavorable changes in political and economical environment.

Management believes that it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances. However, any unexpected deterioration in the areas described above may negatively affect the Group's activities.

b) *Taxation*

As a result of unstable economic situation in Ukraine, tax authorities in Ukraine pay more and more attention to the business circles. In connection with it, tax laws in Ukraine are subject to frequent changes. Above this, there are cases of their inconsistent application, interpretation and execution. Non compliance with laws and norms may lead to serious fines and penalties.

The Company is in the Cypriot tax jurisdiction and its subsidiaries in the Ukrainian tax jurisdiction. The Company's Management must interpret and apply mainly existing legislation to transactions with third parties and its own activities. Significant judgment is required in determining the provision for direct and indirect taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group 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.

The Group's uncertain tax positions are reassessed by management at every reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the reporting period and any known Court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the reporting date.

The Group considers that it operates in compliance with tax laws of Ukraine, although, a lot of new laws about taxes and transactions in foreign currency have been adopted recently, and their interpretation is rather ambiguous.

KDM SHIPPING PUBLIC LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the 3 months ended 31 March 2013

13. CONTINGENT AND CONTRACTUAL LIABILITIES (cont.)

In December 2010, the revised Tax Code of Ukraine was officially published. In its entirety, the Tax Code of Ukraine will become effective on 1 January 2011, while some of its provisions will take effect later (such as, Section III dealing with corporate income tax, will come into force from 1 April 2011). Apart from changes in CIT rates from 1 April 2011 the Tax Code also changes various other taxation rules, as for the date these financial statements were authorized for issue, additional clarifications and guidance on application of the new tax rules were not published, and certain revisions were proposed for consideration by the Ukrainian Parliament.

While the Group's management believes the enactment of the Tax Code of Ukraine will not have significant negative impact on the Group's financial results in the foreseeable future, as of the date these financial statements were authorized for issue management was in the process of assessing its effects of its adoption on the operations of the Group.

c) *Legal matters*

In the course of its economic activities the Group participates in legal proceedings with third parties. In most cases, the Group is the initiator of proceedings with the purpose of preventing from losses in the economic sphere or minimizing them.

The Group's management considers that as at the reporting period, legal proceedings on such matters will not have any significant influence on its financial position.

d) *Pension and other liabilities*

Most of the Group's employees receive pension benefits from the Pension Fund, Ukrainian state organization, in accordance with the regulations and laws of Ukraine. Group is obliged to deduct a certain percentage of salaries to the Pension Fund to pay pensions.

As at 31 March 2013 the Group had no liabilities for any supplementary pension payments, health care, insurance or other benefits after retirement to their working or former employees.

On the 25th of April Company and the shareholders (including the Principal Shareholder) involved in the Transaction, received a consent to release the lock up obligations imposed on them pursuant to the placement agreement made in connection with the Company's initial public offering, to the extent necessary to enter into the new Transactions that of capital raise thought selling of new and/or existing shares. The new lock up obligations for Principal Shareholder and/or other shareholders is likely to be imposed soon.

KDM SHIPPING PUBLIC LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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14. EVENTS AFTER THE REPORTING DATE

There were no material events after the reporting period, which affect the consolidated financial statements as at 31 March 2013 except as described here below:

- The Company intends to increase its share capital and issue up to 2 700 000 ordinary shares in order to finance the Company's business development. At the same time, in order to accelerate the receipt of proceeds and execute the capital increase as soon as possible when the market opportunity window opens, the Company has decided to utilise the support of the principal owner, Mr. Kostiantyn Molodkovets Principal Shareholder and has structured the transaction as described below.

The principal owner would propose to sell to qualified investors only up to 2 000 000 ordinary shares held by him. At the same time or shortly thereafter, the Company (pursuant to the general meeting approval) would execute a capital increase of up to 2 700 000 ordinary shares, out of which 2 000 000 newly issued ordinary shares would be subscribed and acquired by the principal owner and the remaining 700 000 newly issued ordinary shares would be offered to the Investors. The issue price for the acquisition shares shall be equal to the issue price of the additional investor shares. As a result of this transaction the total number of shares held by the principal owner will remain unchanged.

- The Group's goal for 2013 is to complete a procedure of changing the flag on 3 of its vessel: Danapris 1, Danapris 5 and Danapris 3. As of today the Group has already placed Danapris 1 under colors of Russian Federation. Estimated time for remaining vessels is by end of 3rd quarter of 2013.
- The Group is planning to transfer ownership of vessels from LLC Capital Shipping Company (Ukraine) to KD Shipping Co. Limited Inc. (Panama). The change of ownership will be performed in course of 2013.
- The Group has signed a Memorandum of Agreement on purchasing a dry bulk cargo vessel, with delivery dates between 30th May and 7th June.

On 14 May 2013 the Board of Directors of KDM Shipping Public Limited authorised for issue these consolidated financial statements.