

KDM SHIPPING PUBLIC LIMITED
CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS

For the six months ended 30 June 2016

KDM SHIPPING PUBLIC LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2016

C O N T E N T S

	<u>Page</u>
Board of Directors and other officers	1
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	2
Independent Auditors' Report on review of condensed consolidated interim financial statements	3 & 4
Condensed consolidated statement of profit or loss and other comprehensive income	5
Condensed consolidated statement of financial position	6
Condensed consolidated statement of changes in equity	7
Condensed consolidated statement of cash flows	8
Notes to the condensed consolidated interim financial statements	9 - 26

KDM SHIPPING PUBLIC LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors	<p>Konstantyn Molodkovets - Executive Director, CEO</p> <p>Denys Molodkovets - Executive Director, CFO</p> <p>Konstantin Anisimov - Non-executive Director (resigned on 25 August 2015)</p> <p>Mykhailo Chubai - Non-executive Director (resigned on 25 August 2015)</p>
Audit Committee	<p>Denys Molodkovets - Head of Committee (appointed on 25 August 2015)</p> <p>Konstantyn Molodkovets (appointed on 25 August 2015)</p> <p>Konstantin Anisimov – Head of Committee (resigned on 25 August 2015)</p> <p>Mykhailo Chubai (resigned on 25 August 2015)</p>
Remuneration Committee	<p>Konstantyn Molodkovets - Head of Committee (appointed on 25 August 2015)</p> <p>Denys Molodkovets (appointed on 25 August 2015)</p> <p>Mykhailo Chubai – Head of Committee (resigned on 25 August 2015)</p> <p>Konstantin Anisimov (resigned on 25 August 2015)</p>
Secretary	<p>Boomer Secretarial Limited 3 Michael Koutsofta Str. 3031, Limassol Cyprus</p>
Independent Auditors	<p>KPMG Limited</p>
Registered Office	<p>3 Michael Koutsofta Str. 3031, Limassol Cyprus</p>

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

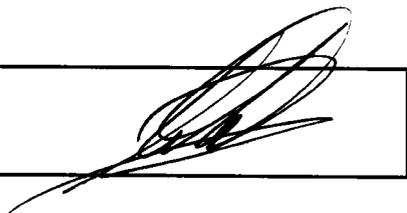
In accordance with Article 9, sections (3)(c) and (7) of the Transparency Requirements (Securities for Trading on Regulated Market) Law of 2007 ("Law"), we the members of the Board of Directors and the other responsible persons for the condensed consolidated interim financial statements of KDM Shipping Public Limited for the period of six months ended 30 June 2016 we confirm that, to the best of our knowledge:

- a) the condensed consolidated interim financial statements that are presented on pages 5 to 26:
- (i) have been prepared in accordance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and in accordance with the provisions of Article 9, section (4) of the Law, and
 - (ii) give a true and fair view of the assets and liabilities, the financial position and the profit or losses of KDM Shipping Public Limited and the entities included in the condensed interim consolidated financial statements as a whole, and
- (b) the report of the Board of Directors provides a fair review of the developments and performance of the business as well as the position of KDM Shipping Public Limited and of the entities included in the condensed interim consolidated financial statements, as a whole, together with a description of the major risks and uncertainties that they face.

Members of the Board of Directors

Konstantyn Molodkovets	
Denys Molodkovets	

Person responsible for the preparation of the condensed consolidated interim financial statements for the six months ended 30 June 2016

Denys Molodkovets	
-------------------	--

Nicosia, 26 August 2016



KPMG Limited
Chartered Accountants
14 Esperidon Street, 1087 Nicosia, Cyprus
P.O. Box 21121, 1502 Nicosia, Cyprus
T: +357 22 209000, F: +357 22 678200

INDEPENDENT AUDITORS' REPORT
ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS
TO THE MEMBERS OF
KDM SHIPPING PUBLIC LIMITED

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of KDM Shipping Public Limited (the "Company") and its subsidiary companies (together with the Company referred to as "the Group") as at 30 June 2016, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial statements ("the condensed consolidated interim financial statements"). Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Board Members

NG Symmis, A.K. Christofides, P.G. Loizou, A.M. Gregoriades, A.A. Demetriou,
D.S. Varis, A.A. Apostolou, S.A. Liziadis, M.A. Lofides, S.G. Sofocleous,
M.M. Antonades, C.V. Vasilou, P.F. Antoniadis, M.J. Halijs, M.P. Michael,
P.A. Peleties, G.V. Markides, M.A. Papacosta, K.A. Papanicolaou, A.I. Shammoutis,
G.N. Tziortzis, H.S. Charalambous, C.P. Anayiotos, I.P. Ghalanos, M.G. Gregoriades,
H.A. Kafoulis, G.P. Savva, C.A. Kallis, C.N. Kallis, M.H. Zavrud, P.S. Elias,
M.G. Lazarou, Z.E. Hadjizacharias, P.S. Theophanous, M.A. Karaitoni, C.A. Markides,
G.V. Andreou, I.C. Nicolau, G.S. Prodromou, A.S. Sofocleous, G.N. Symmis, T.L. Vasiliades

Limassol
P.O. Box 5016, 3601
T: +357 25 889000
F: +357 25 363642

Larnaca
P.O. Box 40075, 6300
T: +357 24 200000
F: +357 24 200200

Nicosia
P.O. Box 60268, 8101
T: +357 26 943050
F: +357 26 943062

Paramou / Ayia Napa
P.O. Box 33200, 5311
T: +357 23 820080
F: +357 23 820084

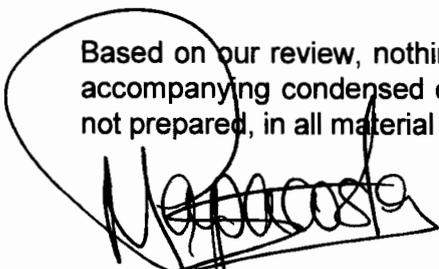
Polis Chrysochou
P.O. Box 66014, 8330
T: +357 26 322098
F: +357 26 322722

Emphasis of matter

We draw attention to notes 2 (c) and 2 (e) to the condensed consolidated interim financial statements, which describe the political and social unrest and regional tensions in Ukraine. The impact of the events referred to in notes 2 (c) and 2 (e) about the continuing economic and political crisis in Ukraine and their final resolution cannot be determined and may adversely affect the Ukrainian economy and the operations of the Group.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 30 June 2016 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.



Maria A. Papacosta, FCCA
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors
14 Esperidon Street
1087 Nicosia
Cyprus

26 August 2016

KDM SHIPPING PUBLIC LIMITED

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 June 2016

	Note	30 June 2016 USD'000	30 June 2015 USD'000
<i>Continuing operations</i>			
Revenue		13 576	9 107
Cost of sales		<u>(13 835)</u>	<u>(9 036)</u>
Gross (loss)/profit		(259)	71
Other operating income		47	36
Selling and distribution expenses		(49)	(60)
Administrative expenses		(227)	(212)
Other operating expenses	6	<u>(1 917)</u>	<u>(3 333)</u>
Operating loss		<u>(2 405)</u>	<u>(3 498)</u>
Finance income	7	1	-
Finance cost	7	<u>(68)</u>	<u>(5)</u>
Net finance cost	7	<u>(67)</u>	<u>(5)</u>
Loss before taxation		(2 472)	(3 503)
Taxation		<u>37</u>	<u>(324)</u>
Loss from continuing operations		<u>(2 435)</u>	<u>(3 827)</u>
<i>Discontinued operation</i>			
Loss from discontinued operation	5	<u>(170)</u>	<u>(75)</u>
Loss for the period		<u>(2 605)</u>	<u>(3 902)</u>
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Effect from translation into presentation currency		<u>39</u>	<u>(570)</u>
Total comprehensive income for the period		<u>(2 566)</u>	<u>(4 472)</u>
Loss for the period attributable to:			
Owners of the Company		(2 610)	(3 902)
Non-controlling interests		<u>5</u>	<u>-</u>
		<u>(2 605)</u>	<u>(3 902)</u>
Total comprehensive income attributable to:			
Owners of the Company		(2 563)	(4 492)
Non-controlling interests		<u>(3)</u>	<u>20</u>
		<u>(2 566)</u>	<u>(4 472)</u>
Basic and fully diluted loss per share (cent)	16	<u>(28.08)</u>	<u>(41.98)</u>
Basic and fully diluted loss per share - continuing operations (cent)	16	<u>(26.19)</u>	<u>(41.17)</u>

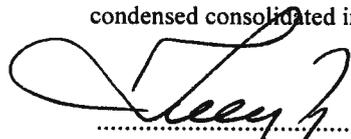
The notes on pages 9 to 26 are an integral part of these condensed consolidated interim financial statements.

KDM SHIPPING PUBLIC LIMITED

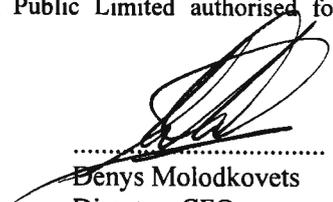
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITIONFor the six months ended 30 June 2016

	Note	30 June 2016 USD'000	31 December 2015 USD'000
Assets			
Vessels, property, plant and equipment	9	13 165	15 959
Non-current assets		<u>13 165</u>	<u>15 959</u>
Inventories	11	131	4 197
Trade and other receivables	12	7 575	5 972
Cash and cash equivalents		21 094	19 864
Assets classified as held for sale	8	1 814	-
Current assets		<u>30 614</u>	<u>30 033</u>
Total assets		<u>43 779</u>	<u>45 992</u>
Equity			
Share capital	13	118	118
Share premium		23 570	23 570
Foreign currency translation reserve		(17 433)	(17 480)
Retained earnings		31 243	33 853
Equity attributable to owners of the Company		<u>37 498</u>	<u>40 061</u>
Non-controlling interests		<u>28</u>	<u>31</u>
Total equity		<u>37 526</u>	<u>40 092</u>
Liabilities			
Loans and borrowings	14	63	-
Deferred tax liabilities		498	604
Other long-term liabilities		39	71
Non-current liabilities		<u>600</u>	<u>675</u>
Loans and borrowings	14	4 143	4 000
Short term notes		29	38
Trade and other payables	15	1 167	1 187
Liabilities classified as held for sale	8	314	-
Current liabilities		<u>5 653</u>	<u>5 225</u>
Total liabilities		<u>6 253</u>	<u>5 900</u>
Total equity and liabilities		<u>43 779</u>	<u>45 992</u>

On 26 August 2016 the Board of Directors of KDM Shipping Public Limited authorised for issue these condensed consolidated interim financial statements.



 Konstantyn Molodkovets
 Director, CEO



 Denys Molodkovets
 Director, CFO

The notes on pages 9 to 26 are an integral part of these condensed consolidated interim financial statements.

KDM SHIPPING PUBLIC LIMITED**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****For the six months ended 30 June 2016**

	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Total		
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Balance at 1 January 2015	<u>118</u>	<u>23 570</u>	<u>(16 939)</u>	<u>39 693</u>	<u>46 442</u>	<u>62</u>	<u>46 504</u>
Comprehensive expense							
Loss for the period	-	-	-	(3 902)	(3 902)	-	(3 902)
Effect of translation into presentation currency	-	-	(590)	-	(590)	20	(570)
Total comprehensive expense for the period	<u>-</u>	<u>-</u>	<u>(590)</u>	<u>(3 902)</u>	<u>(4 492)</u>	<u>20</u>	<u>(4 472)</u>
Balance at 30 June 2015	<u>118</u>	<u>23 570</u>	<u>(17 529)</u>	<u>35 791</u>	<u>41 950</u>	<u>82</u>	<u>42 032</u>
Balance at 1 January 2016	<u>118</u>	<u>23 570</u>	<u>(17 480)</u>	<u>33 853</u>	<u>40 061</u>	<u>31</u>	<u>40 092</u>
Comprehensive expense							
Loss for the period	-	-	-	(2 610)	(2 610)	5	(2 605)
Effect from translation into presentation currency	-	-	47	-	47	(8)	39
Total comprehensive expense	<u>-</u>	<u>-</u>	<u>47</u>	<u>(2 610)</u>	<u>(2 563)</u>	<u>(3)</u>	<u>(2 566)</u>
Balance at 30 June 2016	<u>118</u>	<u>23 570</u>	<u>(17 433)</u>	<u>31 243</u>	<u>37 498</u>	<u>28</u>	<u>37 526</u>

The notes on pages 9 to 26 are an integral part of these condensed consolidated interim financial statements.

KDM SHIPPING PUBLIC LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	30 June 2016 USD'000	30 June 2015 USD'000
Cash flows from operating activities		
Loss for the period	(2 605)	(3 902)
Adjustments for:		
Depreciation of vessels, property, plant and equipment	585	494
Provision for bad debts	1 346	2 301
Payables written-off	-	(27)
Loss on disposal of vessels, property, plant and equipment	-	126
Impairment charge - assets held for sale	394	-
Interest income	(1)	-
Discount of notes issued	3	5
Taxation	107	319
Exchanges differences	<u>177</u>	<u>1 005</u>
Cash flows from operations before working capital changes	6	321
Decrease in inventories	4 050	86
(Increase)/decrease in trade and other receivables	(2 959)	264
Increase/(decrease) in trade and other payables	<u>264</u>	<u>(754)</u>
Cash flows from/(used in) operations	1 361	(83)
Tax paid	<u>-</u>	<u>-</u>
Net cash flows from/(used in) operating activities	<u>1 361</u>	<u>(83)</u>
Cash flows from investing activities		
Payment for acquisition of vessels, property, plant and equipment	(62)	(848)
Proceeds from disposal of vessels, property, plant and equipment	-	170
Interest received	<u>1</u>	<u>-</u>
Net cash flows used in investing activities	<u>(61)</u>	<u>(678)</u>
Cash flows from financing activities		
Proceeds from non-bank loans	<u>206</u>	<u>-</u>
Net cash flows from financing activities	<u>206</u>	<u>-</u>
Net increase in cash and cash equivalents	1 230	337
Cash and cash equivalents at the beginning of the period	<u>19 864</u>	<u>18 833</u>
Effect of translation into presentation currency	(276)	1 098
Cash and cash equivalents at the end of the period	<u>21 094</u>	<u>19 170</u>

The notes on pages 9 to 26 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 six months ended 30 June 2016

1. INCORPORATION AND PRINCIPAL ACTIVITIES

KDM Shipping Public 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 Company was initially established under the name V.S. Marine Engineering Services Limited. On 21 December 2011, the Company was re-registered as a public limited company and changed its name to KDM Shipping Public Limited.

These condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2016 comprise the Company and its subsidiaries (together with the Company referred to as "the Group").

The principal activities of the Group are the cargo freight, ship repair, passenger transportation and trading in grain.

On 9 August 2012, the shares of the Company were admitted on the regulated market of the Warsaw Stock Exchange. On 11 June 2013, following the second public offering 2 000 000 new shares subscribed at issue price of PLN 30 per share.

The parent company of the Group is KDM Shipping Public Limited, with an issued share capital of 9 296 000 ordinary shares with nominal value of €0,01 per share. The shares were distributed as follows:

Owner	30 June 2016		31 December 2015	
	Number of shares	Ownership Interest %	Number of shares	Ownership Interest %
Konstantyn Molodkovets (KM Management Limited)	5 100 000	54,86	5 100 000	54,86
Denys Molodkovets ⁽¹⁾	1 197 321	12,88	1 197 321	12,88
Oleksyi Veselovskyy ⁽²⁾	200 000	2,15	200 000	2,15
Konstantin Anisimov	1	-	1	-
Liudmila Molodkovets	1	-	1	-
Iurii Molodkovets	1	-	1	-
Public	<u>2 798 676</u>	<u>30,11</u>	<u>2 798 676</u>	<u>30,11</u>
	<u>9 296 000</u>	<u>100,00</u>	<u>9 296 000</u>	<u>100,00</u>

⁽¹⁾ Direct and indirect holding.

⁽²⁾ 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 six months ended 30 June 2016

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

These condensed consolidated interim financial statements as at and for the six months ended 30 June 2016 have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting", and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended 31 December 2015 ('last annual financial statements'). These condensed consolidated interim financial statements do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last financial statements.

(b) Basis of measurement

These condensed consolidated interim financial statements have been prepared under the historical cost convention.

(c) Use of judgments and estimates

In preparing these condensed consolidated interim financial statements, Management has made 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.

The significant judgments 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 annual consolidated financial statements as at and for the year ended 31 December 2015.

Ukrainian operating environment

Ukraine's political and economic situation has deteriorated significantly since the Government's decision not to sign the Association Agreement and the Deep and Comprehensive Free Trade Agreement with the European Union in late November 2013. Political and social unrest combined with rising regional tensions has deepened the ongoing economic crisis and has resulted in a widening of the state budget deficit and a depletion of the National Bank of Ukraine's foreign currency reserves and, as a result, a further downgrading of the Ukrainian sovereign debt credit ratings. Since February 2014 when administrative restrictions were imposed number of Export orientated businesses suffering greatly. The final resolution and the effects of the political and economic crisis are difficult to predict but may have further severe effects on the Ukrainian economy.

The uncertain economic conditions in Ukraine have affected the cash flow forecasts of the Group's management in relation to the impairment assessment for financial and non-financial assets. The Group's management has assessed whether any impairment provisions are deemed necessary for the Group's financial assets carried at amortised cost by considering the economic situation and outlook at the end of the reporting period.

Although, Group's management considers that all necessary actions are being performed to maintain financial stability of the Group in current situation, continuation of crisis may adversely affect results and financial position of the Group, but it is currently impossible to estimate the effect. These condensed consolidated interim financial statements reflect current management estimation of Ukrainian business environment influence on the financial position of the Group. Situation development may differ from management expectations. These financial statements were not adjusted to reflect events after the reporting period.

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2016

2. BASIS OF PREPARATION (continued)

(d) Functional and presentation currency

The functional currency of most of the companies of the Group is US Dollar ("USD"). Transactions in currencies other than the functional currency of the Group's companies are treated as transactions in foreign currencies. The Group's management decided to use US dollar ("USD") as the presentation currency for financial and management reporting purposes for the convenience of its principal users. Exchange differences arising from the translation to presentation currency are classified as equity and transferred to the foreign currency translation reserve.

The exchange rates used in the preparation of these condensed consolidated financial statements are as follows:

Currency	30 June 2016	Weighted average for the 6 months ended 30 June 2016	31 December 2015	Weighted average for the 6 months ended 30 June 2015
UAH - US dollar	24,8544	25,4578	24,0070	21,3649
RUB - US Dollar	64,2575	70,2583	72,8827	57,3968

(e) Going concern basis

These condensed consolidated interim financial statements have been prepared under the going concern basis, which assumes the realisation of assets and settlement of liabilities in the course of ordinary economic activity. Renewals of the Group's assets, and the future activities of the Group, are significantly influenced by the current and future economic environment in Ukraine. The Board of Directors and Management are closely monitoring the events in the current operating environment of the Group described in Note 2 (c) and consider that the Group is able to continue its operations on a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's annual consolidated financial statements as at and for the year ended 31 December 2015.

Certain comparative amounts in the condensed consolidated statements of profit or loss and other comprehensive income have been reclassified as a result of an operation discontinued during the current period (note 5).

Discontinued operations

A discontinued operation is a component of the Group's business, the operation and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is a part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of comparative period.

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognized in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

4. OPERATING SEGMENTS

A reportable segment is a separable component of a business entity that produces goods or provides services to individuals (or groups of related products or services) in a particular economic environment that is a subject to risks and generate revenues other than risks and income those that are peculiar to other reportable segments.

The Group has four 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:

30 June 2016	Freight USD'000	Ship repair USD'000	Passenger transportation (Discontinued) USD'000	Grain trading USD'000	Total USD'000
Revenue	1 505	345	60	11 726	13 636
Cost of sales	<u>(1 935)</u>	<u>(470)</u>	<u>(39)</u>	<u>(11 431)</u>	<u>(13 875)</u>
Gross profit/ (loss)	(430)	(125)	21	295	(239)
Operating expenses	(1 596)	(154)	(48)	-	(1 798)
Impairment charge of vessels, property, plant and equipment	<u>-</u>	<u>-</u>	<u>(394)</u>	<u>-</u>	<u>(394)</u>
Operating loss	(2 026)	(279)	(421)	295	(2 431)
Net finance cost	<u>(65)</u>	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>(67)</u>
Loss before taxation	(2 091)	(281)	(421)	295	(2 498)
Taxation	<u>-</u>	<u>37</u>	<u>(144)</u>	<u>-</u>	<u>(107)</u>
Net profit/ (loss) for the period	<u><u>(2 091)</u></u>	<u><u>(244)</u></u>	<u><u>(565)</u></u>	<u><u>295</u></u>	<u><u>(2 605)</u></u>
Non-current assets	9 982	3 183	-	-	13 165
Current assets	<u>21 351</u>	<u>281</u>	<u>1 814</u>	<u>7 168</u>	<u>30 614</u>
Total assets	<u><u>31 333</u></u>	<u><u>3 464</u></u>	<u><u>1 814</u></u>	<u><u>7 168</u></u>	<u><u>43 779</u></u>
Non-current liabilities	63	566	-	-	629
Current liabilities	<u>4 951</u>	<u>347</u>	<u>314</u>	<u>-</u>	<u>5 612</u>
Total liabilities	<u><u>5 014</u></u>	<u><u>913</u></u>	<u><u>314</u></u>	<u><u>-</u></u>	<u><u>6 241</u></u>

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the six months ended 30 June 2016**4. OPERATING SEGMENTS (continued)**

30 June 2015	Freight	Ship repair	Passenger transportation (Discontinued)	Grain trading	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
Revenue	1 971	199	91	6 936	9 197
Cost of sales	<u>(1 735)</u>	<u>(293)</u>	<u>(241)</u>	<u>(6 802)</u>	<u>(9 071)</u>
Gross profit / (loss)	236	(94)	(150)	134	126
Operating expenses	(2 442)	(925)	(268)	(69)	(3 704)
Operating profit/ (loss)	(2 206)	(1 019)	(418)	65	(3 578)
Net finance cost	<u>-</u>	<u>(5)</u>	<u>-</u>	<u>-</u>	<u>(5)</u>
Loss before taxation	(2 206)	(1 024)	(418)	65	(3 583)
Taxation	<u>-</u>	<u>(326)</u>	<u>7</u>	<u>-</u>	<u>(319)</u>
Net profit / (loss) for the period	<u>(2 206)</u>	<u>(1 350)</u>	<u>(411)</u>	<u>65</u>	<u>(3 902)</u>
As at 31 December 2015	Freight	Ship repair	Passenger transportation (Discontinued)	Grain trading	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
Non-current assets	11 722	3 511	726	-	15 959
Current assets	<u>25 753</u>	<u>180</u>	<u>66</u>	<u>4 034</u>	<u>30 033</u>
Total assets	<u>37 475</u>	<u>3 691</u>	<u>792</u>	<u>4 034</u>	<u>45 992</u>
Non-current liabilities	-	627	48	-	675
Current liabilities	<u>607</u>	<u>4 114</u>	<u>502</u>	<u>1</u>	<u>5 224</u>
Total liabilities	<u>607</u>	<u>4 741</u>	<u>550</u>	<u>1</u>	<u>5 899</u>

Reconciliation of reportable segments profit or loss

	For the six months ended 30 June 2016	For the six months ended 30 June 2015
	USD'000	USD'000
Total profit before tax for reportable segments	(2 605)	(3 902)
Elimination of discontinued operations	<u>565</u>	<u>411</u>
Profit before tax	<u>(2 040)</u>	<u>(3 491)</u>

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2016

5. DISCONTINUED OPERATIONS

In June 2016, the management of the Group decided to discontinue the passenger transportation segment. The management committed to a plan to sell this segment in the second half of 2016. The comparative condensed consolidated statement of profit or loss and other comprehensive income has been restated to show the discontinued operation separately from continuing operations.

a. Results of discontinued operation

	For the six months ended 30 June 2016 USD'000	For the six months ended 30 June 2015 USD'000
Revenue	60	91
Expenses	<u>(86)</u>	<u>(171)</u>
Result from operating activities	(26)	(80)
Income tax	<u>(144)</u>	<u>5</u>
Result from operating activities, net of tax	<u>(170)</u>	<u>(75)</u>
Loss for the period	<u>(170)</u>	<u>(75)</u>
Basic and diluted earnings per share (USD)	<u>(0.02)</u>	<u>(0.01)</u>

The loss for the period from the discontinued operation of 170 thousand (30 June 2015: loss of 75 thousand) was attributable entirely to the owners of the Company.

b. Cash flows from/ (used in) discontinued operations

	For the six months ended 30 June 2016 USD'000	For the six months ended 30 June 2015 USD'000
Net cash from (used in) operating activities	(287)	206
Net cash used in investing activities	<u>(52)</u>	<u>(4)</u>
Net cash flow for the period	<u>(339)</u>	<u>202</u>

The above cash flows analysis on discontinued operation is not disclosed separately on the face of the condensed consolidated interim financial statements.

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the six months ended 30 June 2016**6. OTHER OPERATING EXPENSES**

	Note	30 June 2016 USD'000	30 June 2015 USD'000
Loss from foreign exchange difference, net	a)	168	927
Loss on disposal of vessels, property, plant and equipment		-	106
Impairment of groups held for sale	8	394	-
Fines and penalties		4	-
Provision for impairment of receivables		1 343	2 300
Other expenses		<u>8</u>	<u>-</u>
		<u>1 917</u>	<u>3 333</u>

a) Loss from foreign exchange difference relates to intercompany loan between companies with different functional currencies which is not eliminated on consolidation.

7. FINANCE COST

	30 June 2016 USD'000	30 June 2015 USD'000
Finance income		
Bank interest	<u>1</u>	<u>-</u>
	<u>1</u>	<u>-</u>
Interest expense		
Other finance expenses		
Discount of notes issued	(3)	(5)
Other financial expenses	<u>(65)</u>	<u>-</u>
	<u>(68)</u>	<u>(5)</u>
Total finance costs	<u>(67)</u>	<u>(5)</u>

8. DISPOSAL GROUP HELD FOR SALE

In 2016, management committed to a plan to sell the passenger transportation segment. Accordingly, this segment is presented as a disposal group held for sale. Efforts to sell the disposal group have started and a sale is expected in 2016.

As at 30 June 2016, the disposal group comprised assets of USD 1 814 thousand less liabilities of USD 314 thousand detailed as follows:

KDM SHIPPING PUBLIC LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****For the six months ended 30 June 2016****8. DISPOSAL GROUP HELD FOR SALE (continued)**

	30 June 2016
	USD'000
Vessels, property, plant and equipment	1 720
Inventories	13
Cash and cash equivalents	3
Trade and other receivables	78
Trade and other payables	(120)
Deferred tax liabilities	<u>(194)</u>
	<u>1 500</u>

An impairment loss of USD 394 thousand writing down the carrying amount of the disposal group to its fair value less costs to sell has been included in 'other operating expenses' in the condensed consolidated statement of profit or loss and other comprehensive income (note 6).

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2016

9. VESSELS, PROPERTY, PLANT AND EQUIPMENT

30 June 2016	Land and buildings	Vessels	Vessels under construction	Plant and equipment	Vehicles	Furniture and fittings	Other	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Cost								
Balance at 1 January 2016	5 630	15 579	3 182	993	56	64	76	25 580
Additions	-	-	40	20	-	-	2	62
Disposals	-	-	-	-	-	-	-	-
Exchange differences	(194)	(6)	(42)	(33)	(3)	(2)	(2)	(282)
Reclassification to assets held for sale	(4)	(114)	(3 180)	(29)	(35)	(18)	(5)	(3 385)
Balance at 30 June 2016	<u>5 432</u>	<u>15 459</u>	<u>-</u>	<u>951</u>	<u>18</u>	<u>44</u>	<u>71</u>	<u>21 975</u>
Depreciation								
Balance at 1 January 2016	2 943	5 075	1 196	270	15	55	67	9 621
Depreciation for the period	71	478	-	29	4	2	1	585
On disposals	-	-	-	-	-	-	-	-
Exchange differences	(100)	(3)	-	(9)	-	(1)	-	(113)
Reclassification to assets held for sale	-	(51)	(1 196)	(6)	(11)	(16)	(3)	(1 283)
Balance at 30 June 2016	<u>2 914</u>	<u>5 499</u>	<u>-</u>	<u>284</u>	<u>8</u>	<u>40</u>	<u>65</u>	<u>8 810</u>

KDM SHIPPING PUBLIC LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****For the six months ended 30 June 2016****9. VESSELS, PROPERTY, PLANT AND EQUIPMENT (continued)**

30 June 2015	Land and buildings	Vessels	Vessels under construction	Plant and equipment	Vehicles	Furniture and fittings	Other	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Cost								
Balance at 1 January 2015	6 873	16 238	4 258	586	157	85	86	28 283
Additions	1 246	837	-	668	6	-	1	2 758
Disposals	-	(1 743)	-	-	(59)	-	(1)	(1 803)
Exchange differences	(1 696)	(79)	(391)	(126)	(40)	(15)	(8)	(2 355)
Internal transfer	-	7	(8)	-	-	-	1	-
Balance at 30 June 2015	6 423	15 260	3 859	1 128	64	70	79	26 883
Depreciation								
Balance at 1 January 2015	4 279	4 287	1 196	342	45	65	76	10 290
Depreciation for the period	63	412	-	10	5	3	1	494
On disposals	-	(52)	-	-	(25)	-	-	(77)
Exchange differences	(1 067)	(19)	-	(80)	(12)	(12)	(8)	(1 198)
Balance at 30 June 2015	3 275	4 628	1 196	272	13	56	69	9 509

KDM SHIPPING PUBLIC LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****For the six months ended 30 June 2016****9. VESSELS, PROPERTY, PLANT AND EQUIPMENT (continued)**

31 December 2015	Land and buildings	Vessels	Vessels under construction	Plant and equipment	Vehicles	Furniture and fittings	Other	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Cost								
Balance at 1 July 2015	6 423	15 260	3 859	1 128	64	70	79	26 883
Additions	-	336	111	48	-	1	2	498
Disposals	-	-	-	-	-	-	-	-
Exchange differences	(793)	(17)	(115)	(183)	(8)	(7)	(5)	(1 128)
Reclassification to inventory	-	-	(673)	-	-	-	-	(673)
Balance at 31 December 2015	5 630	15 579	3 182	993	56	64	76	25 580
Depreciation								
Balance at 1 July 2015	3 275	4 628	1 196	272	13	56	69	9 509
Depreciation for the period	82	454	-	33	4	2	1	576
Exchange differences	(414)	(7)	-	(35)	(2)	(3)	(3)	(464)
Balance at 31 December 2015	2 943	5 075	1 196	270	15	55	67	9 621
Carrying amounts								
Balance at 30 June 2016	2 518	9 960	-	667	10	4	6	13 165
Balance at 31 December 2015	2 687	10 504	1 986	723	41	9	9	15 959
Balance at 30 June 2015	3 148	10 632	2 663	856	51	14	10	17 374

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2016

10. INVESTMENTS IN SUBSIDIARIES

The Group's subsidiaries, their principal activities, place of incorporation and effective ownership interests are as follows:

<u>Company name</u>	<u>Country of registration</u>	<u>Principal activities</u>	30 June 2016	31 December 2015
			Effective holding %	Effective holding %
KD Shipping Co. Limited Inc.	Panama	Bear Boat Charterer of vessels	100,00	100,00
LLC Danapris	Ukraine	Ukrainian holding company	99,84	99,84
LLC Capital Shipping Company	Ukraine	Ship owner, safety and technical license	99,57	99,57
LLC Hylea-Servise	Ukraine	Ship repair services	99,57	99,57
LLC Riverest Tur	Ukraine	Passenger transportation	99,88	99,88
Infoland Incorporated	Panama	Management services	100,00	100,00
LLC Kuybyshev KSR Y	Ukraine	Ship repair services	100,00	100,00
LLC Marine Management	Russian Federation	Ships' operator	100,00	100,00
Bemax Marketing LTD	Marshall Islands	Dormant	100,00	-
Intention Development LTD	Marshall Islands	Dormant	100,00	-
Promo Ring LTD	Marshall Islands	Dormant	100,00	-
Star Value LTD	Marshall Islands	Dormant	100,00	-
Terra Empire LTD	Marshall Islands	Dormant	100,00	-
Inlimited Mark LTD	Marshall Islands	Dormant	100,00	-
KD Bulk	Marshall Islands	Dormant	100,00	-
KD Curgo	Marshall Islands	Dormant	100,00	-
KD Logistics	Marshall Islands	Dormant	100,00	-
KD Maritime	Marshall Islands	Dormant	100,00	-

In 2015 LLC Riverest Tur increased its shareholding in LLC Rivertime to 99,82% through an increase of share capital.

As from 2016 the company LLC Riverest Tour has been classified as held for sale since the management has decided to discontinue the passenger transportation segment.

The Representative office of KD Shipping Co. Limited has been established without the right to conduct commercial activity in Ukraine.

The company LLC Capital Shipping Company is in the process of liquidation.

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the six months ended 30 June 2016**11. INVENTORIES**

	30 June 2016	31 December 2015
	USD'000	USD'000
Raw materials	89	95
Work in progress	5	13
Goods for resale	-	4 033
Fuel	37	54
Other materials	-	2
	<u>131</u>	<u>4 197</u>

In 2015 Management decided not to continue the repair of a vessel under construction due to the big investment required and rather use it as scrap metal in the ship repair activities. Therefore the net carrying amount of the vessel was reclassified to inventory.

During 2015 an impairment of USD 589 thousand was recognised in profit or loss to write down inventories at their net realisable value.

12. TRADE AND OTHER RECEIVABLES

	30 June 2016	31 December 2015
	USD'000	USD'000
Trade receivables	261	389
<u>Less:</u> Provision for impairment of trade receivables	<u>(107)</u>	<u>(354)</u>
Trade receivables - net	154	35
Prepayments	7 439	7 682
<u>Less:</u> Provision for prepayments	<u>(215)</u>	<u>(1 924)</u>
VAT recoverable	160	157
Other receivables	37	44
<u>Less:</u> Provision for other receivables	<u>-</u>	<u>(22)</u>
	<u>7 575</u>	<u>5 972</u>
Current portion	<u>7 575</u>	<u>5 972</u>
	<u>7 575</u>	<u>5 972</u>

KDM SHIPPING PUBLIC LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****For the six months ended 30 June 2016****13. SHARE CAPITAL**

	30 June 2016	30 June 2016	31 December 2015	31 December 2015
	Number of shares	USD'000	Number of shares	USD'000
Authorised				
Ordinary shares of USD 0,01 each (Euro 0,01 each)	<u>20 000 000</u>	<u>265</u>	<u>20 000 000</u>	<u>265</u>
Issued and fully paid				
Balance at 1 January	<u>9 296 000</u>	<u>118</u>	<u>9 296 000</u>	<u>118</u>
Balance at 30 June/31 December	<u>9 296 000</u>	<u>118</u>	<u>9 296 000</u>	<u>118</u>

The owners of the Company were as follows:

	As at 30 June 2016	As at 31 December 2015
	USD'000	USD'000
Konstantyn Molodkovets	65	65
Denys Molodkovets	15	15
Oleksiy Veselovskyy	2	2
Public	<u>36</u>	<u>36</u>
	<u>118</u>	<u>118</u>

On 11 June 2013 the Company issued 2 000 000 new shares following the second public offering. The offer price for each Company's share was established at PLN 30 (USD 9,31/EURO 7,34) and the investors subscribed for 2 000 000 shares of the Company which represent 21,5% of the total issued share capital.

As a result of the above the ordinary share capital increased to USD 118 thousand and is divided into 9 296 000 ordinary shares of € 0,01 each and share premium of USD 23 570 thousand net of transactions costs.

KDM SHIPPING PUBLIC LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****For the six months ended 30 June 2016****14. LOANS AND BORROWINGS**

	30 June 2016	31 December 2015
	USD'000	USD'000
Long term liabilities		
Non-bank loans	63	-
Short term liabilities		
Bank loans	4 000	4 000
Non-bank loans	<u>143</u>	<u>-</u>
Total	<u><u>4 206</u></u>	<u><u>4 000</u></u>

The bank loans are secured by mortgage against the vessels with net book value of USD 3 133 thousand (31 December 2015: USD 3 285 thousand).

15. TRADE AND OTHER PAYABLES

	30 June 2016	31 December 2015
	USD'000	USD'000
Trade payables	285	458
Advances received	27	31
Payable to directors/ owners	122	154
Salaries, contributions and other related taxes	154	106
Other accounts payable	329	175
Other taxes payable	3	14
Deferred income	4	4
Interest payable	<u>243</u>	<u>245</u>
	<u><u>1 167</u></u>	<u><u>1 187</u></u>

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2016

16. LOSS PER SHARE

The calculation of basic loss per share for the 6 months ended 30 June 2016 and 30 June 2015 was based on the loss attributable to the owners of the Company, and a weighted average number of ordinary shares as follows:

Loss attributable to the owners of the Company:

	30 June 2016	30 June 2015
	USD'000	USD'000
From continuing operations	(2 435)	(3 827)
From discontinued operations	<u>(170)</u>	<u>(75)</u>
Loss for the period	<u><u>(2 610)</u></u>	<u><u>(3 902)</u></u>
 <i>Weighted average number of shares:</i>		
	30 June 2016	30 June 2015
	'000	'000
Issued ordinary shares at 1 January	<u>9 296</u>	<u>9 296</u>
Weighted average number of ordinary shares at 30 June	<u><u>9 296</u></u>	<u><u>9 296</u></u>
Basic and fully diluted loss per share		
<i>From continuing operations (cent)</i>	<u><u>(26.19)</u></u>	<u><u>(41.17)</u></u>
<i>Basic and fully diluted loss per share (cent)</i>	<u><u>(28.08)</u></u>	<u><u>(41.98)</u></u>

17. RELATED PARTY TRANSACTIONS

The majority of the Company's share capital is held by Molodkovets Konstantyn who owns 54,86% and Molodkovets Denys who owns 12,88%.

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.

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

A. Key management;

B. Companies whose activities are significantly influenced by the Group's owners.

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2016

17. RELATED PARTY TRANSACTIONS (continued)

(i) Remuneration of key management

Salary costs of key management for the six months ended 30 June 2016 and 30 June 2015 were as follows:

	30 June 2016	30 June 2015
	USD'000	USD'000
Salaries	30	42
Contributions to pension funds	<u>6</u>	<u>6</u>
Total	<u><u>36</u></u>	<u><u>48</u></u>

Number of key management personnel was as follows:

	30 June 2016	31 December 2015
Number of key management personnel, persons	<u><u>21</u></u>	<u><u>21</u></u>

(ii) Transactions with related parties

	30 June 2016	30 June 2015
	USD'000	USD'000
Sales	607	-
Administrative expenses	(22)	(4)
Other income	<u>(9)</u>	<u>13</u>
	<u><u>576</u></u>	<u><u>9</u></u>

(iii) Amounts receivable from directors/owners

	30 June 2016	31 December 2015
	USD'000	USD'000
Receivable from directors/owners	<u><u>9</u></u>	<u><u>-</u></u>

The amount receivable from owners is interest free, and has no specific repayment date.

(iv) Amounts payable to directors/owners

	30 June 2016	31 December 2015
	USD'000	USD'000
Payable to directors/owners	<u><u>122</u></u>	<u><u>154</u></u>

KDM SHIPPING PUBLIC LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**For the six months ended 30 June 2016**17. RELATED PARTY TRANSACTIONS (continued)****(v) Outstanding balances with related parties**

Companies whose activities are significantly influenced by the Group's owners:

	30 June 2016	31 December 2015
	USD'000	USD'000
Non-bank loans	<u>207</u>	<u>-</u>

18. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks arising from use of financial instruments: credit risk, liquidity risk and market risk (including foreign currency risk and interest rate risk).

For the six months ended 30 June 2016 USD 4 904 thousand (30 June 2015: USD 4 476 thousand) or 36,13% (30 June 2015: 49,15%) from the Group's revenue refers to the sales transactions carried out with one of the Group's client.

Other 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 2015.

19. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period, which affect the condensed consolidated interim financial statements as at 30 June 2016, except as described below:

Ship repair segment is still negatively affected by economic situation in Ukraine. There is a low demand for ship repair services from third parties. Group is still implementing cost cutting strategy.

Freight performed weaker in comparison to the same period last year. Freight tariffs during first 6 months were at low levels.

On 15 July 2016 the Group took into commercial management coster vessel of 4 050 DWT for the period of 1 year with an option of prolongation to maximum period of 5 years.

On 26 August 2016 the Board of Directors of KDM Shipping Public Limited authorised for issue these condensed consolidated interim financial statements.

