



**KDM SHIPPING PUBLIC LIMITED**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL  
STATEMENTS**

**For the six months ended 30 June 2014**

**KDM SHIPPING PUBLIC LIMITED**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**For the six months ended 30 June 2014**

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**KDM SHIPPING PUBLIC LIMITED**  
**BOARD OF DIRECTORS AND OTHER OFFICERS**

Board of Directors	Konstantyn Molodkovets - Executive Director, CEO Denys Molodkovets - Executive Director, CFO Konstantin Anisimov - Non-executive Director Mykhailo Chubai - Non-executive Director
Audit Committee	Konstantin Anisimov – Head of Committee Mykhailo Chubai
Remuneration Committee	Mykhailo Chubai – Head of Committee Konstantin Anisimov
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****Statement 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 10, 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 person responsible for the preparation of the condensed consolidated interim financial statements of KDM Shipping Public Limited (the "Company") for the period of six months ended 30 June 2014 based on our opinion, we confirm that, to the best of our knowledge:

- a) the condensed consolidated interim financial statements that are presented on pages 6 to 25:
  - (i) were prepared in accordance with the International Financial Reporting Standard 34 "Interim Financial Reporting" as adopted by the European Union, and in accordance with the provisions of Article 10, 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 businesses that are included in the consolidated accounts as a total, and
- (b) the interim management report gives a fair review of the information required by Article 10, section (6) of the Law.

**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 six months ended 30 June 2014**Denys Molodkovets 

Nicosia, 28 August 2014

**KDM SHIPPING PUBLIC LIMITED****INTERIM MANAGEMENT STATEMENT**

for the six months ended 30 June 2014

The Group's sales revenue from its freight segment is generated mainly from the transportation services for dry bulk cargoes, including such commodities as grain, metal products, cement, and other materials along the Black, Azov and Mediterranean and Caspian Sea regions' shipping routes. The freight sales revenue decreased due to a number of factors, one of which is the worsening political situation between Russia and Ukraine.

Grain trading segment sales revenue has increased but unfortunately this did not have an effect on overall performance of the group as the increase was of non-material nature.

The Group's cost of sales consists of costs of material expenses, salary and related expenses, depreciation (amortization) of fixed assets, third parties services and other expenses. Cost of sales related to the freight segment which have increased due to the growth of port and canal charges, which include port and canal dues, fees and charges for pilotage services, towage, mooring, agency fees. Vessels turnaround time has increased due to number of political issues that delay operations in ports of load and general vessel trading in the region. As a result marginality of the segment decreased showing a negative tendency in performance of freight segment in comparison to the same period 2013.

Other expenses significantly changed, reason being impairment of assets based on future cash flow analysis, resulting in net loss for the period.



**KPMG Limited**  
**Chartered Accountants**  
14 Esperidon Street  
1087 Nicosia, Cyprus  
P.O.Box 21121  
1502 Nicosia, Cyprus

Telephone +357 22 209000  
Fax +357 22 678200  
E-mail [nicosia@kpmg.com.cy](mailto:nicosia@kpmg.com.cy)  
Internet [www.kpmg.com.cy](http://www.kpmg.com.cy)

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## INDEPENDENT AUDITORS' REPORT

### ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

#### 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 referred to as "the Group") as at 30 June 2014, 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 information ("the condensed consolidated interim financial statements"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information 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 information 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.

##### *Emphasis of matter*

We draw attention to note 2 to the condensed consolidated interim financial statements, which describe the political and social unrest and regional tensions in Ukraine. The events referred to in note 2 could negatively affect the Group results and financial position in a manner not currently determinable.

##### **Board Members:**

N.G. Syrimis, A.K. Christofides, E.Z. Hadjizacharias, P.G. Loizou  
A.M. Gregoriades, A.A. Demetriou, D.S. Vakis, A.A. Apostolou  
S.A. Loizides, M.A. Loizides, S.G. Sofocleous, M.M. Antoniadis  
C.V. Vasiliou, P.E. Antoniadis, M.J. Halios, M.P. Michael, P.A. Peleties  
G.V. Markides, M.A. Papacosta, K.A. Papanicolaou, A.I. Shiammoutis  
G.N. Tziortzis, H.S. Charalambous, C.P. Anayiotos, I.P. Ghalanos  
M.G. Gregoriades, H.A. Kakoulis, G.P. Savva, C.A. Kalias, C.N. Kallis  
M.H. Zavrou, P.S. Elia, M.G. Lazarou, Z.E. Hadjizacharias  
P.S. Theophanous, M.A. Karantoni, C.A. Markides, G.V. Andreou  
J.C. Nicolaou, G.S. Prodromou, A.S. Sofocleous, G.N. Syrimis  
T.J. Yiasemides

KPMG Limited, a private company limited by shares, registered in Cyprus under registration number HE 132622 with its registered office at 14, Esperidon Street, 1087, Nicosia, Cyprus.

##### **Limassol**

P.O.Box 50161, 3601  
Telephone +357 25 869000  
Fax +357 25 363842

##### **Larnaca**

P.O.Box 40075, 6300  
Telephone +357 24 200000  
Fax +357 24 200200

##### **Paphos**

P.O.Box 60288, 8101  
Telephone +357 26 943050  
Fax +357 26 943062

##### **Paralimni / Ayia Napa**

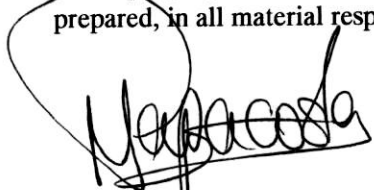
P.O.Box 33200, 5311  
Telephone +357 23 820080  
Fax +357 23 820084

##### **Polis Chrysochou**

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

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2014 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

28 August 2014

## KDM SHIPPING PUBLIC LIMITED

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

For the six months ended 30 June 2014

	Note	30 June 2014 USD'000	30 June 2013 USD'000
<b>Revenue</b>		11 453	12 102
Cost of sales		<u>(9 979)</u>	<u>(6 756)</u>
<b>Gross profit</b>		1 474	5 346
Other operating income		305	71
Selling and distribution expenses		(355)	(132)
Administrative expenses		(1 029)	(376)
Other operating expenses	5	<u>(6 835)</u>	<u>(1 019)</u>
<b>(Loss)/ profit from operating activities</b>		(6 440)	3 890
<b>Finance income/ (cost)</b>	6	<u>6</u>	<u>(14)</u>
<b>(Loss)/ profit before taxation</b>		(6 434)	3 876
Taxation		<u>(113)</u>	<u>34</u>
<b>(Loss)/ profit for the period</b>		<u>(6 547)</u>	<u>3 910</u>
<b>Other comprehensive income</b>			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Effect from translation into presentation currency		<u>(4 283)</u>	<u>-</u>
<b>Total comprehensive income</b>		<u>(10 830)</u>	<u>3 910</u>
<b>(Loss)/ profit for the period attributable to:</b>			
Owners of the Company		(6 548)	3 906
Non-controlling interest		<u>1</u>	<u>4</u>
<b>(Loss)/ profit for the period</b>		<u>(6 547)</u>	<u>3 910</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		(6 520)	3 906
Non-controlling interest		<u>(27)</u>	<u>4</u>
		<u>(6 547)</u>	<u>3 910</u>
<b>(Loss)/ earnings per share</b>			
Basic and fully diluted (loss)/ earnings per share (USD)	14	<u>(0.70)</u>	<u>0.52</u>

The notes on pages 11 to 25 are an integral part of these condensed consolidated interim financial statements.



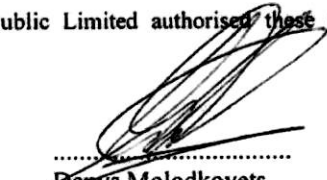
## KDM SHIPPING PUBLIC LIMITED

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITIONFor the six months ended 30 June 2014

	Note	30 June 2014 USD'000	31 December 2013 USD'000
<b>Assets</b>			
Vessels, property, plant and equipment	7	26 197	36 443
Intangible assets		109	120
Trade and other receivables	10	-	3 000
Deferred tax assets		-	2
<b>Non-current assets</b>		<u>26 306</u>	<u>39 565</u>
Inventories	9	8 099	6 158
Trade and other receivables	10	12 235	10 712
Tax asset		2	2
Cash and cash equivalents		16 742	20 307
Assets classified as held for sale		<u>1 194</u>	-
<b>Current assets</b>		<u>38 272</u>	<u>37 179</u>
<b>Total assets</b>		<u>64 578</u>	<u>76 744</u>
<b>Equity</b>			
Share capital	11	118	118
Share premium		23 570	23 570
Foreign currency translation reserve		(13 803)	(9 548)
Retained earnings		<u>46 359</u>	<u>52 907</u>
<b>Equity attributable to owners of the Company</b>		<u>56 244</u>	<u>67 047</u>
<b>Non-controlling interest</b>		<u>60</u>	<u>87</u>
<b>Total equity</b>		<u>56 304</u>	<u>67 134</u>
<b>Liabilities</b>			
Deferred tax liabilities		1 661	2 313
Other long-term liabilities		<u>193</u>	<u>273</u>
<b>Non-current liabilities</b>		<u>1 854</u>	<u>2 586</u>
Loans and borrowings	12	4 012	4 000
Trade and other payables	13	<u>2 408</u>	<u>3 024</u>
<b>Current liabilities</b>		<u>6 420</u>	<u>7 024</u>
<b>Total liabilities</b>		<u>8 274</u>	<u>9 610</u>
<b>Total equity and liabilities</b>		<u>64 578</u>	<u>76 744</u>

On 28 August 2014 the Board of Directors of KDM Shipping Public Limited authorised these condensed consolidated interim financial statements for issue.

  
 .....  
 Konstantyn Molodkovets  
 Director, CEO

  
 .....  
 Denys Molodkovets  
 Director, CFO

The notes on pages 11 to 25 are an integral part of these condensed consolidated interim financial statements.

## KDM SHIPPING PUBLIC LIMITED

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Note	<b>Attributable to owners of the Company</b>					<b>Non-controlling interest</b>	<b>Total equity</b>
		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
<b>Balance at 1 January 2013</b>		<u>91</u>	<u>7 355</u>	<u>(9 548)</u>	<u>46 130</u>	<u>44 028</u>	<u>92</u>	<u>44 120</u>
<b>Comprehensive income</b>								
Profit for the period		<u>-</u>	<u>-</u>	<u>-</u>	<u>3 906</u>	<u>3 906</u>	<u>4</u>	<u>3 910</u>
<b>Total comprehensive income for the period</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>3 906</u>	<u>3 906</u>	<u>4</u>	<u>3 910</u>
<b>Transactions with owners, recognized directly in equity</b>								
<i>Contributions by and distributions to owners</i>								
Issue of share capital on 11 June 2013	11	27	18 583	-	-	18 610	-	18 610
Transaction costs		<u>-</u>	<u>(2 368)</u>	<u>-</u>	<u>-</u>	<u>(2 368)</u>	<u>-</u>	<u>(2 368)</u>
<b>Total transactions with owners</b>		<u>27</u>	<u>16 215</u>	<u>-</u>	<u>-</u>	<u>16 242</u>	<u>-</u>	<u>16 242</u>
<b>Balance at 30 June 2013</b>		<u>118</u>	<u>23 570</u>	<u>(9 548)</u>	<u>50 036</u>	<u>64 176</u>	<u>96</u>	<u>64 272</u>

The notes on pages 11 to 25 are an integral part of these condensed consolidated interim financial statements.

## KDM SHIPPING PUBLIC LIMITED

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITYFor the six months ended 30 June 2014

Note	<u>Attributable to owners of the Company</u>					<u>Non-controlling interest</u>	<u>Total equity</u>
	<u>Share capital</u>	<u>Share premium</u>	<u>Foreign currency translation reserve</u>	<u>Retained earnings</u>	<u>Total</u>		
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
<b>Balance at 1 January 2014</b>	<u>118</u>	<u>23 570</u>	<u>(9 548)</u>	<u>52 907</u>	<u>67 047</u>	<u>87</u>	<u>67 134</u>
<b>Comprehensive expense</b>							
Loss for the period	-	-	-	(6 548)	(6 548)	1	(6 547)
Effect from translation into presentation currency	-	-	(4 255)	-	(4 255)	(28)	(4 283)
<b>Total comprehensive expense</b>	<u>-</u>	<u>-</u>	<u>(4 255)</u>	<u>(6 548)</u>	<u>(10 803)</u>	<u>(27)</u>	<u>(10 830)</u>
<b>Balance at 30 June 2014</b>	<u><u>118</u></u>	<u><u>23 570</u></u>	<u><u>(13 803)</u></u>	<u><u>46 359</u></u>	<u><u>56 244</u></u>	<u><u>60</u></u>	<u><u>56 304</u></u>

The notes on pages 11 to 25 are an integral part of these condensed consolidated interim financial statements.

## KDM SHIPPING PUBLIC LIMITED

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWSFor the six months ended 30 June 2014

	Note	30 June 2014 USD'000	30 June 2013 USD'000
<b>Cash flows from operating activities</b>			
(Loss)/ profit for the period		(6 547)	3 910
Adjustments for:			
Depreciation of vessels, property, plant and equipment	7	713	880
Recovery of previously written-off payables	5	31	416
Provision for bad debts		103	120
Recovery of previously written-off receivables		(1)	(31)
VAT written-off		6	258
Payables written-off	5	(266)	-
Loss on disposal of vessels, property, plant and equipment		807	3
Impairment charge of vessels, property, plant and equipment		5 390	-
Interest income	6	(16)	-
Discount of notes issued	6	10	11
Interest expense	6	-	3
Taxation		113	(34)
Exchanges differences		311	-
<b>Cash flows from operations before working capital changes</b>		<u>654</u>	<u>5 536</u>
Increase in inventories		(1 941)	(3 788)
Increase in trade and other receivables		(2 246)	(6 283)
(Decrease)/increase in trade and other payables		<u>(709)</u>	<u>1 699</u>
<b>Cash flows used in operations</b>		<u>(4 242)</u>	<u>(2 836)</u>
Tax paid		-	-
<b>Net cash flows used in operating activities</b>		<u>(4 242)</u>	<u>(2 836)</u>
<b>Cash flows from investing activities</b>			
Payment for acquisition of vessels, property, plant and equipment	7	(35)	(3 866)
Proceeds from disposal of vessels, property, plant and equipment		370	13
Proceeds from loans issued		<u>327</u>	<u>-</u>
<b>Net cash flows from/(used in) investing activities</b>		<u>679</u>	<u>(3 853)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		-	17 959
Payment of transaction costs related to issue of share capital		-	(1 717)
Repayments of obligations under finance leases		-	(3)
Interest paid		-	(23)
<b>Net cash flows from financing activities</b>		<u>-</u>	<u>16 216</u>
Effect of translation into presentation currency		<u>(14)</u>	<u>-</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(3 577)</u>	<u>9 527</u>
Cash and cash equivalents at the beginning of the period		<u>20 307</u>	<u>12 939</u>
<b>Cash and cash equivalents at the end of the period</b>		<u><u>16 730</u></u>	<u><u>22 466</u></u>

The notes on pages 11 to 25 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 2014****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.

The condensed consolidated interim financial statements for the six months ended 30 June 2014 comprise the financial statements of 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 2014		31 December 2013	
	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
ING Powszechnie Towarzystwo Emerytalne S.A.	1 001 200	10,77	1 059 000	11,39
PZU TFI S.A.	967 184	10,40	797 750	8,58
Denys Molodkovets	866 999	9,33	749 999	8,07
Oleksyi Veselovskyy <sup>(1)</sup>	200 000	2,15	200 000	2,15
Miralex Inc	-	-	449 998	4,84
Konstantin Anisimov	1	-	1	-
Liudmila Molodkovets	1	-	1	-
Iurii Molodkovets	1	-	1	-
Public	<u>1 160 614</u>	<u>12,49</u>	<u>939 250</u>	<u>10,11</u>
	<u>9 296 000</u>	<u>100,00</u>	<u>9 296 000</u>	<u>100,00</u>

<sup>(1)</sup> 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 2014**2. BASIS OF PREPARATION****(a) Statement of compliance**

These condensed consolidated interim financial statements for the six months ended 30 June 2014 have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" and were not audited by the external independent auditors of the Group. The 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 changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2013.

**(b) Basis of measurement**

The 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 2013.

*Ukrainian business 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. In February 2014, following the devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions and also announced a transition to a floating foreign exchange rate regime. 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 2014**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.

**(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 condensed consolidated interim financial statements do not comprise any adjustments in case of the Group's inability to continue as a going concern.

**3. 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 2013.

**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:

<b>30 June 2014</b>	<b>Freight USD'000</b>	<b>Ship repair USD'000</b>	<b>Passenger transport USD'000</b>	<b>Grain trading USD'000</b>	<b>Total USD'000</b>
Revenue	4 775	241	92	6 345	11 453
Cost of sales	(3 921)	(442)	(70)	(5 546)	(9 979)
<b>Gross profit/ (loss)</b>	854	(201)	22	799	1 474
Operating expenses	(649)	(1 073)	(497)	(305)	(2 524)
Impairment charge of vessels, property, plant and equipment	(5 390)	-	-	-	(5 390)
<b>Operating loss</b>	(5 185)	(1 274)	(475)	494	(6 440)
Net finance cost	16	(10)	-	-	6
<b>Loss before taxation</b>	(5 169)	(1 284)	(475)	494	(6 434)
Taxation	-	(46)	(67)	-	(113)
<b>Loss before taxation</b>	<u>(5 169)</u>	<u>(1 330)</u>	<u>(542)</u>	<u>494</u>	<u>(6 547)</u>

## KDM SHIPPING PUBLIC LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 4. OPERATING SEGMENTS (continued)

30 June 2014	Freight USD'000	Ship repair USD'000	Passenger transport USD'000	Grain trading USD'000	Total USD'000
Non-current assets	16 300	7 781	2 225	-	26 306
Current assets	27 203	819	532	9 718	38 272
<b>Total assets</b>	<b>43 503</b>	<b>8 600</b>	<b>2 757</b>	<b>9 718</b>	<b>64 578</b>
Non-current liabilities	-	1 470	384	-	1 854
Current liabilities	995	4 390	1 035	-	6 420
<b>Total liabilities</b>	<b>995</b>	<b>5 860</b>	<b>1 419</b>	<b>-</b>	<b>8 274</b>
30 June 2013	Freight USD'000	Ship repair USD'000	Passenger transport USD'000	Unallocated* USD'000	Total USD'000
Revenue	9 677	2 125	300	-	12 102
Cost of sales	(5 364)	(1 181)	(211)	-	(6 756)
<b>Gross profit</b>	<b>4 313</b>	<b>944</b>	<b>89</b>	<b>-</b>	<b>5 346</b>
Expenses	(504)	(812)	(22)	(118)	(1 456)
<b>Operating profit/ (loss)</b>	<b>3 809</b>	<b>132</b>	<b>67</b>	<b>(118)</b>	<b>3 890</b>
Net finance cost	(14)	-	-	-	(14)
<b>Profit/ (loss) before taxation</b>	<b>3 795</b>	<b>132</b>	<b>67</b>	<b>(118)</b>	<b>3 876</b>
Taxation	-	30	4	-	34
<b>Net profit for the period</b>	<b>3 795</b>	<b>162</b>	<b>71</b>	<b>(118)</b>	<b>3 910</b>
As at 31 December 2013	Freight USD'000	Ship repair USD'000	Passenger transport USD'000	Grain trading USD'000	Total USD'000
Non-current assets	23 820	12 392	3 353	-	39 565
Current assets	30 085	845	701	5 548	37 179
<b>Total assets</b>	<b>53 905</b>	<b>13 237</b>	<b>4 054</b>	<b>5 548</b>	<b>76 744</b>
Non-current liabilities	-	2 102	484	-	2 586
Current liabilities	2 432	4 452	140	-	7 024
<b>Total liabilities</b>	<b>2 432</b>	<b>6 554</b>	<b>624</b>	<b>-</b>	<b>9 610</b>

\*The unallocated amount relates to the exchange difference arising from the foreign currency translation of the share premium following the Second Public Offering.



**KDM SHIPPING PUBLIC LIMITED****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****For the six months ended 30 June 2014****5. OTHER OPERATING EXPENSES**

	<b>30 June 2014</b>	<b>30 June 2013</b>
	<b>USD'000</b>	<b>USD'000</b>
Loss from foreign exchange difference, net	311	204
Loss on disposal of vessels, property, plant and equipment	817	3
VAT write-off	6	258
Impairment charge of vessels, property, plant and equipment	5 390	-
Fines and penalties	1	2
Provision for impairment of receivables	103	135
Recovery of payables written off	31	416
Other expenses	<u>176</u>	<u>1</u>
	<b><u>6 835</u></b>	<b><u>1 019</u></b>

**6. FINANCE COST**

	<b>30 June 2014</b>	<b>30 June 2013</b>
	<b>USD'000</b>	<b>USD'000</b>
<b>Finance income</b>		
Bank interest	<u>16</u>	<u>-</u>
	<u>16</u>	<u>-</u>
<b>Interest expense</b>		
Interest expense on lease	<u>-</u>	<u>(3)</u>
<b>Other finance expenses</b>		
Discount of notes issued	<u>(10)</u>	<u>(11)</u>
<b>Total finance costs</b>	<b><u>6</u></b>	<b><u>(14)</u></b>

## KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the six months ended 30 June 2014**7. VESSELS, PROPERTY, PLANT AND EQUIPMENT**

<b>30 June 2014</b>	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
<b>Cost</b>								
<b>Balance at 1 January 2014</b>	14 248	23 189	5 700	1 289	187	141	113	44 867
Additions	-	2 975	247	14	-	-	6	3 242
Disposals	(523)	(3 904)	(247)	(145)	(17)	-	-	(4 836)
Exchange differences	(4 547)	(133)	(974)	(390)	(59)	(35)	(20)	(6 158)
Reclassification to assets held for sale	-	(4 635)	-	-	-	-	-	(4 635)
<b>Balance at 30 June 2014</b>	<u>9 178</u>	<u>17 492</u>	<u>4 726</u>	<u>768</u>	<u>111</u>	<u>106</u>	<u>99</u>	<u>32 480</u>
<b>Depreciation</b>								
<b>Balance at 1 January 2014</b>	2 512	4 940	-	678	99	93	102	8 424
Depreciation for the period	135	541	-	26	5	5	1	713
On disposals	(70)	(3 501)	-	(61)	(17)	-	-	(3 649)
Exchange differences	(821)	(50)	-	(211)	(31)	(22)	(18)	(1 153)
Impairment charge	-	5 389	-	-	-	-	-	5 389
Reclassification to assets held for sale	-	(3 441)	-	-	-	-	-	(3 441)
<b>Balance at 30 June 2014</b>	<u>1 756</u>	<u>3 878</u>	<u>-</u>	<u>432</u>	<u>56</u>	<u>76</u>	<u>85</u>	<u>6 283</u>

## KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the six months ended 30 June 2014**7. VESSELS, PROPERTY, PLANT AND EQUIPMENT (continued)**

<b>30 June 2013</b>	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
<b>Cost</b>								
<b>Balance at 1 January 2013</b>	12 096	19 044	5 415	1 401	243	193	108	38 500
Additions	-	3 845	-	8	2	1	10	3 866
Disposals	-	-	-	(15)	-	(20)	(1)	(36)
<b>Balance at 30 June 2013</b>	<u>12 096</u>	<u>22 889</u>	<u>5 415</u>	<u>1 394</u>	<u>245</u>	<u>174</u>	<u>117</u>	<u>42 330</u>
<b>Depreciation</b>								
<b>Balance at 1 January 2013</b>	2 235	3 694	-	673	107	119	108	6 936
Depreciation for the period	151	670	-	36	16	7	-	880
On disposals	-	-	-	(3)	-	(16)	(1)	(20)
<b>Balance at 30 June 2013</b>	<u>2 386</u>	<u>4 364</u>	<u>-</u>	<u>706</u>	<u>123</u>	<u>110</u>	<u>107</u>	<u>7 796</u>

## KDM SHIPPING PUBLIC LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 7. VESSELS, PROPERTY, PLANT AND EQUIPMENT (continued)

31 December 2013	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
<b>Cost</b>								
<b>Balance at 1 July 2013</b>	12 096	22 889	5 415	1 394	245	174	117	42 330
Additions	2 191	1 093	285	4	-	5	-	3 578
Disposals	(39)	(793)	-	(109)	(58)	(38)	(4)	(1 041)
Exchange differences	-	-	-	-	-	-	-	-
<b>Balance at 31 December 2013</b>	<u>14 248</u>	<u>23 189</u>	<u>5 700</u>	<u>1 289</u>	<u>187</u>	<u>141</u>	<u>113</u>	<u>44 867</u>
<b>Depreciation</b>								
<b>Balance at 1 July 2013</b>	2 386	4 364	-	706	123	110	107	7 796
Depreciation for the period	151	773	-	34	-	7	4	969
On disposals	(25)	(197)	-	(62)	(24)	(24)	(9)	(341)
<b>Balance at 31 December 2013</b>	<u>2 512</u>	<u>4 940</u>	<u>-</u>	<u>678</u>	<u>99</u>	<u>93</u>	<u>102</u>	<u>8 424</u>
<b>Carrying amounts</b>								
<b>Balance at 30 June 2014</b>	<u>7 422</u>	<u>13 614</u>	<u>4 726</u>	<u>336</u>	<u>55</u>	<u>30</u>	<u>14</u>	<u>26 197</u>
<b>Balance at 31 December 2013</b>	<u>11 736</u>	<u>18 249</u>	<u>5 700</u>	<u>611</u>	<u>88</u>	<u>48</u>	<u>11</u>	<u>36 443</u>
<b>Balance at 30 June 2013</b>	<u>9 710</u>	<u>18 525</u>	<u>5 415</u>	<u>688</u>	<u>122</u>	<u>64</u>	<u>10</u>	<u>34 534</u>

**KDM SHIPPING PUBLIC LIMITED**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended 30 June 2014

**8. 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>	<b>30 June 2014</b>	<b>31 December 2013</b>
			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 CSC-Agent	Ukraine	Agent services in ports of Ukraine	99,58	99,58
LLC Riverest Tur	Ukraine	Passenger transportation	99,88	99,88
Camrose Shipping Ltd	Marshall Islands	Ship owner	-	100,00
Infoland Incorporated	Panama	Management services	100,00	100,00
LLC Kuybyshev KSRY	Ukraine	Ship repair services	100,00	100,00
		Supporting trading activities of		
LLC Rivertime	Ukraine	passengers' services	59,93	-
	Russian			
LLC Marine Management	Federation	Ships' operator	100,00	-

In 2014 the Group acquired 100% interest in LLC Marine Management (Russian Federation) for a purchase consideration of USD 2 975 thousand. The acquisition of this subsidiary does not constitute a business therefore the cost was recognised as assets (a vessel of USD 2 975 thousand).

LLC River-Time has been established as a part of passenger transportation segment. This company will be responsible for distributions of foods and beverages aboard passenger vessels.

In 2014 the Group has sold 100% interest in Camrose Shipping LTD (Marshall Islands) as a result of disposal of its main assets.

The companies LLC Capital Shipping Company and LLC CSC-Agent are in the process of liquidation.

**KDM SHIPPING PUBLIC LIMITED****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****For the six months ended 30 June 2014****9. INVENTORIES**

	<b>30 June 2014 USD'000</b>	<b>31 December 2013 USD'000</b>
Raw materials	39	43
Work in progress	221	66
Goods for resale	7 425	5 548
Fuel	397	492
Other materials	<u>17</u>	<u>9</u>
	<b><u>8 099</u></b>	<b><u>6 158</u></b>

Goods for resale represent acquisition of barley and wheat bran pallets with intention to sell at time when it would make economic value to sell and generate profit.

**10. TRADE AND OTHER RECEIVABLES**

	<b>30 June 2014 USD'000</b>	<b>31 December 2013 USD'000</b>
Trade receivables	1 781	1 830
<u>Less: Provision for impairment of trade receivables</u>	<u>(334)</u>	<u>(357)</u>
Trade receivables - net	1 447	1 473
Prepayments	11 511	9 768
<u>Less: Provision for prepayments</u>	<u>(1 004)</u>	<u>(1 506)</u>
Prepayment for the acquisition of subsidiary	-	3 000
Loans receivable	-	327
VAT recoverable	66	183
Other taxes prepaid	92	3
Other receivables	132	478
<u>Less: Provision for other receivables</u>	<u>(9)</u>	<u>(14)</u>
	<b><u>12 235</u></b>	<b><u>13 712</u></b>
Non-current portion	-	3 000
Current portion	<u>12 235</u>	<u>10 712</u>
	<b><u>12 235</u></b>	<b><u>13 712</u></b>

**KDM SHIPPING PUBLIC LIMITED****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****For the six months ended 30 June 2014****11. SHARE CAPITAL**

	<b>30 June 2014</b>	<b>30 June 2014</b>	<b>31 December 2013</b>	<b>31 December 2013</b>
	Number of shares	USD'000	Number of shares	USD'000
<b>Authorised</b>				
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>
<b>Issued and fully paid</b>				
Balance at 1 January	9 296 000	118	7 296 000	91
Issue of share capital 11 June 2013	<u>-</u>	<u>-</u>	<u>2 000 000</u>	<u>27</u>
Balance at 30 June 2014	<u>9 296 000</u>	<u>118</u>	<u>9 296 000</u>	<u>118</u>

The owners of the Company were as follows:

	<b>As at 30 June 2014</b>	<b>As at 31 December 2013</b>
	USD'000	USD'000
Konstantyn Molodkovets	65	65
Denys Molodkovets	11	10
PZU TFI S.A.	12	10
ING Powszechnie Towarzystwo Emerytalne S.A.	13	13
Oleksiy Veselovskyy	2	2
Miralex Inc.	-	6
Public	<u>15</u>	<u>12</u>
	<u>118</u>	<u>118</u>

***Issued share capital***

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 2014**12. LOANS AND BORROWINGS**

	<b>30 June 2014</b>	<b>31 December 2013</b>
	USD'000	USD'000
<b>Short term liabilities</b>		
Bank overdrafts	12	-
Bank loans	<u>4 000</u>	<u>4 000</u>
<b>Total</b>	<u><u>4 012</u></u>	<u><u>4 000</u></u>

The bank loans are secured by mortgage against the vessels with net book value of USD 3 712 thousand (31 December 2013: USD 3 836 thousand).

**13. TRADE AND OTHER PAYABLES**

	<b>30 June 2014</b>	<b>31 December 2013</b>
	USD'000	USD'000
Trade payables	1 005	1 167
Advances received	249	505
Salaries, contributions and other related taxes	148	34
Other accounts payable	750	1 060
Other taxes payable	5	3
Deferred income	8	12
Interest payable	<u>243</u>	<u>243</u>
	<u><u>2 408</u></u>	<u><u>3 024</u></u>



**KDM SHIPPING PUBLIC LIMITED****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**For the six months ended 30 June 2014**14. (LOSS)/ EARNINGS PER SHARE**

The calculation of basic (loss)/ earnings per share was based on the (loss)/ profit attributable to the ordinary owners of the Company and a weighted average number of ordinary shares outstanding, calculated as follows:

*(Loss)/ profit attributable to ordinary owners:*

	<b>30 June 2014</b> USD'000	<b>30 June 2013</b> USD'000
(Loss)/ profit for the period	<u>(6 548)</u>	<u>3 906</u>
<i>Weighted average number of ordinary shares:</i>		
	<b>30 June 2014</b> '000	<b>30 June 2013</b> '000
Issued ordinary shares at 1 January	9 296	7 296
Effect of 2 000 000 shares issued on 11 June 2013	<u>-</u>	<u>221</u>
Weighted average number of ordinary shares at 30 June	<u>9 296</u>	<u>7 517</u>
<i>Total basic and fully diluted (loss)/ earnings per share (USD)</i>	<u>(0,70)</u>	<u>0,52</u>

**15. RELATED PARTY TRANSACTIONS**

The majority of the Company's share capital is held by Molodkovets Konstantyn who owns 54,86%, ING Powszechne Towarzystwo Emerytalne S.A. which owns 10,77%, PZU TFI S.A. which owns 10,40% and Molodkovets Denys who owns 9,33%.

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 2014****15. RELATED PARTY TRANSACTIONS (continued)****(i) Remuneration of key management**

Salary costs of key management for the six months ended 30 June 2014 and 30 June 2013 were as follows:

	<b>30 June 2014</b>	<b>30 June 2013</b>
	<b>USD'000</b>	<b>USD'000</b>
Salaries	69	22
Contributions to pension funds	<u>9</u>	<u>9</u>
Total	<u><u>78</u></u>	<u><u>31</u></u>

Number of key management personnel was as follows:

	<b>30 June 2014</b>	<b>31 December 2013</b>
Number of key management personnel, persons	<u><u>20</u></u>	<u><u>17</u></u>

**(ii) Transactions with related parties**

	<b>30 June 2014</b>	<b>30 June 2013</b>
	<b>USD'000</b>	<b>USD'000</b>
Administrative expenses	<u><u>1</u></u>	<u><u>-</u></u>

**(iii) Amounts receivable to directors/owners**

	<b>30 June 2014</b>	<b>31 December 2013</b>
	<b>USD'000</b>	<b>USD'000</b>
Receivable from directors/owners	<u><u>12</u></u>	<u><u>21</u></u>

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

**(iv) Amounts payable to directors/owners**

	<b>30 June 2014</b>	<b>31 December 2013</b>
	<b>USD'000</b>	<b>USD'000</b>
Payable to directors/owners	<u><u>101</u></u>	<u><u>111</u></u>

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

For the six months ended 30 June 2014

**16. 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).

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 2013.

**17. 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 2014, except as described below:

As the year progressed the Group is concentrating on lowering the operational cost of all of the business segments. Ship repair and Passenger segment have suffered the most from the political situation and unrest in the country and it is Group's strategy to maintain costs at minimum. The season of passenger transportation is coming to the end with positive result. The Group is planning to devise new strategy for the segment and introduce it prior to the beginning of the season. As to the ship repair segment, the yard is looking to enter a new program of shipbuilding that could recover the losses of client bases as a result of the worsening connections with Russia.

Freight segment have changed significantly from the end of 2013 up to now. Management foresees a clear deduction in two markets of operations based from Russian ports and operations from the Ukrainian ports, but this point unfortunately operations from the river ports of Ukraine is becoming more difficult due to current situation in the country. Analyzing the result of the 6 months operations, it is evident that vessels working from the Russian ports of Azov sea as well as those vessels working from river ports in Russia are more profitable and have less risk of discontinuing operations due to lack of cargo. Based on this, it was management's decision to increase presence by moving all of the vessels into region of Azov sea and where possible changing the flag to Russian. Unfortunately, the procedure of changing the flag could be more difficult and more time consuming than the previous ones. On general performance of the freight market, it is noticeable the positive tendency in the freight rates, with good harvest in Russia and Kazakhstan and is already noticeable that the fleet is in big demand that drives the rates up.

On 28 August 2014 the Board of Directors of KDM Shipping Public Limited authorised these condensed consolidated interim financial statements for issue.