

KDM SHIPPING PUBLIC LIMITED
CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS (unaudited)

For the six months ended 30 June 2018

KDM SHIPPING PUBLIC LIMITED
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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

Board of Directors	Kostiantyn Molodkovets - Executive Director, CEO Denys Molodkovets - Executive Director, CFO
Audit Committee	Denys Molodkovets - Head of Committee Kostiantyn Molodkovets
Remuneration Committee	Kostiantyn Molodkovets - Head of Committee Denys Molodkovets
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

In accordance with article 9 sections (3)(c) and (7) of the Transparency Requirements (Securities for Trading on a Regulated Market) Law of 2007 (the "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 six months ended 30 June 2018, confirm that to the best of our knowledge:

- a) the condensed consolidated interim financial statements presented on pages 7 to 31:
- i) have been prepared in accordance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and 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 profits or losses of KDM Shipping Public Limited and of the entities included in the condensed consolidated interim financial statements as a whole, and
- b) the Management report 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 consolidated interim financial statements as a whole, together with a description of the major risks and uncertainties that they face.

Members of the Board of Directors:

Kostiantyn Molodkovets	
Denys Molodkovets	

Person responsible for the preparation of the condensed consolidated interim financial statements for the six months ended 30 June 2018:

Denys Molodkovets	
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Nicosia, 21 September 2018

KDM SHIPPING PUBLIC LIMITED**INTERIM MANAGEMENT REPORT**

The Board of Directors of KDM Shipping Public Limited (the "Company") presents to the members its interim management report together with the unaudited condensed consolidated interim financial statements of the Company and of its subsidiaries (together with the Company referred to as "the Group") for the six months ended 30 June 2018.

FINANCIAL RESULTS

The results of the Group for the six months ended 30 June 2018 are set out in the condensed consolidated statement of profit or loss and other comprehensive income on page 7 of the condensed consolidated interim financial statements.

Profit for the six months ended 30 June 2018 attributable to the owners of the Company amounted to USD 2 916 thousand (2017: USD 1 680 thousand) which the Board of Directors recommends to be transferred to the revenue reserve.

EXAMINATION OF THE DEVELOPMENT, POSITION AND PERFORMANCE OF THE ACTIVITIES OF THE GROUP

The Group's sales revenue for the first half of 2018 consisted mainly from freight segment and grain trading operations since ship repair segment did not contribute much to total revenue of the Group.

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, Mediterranean and Caspian Sea regions' shipping routes.

The freight sales revenue for the first half of 2018 increased by approximately 90% compared to the corresponding previous period is not a substantial change as general market condition remained the same as in first half of 2017, however number of vessels under operation has increased. Additional 4 vessels were chartered from other ship owners.

Grain trading segment sales revenue has increased by approximately 87% due to the high sales in first half of 2018, with gross margin increasing to 194% in comparison with the corresponding previous period.

Ship repair segment's revenue continues to show negative tendency. Difficult political and economical situation have significantly cut the order book.

Overall, performance of the Group is of satisfactory level regardless of large number of economical and political issues in the region of operation. It is management's belief that freight and grain segments will keep improving its performance in the second half of 2018.

FUTURE DEVELOPMENTS

The Management of the Group is focused on implementing its targets and strategy including its decision of restructuring the Group's current legal structure.

MAIN RISKS AND UNCERTAINTIES

The main risks and uncertainties faced by the Group and the steps taken to manage these risks, are described in note 17 to the condensed consolidated interim financial statements.

KDM SHIPPING PUBLIC LIMITED**INTERIM MANAGEMENT REPORT (continue)****UKRAINIAN BUSINESS AND ECONOMIC ENVIRONMENT**

Ukraine has experienced a period of deep political and economic instability in 2014-2016 which led to a deterioration of state finances, volatility of financial markets, illiquidity on capital markets, higher inflation and devaluation of the national currency against major foreign currencies.

Since 2017 and going into 2018 the Ukrainian economy has demonstrated a slight recovery amid overall macroeconomic stabilization supported by a rise in domestic investment, revival in household consumption, increase in agricultural and industrial production, construction activity and improved environment on external markets. Inflation rate in Ukraine was relatively stable at around 13% in 2017 and 2018. GDP also continued to grow at 2-3%. First half of 2018 showed relative strengthening of Ukrainian Hryvnia against the US Dollar.

The National bank of Ukraine continues to further ease its currency control restrictions, which were introduced back in 2014. In particular, 2017 and 2018 have seen a decrease in the percentage of mandatory sale of foreign currency, increase in the settlement period for export-import transactions in foreign currency, and increase in limits on dividend payments to non-residents. The banking system overall remains fragile due to its weak level of capital, low asset quality caused by the economic situation, currency depreciation, changing regulations and other factors.

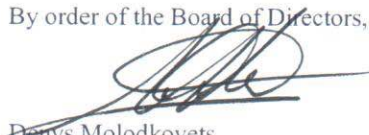
The uncertain economic conditions in Ukraine have affected the cash flow forecasts of the Group's management in relation to the impairment assessment for financial and non-financial assets. The Group's management has assessed whether any impairment provisions are deemed necessary for the Group's financial 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 consolidated 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.

RELATED PARTY BALANCES AND TRANSACTIONS

Disclosed in note 16 to the condensed consolidated interim financial statements.

By order of the Board of Directors,



Denys Molodkovets
Director, CFO

Nicosia, 21 September 2018



KPMG Limited
Chartered Accountants
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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 2018, 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 these condensed consolidated interim financial statements in accordance with International Accounting Standard (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 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.

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

Emphasis of matter

We draw attention to notes 2(d) and 2(f) to the condensed consolidated interim financial statements, which discuss the political and economic environment in Ukraine, the country in which the company mainly operates, and Management's assessment that the Group will continue as a going concern. The impact of the events described in notes 2(d) and 2(f) in the Ukrainian economy, the operations of the Group and its ability to meet its obligations as they fall due cannot be determined.

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 2018 are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

A handwritten signature in blue ink that reads 'KPMG Limited'. The signature is stylized and cursive, with a long horizontal flourish extending to the right.

KPMG Limited
Certified Accountants

Nicosia, 21 September 2018

KDM SHIPPING PUBLIC LIMITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Note	30 June 2018 USD'000	30 June 2017 USD'000
Revenue		16 386	8 714
Cost of sales		<u>(15 468)</u>	<u>(8 495)</u>
Gross profit		918	219
Other operating income	6	2 794	2 103
Administrative expenses		(260)	(188)
Impairment loss on trade and other receivables		(290)	-
Other operating expenses	7	<u>(222)</u>	<u>(363)</u>
Profit from operating activities		2 940	1 771
Finance income		17	21
Finance costs		<u>(47)</u>	<u>-</u>
Net finance expenses		(30)	21
Profit before taxation		2 910	1 792
Taxation		<u>(3)</u>	<u>(1)</u>
Profit for the period		2 907	1 791
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Effect from translation into presentation currency		<u>(143)</u>	719
Total comprehensive income		2 764	2 510
Profit attributable to:			
Owners of the Company		2 916	1 680
Non-controlling interests		<u>(9)</u>	<u>111</u>
		<u>2 907</u>	<u>1 791</u>
Total comprehensive income attributable to:			
Owners of the Company		2 773	2 399
Non-controlling interests		<u>(9)</u>	<u>111</u>
		<u>2 764</u>	<u>2 510</u>
<i>Profit per share</i>			
Basic and fully diluted profit per share (cent)	15	<u>0,31</u>	<u>0,18</u>

The notes on pages 11 to 31 are an integral part of these condensed consolidated interim financial statements.

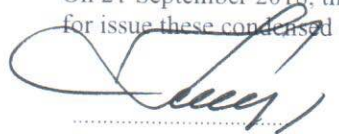
KDM SHIPPING PUBLIC LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	30 June 2018 USD'000	31 December 2017 USD'000
Assets			
Vessels, property, plant and equipment	8	7 970	7 666
Trade and other receivables	11	1 179	1 255
Non-current assets		9 149	8 921
Inventories	10	23	176
Trade and other receivables	11	5 436	6 410
Cash and cash equivalents		19 430	21 339
Assets classified as held for sale		-	535
Current assets		24 889	28 460
Total assets		34 038	37 381
Equity			
Share capital	12	118	118
Share premium		23 570	23 570
Retained earnings		27 411	26 775
Foreign currency translation reserve		(18 090)	(17 947)
Equity attributable to owners of the Company		33 009	32 516
Non-controlling interests		(1 645)	(938)
Total equity		31 364	31 578
Liabilities			
Deferred tax liabilities		509	479
Non-current liabilities		509	479
Loans and borrowings	13	119	2 127
Short-term notes		-	68
Trade and other payables	14	2 046	3 129
Current liabilities		2 165	5 324
Total liabilities		2 674	5 803
Total equity and liabilities		34 038	37 381

On 21 September 2018, the Board of Directors of KDM Shipping Public Limited approved and authorised for issue these condensed consolidated interim financial statements.


 Kostiantyn Molodkovets
 Director, CEO


 Denys Molodkovets
 Director, CFO

The notes on pages 11 to 31 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 2018

	Attributable to owners of the Company						
	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Balance at 1 January 2017	118	23 570	(18 419)	25 655	30 924	(902)	30 022
Comprehensive income							
Profit for the period	-	-	-	1 680	1 680	111	1 791
Effect from translation into presentation currency	-	-	719	-	719	-	719
Total comprehensive income	-	-	719	1 680	2 399	111	2 510
Balance at 30 June 2017	118	23 570	(17 700)	27 335	33 323	(791)	32 532
Balance at 1 January 2018	118	23 570	(17 947)	26 775	32 516	(938)	31 578
Adjustment on initial application of IFRS 9	-	-	-	(2 280)	(2 280)	(698)	(2 978)
Adjusted balance at 1 January 2018	118	23 570	(17 947)	24 495	30 236	(1 636)	28 600
Comprehensive income							
Profit for the period	-	-	-	2 916	2 916	(9)	2 907
Effect from translation into presentation currency	-	-	(143)	-	(143)	-	(143)
Total comprehensive income	-	-	(143)	2 916	2 773	(9)	2 764
Balance at 30 June 2018	118	23 570	(18 090)	27 411	33 009	(1 645)	31 364

The notes on pages 11 to 31 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 2018

	Note	30 June 2018 USD'000	30 June 2017 USD'000
Cash flows from operating activities			
Profit for the period		2 907	1 791
Adjustments for:			
Depreciation of vessels, property, plant and equipment	8	323	367
Gain on disposal of property, plant and equipment	6	(84)	-
Impairment loss on trade and other receivables	11	290	-
Income from derecognition of bank loans	6	-	(2 000)
Gain on liquidation of subsidiaries	6	(2 710)	-
Finance income		(17)	(21)
Finance costs		47	-
Taxation		3	1
Exchange differences	6, 7	204	(103)
Cash flows from operations before working capital changes		963	33
Decrease/(increase) in inventories	10	153	(462)
Increase in trade and other receivables	11	(826)	(2 183)
(Decrease)/increase in trade and other payables	14	(1 083)	119
Cash flows used in operations		(793)	(2 493)
Tax paid		(1)	-
Net cash flows used in operating activities		(794)	(2 493)
Cash flows from investing activities			
Payment for repairs of vessels, property, plant and equipment		(405)	-
Proceeds from disposal of vessels, property, plant and equipment		650	6
Interest received		-	-
Net cash flows from investing activities		245	6
Cash flows from financing activities			
Proceeds from non-bank loans	13	13	39
Repayment of non-bank loans	13	-	(122)
Net cash flows from/(used in) financing activities		13	(83)
Net decrease in cash and cash equivalents			
		(536)	(2 570)
Cash and cash equivalents at the beginning of the period		21 339	23 490
Change in provision allowance		(1 430)	-
Effect of translation into presentation currency		57	350
Cash and cash equivalents at the end of the period		19 430	21 270

The notes on pages 11 to 31 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 2018

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 is currently listed on the main market of Warsaw Stock Exchange.

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 for the six months ended 30 June 2017 comprise the Company and its subsidiaries (together with the Company referred to as the "Group").

During 2016, the Group has discontinued its passenger transportation segment. Other principal activities of the Group remained the same as in the previous period, and are cargo freight, ship repair and trading in grain, corn, oil and barley.

The Group's subsidiaries country of incorporation, their principal activities and effective ownership percentage are disclosed in note 9 to the condensed consolidated interim financial statements.

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 EUR 0,01 per share. The shares were distributed as follows:

Owner	30 June 2018		31 December 2017	
	Number of shares	Ownership Interest %	Number of shares	Ownership Interest %
Kostiantyn Molodkovets (KM Management Limited)	5 100 000	54,86	5 100 000	54,86
Denys Molodkovets (Denhold Management Limited)	286 315	3,08	1 197 321	12,88
Oleksyi Veselovskyy ⁽¹⁾	200 000	2,15	200 000	2,15
Konstantin Anisimov	1	-	1	-
Liudmila Molodkovets	1	-	1	-
Iurii Molodkovets	1	-	1	-
Public	3 709 682	39,91	2 798 676	30,11
	9 296 000	100,00	9 296 000	100,00

⁽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 six months ended 30 June 2018

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

These interim financial statements as at and for the six months ended 30 June 2018 have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting", and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2017 ('last annual financial statements'). They 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 annual financial statements.

This is the first set of the Group's financial statements where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are described in note 3.

These interim financial statements were authorised for issue by the Company's Board of Directors on 21 September 2018.

(b) Basis of measurement

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

(c) Use of judgements and estimates

In preparing these interim financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. 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 consolidated financial statements as at and for the year ended 31 December 2017, except for new judgments and sources of estimation uncertainty related to the application of IFRS 9 which are described in note 3.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

For the six months ended 30 June 2018

2. BASIS OF PREPARATION *(continued)***(c) Use of judgements and estimates** *(continued)*Measurement of fair values *(continued)*

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the relevant notes.

(d) Ukrainian business and economic environment

Main operating activities of the Group are not carried out in Ukraine; however, the Group's performance is affected by the development of the political situation in Ukraine and Russia. 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 unfavourable changes in political and economic environment.

Ukraine has experienced a period of deep political and economic instability in 2014-2016 which led to a deterioration of state finances, volatility of financial markets, illiquidity on capital markets, higher inflation and devaluation of the national currency against major foreign currencies.

Since 2017 and going into 2018 the Ukrainian economy has demonstrated a slight recovery amid overall macroeconomic stabilization supported by a rise in domestic investment, revival in household consumption, increase in agricultural and industrial production, construction activity and improved environment on external markets. Inflation rate in Ukraine was relatively stable at around 13% in 2017 and 2018. GDP also continued to grow at 2-3%. First half of 2018 showed relative strengthening of Ukrainian Hryvnia against the US Dollar.

The National bank of Ukraine continues to further ease its currency control restrictions, which were introduced back in 2014. In particular, 2017 and 2018 have seen a decrease in the percentage of mandatory sale of foreign currency, increase in the settlement period for export-import transactions in foreign currency, and increase in limits on dividend payments to non-residents. The banking system overall remains fragile due to its weak level of capital, low asset quality caused by the economic situation, currency depreciation, changing regulations and other factors.

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 consolidated 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 2018

2. BASIS OF PREPARATION (continued)**(e) 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 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 foreign currency translation reserve.

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

Currency	30 June 2018	Weighted average for the 6 months ended 30 June 2018	31 December 2017	Weighted average for the 6 months ended 30 June 2017
USD – UAH	26,3852	26,7380	28,0899	26,7380
USD – RUB	62,8931	59,1716	57,4713	57,8035

(f) 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 (d) to the condensed consolidated interim financial statements and has assessed the current situation and there is no indication of adverse effects while at the same time are taking all the steps to secure Group's short and long-term viability. To this effect, they consider that the Group is able to continue its operations as a going concern and that it will be able to meet its obligations as they fall due.

(g) Standards and Interpretations***Adoption of new and revised International Financial Reporting Standards and Interpretations***

As from 1 January 2018, the Group adopted all changes to International Financial Reporting Standards (IFRSs) which are relevant to its operations. This adoption did not have a material effect on the consolidated financial statements of the Group, except for the effects of initial application of IFRS 15 and IFRS 9 as described in note 3.

Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted them in preparing these condensed consolidated interim financial statements.

The standards issued but not yet effective are not expected to have a significant impact on the Group's consolidated financial statements.

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES

The Group has initially adopted IFRS 15 “Revenue from Contracts with Customers” and IFRS 9 “Financial Instruments” from 1 January 2018.

The effect of initially applying these standards is mainly attributed to impairment losses recognised on financial assets, see (b)(ii) below.

A number of other new standards are effective from 1 January 2018, but they do not have a material effect on the Group’s financial statements.

(a) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

(b) IFRS 9 “Financial Instruments”

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 “Financial Instruments: Recognition and Measurement”.

The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance of reserves, retained earnings and non-controlling interest (for a description of the transition method, see (iii) below).

	Impact of adopting IFRS 9 on opening balance
Retained earnings	
Recognition of expected credit losses under IFRS 9	(2 280)
Impact at 1 January 2018	<u><u>(2 280)</u></u>
Non-controlling interests	
Recognition of expected credit losses under IFRS 9	(698)
Impact at 1 January 2018	<u><u>(698)</u></u>

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. The adoption of IFRS 9 has not had a significant effect on the Group’s accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

KDM SHIPPING PUBLIC LIMITEDNOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the six months ended 30 June 2018**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***(b) IFRS 9 “Financial Instruments”** *(continued)***(i) Classification and measurement of financial assets and financial liabilities** *(continued)*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) IFRS 9 “Financial Instruments” (continued)

(i) Classification and measurement of financial assets and financial liabilities (continued)

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below. The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group’s financial assets as at 1 January 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				
Trade and other receivables	Loans and receivables	Amortised cost	4 358	2 810
Cash and cash equivalents	Loans and receivables	Amortised cost	21 339	19 909
Total financial assets			25 697	22 719

Trade and other receivables in the table above that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of USD 1 455 thousand in allowance for impairment of these receivables was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9.

(ii) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The financial assets at amortised cost consist of trade receivables, cash and cash equivalents.

Under IFRS 9, credit losses are recognised earlier than under IAS 39. Loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) IFRS 9 “Financial Instruments” (continued)

(ii) Impairment of financial assets (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Presentation of impairment

Impairment loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss and other comprehensive income.

Impact of the new impairment model

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9’s impairment requirements at 1 January 2018 results in an additional impairment allowance as follows:

Loss allowance at 31 December 2017 under IAS 39	-
Additional impairment recognised at 1 January 2018 on:	
Trade and other receivables as at 31 December 2017	1 548
Cash and cash equivalents	1 430
Loss allowance at 1 January 2018 under IFRS 9	2 978

Trade receivables and contract assets

The following analysis provides further detail about the calculation of ECLs related to trade receivables and contract assets on the adoption of IFRS 9. The Group considers the model and some of the assumptions used in calculating these ECLs as key sources of estimation uncertainty. The ECLs were calculated based on actual credit loss experience over the past two years. The Group performed the calculation of ECL rates separately for its grain trading segment and freight segment customers.

(iii) Transition

The Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

The determination of the business model within which a financial asset is held was assessed on the basis of the facts and circumstances that existed at the date of initial application.

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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 subject to risks and generate revenues other than risks and income of those components that are peculiar to other reportable segments.

The Group's three reportable segments are freight, ship repair and grain trading.

Analysis of the Group's reportable segments is as follows:

30 June 2018	Freight USD'000	Ship repair USD'000	Grain trading USD'000	Total USD'000
External revenues	3 142	582	13 067	16 791
Inter-segment revenue	-	(405)	-	(405)
Cost of sales	<u>(2 625)</u>	<u>(226)</u>	<u>(12 617)</u>	<u>(15 468)</u>
Gross profit	517	(49)	450	918
Add back: Depreciation of vessels, property, plant and equipment	<u>176</u>	<u>140</u>	<u>-</u>	<u>316</u>
Segment profit	<u>693</u>	<u>91</u>	<u>450</u>	<u>1 234</u>
Non-current assets	3 809	4 161	1 179	9 149
Current assets	<u>21 722</u>	<u>233</u>	<u>2 934</u>	<u>24 889</u>
Total assets	<u>25 531</u>	<u>4 394</u>	<u>4 113</u>	<u>34 038</u>
Non-current liabilities	3	506	-	509
Current liabilities	<u>1 569</u>	<u>277</u>	<u>319</u>	<u>2 165</u>
Total liabilities	<u>1 572</u>	<u>783</u>	<u>319</u>	<u>2 674</u>

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

4. OPERATING SEGMENTS (continued)

30 June 2017	Freight USD'000	Ship repair USD'000	Grain trading USD'000	Total USD'000
External revenues	1 652	78	6 984	8 714
Inter-segment revenue	-	-	-	-
Cost of sales	(1 507)	(157)	(6 831)	(8 495)
Gross profit	145	(79)	153	219
Add back: Depreciation of vessels, property, plant and equipment	225	140	-	365
Segment profit	370	61	153	584
As at 31 December 2017	Freight USD'000	Ship repair USD'000	Grain USD'000	Total USD'000
Non-current assets	3 580	4 086	1 255	8 921
Current assets	23 013	392	5 055	28 460
Total assets	26 593	4 478	6 310	37 381
Non-current liabilities	4	475	-	479
Current liabilities	4 137	177	1 010	5 324
Total liabilities	4 141	652	1 010	5 803

Geographical information

Reportable segment information related to geographical location for the six months ended 30 June 2018 and 2017 is presented below. Sales revenue analysis was based on the geographical location of customers.

	2018 USD'000	2017 USD'000
United Arab Emirates	7 406	-
Netherlands	2 435	-
Switzerland	2 434	-
Caspian region	2 097	6 984
Germany	1 579	-
Turkey	202	563
Ukraine	177	328
Russia	-	638
Italy	-	84
Other countries	56	117
Total	16 386	8 714

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

5. LIQUIDATION OF SUBSIDIARIES

In June 2018, LLC Danapris, one of the Group's subsidiaries, was liquidated. LLC Danapris was a subholding company for LLC Capital Shipping Company and LLC Hylea-Servise (both in the process of liquidation). As a result of liquidation of LLC Danapris, the Group also lost control over these two subsidiaries. The Group, therefore, ceased consolidating LLC Danapris, LLC Capital Shipping Company and LLC Hylea-Servise as at 30 June 2018, and all assets and liabilities of these subsidiaries were derecognised. Total net liabilities of liquidated subsidiaries as at 30 June 2018 are detailed as follows:

	Note	30 June 2018 USD'000
Loans and borrowings	13	(2 000)
Other accounts payable	14	(325)
Interest payable	14	(243)
Advances received	14	(74)
Short-term notes		(68)
Net liabilities		(2 710)
Cash consideration		-
Gain on liquidation of subsidiaries		2 710

6. OTHER OPERATING INCOME

	Note	30 June 2018 USD'000	30 June 2017 USD'000
Gain on liquidation of subsidiaries	5	2 710	-
Gain on disposal of vessels, property, plant and equipment		84	-
Income from derecognition of bank loans		-	2 000
Gain from foreign exchange difference, net		-	103
Total other operating income		2 794	2 103

7. OTHER OPERATING EXPENSES

	30 June 2018 USD'000	30 June 2017 USD'000
Loss from foreign exchange difference, net	204	-
Promotion and entertainment expenses	15	-
Fines and penalties	3	3
Idle vessels expenses	-	360
Total other operating expenses	222	363

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

8. VESSELS, PROPERTY, PLANT AND EQUIPMENT

30 June 2017	Land and buildings USD'000	Vessels USD'000	Plant and equipment USD'000	Other USD'000	Total USD'000
Cost					
Balance at 1 January 2017	5 440	14 296	991	137	20 864
Additions	-	-	-	-	-
Disposals	-	-	-	(5)	(5)
Exchange differences	91	-	16	-	107
Balance at 30 June 2017	5 531	14 296	1 007	132	20 966
Depreciation and impairment losses					
Balance at 1 January 2017	2 974	8 505	310	118	11 907
Depreciation for the period	66	270	27	2	365
On disposals	-	-	-	(1)	(1)
Exchange differences	32	-	3	-	35
Balance at 30 June 2017	3 072	8 775	340	119	12 306
Carrying amounts					
Balance at 30 June 2017	2 459	5 521	667	13	8 660

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

8. VESSELS, PROPERTY, PLANT AND EQUIPMENT (continued)

31 December 2017	Land and buildings USD'000	Vessels USD'000	Plant and equipment USD'000	Other USD'000	Total USD'000
Cost					
Balance at 1 July 2017	5 531	14 296	1 007	132	20 966
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Reclassification to assets held for sale	-	(1 373)	-	-	(1 373)
Exchange differences	(182)	-	(43)	-	(225)
Balance at 31 December 2017	5 349	12 923	964	132	19 368
Depreciation and impairment losses					
Balance at 1 July 2017	3 072	8 775	340	119	12 306
Depreciation for the period	85	269	28	3	385
On disposals	-	-	-	-	-
Reclassification to assets held for sale	-	(838)	-	-	(838)
Exchange differences	(122)	-	(29)	-	(151)
Balance at 31 December 2017	3 035	8 206	339	122	11 702
Carrying amounts					
Balance at 31 December 2017	2 314	4 717	625	10	7 666

In February 2018, the Group has disposed of one of its vessels for USD 650 thousand. As at 31 December 2017, this vessel was reclassified to assets held for sale and presented under freight segment.

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

8. VESSELS, PROPERTY, PLANT AND EQUIPMENT *(continued)*

30 June 2018	Land and buildings USD'000	Vessels USD'000	Plant and equipment USD'000	Other USD'000	Total USD'000
Cost					
Balance at 1 January 2018	5 349	12 923	964	132	19 368
Additions	-	405	-	-	405
Disposals	-	-	-	-	-
Exchange differences	202	7	83	-	292
Balance at 30 June 2018	5 551	13 335	1 047	132	20 065
Depreciation and impairment losses					
Balance at 1 January 2018	3 035	8 206	339	122	11 702
Depreciation for the period	67	220	27	2	316
On disposals	-	-	-	-	-
Exchange differences	62	-	15	-	77
Balance at 30 June 2018	3 164	8 426	381	124	12 095
Carrying amounts					
Balance at 30 June 2018	2 387	4 909	666	8	7 970

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

9. INVESTMENTS IN SUBSIDIARIES

Group subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>30 June 2018 Effective holding, %</u>	<u>31 December 2017 Effective holding, %</u>
KD Shipping Co. Limited Inc.	Panama	Bareboat charterer of vessels	100,00	100,00
LLC Danapris	Ukraine	Ukrainian holding company	-	99,84
LLC Capital Shipping Company	Ukraine	Ship owner, safety and technical license	-	99,57
LLC Hylea-Servise	Ukraine	Ship repair services	-	99,57
Infoland Incorporated	Panama	Management services	100,00	100,00
LLC First Kherson Shipbuilding Yard	Ukraine	Ship repair services	100,00	100,00
LLC Shipyard1930	Ukraine	Ship repair services	100,00	-
LLC Marine Management	Russian Federation	Ship operator	100,00	100,00
Mak Agro Grains Cereals and Legumes Trading LLC	United Arab Emirates	Commodities trader	51,00	51,00
KDM Shipping LTD	United Kingdom	Commodities trader	100,00	-

In February 2018, the Group incorporated LLC Shipyard1930, a ship repair services company, registered in Ukraine.

In March 2018, the Group incorporated KDM Shipping LTD, a commodities trader company, registered in the United Kingdom.

In June 2018, LLC Danapris was liquidated. LLC Danapris was a subholding company for LLC Capital Shipping Company and LLC Hylea-Servise (both in the process of liquidation). As a result, the Group ceased consolidating LLC Danapris, LLC Capital Shipping Company and LLC Hylea-Servise as of 30 June 2018, and all assets and liabilities of these subsidiaries were derecognised. For details refer to note 5 to these condensed consolidated interim financial statements

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

10. INVENTORIES

	30 June 2018 USD'000	31 December 2017 USD'000
Work in progress	14	121
Fuel	8	32
Materials	1	23
Total inventories	23	176

11. TRADE AND OTHER RECEIVABLES

	30 June 2018 USD'000	31 December 2017 USD'000
Trade receivables	2 150	1 583
<u>Less: allowance for impairment of trade receivables</u>	<u>(1 745)</u>	<u>-</u>
Trade receivables, net	405	1 583
Loans receivable from directors/owners (note 16(iii))	1 217	1 255
<u>Less: allowance for impairment of loans from directors/owners</u>	<u>(38)</u>	<u>-</u>
Prepayments	3 121	3 259
VAT recoverable	83	48
Interest receivable	40	27
Other loans receivable	777	428
<u>Less: allowance for impairment of other loans receivable</u>	<u>(23)</u>	<u>-</u>
Other receivables	1 065	1 065
<u>Less: allowance for impairment of other receivables</u>	<u>(32)</u>	<u>-</u>
Total trade and other receivables	6 615	7 665
Non-current portion	1 179	1 255
Current portion	5 436	6 410
Total trade and other receivables	6 615	7 665

Movement in loans receivable is as follows:

	Loans receivable from directors/ owners USD'000	Other loans receivable USD'000
Balance as at 1 January 2018	1 255	428
Provision of loans	-	406
Repayment of loans	-	(58)
Set-off of non-bank loan against loan receivable (note 13)	(24)	-
Currency translation differences	(14)	1
Balance as at 30 June 2018	1 217	777

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

12. SHARE CAPITAL

	30 June 2018 Number of shares	30 June 2018 USD'000	31 December 2017 Number of shares	31 December 2017 USD'000
Authorised				
Ordinary shares of USD 0,01 each (EUR 0,01 each)	20 000 000	265	20 000 000	265
Issued and fully paid				
Balance at 30 June and 31 December	9 296 000	118	9 296 000	118

The owners of the parent company as at 30 June and 31 December are as follows:

	30 June 2018 USD'000	31 December 2017 USD'000
Kostiantyn Molodkovets	65	65
Denys Molodkovets	4	15
Oleksyi Veselovskyy	2	2
Public	47	36
	118	118

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/EUR 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 EUR 0,01 each and share premium of USD 23 570 thousand net of transaction costs.

13. LOANS AND BORROWINGS

	30 June 2018 USD'000	31 December 2017 USD'000
Short-term liabilities		
Non-bank loans from related parties (note 16(v))	106	127
Non-bank loans from third parties	13	-
Bank loan	-	2 000
Total loans and borrowings	119	2 127

Bank loan as at 31 December 2017 has an interest rate of 3M Libor + 10,5% and is secured by mortgage against the vessels with net book value of USD 2 087 thousand.

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

13. LOANS AND BORROWINGS (continued)

In June 2018, the Group has derecognised its bank loan in the amount of USD 2 000 thousand, as a result of deconsolidation of several Group subsidiaries (refer to note 5). The effect of this derecognition was recognised in profit or loss as part of other operating income (refer to note 6).

Movement in loans and borrowings is as follows:

	USD'000
Balance at 1 January 2018	2 127
Proceeds from non-bank loans	13
Set-off of non-bank loan against loan receivable (note 11)	(24)
On liquidation of subsidiary (note 5)	(2 000)
Currency translation differences	3
Balance at 30 June 2018	<u>119</u>

14. TRADE AND OTHER PAYABLES

	30 June 2018 USD'000	31 December 2017 USD'000
Trade payables	1 282	1 266
Salaries contributions and other related taxes	365	332
Advances received	199	792
Other accounts payable	117	413
Payable to directors/owners (note 16(iv))	83	83
Interest payable (note 5)	-	243
Total trade and other payables	<u>2 046</u>	<u>3 129</u>

Advances received as at 31 December 2017 include USD 74 thousand which were derecognised as a result of deconsolidation of several Group subsidiaries in the six-month period ended 30 June 2018 (note 5).

Other accounts payable as at 31 December 2017 include accrued penalties and court fees in the total amount of USD 325 thousand which were derecognised as a result of deconsolidation of several Group subsidiaries in the six-month period ended 30 June 2018 (note 5).

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

15. EARNINGS PER SHARE

The calculation of earnings per share for the six months ended 30 June 2018 and 30 June 2017 was based on the profit attributable to ordinary owners and the weighted number of ordinary shares outstanding as follows:

Profit attributable to ordinary owners:

	30 June 2018	30 June 2017
	USD'000	USD'000
Profit for the period	<u>2 916</u>	<u>1 680</u>

Number of ordinary shares:

	30 June 2018	30 June 2017
	'000	'000
Weighted average number of ordinary shares	<u>9 296</u>	<u>9 296</u>
Basic and fully diluted earnings per share (USD)	<u>0,31</u>	<u>0,18</u>

There are no options or instruments convertible into new shares and so basic and diluted earnings per share are the same.

16. RELATED PARTY BALANCES AND TRANSACTIONS

The majority of the Company's share capital is held by Kostiantyn Molodkovets who owns 54,86% and Denys Molodkovets who owns 3,08%. During the six months ended 30 June 2018 39,91% 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 both related and unrelated 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.

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 2018

16. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

A. *Key management*

(i) Remuneration of key management

Salary costs of key management for the six months ended 30 June 2018 and 2017 were as follows:

	30 June 2018 USD'000	30 June 2017 USD'000
Salaries	32	30
Contributions to pension funds	7	4
Total	39	34

Number of key management personnel was as follows:

	30 June 2018	30 June 2017
Number of key management personnel, persons	16	20

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

(ii) Transactions with related parties

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

	30 June 2018 USD'000	30 June 2017 USD'000
Administrative expenses	(39)	(34)
Finance income	17	-
Total	(22)	(34)

(iii) Amounts receivable from directors/owners (note 11)

	30 June 2018 USD'000	31 December 2017 USD'000
Loans receivable from directors/owners	1 217	1 255

Loans receivable from directors/owners bear an interest rate of 2,5% per annum and mature in 2020.

(iv) Amounts payable to directors/owners (note 14)

	30 June 2018 USD'000	31 December 2017 USD'000
Payable to directors/owners	83	83

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

16. RELATED PARTY BALANCES AND TRANSACTIONS *(continued)*

(v) Outstanding balances with related parties (included in other receivables, note 11)

	30 June 2018 USD'000	31 December 2017 USD'000
Non-bank loans from related parties	106	127

Non-bank loans from related parties as at 30 June 2018 have an interest rate of 1% per annum and mature in December 2018.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group is exposed to the following risks resulting from the use of financial instruments: credit risk, liquidity risk and market risk including foreign currency risk and interest rate risk of fair value.

For the six months ended 30 June 2018 USD 5 336 thousand (30 June 2017: USD 2 028 thousand) or 33% (30 June 2017: 23%) from the Group's revenue refers to the sales transactions carried out with one of the Group's clients.

Other aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the last annual financial statements as at and for the year ended 31 December 2017.

18. 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 2018.

On 21 September 2018, the Board of Directors of KDM Shipping Public Limited approved and authorised for issue, these condensed consolidated interim financial statements.

