

**KDM SHIPPING PUBLIC LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
For the year ended 31 December 2016

**KDM Shipping Public Limited**  
**REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 December 2016**

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**KDM Shipping Public Limited****OFFICERS AND PROFESSIONAL ADVISORS**

Board of Directors	Kostiantyn Molodkovets - Executive Director, CEO Denys Molodkovets - Executive Director, CFO
Secretary	Boomer Secretarial Limited
Independent Auditors	KPMG Limited
Bankers	UBS AG AS RIETUMU BANKA
Registered Office	3 Michael Koutsofta Str. 3031, Limassol Cyprus

**KDM Shipping Public Limited****MANAGEMENT REPORT**

The Board of Directors of KDM Shipping Public Limited (the "Company") presents to the members its Annual Report together with the audited financial statements of the Company for the year ended 31 December 2016.

**PRINCIPAL ACTIVITIES AND NATURE OF OPERATIONS OF THE COMPANY**

The principal activity of the Company which remained the same as in the previous year is the holding of investments in ship management entities situated in Ukraine and Panama.

**FINANCIAL RESULTS**

The Company's financial results for the year ended 31 December 2016 are set out on page 9 to the financial statements. The net loss for the year attributable to the owners of the Company amounted to US\$181.217 (2015: US\$161.194 loss).

**EXAMINATION OF THE DEVELOPMENT, POSITION AND PERFORMANCE OF THE ACTIVITIES OF THE COMPANY**

The current financial position as presented in the financial statements is not considered satisfactory and the Board of Directors is making an effort to reduce the Company losses.

**DIVIDENDS**

The Board of Directors does not recommend the payment of a dividend.

**MAIN RISKS AND UNCERTAINTIES**

The main risks and uncertainties faced by the Company and the steps taken to manage these risks, are described in note 15 to the financial statements.

**USE OF FINANCIAL INSTRUMENTS BY THE COMPANY**

The Company is exposed to interest rate risk, credit risk and dividends from the financial instruments it holds.

**INTEREST RATE RISK**

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

**KDM Shipping Public Limited****MANAGEMENT REPORT** *(continued)***CREDIT RISK**

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has no significant concentration of credit risk. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

Credit risk related to trade receivables: This is managed based on established policies, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal ratings. Credit quality of the customer is assessed and outstanding customer receivables are regularly monitored. The Company does not hold collateral as security.

**LIQUIDITY RISK**

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

**FUTURE DEVELOPMENTS**

The Board of Directors does not expect major changes in the principal activities of the Company in the foreseeable future.

**SHARE CAPITAL**

There were no changes in the share capital of the Company during the year.

**BRANCHES**

During the year ended 31 December 2016 the Company did not operate any branches.

**BOARD OF DIRECTORS**

The members of the Company's Board of Directors as at 31 December 2016 and at the date of this report are presented on page 1.

In accordance with the Company's Articles of Association all directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

**EVENTS AFTER THE REPORTING PERIOD**

Any significant events that occurred after the end of the reporting period are described in note 18 to the financial statements.

**KDM Shipping Public Limited****MANAGEMENT REPORT** *(continued)***RELATED PARTY TRANSACTIONS**

Disclosed in note 14 to the financial statements.

**INDEPENDENT AUDITORS**

The independent auditors of the Company, KPMG Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

By order of the Board of Directors,

Boomer Secretarial Limited  
Secretary

Nicosia, 14 July 2017



KPMG Limited  
Chartered Accountants  
14 Esperidon Street, 1087 Nicosia, Cyprus  
P.O. Box 21121, 1502 Nicosia, Cyprus  
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## INDEPENDENT AUDITORS' REPORT

to the members of

### KDM SHIPPING PUBLIC LIMITED

#### Report on the audit of the financial statements

#### *Opinion*

We have audited the accompanying financial statements of parent company KDM Shipping Public Limited (the "Company"), which are presented on pages 9 to 26, and comprise the statement of financial position as at 31 December 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the "Companies Law, Cap. 113").

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the *Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants ("IESBA Code")*, and the ethical requirements in Cyprus that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Board Members

N.G. Symeonis, A.K. Christofides, P.G. Loizou, A.M. Gregoriades, D.S. Vakis, A.A. Apostolou,  
S.A. Loizides, M.A. Loizides, S.G. Sofianidou, M.M. Antonios, C.V. Vasiliou, P.E. Antonades,  
M.J. Haios, M.P. Mihaili, P.A. Pecties, G.V. Marikides, M.A. Papacosta, I.A. Papanicolaou,  
A. Scharnberger, G.N. Tziartzis, H.S. Charalambides, C.P. Arayias, I.P. Chabaidis,  
M.G. Gregoriades, H.A. Fakihides, G.P. Savva, C.A. Kallas, C.N. Kallis, M.H. Zaccaro, P.S. Eleni,  
M.G. Loizou, Z.E. Hadziacharidis, M.S. Theodoropoulos, M.A. Karatzi, C.A. Markides,  
G.V. Anagnostou, C. Karamanolis, C.S. Theodorou, A.S. Stefanidou, G.H. Symeonis, T.I. Yatsenides,  
A.A. Baryly, F.A. Christofides, P.P. Kateris

KPMG Limited, a private company limited by shares registered in Cyprus under registration number HE 323822 with its registered office at 14, Esperidon Street, 1087, Nicosia, Cyprus

Nicosia  
P.O. Box 50161, 3601  
T: +357 25 809000  
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Larnaca  
P.O. Box 40075, 6300  
T: +357 24 200000  
F: +357 24 200200

Limassol  
P.O. Box 6283, 8101  
T: +357 26 943050  
F: +357 26 943062

Paralimni / Ayia Napa  
P.O. Box 33200, 5311  
T: +357 23 820060  
F: +357 23 820081

Polis Chrysochou  
P.O. Box 66014, 8330  
T: +357 26 322098  
F: +357 26 322222

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

**Other information**

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as required by the Companies Law, Cap.113.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. Our report in this regard is presented in the "*Report on other legal requirements*" section.

**Responsibilities of the Board of Directors for the financial statements**

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS-EU and the requirements of the Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to either liquidate the Company or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on other legal requirements**

Pursuant to the additional requirements of the Auditors' Law of 2017, L.53(I)/2017, as amended from time to time ("Law L.53(I)/2017"), we report the following:

- In our opinion, the Management Report, the preparation of which is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the financial statements.

- In the light of the knowledge and understanding of the business and the Company's environment obtained in the course of the audit, we have not identified material misstatements in the management report.
- In our opinion, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Companies Law, Cap. 113, and which is included as a specific section of the Management Report, have been prepared in accordance with the requirements of the Companies Law, Cap. 113, and is consistent with the financial statements.
- In the light of the knowledge and understanding of the business and the Company's environment obtained in the course of our audit, we have not identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Companies Law, Cap. 113.
- In our opinion, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii) and (vi) of paragraph 2(a) of Article 151 of the Companies Law, Cap. 113.

**Other matter**

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of Law L.53(I)/2017, as amended from time to time and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2016. That report includes an emphasis of matter.

The engagement partner on the audit resulting in this independent auditors' report is Maria A. Papacosta.



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

14 July 2017

**KDM Shipping Public Limited**

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

**For the year ended 31 December 2016**

	Note	2016 US\$	2015 US\$
<b>Revenue</b>		3,098,050	-
Cost of sales		<u>(3,037,250)</u>	<u>-</u>
<b>Gross profit</b>		60,800	-
Other operating income	4	-	762
Administrative expenses		(187,836)	(149,954)
Other operating expenses	5	<u>-</u>	<u>(17,506)</u>
<b>Operating loss</b>	6	<u>(127,036)</u>	<u>(166,698)</u>
Finance income		339	9,651
Finance expenses		<u>(54,520)</u>	<u>(4,147)</u>
<b>Net finance (expenses)/income</b>	7	<u>(54,181)</u>	<u>5,504</u>
<b>Loss before tax</b>		(181,217)	(161,194)
Tax	8	<u>-</u>	<u>-</u>
<b>Loss for the year</b>		<u>(181,217)</u>	<u>(161,194)</u>
<b>Other comprehensive income</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive expense for the year attributable to owners</b>		<u>(181,217)</u>	<u>(161,194)</u>

The notes on pages 13 to 26 are an integral part of these financial statements.

**KDM Shipping Public Limited**

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 US\$	2015 US\$
<b>Assets</b>			
Investments in subsidiaries	9	<u>25.330.000</u>	<u>25.310.000</u>
<b>Total non-current assets</b>		<u>25.330.000</u>	<u>25.310.000</u>
Receivables from own subsidiaries	14	37.991	37.991
Cash and cash equivalents	10	<u>15.194</u>	<u>8.238</u>
<b>Total current assets</b>		<u>53.185</u>	<u>46.229</u>
<b>Total assets</b>		<u>25.383.185</u>	<u>25.356.229</u>
<b>Equity</b>			
Share capital	11	117.128	117.128
Share premium		23.571.234	23.571.234
Accumulated losses		<u>(441.587)</u>	<u>(260.370)</u>
<b>Total equity</b>		<u>23.246.775</u>	<u>23.427.992</u>
<b>Liabilities</b>			
Bank overdrafts	10	-	40
Trade and other payables	12	269.890	102.566
Payables to own subsidiaries	14	1.783.534	1.694.645
Directors' current accounts - credit balances	14	-	20.000
Owners' current accounts - credit balances	14	<u>82.986</u>	<u>110.986</u>
<b>Total current liabilities</b>		<u>2.136.410</u>	<u>1.928.237</u>
<b>Total equity and liabilities</b>		<u>25.383.185</u>	<u>25.356.229</u>

On 14 July 2017 the Board of Directors of KDM Shipping Public Limited approved and authorised these financial statements for issue.

  
 .....  
 Kostiantyn Molodkovets  
 Executive Director, CEO

  
 .....  
 Denys Molodkovets  
 Executive Director, CFO

The notes on pages 13 to 26 are an integral part of these financial statements.

**KDM Shipping Public Limited**

**STATEMENT OF CHANGES IN EQUITY**

**For the year ended 31 December 2016**

	Share capital US\$	Share premium US\$	Accumulated losses US\$	Total US\$
Balance at 1 January 2015	<u>117.128</u>	<u>23.571.234</u>	<u>(99.176)</u>	<u>23.589.186</u>
<b>Comprehensive income</b>				
Loss for the year	<u>-</u>	<u>-</u>	<u>(161.194)</u>	<u>(161.194)</u>
Balance at 31 December 2015	<u>117.128</u>	<u>23.571.234</u>	<u>(260.370)</u>	<u>23.427.992</u>
Balance at 1 January 2016	117.128	23.571.234	(260.370)	23.427.992
<b>Comprehensive income</b>				
Loss for the year	<u>-</u>	<u>-</u>	<u>(181.217)</u>	<u>(181.217)</u>
Balance at 31 December 2016	<u>117.128</u>	<u>23.571.234</u>	<u>(441.587)</u>	<u>23.246.775</u>

Share premium is not available for distribution.

The notes on pages 13 to 26 are an integral part of these financial statements.

**KDM Shipping Public Limited****STATEMENT OF CASH FLOWS****For the year ended 31 December 2016**

	Note	2016 US\$	2015 US\$
<b>Cash flows from operating activities</b>			
Loss for the year		(181.217)	(161.194)
Adjustments for:			
Unrealised exchange loss		-	1.477
<b>Cash used in operations before working capital changes</b>		<u>(181.217)</u>	<u>(159.717)</u>
Decrease in trade and other receivables		-	8.079
(Increase) in directors' current accounts		(20.000)	9.427
Increase in owners' current accounts		(28.000)	-
Increase in trade and other payables		147.324	6.858
Increase in payables to own subsidiaries		<u>88.889</u>	<u>138.538</u>
<b>Cash generated from operations</b>		6.996	3.185
Tax paid		-	(4.203)
<b>Net cash generated from/(used in) operating activities</b>		<u>6.996</u>	<u>(1.018)</u>
<b>Cash flows from investing activities</b>		<u>-</u>	<u>-</u>
<b>Cash flows from financing activities</b>			
Unrealised exchange profit		-	(1.477)
<b>Net cash used in financing activities</b>		<u>-</u>	<u>(1.477)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		6.996	(2.495)
Cash and cash equivalents at beginning of the year		<u>8.198</u>	<u>10.693</u>
<b>Cash and cash equivalents at end of the year</b>	10	<u><u>15.194</u></u>	<u><u>8.198</u></u>

The notes on pages 13 to 26 are an integral part of these financial statements.

**KDM Shipping Public Limited****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2016

**1. INCORPORATION AND PRINCIPAL ACTIVITIES**

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

The principal activity of the Company which remained the same as in the previous year is the holding of investments in ship management entities situated in Ukraine and Panama.

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

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113 and are for the year ended 31 December 2016.

The Company has also prepared consolidated financial statements in accordance with IFRSs for the Company and its subsidiaries (the "Group"). The consolidated financial statements can be obtained from the registered office of the Company.

Users of these parent's separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2016 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group.

**(b) Basis of measurement**

The financial statements have been prepared under the historical cost convention.

**(c) Adoption of new and revised International Financial Reporting Standards and Interpretations as adopted by the European Union (EU)**

During the current year the Company adopted all the changes to International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2016 . This adoption did not have a material effect on the accounting policies of the Company.

At the date of approval of these financial statements, Standards, Revised Standards and Interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a significant effect on the financial statements of the Company.

**(d) Use of estimates and judgments**

The preparation of financial statements in accordance with IFRSs requires from Management the exercise of judgment, to make estimates and assumptions that influence the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may deviate from such estimates.

**KDM Shipping Public Limited****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2016

**2. BASIS OF PREPARATION** *(continued)*

The estimates and underlying assumptions are revised on a continuous basis. Revisions in accounting estimates are recognised in the period during which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

*Measurement of fair values*

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

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible.

Fair values are categorized 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 within 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).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized 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 Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

**(e) Functional and presentation currency**

The financial statements are presented in United States Dollars (US\$) which is the functional currency of the Company.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies have been applied consistently for all the years presented in these financial statements.

**Consolidated financial statements**

The Company has subsidiary undertakings for which section 142(1)(b) of the Cyprus Companies Law Cap. 113 requires consolidated financial statements to be prepared and laid before the Company at the Annual General Meeting.

**KDM Shipping Public Limited****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2016****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****Consolidated financial statements (continued)**

The financial statements of subsidiaries acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date that control commences until the date control ceases.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring them in line with the accounting policies of the Group.

**Subsidiaries**

Subsidiaries are entities controlled by the Group. Control exists where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in subsidiaries are stated at cost less provision for permanent diminution in value, which is recognised as an expense in the period in which the diminution is identified.

**Finance income**

Interest income is recognised on a time-proportion basis using the effective method.

**Finance expenses**

Interest expense and other borrowing costs are recognised in profit or loss using the effective interest method.

**Foreign currency translation****(i) *Functional currency***

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

**(ii) *Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined.

**Tax**

Tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting period. Current tax includes any adjustments to tax payable in respect of previous periods.

**Financial instruments**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

**KDM Shipping Public Limited****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2016****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial instruments (continued)****(i) Borrowings**

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

**(ii) Trade and other payables**

Trade payables are stated at their nominal values.

**Derecognition of financial assets and liabilities*****Financial assets***

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the contractual rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Any interest in such derecognized financial assets that is created or retained by the Company is recognised as a separate asset or liability.

***Financial liabilities***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

**Offsetting financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

**KDM Shipping Public Limited****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2016

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****Impairment of non-financial assets**

Assets (other than biological assets, investment property, inventories and deferred tax assets) that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash flows from continuing use that are largely independent of the cash inflows of other assets or cash generating units. Goodwill arising from a business combination is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

**Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank and bank overdrafts.

**Share capital**

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

**Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

**Non-current liabilities**

Non-current liabilities represent amounts that are due more than twelve months from the reporting period.

## KDM Shipping Public Limited

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2016**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

**4. OTHER OPERATING INCOME**

	2016 US\$	2015 US\$
Payables written off	-	762
	<u>-</u>	<u>762</u>

**5. OTHER OPERATING EXPENSES**

	2016 US\$	2015 US\$
Receivables written off	-	17.506
	<u>-</u>	<u>17.506</u>

**6. OPERATING LOSS**

	2016 US\$	2015 US\$
Operating loss is stated after charging the following items:		
Directors' fees	28.000	28.000
Independent auditors' remuneration for the statutory audit of annual accounts	5.798	5.988
Independent auditors' remuneration for other assurance services	28.109	44.102
Independent auditors' remuneration for tax advice	527	544
Independent auditors' remuneration for the audit of consolidated financial statements	<u>65.143</u>	<u>50.951</u>

## KDM Shipping Public Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 7. NET FINANCE INCOME AND EXPENSES

	2016 US\$	2015 US\$
Exchange profit	<u>339</u>	<u>9.651</u>
	<u>339</u>	<u>9.651</u>
Net foreign exchange transaction losses	(51.252)	(1.477)
Sundry finance expenses	<u>(3.268)</u>	<u>(2.670)</u>
Finance expenses	<u>(54.520)</u>	<u>(4.147)</u>
<b>Net finance (expenses)/income</b>	<u><u>(54.181)</u></u>	<u><u>5.504</u></u>

## 8. TAXATION

Reconciliation of tax based on the taxable income and tax based on accounting losses:

	2016	2016 US\$	2015	2015 US\$
Accounting loss before tax		<u>(181.217)</u>		<u>(161.194)</u>
Tax calculated at the applicable tax rates	12,50 %	(22.652)	12,50 %	(20.149)
Tax effect of expenses not deductible for tax purposes	(6,00)%	10.871	(1,61)%	2.590
Tax effect of allowances and income not subject to tax	0,02 %	(42)	(16,67)%	26.874
Tax effect of tax losses brought forward	- %	-	5,78 %	(9.315)
Tax effect of loss for the year	<u>(6,52)%</u>	<u>11.823</u>	<u>- %</u>	<u>-</u>
Tax as per statement of profit or loss and other comprehensive income - charge	<u>- %</u>	<u>-</u>	<u>- %</u>	<u>-</u>

The corporation tax rate is 12,5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

Due to tax losses sustained in the year, no tax liability arises on the Company. Tax losses may be carried forward for five years. Group companies may deduct losses against profits arising during the same tax year. As at 31 December 2016, the balance of tax losses which is available for offset against future taxable profits amounts to US\$248.657 (€248.170) for which no deferred tax asset is recognised in the statement of financial position.

## KDM Shipping Public Limited

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2016**9. INVESTMENTS IN SUBSIDIARIES**

	2016 US\$	2015 US\$
Balance at 1 January	25.310.000	25.310.000
Additions	<u>20.000</u>	<u>-</u>
Balance at 31 December	<u><u>25.330.000</u></u>	<u><u>25.310.000</u></u>

The details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	2016 Holding %	2015 Holding %	2016 US\$	2015 US\$
KD Shipping Co. Limited Inc.	Panama	Freight business	100	100	25.010.000	25.010.000
LLC Danapris	Ukraine	Investment holding company	99,84	99,84	300.000	300.000
Mak Agro Grains Cereals and Legumes Trading LLC	United Arab Emirates	Grain trading	51	-	<u>20.000</u>	<u>-</u>
					<u><u>25.330.000</u></u>	<u><u>25.310.000</u></u>

The Company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated future discounted cash flows associated with these subsidiaries would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

**10. CASH AND CASH EQUIVALENTS**

	2016 US\$	2015 US\$
Cash at bank and in hand	<u>15.194</u>	<u>8.238</u>

## KDM Shipping Public Limited

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2016**10. CASH AND CASH EQUIVALENTS** *(continued)*

For the purposes of the statement of cash flows, the cash and cash equivalents include the following:

	2016 US\$	2015 US\$
Cash and cash equivalents	15.194	8.238
Bank overdrafts	<u>-</u>	<u>(40)</u>
	<u>15.194</u>	<u>8.198</u>

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 15 to the financial statements.

**11. SHARE CAPITAL**

	2016 Number of shares	2016 US\$	2015 Number of shares	2015 US\$
<b>Authorised</b>				
Ordinary shares of USD 0,01/1,75 each (EUR 0,01/1,71 each)	<u>20.000.000</u>	<u>20.000.000</u>	<u>20.000.000</u>	<u>20.000.000</u>
<b>Issued and fully paid</b>				
Balance at 1 January	<u>9.296.000</u>	<u>117.128</u>	<u>9.296.000</u>	<u>117.128</u>
Balance at 31 December	<u>9.296.000</u>	<u>117.128</u>	<u>9.296.000</u>	<u>117.128</u>

**12. TRADE AND OTHER PAYABLES**

	2016 US\$	2015 US\$
Trade payables	52.382	-
Accruals	191.277	96.335
Other creditors	<u>26.231</u>	<u>6.231</u>
	<u>269.890</u>	<u>102.566</u>

The exposure of the Company to liquidity risk in relation to trade and other payables is reported in note 15 to the financial statements.

**KDM Shipping Public Limited**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2016**

**13. OPERATING ENVIRONMENT OF THE COMPANY**

According to the Cyprus Statistical Service, economic growth for 2016 was estimated at + 2,8% compared to 2015. Even though the financial services sector showed negative growth, there has been an increase in the Gross Domestic Product which is mainly attributed to the hotels, construction, manufacturing and the wholesale and retail trade sectors. The economic growth was mainly driven by the increase in private consumption, which benefited from the reduction in unemployment and the consequent increase in disposable income. The growth was also supported by the slower pace of reductions in public spending and the increase in investments. On 17 March 2017 the credit rating of the country rose from BB to BB +.

Despite the significant steps towards economic recovery, a degree of uncertainty still exists, as certain issues remain to be resolved, such as the high index of non-performing loans, the high unemployment and the implementation of privatization and reforms of the public services sector.

The above could affect, among others, the Company's ability to obtain new loans on favorable terms and conditions or/and its ability to achieve satisfactory turnover.

The Company's management believes that it is taking all the necessary measures to maintain the viability of the Company and the development of its business in the current business and economic environment.

**14. RELATED PARTY TRANSACTIONS**

The majority of the Company's share capital is held by Konstantyn Molodkovets who owns 54,86% and Denys Molodkovets who owns 12,88%. During the year ended 31 December 2016 30,11% of the Company's share capital is traded at the Warsaw Stock Exchange and is held by both institutional and retail investors.

The transactions and balances with related parties are as follows:

**(i) Directors' remuneration**

The remuneration of Directors and other members of key management was as follows:

	2016 US\$	2015 US\$
Directors' fees	<u>28.000</u>	<u>28.000</u>
	<u>28.000</u>	<u>28.000</u>

## KDM Shipping Public Limited

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2016

## 14. RELATED PARTY TRANSACTIONS (continued)

## (ii) Sales of goods and services

	2016 US\$	2015 US\$
Makro Agro Grains Cereals and Legumes Trading LLC	<u>2.958.590</u>	<u>-</u>
	<u>2.958.590</u>	<u>-</u>

Sales to the associated undertakings and to Parent Holding Limited were made at cost.

## (iii) Receivables from own subsidiaries

<u>Name</u>	<u>Nature of transactions</u>	2016 US\$	2015 US\$
LLC Danapris	Finance	<u>37.991</u>	<u>37.991</u>
		<u>37.991</u>	<u>37.991</u>

The above amounts do not bear any interest and have no specified repayment date.

## (iv) Payables to own subsidiaries

	2016 US\$	2015 US\$
KD Shipping Co Limited Inc	<u>1.783.145</u>	<u>1.694.645</u>
	<u>1.783.145</u>	<u>1.694.645</u>

## (v) Directors'/owners' current accounts - credit balances

	2016 US\$	2015 US\$
Kostiantyn Molodkovets	70.714	27.272
Denys Molodkovets	12.272	83.714
Mykhailo Chubai	-	10.000
Konstantin Anisimov	<u>-</u>	<u>10.000</u>
	<u>82.986</u>	<u>130.986</u>

The directors'/owners' current accounts are interest free, and have no specified repayment date.

## KDM Shipping Public Limited

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2016**15. FINANCIAL INSTRUMENTS – RISK MANAGEMENT****Financial risk factors**

The Company is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Company's activities.

**A. Financial risk management***(i) Credit risk*

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has no significant concentration of credit risk.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2016 US\$	2015 US\$
Cash at bank	15.194	8.238
Receivables from own subsidiaries	<u>37.991</u>	<u>37.991</u>
	<u><u>53.185</u></u>	<u><u>46.229</u></u>

*Trade and other receivables*

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

## KDM Shipping Public Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 15. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (continued)

(ii) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following are the contractual maturities of financial liabilities at the reporting date. The amounts are gross and are undiscounted, and include estimated interest payments:

31 December 2016	Carrying amounts US\$	Contractual cash flows US\$	3 months or less US\$	Between 3- 12 months US\$	Between 1-5 years US\$
Trade and other payables	78.613	78.613	78.613	-	-
Directors'/owners' current accounts - credit balance	<u>82.986</u>	<u>82.986</u>	<u>82.986</u>	<u>-</u>	<u>-</u>
	<u>161.599</u>	<u>161.599</u>	<u>161.599</u>	<u>-</u>	<u>-</u>
31 December 2015	Carrying amounts US\$	Contractual cash flows US\$	3 months or less US\$	Between 3- 12 months US\$	Between 1-5 years US\$
Bank overdrafts	40	40	40	-	-
Other creditors	6.231	6.231	6.231	-	-
Directors'/owners' current accounts - credit balance	<u>130.986</u>	<u>130.986</u>	<u>130.986</u>	<u>-</u>	<u>-</u>
	<u>137.257</u>	<u>137.257</u>	<u>137.257</u>	<u>-</u>	<u>-</u>

Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while increasing the return to owners through the strive to improve the debt to equity ratio. The Company's overall strategy remains unchanged from last year.

## 16. FAIR VALUES

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting period.

## 17. CONTINGENT LIABILITIES

The Company had no contingent liabilities as at 31 December 2016.

**KDM Shipping Public Limited****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2016****18. EVENTS AFTER THE REPORTING PERIOD**

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

On 14 July 2017 the Board of Directors of KDM Shipping Public Limited approved and authorised these financial statements for issue.

**KDM SHIPPING PUBLIC LIMITED**

**FINANCIAL STATEMENTS**

**For the year ended 31 December 2016**

**ADDITIONAL INFORMATION**

**KDM Shipping Public Limited**

**FINANCIAL STATEMENTS**

**For the year ended 31 December 2016**

**ADDITIONAL INFORMATION**

	<b>Schedule</b>
Income statement	1
Cost of sales	2
Administrative expenses	3
Finance income/cost	4
Computation of corporate tax	5
Certificate	6

## KDM Shipping Public Limited

INCOME STATEMENTFor the year ended 31 December 2016

		2016 US\$	2015 US\$
	Schedule		
<b>Revenue</b>		3,098,050	-
Cost of sales	2	<u>(3,037,250)</u>	<u>-</u>
<b>Gross profit</b>		60,800	-
Other operating income		-	762
Administrative expenses	3	(187,836)	(149,954)
Other operating expenses		<u>-</u>	<u>(17,506)</u>
<b>Operating loss</b>		<u>(127,036)</u>	<u>(166,698)</u>
Finance income	4	339	9,651
Finance costs	4	<u>(54,520)</u>	<u>(4,147)</u>
<b>Net finance (expenses)/income</b>		<u>(54,181)</u>	<u>5,504</u>
<b>Loss before tax</b>		(181,217)	(161,194)
Tax		<u>-</u>	<u>-</u>
<b>Loss for the year</b>		<u>(181,217)</u>	<u>(161,194)</u>

## KDM Shipping Public Limited

COST OF SALESFor the year ended 31 December 2016

	Schedule	2016 US\$	2015 US\$
<b>Cost of sales</b>			
Purchases		<u>3.037.250</u>	<u>-</u>
	1	<u><u>3.037.250</u></u>	<u><u>-</u></u>



## KDM Shipping Public Limited

FINANCE INCOME/COSTFor the year ended 31 December 2016

	Schedule	2016 US\$	2015 US\$
<b>Finance income</b>			
Realised foreign exchange profit		<u>339</u>	<u>9.651</u>
		<u>339</u>	<u>9.651</u>
<b>Finance expenses</b>			
<b>Sundry finance expenses</b>			
Bank charges		3.268	2.670
<b>Net foreign exchange transaction losses</b>			
Realised foreign exchange loss		51.252	-
Unrealised foreign exchange loss		<u>-</u>	<u>1.477</u>
		<u>54.520</u>	<u>4.147</u>
Net finance (expenses)/income	1	<u>(54.181)</u>	<u>5.504</u>

## KDM Shipping Public Limited

COMPUTATION OF CORPORATE TAXFor the year ended 31 December 2016

	Schedule	US\$	US\$
Net loss before tax per income statement	1		(181.217)
<u>Add:</u>			
Realised foreign exchange loss		51.252	
Registrar annual fee		389	
Fines		12.820	
Notional profit on receivable from own subsidiaries		1.330	
Other non-allowable expenses		<u>21.181</u>	
			<u>86.972</u>
			(94.245)
<u>Less:</u>			
Realised foreign exchange profit		<u>339</u>	
			<u>(339)</u>
Net loss for the year			<u>(94.584)</u>
			€
Converted into € at US\$ 1,054100 = €1			(89.730)
Loss brought forward			<u>(207.109)</u>
Loss			(296.839)
Unutilised loss up to the year 2011 not carried forward			<u>68.441</u>
Net loss to be carried forward			<u>(228.398)</u>

**CALCULATION OF TAX LOSSES FOR THE FIVE YEAR PERIOD**

Tax year	Profits/(losses) for the tax year	Gains Offset		Gains Offset		Gains Offset	
		Amount €	Year	Amount €	Year	Amount €	Year
	€						
2011	(68.441)	-		-		-	
2012	191.812	-		-		-	
2013	116.546	-		-		-	
2014	42.996	-		-		-	
2015	(138.668)	-		-		-	
2016	(89.730)	-		-		-	

Net loss to be carried forward (228.398)

**KDM Shipping Public Limited**

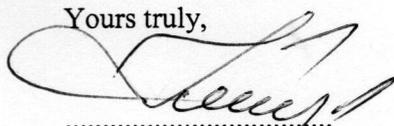
CERTIFICATE

For the year ended 31 December 2016

We hereby certify, to the best of our knowledge and belief, that:

- 1) The proceeds of all sales and all other income have been properly recorded as such in the books produced to KPMG Limited.
- 2) All expenses for the year under review represent expenses incurred wholly and exclusively for the Company's business and have been properly recorded as such in the books produced to KPMG Limited.
- 3) All transactions affecting the business for the year under review have been properly recorded in the books produced to KPMG Limited.
- 4) All reserves are properly shown and all necessary provisions have been duly made and shown as such in the books produced to KPMG Limited.
- 5) All assets and liabilities have been properly taken up as at 31 December 2016 in the books produced to KPMG Limited.
- 6) All investments in non listed titles were presented to KPMG Limited at their fair value, as determined by the Company.
- 7) The Company had no contingent liabilities as at 31 December 2016.
- 8) No events have occurred and no facts have been discovered since the year-end, which could materially affect the true and fair view of these financial statements as at 31 December 2016.

Yours truly,



.....  
Kostiantyn Molodkovets  
Executive Director, CEO



.....  
Denys Molodkovets  
Executive Director, CFO

Nicosia, 14 July 2017

