

KDM SHIPPING PUBLIC LIMITED
REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2017

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For the year ended 31 December 2017

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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 2017.

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 2017 are set out on page 10 to the financial statements. The net loss for the year attributable to the owners of the Company amounted to US\$203.336 (2016: US\$181.217 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 14 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 2017 the Company did not operate any branches.

BOARD OF DIRECTORS

The members of the Company's Board of Directors as at 31 December 2017 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 17 to the financial statements.

KDM SHIPPING PUBLIC LIMITED**MANAGEMENT REPORT** *(continued)***RELATED PARTY TRANSACTIONS**

Disclosed in note 13 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, 27 April 2018



KPMG Limited
Chartered Accountants
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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 10 to 31 and comprise the statement of financial position as at 31 December 2017, 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 2017, 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.

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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 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.

With regards to the management report, our report is presented in "*Report on other legal and regulatory 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.

Auditors' responsibilities for the audit of the consolidated financial statements (continued)

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 consolidated 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 Group'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 a 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 those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Report on other legal and regulatory requirements

Other regulatory requirements

Pursuant to the requirements of Article 10(2) of EU Regulation 537/2014 we provide the following information in our Independent Auditors' Report, which is required in addition to the requirements of ISAs.

Date of our appointment and period of engagement

We were first appointed auditors of the Company by those charged with governance on 31 August 2011. Our appointment has been renewed annually by shareholder resolution. The Company became listed in August 2012. Our total uninterrupted period of engagement is 7 years covering the periods ended 31 December 2011 to 31 December 2017.

Consistency of the additional report to the Audit Committee

Our audit opinion is consistent with the additional report presented to the Audit Committee dated 27 April 2018. Although there is an Audit Committee, the structure of its members did not follow the legal requirements by the date of our report.

Provision of non-audit services ("NAS")

We have not provided any prohibited NAS referred to in Article 5 of EU Regulation 537/2014 as applied by Section 72 of the Auditors Law of 2017, L.53(I)2017, as amended from time to time ("Law L53(I)/2017").

Other legal requirements

Pursuant to the additional requirements of law L.53(I)2017, and based on the work undertaken in the course of our audit, 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 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, has been prepared in accordance with the requirements of the Companies Law, Cap. 113, and is consistent with the financial statements.
- In our opinion, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) 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 L53(I)/2017, 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 2017. That report is modified with the inclusion of a material uncertainty in relating to going concern.

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

27 April 2018

KDM SHIPPING PUBLIC LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOMEFor the year ended 31 December 2017

| | Note | 2017 US\$ | 2016 US\$ |
|--|------|------------------|--------------------|
| Revenue | | 251.536 | 3.098.050 |
| Cost of sales | | <u>(240.763)</u> | <u>(3.037.250)</u> |
| Gross profit | | 10.773 | 60.800 |
| Administrative and selling expenses | | <u>(208.922)</u> | <u>(187.836)</u> |
| Operating loss | 4 | <u>(198.149)</u> | <u>(127.036)</u> |
| Finance income | 5 | 38.124 | 339 |
| Finance expenses | 5 | <u>(43.311)</u> | <u>(54.520)</u> |
| Net finance expenses | | <u>(5.187)</u> | <u>(54.181)</u> |
| Loss before tax | | (203.336) | (181.217) |
| Tax | 6 | <u>-</u> | <u>-</u> |
| Loss for the year | | <u>(203.336)</u> | <u>(181.217)</u> |
| Other comprehensive income | | <u>-</u> | <u>-</u> |
| Total comprehensive expense for the year attributable to owners | | <u>(203.336)</u> | <u>(181.217)</u> |

The notes on pages 14 to 31 are an integral part of these financial statements.

KDM SHIPPING PUBLIC LIMITED
STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

| | Note | 2017 US\$ | 2016 US\$ |
|--|------|-------------------|-------------------|
| Assets | | | |
| Investments in subsidiaries | 7 | <u>25.406.940</u> | <u>25.330.000</u> |
| Total non-current assets | | <u>25.406.940</u> | <u>25.330.000</u> |
| Receivables from own subsidiaries | 13 | 37.991 | 37.991 |
| Cash and cash equivalents | 8 | <u>14.065</u> | <u>15.194</u> |
| Total current assets | | <u>52.056</u> | <u>53.185</u> |
| Total assets | | <u>25.458.996</u> | <u>25.383.185</u> |
| Equity | | | |
| Share capital | 9 | 117.128 | 117.128 |
| Share premium | | 23.571.234 | 23.571.234 |
| Accumulated losses | | <u>(644.923)</u> | <u>(441.587)</u> |
| Total equity | | <u>23.043.439</u> | <u>23.246.775</u> |
| Liabilities | | | |
| Short term loans | 10 | 43.977 | - |
| Trade and other payables | 11 | 273.562 | 269.890 |
| Payables to own subsidiaries | 13 | 2.015.032 | 1.783.534 |
| Owners' current accounts - credit balances | 13 | <u>82.986</u> | <u>82.986</u> |
| Total current liabilities | | <u>2.415.557</u> | <u>2.136.410</u> |
| Total equity and liabilities | | <u>25.458.996</u> | <u>25.383.185</u> |

On 27 April 2018 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 14 to 31 are an integral part of these financial statements.

KDM SHIPPING PUBLIC LIMITED**STATEMENT OF CHANGES IN EQUITY**For the year ended 31 December 2017

| | Share capital US\$ | Share premium US\$ | Accumulated losses US\$ | Total US\$ |
|-----------------------------|-----------------------|--------------------------|-------------------------------|-------------------|
| Balance at 1 January 2016 | 117.128 | 23.571.234 | (260.370) | 23.427.992 |
| Comprehensive income | | | | |
| Loss for the year | - | - | (181.217) | (181.217) |
| Balance at 31 December 2016 | <u>117.128</u> | <u>23.571.234</u> | <u>(441.587)</u> | <u>23.246.775</u> |
| Balance at 1 January 2017 | 117.128 | 23.571.234 | (441.587) | 23.246.775 |
| Comprehensive income | | | | |
| Loss for the year | - | - | (203.336) | (203.336) |
| Balance at 31 December 2017 | <u>117.128</u> | <u>23.571.234</u> | <u>(644.923)</u> | <u>23.043.439</u> |

Share premium is not available for distribution.

KDM SHIPPING PUBLIC LIMITED

STATEMENT OF CASH FLOWSFor the year ended 31 December 2017

| | Note | 2017 US\$ | 2016 US\$ |
|---|------|------------------|------------------|
| Cash flows from operating activities | | | |
| Loss for the year | | (203.336) | (181.217) |
| Adjustments for: | | | |
| Unrealised exchange loss | 5 | 11.331 | - |
| Interest expense | 5 | 338 | - |
| Cash used in operations before working capital changes | | <u>(191.667)</u> | <u>(181.217)</u> |
| Increase in directors' current accounts | | - | (20.000) |
| Increase in owners' current accounts | | - | (28.000) |
| Increase in trade and other payables | | 3.672 | 147.324 |
| Increase in payables to own subsidiaries | | 231.498 | 88.889 |
| Cash generated from operations | | <u>43.503</u> | <u>6.996</u> |
| Cash flows from investing activities | | | |
| Payment for acquisition of investments in subsidiaries | 7 | <u>(76.940)</u> | <u>-</u> |
| Net cash used in investing activities | | <u>(76.940)</u> | <u>-</u> |
| Cash flows from financing activities | | | |
| Proceeds from loans from related companies | 10 | 39.272 | - |
| Unrealised exchange loss | | <u>(6.964)</u> | <u>-</u> |
| Net cash generated from financing activities | | <u>32.308</u> | <u>-</u> |
| Net (decrease)/increase in cash and cash equivalents | | (1.129) | 6.996 |
| Cash and cash equivalents at beginning of the year | | <u>15.194</u> | <u>8.198</u> |
| Cash and cash equivalents at end of the year | 8 | <u>14.065</u> | <u>15.194</u> |

The notes on pages 14 to 31 are an integral part of these financial statements.

KDM SHIPPING PUBLIC LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

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 2017.

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 2017 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)

As from 1 January 2017, the Company 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 accounting policies of the Company.

The following Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for annual periods beginning on 1 January 2017. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these Standards early.

The Company is required to adopt IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" from 1 January 2018. The Company has preliminarily assessed the estimated impact that the initial application of these standards will have on its financial statements. The actual impacts of adopting the standards at 1 January 2018 may change because the new accounting policies are subject to change until the Company presents its first financial statements that include the date of initial application ("DIA").

(i) Standards and Interpretations adopted by the EU

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018).

KDM SHIPPING PUBLIC LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

2. BASIS OF PREPARATION *(continued)***(c) Adoption of new and revised International Financial Reporting Standards and Interpretations as adopted by the European Union (EU)** *(continued)**(i) Standards and Interpretations adopted by the EU* *(continued)*

- IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018).
The Group is currently evaluating the expected impact of adopting the standard on its financial statements. As such, the expected impact of the standard is not yet known or reasonably estimable.
- IFRS 15 (Clarifications) "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018)
The Group is currently evaluating the expected impact of adopting the standard on its financial statements. As such, the expected impact of the standard is not yet known or reasonably estimable.
- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019).
The Group is currently evaluating the expected impact of adopting the standard on its financial statements. As such, the expected impact of the standard is not yet known or reasonably estimable.
- Annual Improvements to IFRSs 2014-2016 Cycle (effective for annual periods beginning on or after 1 January 2018 (IFRS 1 and IAS 28)).
- IFRS 2 (Amendments) "Classification and Measurement of Share-based Payment Transactions" (effective for annual periods beginning on or after 1 January 2018).
- IAS 40 (Amendments) "Transfers of Investment Property" (effective for annual periods beginning on or after 1 January 2018).
- IFRS 9 (Amendments) "Prepayment Features with Negative Compensation" (effective for annual periods beginning on or after 1 January 2019).
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 1 January 2018).

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

2. BASIS OF PREPARATION *(continued)*

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

Preliminary impact of IFRS 9 on the Company

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

The new impairment requirements are expected to have an impact on the Company's financial statements from the implementation of IFRS 9. Management is not yet able to provide quantitative information about the expected impact since the Company is in the process of building and testing models, assembling data and calibrating the impairment stage transfer criteria. The impact is also dependent on finalizing the classification assessment and the current circumstances. Management expects loss allowances under IFRS 9 to be at the same level as IAS 39.

IFRS 9 Implementation Programme

The Company expects that it will be in a position to provide quantitative information on the impact of the transition to IFRS 9 on its financial position and performance in its next reported consolidated financial statements.

(ii) Standards and Interpretations not adopted by the EU

- IFRIC 23 "Uncertainty over Income Tax Treatments" (effective for annual periods beginning on or after 1 January 2019).
- IAS 28 (Amendments) “Long-term Interest in Associates and Joint Ventures” (effective for annual periods beginning on or after 1 January 2019)
- Annual Improvements to IFRSs 2015-2017 Cycle (effective for annual periods beginning on or after 1 January 2019)
- IAS 19 (Amendments) “Plan Amendment, Curtailment or Settlement” (effective for annual periods beginning on or after 1 January 2019).
- “Amendments to References to the Conceptual Framework in IFRS Standards” (effective for annual periods beginning on or after 1 January 2020)
- IFRS 10 (Amendments) and IAS 28 (Amendments) “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” (effective date postponed indefinitely)

The Board of Directors expects that the adoption of these standards in future periods will not have a material 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 2017

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.

Judgments

Information about judgments in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Notes 7 and 3 "Consolidated financial statements" - consolidation: whether the Group has de facto control over the investee.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Note 16 - recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.
- "Income taxes" - to determine any provision for income taxes.
- Notes 7 and 3 "Impairment of investments in subsidiaries" - determine the recoverability of investments in subsidiaries whenever indicators of impairment are present.

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.

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.

KDM SHIPPING PUBLIC LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

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.

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.

Revenue recognition

Revenue comprises the invoiced amount for the sale of goods and services net of Value Added Tax, returns, volume rebates and trade discounts.

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.

KDM SHIPPING PUBLIC LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**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 date. 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.

(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.

KDM SHIPPING PUBLIC LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**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.

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.

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.

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 date.

Comparatives

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

4. OPERATING LOSS

| | 2017 | 2016 |
|---|---------------|----------|
| | US\$ | US\$ |
| Operating loss is stated after charging the following items: | | |
| Directors' fees | 37.000 | 28.000 |
| Independent auditors' remuneration for the statutory audit of annual accounts | 6.596 | 5.798 |
| Independent auditors' remuneration for other assurance services | 28.292 | 28.109 |
| Independent auditors' remuneration for tax advice | 600 | 527 |
| Independent auditors' remuneration - prior years | 15.728 | - |
| Independent auditors' remuneration for the audit of consolidated financial statements | 91.986 | 65.143 |
| Write off of receivable from own subsidiary | <u>37.991</u> | <u>-</u> |

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

5. NET FINANCE INCOME AND EXPENSES

| | 2017 US\$ | 2016 US\$ |
|--|---------------|---------------|
| Finance income | | |
| Realised foreign exchange profit | <u>38.124</u> | <u>339</u> |
| | <u>38.124</u> | <u>339</u> |
| Finance costs | | |
| Interest expense | | |
| Loan interest | 338 | - |
| Sundry finance expenses | | |
| Bank charges | 2.974 | 3.268 |
| Net foreign exchange transaction losses | | |
| Realised foreign exchange loss | 28.668 | 51.252 |
| Unrealised foreign exchange loss | <u>11.331</u> | <u>-</u> |
| | <u>43.311</u> | <u>54.520</u> |

6. TAXATION

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

| | 2017 | 2017 US\$ | 2016 | 2016 US\$ |
|--|-----------------|------------------|----------------|------------------|
| Accounting loss before tax | | <u>(203.336)</u> | | <u>(181.217)</u> |
| Tax calculated at the applicable tax rates | 12,50 % | (25.417) | 12,50 % | (22.652) |
| Tax effect of expenses not deductible for tax purposes | (3,60)% | 7.322 | (6,00)% | 10.871 |
| Tax effect of allowances and income not subject to tax | 2,34 % | (4.765) | 0,02 % | (42) |
| Tax effect of loss for the year | <u>(11,24)%</u> | <u>22.860</u> | <u>(6,52)%</u> | <u>11.823</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%.

KDM SHIPPING PUBLIC LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2017****6. TAXATION (continued)**

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 2017, the balance of tax losses which is available for offset against future taxable profits amounts to US\$414.673 for which no deferred tax asset is recognised in the statement of financial position.

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

7. INVESTMENTS IN SUBSIDIARIES

| | 2017 US\$ | 2016 US\$ |
|------------------------|--------------------------|--------------------------|
| Balance at 1 January | 25.330.000 | 25.310.000 |
| Additions | <u>76.940</u> | <u>20.000</u> |
| Balance at 31 December | <u><u>25.406.940</u></u> | <u><u>25.330.000</u></u> |

The details of the subsidiaries are as follows:

| <u>Name</u> | <u>Country of incorporation</u> | <u>Principal activities</u> | 2017 Holding % | 2016 Holding % | 2017 US\$ | 2016 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 | 51 | 20.000 | 20.000 |
| LLC First Kherson Shipbuilding Yard | Ukraine | Ship repair services | 100 | 0 | <u>76.940</u> | <u>-</u> |
| | | | | | <u><u>25.406.940</u></u> | <u><u>25.330.000</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.

During the year 2017, the Company acquired 100% of the share capital of LLC First Kherson Shipbuilding Yard. Also, during the year, the subsidiary Company LLC Danapris was under the process of liquidation.

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2017**8. CASH AND CASH EQUIVALENTS**

| | 2017 US\$ | 2016 US\$ |
|--------------|---------------|---------------|
| Cash at bank | <u>14.065</u> | <u>15.194</u> |

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 14 to the financial statements.

9. SHARE CAPITAL

| | 2017 Number of shares | 2017 US\$ | 2016 Number of shares | 2016 US\$ |
|---|-----------------------------|-------------------|-----------------------------|-------------------|
| Authorised | | | | |
| 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> |
| Issued and fully paid | | | | |
| 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> |

10. LOANS AND BORROWINGS

| | 2017 US\$ | 2016 US\$ |
|---|---------------|--------------|
| Current liabilities | | |
| Loans from related companies (note 13 (iv)) | <u>43.977</u> | <u>-</u> |
| | <u>43.977</u> | <u>-</u> |

The loan from related company KM Management Limited was provided with interest rate of 1% per annum, and is repayable on 24 August 2018.

KDM SHIPPING PUBLIC LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

11. TRADE AND OTHER PAYABLES

| | 2017 US\$ | 2016 US\$ |
|-----------------|-----------------------|-----------------------|
| Trade payables | 65.532 | 52.382 |
| Accruals | 181.799 | 191.277 |
| Other creditors | <u>26.231</u> | <u>26.231</u> |
| | <u><u>273.562</u></u> | <u><u>269.890</u></u> |

The exposure of the Company to liquidity risk in relation to trade and other payables is reported in note 14 to the financial statements.

12. OPERATING ENVIRONMENT OF THE COMPANY**Cyprus Economic Environment**

The Cyprus economy has been adversely affected during the last few years by the economic crisis. The negative effects have to some extent been resolved, following the negotiations and the relevant agreements reached with the European Commission, the European Central Bank and the International Monetary Fund (IMF) for financial assistance which was dependent on the formulation and the successful implementation of an Economic Adjustment Program. The agreements also resulted in the restructuring of the two largest (systemic) banks in Cyprus through a “bail in”.

The Cyprus Government has successfully completed earlier than anticipated the Economic Adjustments Program and exited the IMF program on 7 March 2016, after having recovered in the international markets and having only used €7,25 billion of the total €10 billion earmarked in the financial bailout. Under the new Euro area rules, Cyprus will continue to be under surveillance by its lenders with bi-annual post-program visits until it repays 75% of the economic assistance received.

Although there are signs of improvement, especially in the macroeconomic environment of the country’s economy including growth in GDP and reducing unemployment rates, significant challenges remain that could affect the estimates of the Company’s cash flows and its assessment of impairment of financial and non-financial assets.

Ukrainian Economic and Political Environment

Ukraine’s political and economic situation has deteriorated significantly since 2014. Following political and social unrest, which started in November 2013, in March 2014 various events in Crimea led to the accession of the Republic of Crimea to the Russian Federation, which was not recognised by Ukraine and many other countries. This event resulted in a significant deterioration of the relationship between Ukraine and the Russian Federation. Following the instability in Crimea, regional tensions have spread to the Eastern regions of Ukraine, primarily Donetsk and Lugansk regions. In May 2014, protests in those regions escalated into military clashes and armed conflict between supporters of the self-declared republics of the Donetsk and Lugansk regions and the Ukrainian forces, which continued through the date of these consolidated financial statements. As a result of this conflict, part of the Donetsk and Lugansk regions remains under control of the self-proclaimed republics, and Ukrainian authorities are not currently able to fully enforce Ukrainian laws on this territory.

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

12. OPERATING ENVIRONMENT OF THE COMPANY *(continued)*

Political and social unrest combined with the military conflict in the Donetsk and Lugansk regions has deepened the ongoing economic crisis, caused a fall in the country's gross domestic product and foreign trade, deterioration in state finances, depletion of the National Bank of Ukraine's foreign currency reserves, significant devaluation of the national currency and a further downgrading of the Ukrainian sovereign debt credit ratings. Following the devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions, which among others included restrictions on purchases of foreign currency by individuals and companies, the requirement to convert 75% of foreign currency proceeds to local currency, a ban on payment of dividends abroad, a ban on early repayment of foreign loans and restrictions on cash withdrawals from banks. These events had a negative effect on Ukrainian companies and banks, significantly limiting their ability to obtain financing on domestic and international markets.

The final resolution and the effects of the political and economic crisis are difficult to predict but may have further severe effects on the Ukrainian economy.

Whilst management believes it is taking appropriate measures to support the sustainability of the Company's and its subsidiaries business in the current circumstances, a further deterioration in the business environment could negatively affect the Company's and its subsidiaries results and financial position in a manner not currently determinable. These consolidated financial statements reflect management's current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment.

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.

13. 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 2017 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:

| | 2017 US\$ | 2016 US\$ |
|-----------------|---------------|---------------|
| Directors' fees | 37.000 | 28.000 |
| | <u>37.000</u> | <u>28.000</u> |

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

13. RELATED PARTY TRANSACTIONS *(continued)***(ii) Sales of goods and services**

| | 2017 US\$ | 2016 US\$ |
|---|-----------------------|-------------------------|
| Makro Agro Grains Cereals and Legumes Trading LLC | <u>207.941</u> | <u>2.958.590</u> |
| | <u><u>207.941</u></u> | <u><u>2.958.590</u></u> |

(iii) Receivables from own subsidiaries

| <u>Name</u> | <u>Nature of transactions</u> | 2017 US\$ | 2016 US\$ |
|--------------|-------------------------------|----------------------|----------------------|
| LLC Danapris | Finance | <u>37.991</u> | <u>37.991</u> |
| | | <u><u>37.991</u></u> | <u><u>37.991</u></u> |

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

(iv) Loans from related companies (note 10)

| | 2017 US\$ | 2016 US\$ |
|-----------------------|----------------------|-----------------|
| KM Management Limited | <u>39.272</u> | <u>-</u> |
| | <u><u>39.272</u></u> | <u><u>-</u></u> |

The loan from related company KM Management Limited was provided with interest rate of 1% per annum, and is repayable on 24 August 2018.

(v) Payables to own subsidiaries

| | 2017 US\$ | 2016 US\$ |
|----------------------------|-------------------------|-------------------------|
| KD Shipping Co Limited Inc | <u>2.015.032</u> | <u>1.783.145</u> |
| | <u><u>2.015.032</u></u> | <u><u>1.783.145</u></u> |

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2017**13. RELATED PARTY TRANSACTIONS (continued)****(vi) Directors'/owners' current accounts - credit balances**

| | 2017 US\$ | 2016 US\$ |
|------------------------|---------------|---------------|
| Kostiantyn Molodkovets | 70.714 | 70.714 |
| Denys Molodkovets | <u>12.272</u> | <u>12.272</u> |
| | <u>82.986</u> | <u>82.986</u> |

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

14. FINANCIAL INSTRUMENTS AND 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:

| | 2017 US\$ | 2016 US\$ |
|-----------------------------------|---------------|---------------|
| Cash at bank | 14.065 | 15.194 |
| Receivables from own subsidiaries | <u>37.991</u> | <u>37.991</u> |
| | <u>52.056</u> | <u>53.185</u> |

Trade and other receivables

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

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(i) Credit risk (continued)

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.

(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 2017 | 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 | 91.763 | 91.763 | 91.763 | - | - |
| Directors'/owners' current accounts - credit balance | 82.986 | 82.986 | 82.986 | - | - |
| Loans from related companies | 43.977 | 43.639 | 43.639 | - | - |
| | <u>218.726</u> | <u>218.388</u> | <u>218.388</u> | <u>-</u> | <u>-</u> |
| 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 | 82.986 | 82.986 | 82.986 | - | - |
| | <u>161.599</u> | <u>161.599</u> | <u>161.599</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.

KDM SHIPPING PUBLIC LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

15. FAIR VALUES

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

16. CONTINGENT LIABILITIES

The Company had no contingent liabilities as at 31 December 2017.

17. 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 27 April 2018 the Board of Directors of KDM Shipping Public Limited approved and authorised these financial statements for issue.

