



KDM SHIPPING PUBLIC LIMITED
CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS

For the six months ended 30 June 2015

KDM SHIPPING PUBLIC LIMITED
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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

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

Declaration of the Members of the Board of Directors and the person responsible for the preparation of the condensed consolidated interim financial statements of the Company

In accordance with Article 10, sections (3)(c) and (7) of the Transparency Requirements (Securities for Trading on Regulated Market) Law of 2007 ("Law"), we the members of the Board of Directors and the other responsible persons for the condensed consolidated interim financial statements of KDM Shipping Public Limited for the period of six months ended 2015 we confirm that, to the best of our knowledge:

- a) the condensed consolidated interim financial statements that are presented on pages 5 to 24:
 - (i) were prepared in accordance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and in accordance with the provisions of Article 10, section (4) of the Law, and
 - (ii) give a true and fair view of the assets and liabilities, the financial position and the profit or losses of KDM Shipping Public Limited and the businesses that are included in the consolidated accounts as a total, and
- (b) the interim management report gives a fair review of the information required by Article 10, section (6) of the Law.

Members of the Board of Directors

Konstantyn Molodkovets

Denys Molodkovets

Person responsible for the preparation of the condensed consolidated interim financial statements for the six months ended 30 June 2015

Denys Molodkovets

Nicosia, 27 August 2015



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INDEPENDENT AUDITORS' REPORT

ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

TO THE MEMBERS OF

KDM SHIPPING PUBLIC LIMITED

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of KDM Shipping Public Limited (the "Company") and its subsidiary companies (together referred to as "the Group") as at 30 June 2015, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial information ("the condensed consolidated interim financial statements"). Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

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

Emphasis of matter

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

Board Members:

N.G. Syrmis, A.K. Christofides, F.Z. Hadjizacharis, P.G. Lefterou,
 A.M. Gregoriades, A.A. Demetriou, D.S. Vakis, A.A. Apostolou,
 S.A. Louzides, M.A. Lofides, S.G. Solocleous, M.M. Antoniadou,
 C.V. Vasilou, P.E. Antoniadou, M.J. Halios, M.P. Michael, P.A. Pelletier,
 G.V. Markides, M.A. Papacosta, K.A. Papenicolau, A.I. Shiammoutis,
 G.N. Izioritis, H.S. Charalambous, C.P. Anaviotos, I.P. Ghulanos,
 M.G. Gregoriades, H.A. Kakoulis, G.P. Savva, C.A. Kallias, C.N. Kallis,
 M.H. Zavrou, P.S. Elia, M.G. Lazarou, Z.E. Hadjizacharis,
 P.S. Theophanous, M.A. Karantoni, C.A. Markides, G.V. Andreou,
 J.C. Nicolaidou, G.S. Prodromou, A.S. Solocleous, G.M. Syrmis,
 T.J. Yiasemides

KPMG Limited, a private company limited by shares, registered in Cyprus under registration number HE 132822 with its registered office at 14, Esperidon Street, 1087, Nicosia, Cyprus.

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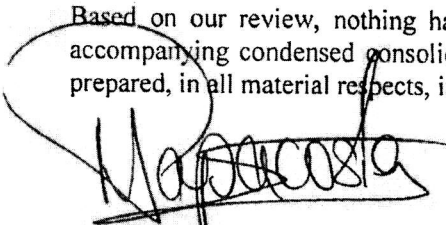
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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 30 June 2015 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.



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

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

27 August 2015

KDM SHIPPING PUBLIC LIMITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Note	30 June 2015 USD'000	30 June 2014 USD'000
Revenue		9 197	11 453
Cost of sales		<u>(9 071)</u>	<u>(9 979)</u>
Gross profit		126	1 474
Other operating income		38	305
Selling and distribution expenses		(64)	(355)
Administrative expenses		(249)	(1 029)
Other operating expenses	5	<u>(3 429)</u>	<u>(6 835)</u>
Operating loss		(3 578)	(6 440)
Net finance (expenses)/ income	6	<u>(5)</u>	<u>6</u>
Loss before taxation		(3 583)	(6 434)
Taxation		<u>(319)</u>	<u>(113)</u>
Loss for the period		<u>(3 902)</u>	<u>(6 547)</u>
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Effect from translation into presentation currency		<u>(570)</u>	<u>(4 283)</u>
Total comprehensive income for the period		<u>(4 472)</u>	<u>(10 830)</u>
Loss for the period attributable to			
Owners of the Company		(3 902)	(6 548)
Non-controlling interests		<u>-</u>	<u>1</u>
		<u>(3 902)</u>	<u>(6 547)</u>
Total comprehensive income attributable to			
Owners of the Company		(4 492)	(10 803)
Non-controlling interests		<u>20</u>	<u>(27)</u>
		<u>(4 472)</u>	<u>(10 830)</u>
Loss per share			
Basic and fully diluted loss per share (USD)	14	<u>(0.42)</u>	<u>(0.70)</u>

The notes on pages 9 to 24 are an integral part of these condensed consolidated interim financial statements.

KDM SHIPPING PUBLIC LIMITED

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the six months ended 30 June 2015

	Note	30 June 2015 USD'000	31 December 2014 USD'000
Assets			
Vessels, property, plant and equipment	7	17 374	17 993
Trade and other receivables	10	-	2 587
Non-current assets		<u>17 374</u>	<u>20 580</u>
Inventories	9	6 669	6 778
Trade and other receivables	10	5 535	6 821
Cash and cash equivalents		<u>19 170</u>	<u>18 849</u>
Current assets		<u>31 374</u>	<u>32 448</u>
Total assets		<u>48 748</u>	<u>53 028</u>
Equity			
Share capital	11	118	118
Share premium		23 570	23 570
Foreign currency translation reserve		(17 529)	(16 939)
Retained earnings		<u>35 791</u>	<u>39 693</u>
Equity attributable to owners of the Company		<u>41 950</u>	<u>46 442</u>
Non-controlling interest		<u>82</u>	<u>62</u>
Total equity		<u>42 032</u>	<u>46 504</u>
Liabilities			
Deferred tax liabilities		849	699
Other long-term liabilities		<u>119</u>	<u>151</u>
Non-current liabilities		<u>968</u>	<u>850</u>
Loans and borrowings	12	4 000	4 016
Trade and other payables	13	<u>1 748</u>	<u>1 658</u>
Current liabilities		<u>5 748</u>	<u>5 674</u>
Total liabilities		<u>6 716</u>	<u>6 524</u>
Total equity and liabilities		<u>48 748</u>	<u>53 028</u>

On 27 August 2015 the Board of Directors of KDM Shipping Public Limited authorised for issue these condensed consolidated interim financial statements.

.....
Konstantyn Molodkovets
Director, CEO


.....
Denys Molodkovets
Director, CFO

The notes on pages 9 to 24 are an integral part of these condensed consolidated interim financial statements.

KDM SHIPPING PUBLIC LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company					Non-controlling interest USD'000	Total equity USD'000
	Share capital USD'000	Share premium USD'000	Foreign currency translation reserve USD'000	Retained earnings USD'000	Total USD'000		
Balance at 1 January 2014	<u>118</u>	<u>23 570</u>	<u>(9 548)</u>	<u>52 907</u>	<u>67 047</u>	<u>87</u>	<u>67 134</u>
Comprehensive income							
Loss for the period	-	-	-	(6 548)	(6 548)	1	(6 547)
Effect of translation into presentation currency	-	-	(4 255)	-	(4 255)	(28)	(4 283)
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>(4 255)</u>	<u>(6 548)</u>	<u>(10 803)</u>	<u>(27)</u>	<u>(10 830)</u>
Balance at 30 June 2014	<u>118</u>	<u>23 570</u>	<u>(13 803)</u>	<u>46 359</u>	<u>56 244</u>	<u>60</u>	<u>56 304</u>
Balance at 1 January 2015	<u>118</u>	<u>23 570</u>	<u>(16 939)</u>	<u>39 693</u>	<u>46 442</u>	<u>62</u>	<u>46 504</u>
Comprehensive expense							
Loss for the period	-	-	-	(3 902)	(3 902)	-	(3 902)
Effect from translation into presentation currency	-	-	(590)	-	(590)	20	(570)
Total comprehensive expense	<u>-</u>	<u>-</u>	<u>(590)</u>	<u>(3 902)</u>	<u>(4 492)</u>	<u>20</u>	<u>(4 472)</u>
Balance at 30 June 2015	<u>118</u>	<u>23 570</u>	<u>(17 529)</u>	<u>35 791</u>	<u>41 950</u>	<u>82</u>	<u>42 032</u>

The notes on pages 9 to 24 are an integral part of these condensed consolidated interim financial statements.

KDM SHIPPING PUBLIC LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWSFor the six months ended 30 June 2015

	Note	30 June 2015 USD'000	30 June 2014 USD'000
Cash flows from operating activities			
Loss for the period		(3 902)	(6 547)
Adjustments for:			
Depreciation of vessels, property, plant and equipment	7	494	713
Recovery of previously written-off payables		-	31
Provision for bad debts	5	2 301	103
Recovery of previously written-off receivables		-	(1)
VAT written-off		-	6
Payables written-off		(27)	(266)
Loss on disposal of vessels, property, plant and equipment		126	807
Impairment charge of vessels, property, plant and equipment		-	5 390
Interest income	6	-	(16)
Discount of notes issued	6	5	10
Taxation		319	113
Exchanges differences		1 005	311
Cash flows from operations before working capital changes		<u>321</u>	<u>654</u>
Decrease/(increase) in inventories		86	(1 941)
Decrease/(increase) in trade and other receivables		264	(2 246)
Decrease in trade and other payables		(754)	(709)
Cash flows used in operations		<u>(83)</u>	<u>(4 242)</u>
Tax paid		-	-
Net cash flows used in operating activities		<u>(83)</u>	<u>(4 242)</u>
Cash flows from investing activities			
Payment for acquisition of vessels, property, plant and equipment		(848)	(35)
Proceeds from disposal of vessels, property, plant and equipment		170	370
Proceeds from loans issued		-	327
Net cash flows (used in)/from investing activities		<u>(678)</u>	<u>662</u>
Cash flows from financing activities		<u>-</u>	<u>-</u>
Effect of translation into presentation currency		1 098	3
Net increase/(decrease) in cash and cash equivalents		337	(3 577)
Cash and cash equivalents at the beginning of the period		<u>18 833</u>	<u>20 307</u>
Cash and cash equivalents at the end of the period		<u>19 170</u>	<u>16 730</u>

The notes on pages 9 to 24 are an integral part of these condensed consolidated interim financial statements.

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. INCORPORATION AND PRINCIPAL ACTIVITIES

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

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

The condensed consolidated interim financial statements for the six months ended 30 June 2015 comprise the financial statements of the Company and its subsidiaries (together with the Company referred to as "the Group").

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

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

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

Owner	30 June 2015		31 December 2014	
	Number of shares	Ownership Interest %	Number of shares	Ownership Interest %
Konstantyn Molodkovets (KM Management Limited)	5 100 000	54,86	5 100 000	54,86
Denys Molodkovets ⁽¹⁾	1 197 321	12,88	866 999	9,33
Oleksyi Veselovsky ⁽²⁾	200 000	2,15	200 000	2,15
Konstantin Anisimov	1	-	1	-
Liudmila Molodkovets	1	-	1	-
Iurii Molodkovets	1	-	1	-
Public	<u>2 798 676</u>	<u>30,11</u>	<u>3 128 998</u>	<u>33,66</u>
	<u>9 296 000</u>	<u>100,00</u>	<u>9 296 000</u>	<u>100,00</u>

(1) Direct and indirect holding.

(2) Since Mr. Veselovsky passed away on 25 March 2012, these Shares in the Issuer constitute a part of estate to be transferred to heirs of Mr. Veselovsky. The heir(s) will enter into possession of the Shares not earlier than after 6 months from the date of death, while the title to the shares will have passed to the relevant heir(s) as of the date of death.

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

For the six months ended 30 June 2015

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

These condensed consolidated interim financial statements for the six months ended 30 June 2015 have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" and were not audited by the external independent auditors of the Group. These condensed consolidated interim financial statements do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2014.

(b) Basis of measurement

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

(c) Use of judgments and estimates

In preparing these condensed consolidated interim financial statements, Management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements as at and for the year ended 31 December 2014.

Ukrainian operating environment

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

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

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

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the six months ended 30 June 2015**2. BASIS OF PREPARATION (continued)****(d) Functional and presentation currency**

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

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

Currency	30 June 2015	Weighted average for the 6 months 2015	31 December 2014	Weighted average for the 6 months 2014
UAH - US dollar	21,0154	21,3649	15,7686	11,9095
RUB - US Dollar	55,5240	57,3968	56,2584	-

(e) Going concern basis

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's annual consolidated financial statements as at and for the year ended 31 December 2014.

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the six months ended 30 June 2015**4. OPERATING SEGMENTS**

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

The Group has four reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different services and are managed separately. Information regarding the results of each reportable segment is included below:

30 June 2015	Freight USD'000	Ship repair USD'000	Passenger transportation USD'000	Grain trading USD'000	Total USD'000
Revenue	1 971	199	91	6 936	9 197
Cost of sales	<u>(1 735)</u>	<u>(293)</u>	<u>(241)</u>	<u>(6 802)</u>	<u>(9 071)</u>
Gross profit/ (loss)	236	(94)	(150)	134	126
Operating expenses	<u>(2 442)</u>	<u>(925)</u>	<u>(268)</u>	<u>(69)</u>	<u>(3 704)</u>
Operating loss	<u>(2 206)</u>	<u>(1 019)</u>	<u>(418)</u>	<u>65</u>	<u>(3 578)</u>
Net finance cost	<u>-</u>	<u>(5)</u>	<u>-</u>	<u>-</u>	<u>(5)</u>
Loss before taxation	<u>(2 206)</u>	<u>(1 024)</u>	<u>(418)</u>	<u>65</u>	<u>(3 583)</u>
Taxation	<u>-</u>	<u>(326)</u>	<u>7</u>	<u>-</u>	<u>(319)</u>
Net profit/ (loss) for the period	<u><u>(2 206)</u></u>	<u><u>(1 350)</u></u>	<u><u>(411)</u></u>	<u><u>65</u></u>	<u><u>(3 902)</u></u>
Non-current assets	12 074	4 007	1 293	-	17 374
Current assets	<u>24 308</u>	<u>374</u>	<u>165</u>	<u>6 527</u>	<u>31 374</u>
Total assets	<u><u>36 382</u></u>	<u><u>4 381</u></u>	<u><u>1 458</u></u>	<u><u>6 527</u></u>	<u><u>48 748</u></u>
Non-current liabilities	-	761	207	-	968
Current liabilities	<u>5 291</u>	<u>333</u>	<u>124</u>	<u>-</u>	<u>5 748</u>
Total liabilities	<u><u>5 291</u></u>	<u><u>1 094</u></u>	<u><u>331</u></u>	<u><u>-</u></u>	<u><u>6 716</u></u>
30 June 2014	Freight USD'000	Ship repair USD'000	Passenger transportation USD'000	Grain trading USD'000	Total USD'000
Revenue	4 775	241	92	6 345	11 453
Cost of sales	<u>(3 921)</u>	<u>(442)</u>	<u>(70)</u>	<u>(5 546)</u>	<u>(9 979)</u>
Gross profit / (loss)	854	(201)	22	799	1 474
Operating expenses	<u>(649)</u>	<u>(1 073)</u>	<u>(497)</u>	<u>(305)</u>	<u>(2 524)</u>
Impairment charge of vessels, property, plant and equipment	<u>(5 390)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5 390)</u>
Operating profit/ (loss)	<u>(5 185)</u>	<u>(1 274)</u>	<u>(475)</u>	<u>494</u>	<u>(6 440)</u>
Net finance cost	<u>16</u>	<u>(10)</u>	<u>-</u>	<u>-</u>	<u>6</u>
Profit/ (loss) before taxation	<u>(5 169)</u>	<u>(1 284)</u>	<u>(475)</u>	<u>494</u>	<u>(6 434)</u>
Taxation	<u>-</u>	<u>(46)</u>	<u>(67)</u>	<u>-</u>	<u>(113)</u>
Net profit / (loss) for the period	<u><u>(5 169)</u></u>	<u><u>(1 330)</u></u>	<u><u>(542)</u></u>	<u><u>494</u></u>	<u><u>(6 547)</u></u>

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the six months ended 30 June 2015**4. OPERATING SEGMENTS (continued)**

As at 31 December 2014	Freight	Ship repair	Passenger transportation	Grain trading	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
Non-current assets	13 391	5 432	1 757	-	20 580
Current assets	<u>24 195</u>	<u>508</u>	<u>199</u>	<u>7 546</u>	<u>32 448</u>
Total assets	<u>37 586</u>	<u>5 940</u>	<u>1 956</u>	<u>7 546</u>	<u>53 028</u>
Non-current liabilities	3	564	283	-	850
Current liabilities	<u>5 167</u>	<u>342</u>	<u>165</u>	<u>-</u>	<u>5 674</u>
Total liabilities	<u>5 170</u>	<u>906</u>	<u>448</u>	<u>-</u>	<u>6 524</u>

5. OTHER OPERATING EXPENSES

	Note	30 June 2015 USD'000	30 June 2014 USD'000
Loss from foreign exchange difference, net	a)	1 002	311
Loss on disposal of vessels, property, plant and equipment		126	817
VAT write-off		-	6
Impairment charge of vessels, property, plant and equipment		-	5 390
Fines and penalties		-	1
Provision for impairment of receivables		2 301	103
Recovery of payables written off		-	31
Other expenses		<u>-</u>	<u>176</u>
		<u>3 429</u>	<u>6 835</u>

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

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**For the six months ended 30 June 2015****6. FINANCE COST**

	30 June 2015	30 June 2014
	USD'000	USD'000
Finance income		
Bank interest	<u>-</u>	<u>16</u>
	<u>-</u>	<u>16</u>
Interest expense		
Other finance expenses		
Discount of notes issued	<u>(5)</u>	<u>(10)</u>
Total finance costs	<u><u>(5)</u></u>	<u><u>6</u></u>

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the six months ended 30 June 2015**7. VESSELS, PROPERTY, PLANT AND EQUIPMENT**

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

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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

30 June 2014	Land and buildings	Vessels	Vessels under construction	Plant and equipment	Vehicles	Furniture and fittings	Other	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Cost								
Balance at 1 January 2014	14 248	23 189	5 700	1 289	187	141	113	44 867
Additions	-	2 975	247	14	-	-	6	3 242
Disposals	(523)	(3 904)	(247)	(145)	(17)	-	-	(4 836)
Exchange differences	(4 547)	(133)	(974)	(390)	(59)	(35)	(20)	(6 158)
Reclassification to assets held for sale	-	(4 635)	-	-	-	-	-	(4 635)
Balance at 30 June 2014	9 178	17 492	4 726	768	111	106	99	32 480
Depreciation								
Balance at 1 January 2014	2 512	4 940	-	678	99	93	102	8 424
Depreciation for the period	135	541	-	26	5	5	1	713
On disposals	(70)	(3 501)	-	(61)	(17)	-	-	(3 649)
Exchange differences	(821)	(50)	-	(211)	(31)	(22)	(18)	(1 153)
Impairment charge	-	5 389	-	-	-	-	-	5 389
Reclassification to assets held for sale	-	(3 441)	-	-	-	-	-	(3 441)
Balance at 30 June 2014	1 756	3 878	-	432	56	76	85	6 283

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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

31 December 2014	Land and buildings	Vessels	Vessels under construction	Plant and equipment	Vehicles	Furniture and fittings	Other	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Cost								
Balance at 1 July 2014	9 178	17 492	4 726	768	111	106	99	32 480
Additions	-	-	54	2	97	-	-	153
Disposals	(8)	-	-	(1)	-	(1)	-	(10)
Exchange differences	(2 297)	(1 254)	(522)	(183)	(51)	(20)	(13)	(4 340)
Balance at 31 December 2014	6 873	16 238	4 258	586	157	85	86	28 283
Depreciation								
Balance at 1 July 2014	1 756	3 878	-	432	56	76	85	6 283
Depreciation for the period	114	448	-	21	4	4	2	593
Exchange differences	(468)	(39)	-	(111)	(15)	(15)	(11)	(659)
Impairment charge	2 877	-	1 196	-	-	-	-	4 073
Balance at 31 December 2014	4 279	4 287	1 196	342	45	65	76	10 290
Carrying amounts								
Balance at 30 June 2015	3 148	10 632	2 663	856	51	14	10	17 374
Balance at 31 December 2014	2 594	11 951	3 062	244	112	20	10	17 993
Balance at 30 June 2014	7 422	13 614	4 726	336	55	30	14	26 197

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the six months ended 30 June 2015**8. INVESTMENTS IN SUBSIDIARIES**

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

<u>Company name</u>	<u>Country of registration</u>	<u>Principal activities</u>	30 June 2015	31 December 2014
			Effective holding %	Effective holding %
KD Shipping Co. Limited Inc.	Panama	Bear Boat Charterer of vessels	100,00	100,00
LLC Danapris	Ukraine	Ukrainian holding company	99,84	99,84
LLC Capital Shipping Company	Ukraine	Ship owner, safety and technical license	99,57	99,57
LLC Hylea-Servise	Ukraine	Ship repair services	99,57	99,57
LLC Riverest Tur	Ukraine	Passenger transportation	99,88	99,88
Infoland Incorporated	Panama	Management services	100,00	100,00
LLC Kuybyshev KSR Y	Ukraine	Ship repair services	100,00	100,00
LLC Rivertime	Ukraine	Supporting trading activities of passengers' services	99,82	89,89
LLC Marine Management	Russian Federation	Ships' operator	100,00	100,00

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

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

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

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

The companies LLC Capital Shipping Company and LLC Rivertime are in the process of liquidation.

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the six months ended 30 June 2015**9. INVENTORIES**

	30 June 2015 USD'000	31 December 2014 USD'000
Raw materials	41	26
Work in progress	48	60
Goods for resale	6 530	6 552
Fuel	49	139
Other materials	<u>1</u>	<u>1</u>
	<u>6 669</u>	<u>6 778</u>

Goods for resale represent acquisition of wheat (31 December 2014: barley and corn) with intention to sell at time when it would make economic value to sell and generate profit.

10. TRADE AND OTHER RECEIVABLES

	30 June 2015 USD'000	31 December 2014 USD'000
Trade receivables	1 922	2 083
<u>Less: Provision for impairment of trade receivables</u>	<u>(570)</u>	<u>(356)</u>
Trade receivables - net	1 352	1 727
Prepayments	3 908	8 510
<u>Less: Provision for prepayments</u>	<u>(1 437)</u>	<u>(1 035)</u>
Tax invoices not received	7	-
VAT recoverable	127	136
Other taxes prepaid	-	1
Other receivables	1 578	81
<u>Less: Provision for other receivables</u>	<u>-</u>	<u>(12)</u>
	<u>5 535</u>	<u>9 408</u>
Non-current portion	-	2 587
Current portion	<u>5 535</u>	<u>6 821</u>
	<u>5 535</u>	<u>9 408</u>

KDM SHIPPING PUBLIC LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**For the six months ended 30 June 2015**11. SHARE CAPITAL**

	30 June 2015	30 June 2015	31 December 2014	31 December 2014
	Number of shares	USD'000	Number of shares	USD'000
Authorised				
Ordinary shares of USD 0,01 each (Euro 0,01 each)	<u>20 000 000</u>	<u>265</u>	<u>20 000 000</u>	<u>265</u>
Issued and fully paid				
Balance at 1 January	<u>9 296 000</u>	<u>118</u>	<u>9 296 000</u>	<u>118</u>
Balance at 30 June	<u>9 296 000</u>	<u>118</u>	<u>9 296 000</u>	<u>118</u>

The owners of the Company were as follows:

	As at 30 June 2015	As at 31 December 2014
	USD'000	USD'000
Konstantyn Molodkovets	65	65
Denys Molodkovets	15	11
Oleksiy Veselovskyy	2	2
Public	<u>36</u>	<u>40</u>
	<u>118</u>	<u>118</u>

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the six months ended 30 June 2015**12. LOANS AND BORROWINGS**

	30 June 2015	31 December 2014
	USD'000	USD'000
Short term liabilities		
Bank overdrafts	-	16
Bank loans	<u>4 000</u>	<u>4 000</u>
Total	<u><u>4 000</u></u>	<u><u>4 016</u></u>

The bank loans are secured by mortgage against the vessels with net book value of USD 3 423 thousand (31 December 2014: USD 3 566 thousand).

13. TRADE AND OTHER PAYABLES

	30 June 2015	31 December 2014
	USD'000	USD'000
Trade payables	456	469
Advances received	428	376
Salaries, contributions and other related taxes	167	62
Other accounts payable	442	498
Other taxes payable	7	4
Deferred income	5	6
Interest payable	<u>243</u>	<u>243</u>
	<u><u>1 748</u></u>	<u><u>1 658</u></u>

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the six months ended 30 June 2015**14. LOSS PER SHARE**

The calculation of basic loss per share for the 6 months ended 30 June 2015 and 30 June 2014 was based on the loss attributable to the owners of the Company, and a weighted average number of ordinary shares as follows:

Loss attributable to the owners of the Company:

	30 June 2015 USD'000	30 June 2014 USD'000
Loss for the period	<u>(3 902)</u>	<u>(6 548)</u>
<i>Weighted average number of shares:</i>		
	30 June 2015 '000	30 June 2014 '000
Issued ordinary shares at 1 January	<u>9 296</u>	<u>9 296</u>
Weighted average number of ordinary shares at 30 June	<u>9 296</u>	<u>9 296</u>
<i>Total basic and fully diluted loss per share (USD)</i>	<u>(0,42)</u>	<u>(0,70)</u>

15. RELATED PARTY TRANSACTIONS

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

For the purposes of these condensed consolidated interim financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The Group enters into transactions with both related and unrelated parties.

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

A. Key management;

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

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the six months ended 30 June 2015**15. RELATED PARTY TRANSACTIONS (continued)****(i) Remuneration of key management**

Salary costs of key management for the six months ended 30 June 2015 and 30 June 2014 were as follows:

	30 June 2015 USD'000	30 June 2014 USD'000
Salaries	42	69
Contributions to pension funds	<u>6</u>	<u>9</u>
Total	<u><u>48</u></u>	<u><u>78</u></u>

Number of key management personnel was as follows:

	30 June 2015	31 December 2014
Number of key management personnel, persons	<u><u>23</u></u>	<u><u>21</u></u>

(ii) Transactions with related parties

	30 June 2015 USD'000	30 June 2014 USD'000
Administrative expenses	(4)	(1)
Other income	<u>13</u>	<u>-</u>
	<u><u>9</u></u>	<u><u>(1)</u></u>

(iii) Amounts receivable to directors/owners

	30 June 2015 USD'000	31 December 2014 USD'000
Receivable from directors/owners	<u><u>21</u></u>	<u><u>9</u></u>

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

(iv) Amounts payable to directors/owners

	30 June 2015 USD'000	31 December 2014 USD'000
Payable to directors/owners	<u><u>84</u></u>	<u><u>84</u></u>

KDM SHIPPING PUBLIC LIMITED**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**For the six months ended 30 June 2015**15. RELATED PARTY TRANSACTIONS (continued)****(v) Outstanding balances with related parties**

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

	30 June 2015	31 December 2014
	USD'000	USD'000
Other receivables	72	-
Other payables	<u>(24)</u>	<u>-</u>
Total	<u><u>48</u></u>	<u><u>-</u></u>

16. FINANCIAL RISK MANAGEMENT

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

Other aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2014.

17. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period, which affect the condensed consolidated interim financial statements as at 30 June 2015, except as described below:

Ship Repair segment is still affected by the political and economic situation in Ukraine. The order book is suffering from low demand for ship repair services from offshore shipowners. The Group is following strategy of minimizing cost within segment.

Passenger segment showed positive dynamics in the period after the reporting period in comparison with the first two months of operation. Unfortunately overall performance is very dependent on economic situation within Ukraine as well as negative touristic outlook.

Freight segment performed weaker in comparison to the same period last year. Freight tariffs remained on the lower levels during the six months period, however we are experiencing slight improvement after the reporting period. Current market situations give Management reasons to believe that the freight rates will improve from mid September onwards, following last year's trend. Overall expectations of last four months of 2015 are positive.

On 27 August 2015 the Board of Directors of KDM Shipping Public Limited authorised for issue these condensed consolidated interim financial statements.

KDM SHIPPING PUBLIC LIMITED

INTERIM MANAGEMENT STATEMENT

for the six months ended 30 June 2015

The Group's sales revenue for the first half of 2015 consisted mainly from freight segment and grain trading operations, ship repair segment as well as passenger transportation segment did not contribute much to total revenue of the group.

The Group's sales revenue from its freight segment is generated mainly from the transportation services for dry bulk cargoes, including such commodities as grain, metal products, cement, and other materials along the Black, Azov, Mediterranean and Caspian Sea regions' shipping routes. The freight sales revenue decreased in comparison to 6 month operations of 2014. Weaker freight market resulted in revenue decrease over 55% as per respective period last year.

Ship repair segment's revenue has also showed negative tendency. Difficult political and economical situation have significantly cut the order book, as well as increasing cost of materials resulted in 17% drop as per respective period last year.

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

The Group's cost of sales consists of costs of material expenses, salary and related expenses, depreciation (amortization) of fixed assets, third parties services and other expenses. Cost of sales related to the freight segment has decreased, unfortunately not in direct proportion to revenue decrease. Management strongly believes that adopted strategy of cost cutting will allow the Group to improve overall performance. Vessels turnaround time has decreased due to number of political issues that delay operations in ports of load and general vessel trading in the region. As a result marginality of the segment have decreased that showed a negative tendency in performance of freight segment in comparison to the same period 2014.

Cost of sale for ship repair segment are showing improvement in comparison to same period of 2014, however still segment remains with negative marginality.

Significant increase in cost of sales in grain segment resulted in low marginality of this segment as per respective period last year.

Overall performance of the Group remain low due to a large number of economical and political issues in the region of operation. It is managements belief that freight segment will improve its performance in the second half of 2015.