

OAO SOVCOMFLOT

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

OAO Sovcomflot

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Condensed Consolidated Income Statement
For the period ended 30 June 2014

Note	Six months ended		Three months ended		Year ended
	30/06/2014	30/06/2013	30/06/2014	30/06/2013	31/12/2013
	\$'000	\$'000	\$'000	\$'000	\$'000
Freight and Hire revenue	675,161	628,403	310,094	315,240	1,262,816
Voyage expenses and commissions	(184,480)	(208,042)	(89,975)	(96,713)	(390,167)
Time charter equivalent revenues	<u>490,681</u>	<u>420,361</u>	<u>220,119</u>	<u>218,527</u>	<u>872,649</u>
Direct operating expenses					
Vessels' running costs	168,883	161,843	82,660	81,785	336,644
Charter hire payments	18,565	13,510	11,551	6,936	46,032
	<u>(187,448)</u>	<u>(175,353)</u>	<u>(94,211)</u>	<u>(88,721)</u>	<u>(382,676)</u>
Net earnings from vessels' trading	303,233	245,008	125,908	129,806	489,973
Other operating revenues	16,056	15,883	8,183	8,052	33,390
Other operating expenses	(11,987)	(12,619)	(6,490)	(6,603)	(25,551)
Depreciation, amortisation and impairment	(143,742)	(161,813)	(70,349)	(93,286)	(314,335)
General and administrative expenses	(51,510)	(51,635)	(27,768)	(29,107)	(107,873)
Gain on sale of assets	10,564	1,260	6,217	897	1,401
Allowance for credit losses	1,188	2,391	1,076	317	(4,614)
Release of provision	(52)	(382)	-	(262)	(382)
Share of profits in equity accounted investments	4,700	5,238	1,167	2,631	9,629
Operating profit	<u>128,450</u>	<u>43,331</u>	<u>37,944</u>	<u>12,445</u>	<u>81,638</u>
Other (expenses) / income					
Financing costs	(70,714)	(67,043)	(34,980)	(33,908)	(136,187)
Interest income	8,052	10,156	4,110	4,897	19,073
Other non-operating income	32	490	32	(131)	2,756
Other non-operating expenses	(4,330)	(5,827)	(2,746)	(3,329)	(10,558)
Gain / (loss) on ineffective hedging instruments	7 110	1,524	(24)	1,074	2,054
Gain on derivative financial instruments held for trading	7 5,197	7,991	2,012	3,557	15,228
Foreign exchange differences	1,282	(4,257)	1,842	(2,180)	(1,517)
Net other expenses	<u>(60,371)</u>	<u>(56,966)</u>	<u>(29,754)</u>	<u>(30,020)</u>	<u>(109,151)</u>
Profit / (loss) before income taxes	68,079	(13,635)	8,190	(17,575)	(27,513)
Income tax expense	15 (4,478)	(837)	(2,735)	1,151	(11,713)
Profit / (loss) for the period	<u>63,601</u>	<u>(14,472)</u>	<u>5,455</u>	<u>(16,424)</u>	<u>(39,226)</u>
Profit / (loss) attributable to:					
Owners of the parent	60,481	(14,401)	5,221	(16,391)	(39,815)
Non-controlling interests	3,120	(71)	234	(33)	589
	<u>63,601</u>	<u>(14,472)</u>	<u>5,455</u>	<u>(16,424)</u>	<u>(39,226)</u>
Earnings per share					
Basic earnings per share for the period attributable to equity holders of the parent	<u>\$0.031</u>	<u>(\$0.007)</u>	<u>\$0.003</u>	<u>(\$0.008)</u>	<u>(\$0.020)</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

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Condensed Consolidated Statement of Comprehensive Income
For the period ended 30 June 2014

	Note	Six months ended		Three months ended		Year ended
		30/06/2014	30/06/2013	30/06/2014	30/06/2013	31/12/2013
		\$'000	\$'000	\$'000	\$'000	\$'000
Profit / (loss) for the period		63,601	(14,472)	5,455	(16,424)	(39,226)
Other comprehensive income:						
Share of associates' other comprehensive income		(8)	(16)	11	(10)	(15)
Share of joint ventures' other comprehensive income	5	(405)	17,024	(1,104)	12,185	23,344
Exchange differences on translation of foreign operations		(2,332)	(5,849)	4,399	(3,356)	(6,906)
Derivative financial instruments recycled and debited to the income statement	7	11,844	11,025	4,866	4,760	19,246
Fair value movement of derivative financial instruments (debited) / credited to other comprehensive income	7	(15,695)	17,950	(9,770)	17,215	17,137
Other comprehensive income for the period, net of tax to be reclassified to profit or loss in subsequent periods		(6,596)	40,134	(1,598)	30,794	52,806
Remeasurement gains / (losses) on retirement benefit obligations		665	74	(108)	154	(632)
Other comprehensive income, net of tax not to be reclassified to profit or loss in subsequent periods		665	74	(108)	154	(632)
Total other comprehensive income for the period, net of tax		(5,931)	40,208	(1,706)	30,948	52,174
Total comprehensive income for the period		57,670	25,736	3,749	14,524	12,948
Total comprehensive income attributable to:						
Owners of the parent		54,738	26,393	2,945	14,906	13,162
Non-controlling interests		2,932	(657)	804	(382)	(214)
		57,670	25,736	3,749	14,524	12,948

The accompanying notes are an integral part of the condensed consolidated financial statements.

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Condensed Consolidated Statement of Financial Position – 30 June 2014

	Note	30/06/2014 \$'000	30/06/2013 \$'000	31/12/2013 \$'000
Assets				
Non-current assets				
Fleet	3	5,304,961	5,133,512	5,206,150
Vessels under construction	4	170,255	354,443	244,584
Other fixed assets		85,283	72,809	87,847
Investment property		15,830	3,236	16,973
Other fixed assets under construction		10,574	35,195	11,992
Investments in associates		1,053	1,113	1,130
Investments in joint ventures	5	74,975	68,834	72,507
Available-for-sale investments		1,012	1,012	1,012
Loans to joint ventures	5	65,232	71,408	65,526
Finance lease receivables	6	75,269	87,408	78,908
Derivative financial instruments	7	8,444	9,338	10,356
Trade and other receivables	8	17,669	9,369	17,765
Deferred tax assets		2,741	7,054	2,228
		<u>5,833,298</u>	<u>5,854,731</u>	<u>5,816,978</u>
Current assets				
Inventories		58,597	64,742	64,719
Loans to joint ventures	5	6,280	4,803	4,750
Trade and other receivables	8	162,665	195,981	160,121
Finance lease receivables	6	3,893	3,360	3,656
Current tax receivable		1,482	2,772	2,017
Cash and bank deposits	9	301,147	217,792	281,540
		<u>534,064</u>	<u>489,450</u>	<u>516,803</u>
Non-current assets held for sale	10	27,681	87,130	74,252
		<u>561,745</u>	<u>576,580</u>	<u>591,055</u>
Total assets		<u><u>6,395,043</u></u>	<u><u>6,431,311</u></u>	<u><u>6,408,033</u></u>
Equity and liabilities				
Capital and reserves				
Share capital		405,012	405,012	405,012
Reserves		2,594,999	2,571,567	2,549,215
Equity attributable to owners of the parent		<u>3,000,011</u>	<u>2,976,579</u>	<u>2,954,227</u>
Non-controlling interests		<u>158,513</u>	<u>156,602</u>	<u>157,045</u>
Total equity		<u><u>3,158,524</u></u>	<u><u>3,133,181</u></u>	<u><u>3,111,272</u></u>
Non-current liabilities				
Secured bank loans	13	1,591,623	1,659,212	1,598,257
Finance lease liabilities	14	188,614	197,774	193,291
Derivative financial instruments	7	40,899	49,562	42,266
Retirement benefit obligations		6,243	8,581	7,405
Other loans		798,339	797,841	798,092
Provisions		5,140	11,315	6,354
Deferred tax liabilities		4,014	4,245	2,477
		<u>2,634,872</u>	<u>2,728,530</u>	<u>2,648,142</u>
Current liabilities				
Trade and other payables	12	194,943	218,118	246,586
Secured bank loans	13	371,749	308,422	363,259
Finance lease liabilities	14	9,159	8,549	8,850
Current tax payable		1,079	932	3,206
Derivative financial instruments	7	24,717	33,579	26,718
		<u>601,647</u>	<u>569,600</u>	<u>648,619</u>
Total equity and liabilities		<u><u>6,395,043</u></u>	<u><u>6,431,311</u></u>	<u><u>6,408,033</u></u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

OAO Sovcomflot

Condensed Consolidated Statement of Changes in Equity
For the period ended 30 June 2014

	Share capital \$'000	Share premium \$'000	Reconstruction reserve \$'000	Hedging reserve \$'000	Currency reserve \$'000	Retained earnings \$'000	Attributable to owners of the parent \$'000	Non- controlling interests \$'000	Total \$'000
At 1 January 2013	405,012	818,845	(834,490)	(141,046)	104	2,701,761	2,950,186	158,869	3,109,055
Loss for the period	-	-	-	-	-	(14,401)	(14,401)	(71)	(14,472)
Other comprehensive income									
Share of associates' other comprehensive income	-	-	-	-	(16)	-	(16)	-	(16)
Share of joint ventures' other comprehensive income	-	-	-	17,024	-	-	17,024	-	17,024
Exchange differences on translation of foreign operations	-	-	-	-	(5,255)	-	(5,255)	(594)	(5,849)
Derivative financial instruments recycled and debited to the income statement	-	-	-	11,025	-	-	11,025	-	11,025
Fair value movement of derivative financial instruments credited to other comprehensive income	-	-	-	17,950	-	-	17,950	-	17,950
Remeasurement gains on retirement benefit obligations	-	-	-	-	-	66	66	8	74
Total comprehensive income	-	-	-	45,999	(5,271)	(14,335)	26,393	(657)	25,736
Dividends	-	-	-	-	-	-	-	(1,610)	(1,610)
At 30 June 2013	405,012	818,845	(834,490)	(95,047)	(5,167)	2,687,426	2,976,579	156,602	3,133,181
(Loss) / profit for the period	-	-	-	-	-	(25,414)	(25,414)	660	(24,754)
Other comprehensive income									
Share of associates' other comprehensive income	-	-	-	-	1	-	1	-	1
Share of joint ventures' other comprehensive income	-	-	-	6,320	-	-	6,320	-	6,320
Exchange differences on translation of foreign operations	-	-	-	-	(916)	-	(916)	(141)	(1,057)
Derivative financial instruments recycled and debited to the income statement	-	-	-	8,221	-	-	8,221	-	8,221
Fair value movement of derivative financial instruments debited to other comprehensive income	-	-	-	(813)	-	-	(813)	-	(813)
Remeasurement losses on retirement benefit obligations	-	-	-	-	-	(630)	(630)	(76)	(706)
Total comprehensive income	-	-	-	13,728	(915)	(26,044)	(13,231)	443	(12,788)
Dividends (Note 11)	-	-	-	-	-	(9,121)	(9,121)	-	(9,121)
At 31 December 2013	405,012	818,845	(834,490)	(81,319)	(6,082)	2,652,261	2,954,227	157,045	3,111,272
Profit for the period	-	-	-	-	-	60,481	60,481	3,120	63,601
Other comprehensive income									
Share of associates' other comprehensive income	-	-	-	-	(8)	-	(8)	-	(8)
Share of joint ventures' other comprehensive income	-	-	-	(405)	-	-	(405)	-	(405)
Exchange differences on translation of foreign operations	-	-	-	-	(2,073)	-	(2,073)	(259)	(2,332)
Derivative financial instruments recycled and debited to the income statement	-	-	-	11,844	-	-	11,844	-	11,844
Fair value movement of derivative financial instruments debited to other comprehensive income	-	-	-	(15,695)	-	-	(15,695)	-	(15,695)
Remeasurement gains on retirement benefit obligations	-	-	-	-	-	594	594	71	665
Total comprehensive income	-	-	-	(4,256)	(2,081)	61,075	54,738	2,932	57,670
Dividends (Note 11)	-	-	-	-	-	(8,954)	(8,954)	(1,464)	(10,418)
At 30 June 2014	405,012	818,845	(834,490)	(85,575)	(8,163)	2,704,382	3,000,011	158,513	3,158,524

Notes

Hedging reserve: The hedging reserve contains the effective portion of the cash flow hedge relationships incurred as at the reporting date of the Group including its joint arrangements and associates.
Currency reserve: The currency reserve is used to record exchange differences arising from the translation of the financial statements of subsidiaries, joint arrangements and associates.

The accompanying notes are an integral part of the condensed consolidated financial statements.

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Condensed Consolidated Statement of Cash Flows
For the period ended 30 June 2014

	Note	Six months ended		Year ended
		30/06/2014 \$'000	30/06/2013 \$'000	31/12/2013 \$'000
Operating Activities				
Cash received from freight and hire of vessels		670,124	644,047	1,279,885
Other cash receipts		20,317	20,070	56,886
Cash payments for voyage and running costs		(400,672)	(373,598)	(741,872)
Other cash payments		(80,338)	(66,269)	(157,918)
Cash generated from operations		209,431	224,250	436,981
Interest received		1,235	3,748	7,170
Income tax paid		(3,541)	(4,723)	(9,447)
Net cash inflow from operating activities		207,125	223,275	434,704
Investing Activities				
Expenditure on fleet		(12,901)	(27,043)	(49,807)
Expenditure on vessels under construction		(225,504)	(197,111)	(287,683)
Expenditure on assets held for sale		(457)	-	(4,990)
Interest capitalised		(3,345)	(6,724)	(12,366)
Expenditure on other fixed assets		(2,337)	(17,481)	(45,444)
Loan repayments from joint ventures		-	-	6,604
Loan advances to joint ventures		(1,020)	(5,406)	(5,865)
Proceeds from sale of vessels		113,619	6,500	50,814
Proceeds from sale of other fixed assets		6,829	1,518	3,449
Advances for sale of assets		-	14,759	16,032
Capital element received on finance leases		2,038	1,849	4,897
Interest received on finance leases		9,314	8,629	22,158
Dividends received from joint ventures	5	600	50	2,112
Bank term deposits	9	1,238	-	(1,833)
Security deposits	9	-	10,400	10,400
Other receipts		285	38	39
Net cash outflow used in investing activities		(111,641)	(210,022)	(291,483)
Financing Activities				
Proceeds from borrowings		193,150	148,600	286,355
Repayment of borrowings		(190,745)	(141,331)	(284,740)
Financing costs		(4,381)	(3,649)	(6,518)
Repayment of finance lease liabilities		(4,492)	(15,495)	(19,806)
Restricted deposits	9	(1,400)	-	1,900
Funds in retention bank accounts	9	1,275	1,426	1,389
Interest paid on borrowings and other loans		(60,158)	(55,690)	(114,143)
Interest paid on finance leases		(6,628)	(7,058)	(13,868)
Dividends paid		(1,412)	(460)	(9,830)
Net cash outflow from financing activities		(74,791)	(73,657)	(159,261)
Increase / (decrease) in Cash and Cash Equivalents		20,693	(60,404)	(16,040)
Cash and Cash Equivalents at 1 January	9	256,750	271,807	271,807
Reclassified to other receivables		-	(13,497)	-
Net foreign exchange difference		27	(4,934)	983
Cash and Cash Equivalents at 30 June / 31 December	9	277,470	192,972	256,750

The accompanying notes are an integral part of the condensed consolidated financial statements.

OAO Sovcomflot**Notes to the Condensed Consolidated Financial Statements – 30 June 2014****1. Organisation, Basis of Preparation and Accounting Policies**

OAO Sovcomflot ("Sovcomflot" or "the Company") is an open joint stock company organised under the laws of the Russian Federation and was registered in Russia on 18 December 1995, as the successor undertaking to AKP Sovcomflot, in which the Russian Federation holds 100% of the issued shares.

The Company's registered office address is 3A, Moika River Embankment, Saint Petersburg 191186, Russian Federation and its head office is located at 6 Gasheka Street, Moscow 125047, Russian Federation.

The Company, through its subsidiaries (the "Group"), is engaged in ship owning and operating on a world-wide basis with a fleet of 131 vessels at the period end, comprising 116 tankers, 2 chartered in seismic vessels, 6 gas carriers, 3 bulk carriers and 4 ice breaking supply vessels. For major changes in the period in relation to the fleet see also Notes 3, 4 and 10. In addition the Group through its subsidiaries owns 9 escort tug vessels which have been chartered out on bareboat charter to an associate undertaking (see Note 6).

Statement of compliance

The condensed consolidated financial statements are unaudited and have been prepared in accordance with International Financial Reporting Standard (IFRS) - IAS 34 "Interim Financial Reporting". They do not include all of the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2013.

Significant Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014.

The nature and the impact of each new standard or amendment are described below:

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36

These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 "Impairment of Assets". In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. Such disclosures have not been provided in these condensed financial statements but will be disclosed in the Group's annual financial statements.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Group as the Group has not novated its derivatives during the current or prior periods.

Seasonality of Operations

Although some of the Group's operations may sometimes be affected by seasonal factors such as general weather conditions, management does not feel this has a material effect on the performance of the Group when comparing the interim results to those achieved in the second half of the year.

Changes in estimates

The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates under different assumptions and conditions. All critical accounting judgements and key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2013.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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Notes to the Condensed Consolidated Financial Statements – 30 June 2014
(Continued)

2. Segment Information

For management purposes, the Group is organised into business units (operating segments) based on the main types of activities and has five reportable operating segments. Management considers the global market as one geographical segment and does not therefore analyse geographical segment information on revenue from customers or non-current segment assets.

Period ended 30 June 2014

	Crude Oil \$'000	Oil Product \$'000	Gas \$'000	Offshore \$'000	Other \$'000	Total \$'000
Freight and Hire revenue	335,070	163,624	39,844	110,191	26,432	675,161
Voyage expenses and commissions	(114,155)	(61,933)	(1,596)	(423)	(6,373)	(184,480)
Time charter equivalent revenues	220,915	101,691	38,248	109,768	20,059	490,681
Direct operating expenses						
Vessels' running costs	(70,902)	(58,190)	(8,378)	(22,219)	(9,194)	(168,883)
Charter hire payments	-	-	-	-	(18,565)	(18,565)
Net earnings from vessels' trading	150,013	43,501	29,870	87,549	(7,700)	303,233
Vessels' depreciation	(53,886)	(26,023)	(5,610)	(28,156)	(1,809)	(115,484)
Vessels' drydock cost amortisation	(9,300)	(5,437)	(1,435)	(2,448)	(659)	(19,279)
Vessels' impairment provision	-	(4,633)	-	-	-	(4,633)
Gain / (loss) on sale of vessels	4,737	(211)	(33)	-	-	4,493
Segment operating profit / (loss)	<u>91,564</u>	<u>7,197</u>	<u>22,792</u>	<u>56,945</u>	<u>(10,168)</u>	<u>168,330</u>
Unallocated						
General and administrative expenses						(51,510)
Financing costs						(70,714)
Other income and expenses						21,973
Profit before income taxes						<u>68,079</u>
Carrying amount of fleet in operation	<u>2,492,223</u>	<u>1,114,489</u>	<u>398,459</u>	<u>1,207,093</u>	<u>92,697</u>	<u>5,304,961</u>
Carrying amount of non-current assets held for sale	<u>-</u>	<u>27,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,681</u>
Deadweight tonnage of fleet used in operations ('000)	<u>7,811</u>	<u>2,145</u>	<u>232</u>	<u>1,196</u>	<u>228</u>	<u>11,612</u>

Period ended 30 June 2013

	Crude Oil \$'000	Oil Product \$'000	Gas \$'000	Offshore \$'000	Other \$'000	Total \$'000
Freight and hire revenue	313,844	172,097	22,200	98,084	22,178	628,403
Voyage expenses and commissions	(137,932)	(62,410)	(278)	(389)	(7,033)	(208,042)
Time charter equivalent revenues	175,912	109,687	21,922	97,695	15,145	420,361
Direct operating expenses						
Vessels' running costs	(70,004)	(59,167)	(6,027)	(20,781)	(5,864)	(161,843)
Charter hire payments	-	-	-	-	(13,510)	(13,510)
Net earnings from vessels' trading	105,908	50,520	15,895	76,914	(4,229)	245,008
Vessels' depreciation	(53,294)	(29,290)	(2,895)	(24,565)	(1,769)	(111,813)
Vessels' drydock cost amortisation	(8,024)	(5,825)	(1,068)	(2,367)	(543)	(17,827)
Vessels' impairment provision	-	(29,099)	-	-	-	(29,099)
Segment operating profit / (loss)	<u>44,590</u>	<u>(13,694)</u>	<u>11,932</u>	<u>49,982</u>	<u>(6,541)</u>	<u>86,269</u>
Unallocated						
General and administrative expenses						(51,635)
Financing costs						(67,043)
Other income and expenses						18,774
Loss before income taxes						<u>(13,635)</u>
Carrying amount of fleet in operation	<u>2,466,039</u>	<u>1,198,872</u>	<u>104,457</u>	<u>1,266,530</u>	<u>97,614</u>	<u>5,133,512</u>
Carrying amount of non-current assets held for sale	<u>-</u>	<u>87,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,130</u>
Deadweight tonnage of fleet used in operations ('000)	<u>7,487</u>	<u>2,485</u>	<u>134</u>	<u>1,194</u>	<u>222</u>	<u>11,522</u>

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2. Segment Information (Continued)

Period ended 31 December 2013

	Crude Oil \$'000	Oil Product \$'000	Gas \$'000	Offshore \$'000	Other \$'000	Total \$'000
Freight and Hire revenue	603,674	335,844	48,695	207,655	66,948	1,262,816
Voyage expenses and commissions	(259,778)	(120,174)	(409)	(704)	(9,102)	(390,167)
Time charter equivalent revenues	343,896	215,670	48,286	206,951	57,846	872,649
Direct operating expenses						
Vessels' running costs	(139,956)	(127,235)	(11,971)	(40,631)	(16,851)	(336,644)
Charter hire payments	-	-	-	-	(46,032)	(46,032)
Net earnings from vessels' trading	203,940	88,435	36,315	166,320	(5,037)	489,973
Vessels' depreciation	(106,408)	(56,185)	(6,048)	(54,202)	(3,601)	(226,444)
Vessels' drydock cost amortisation	(16,656)	(11,530)	(3,070)	(5,127)	(1,260)	(37,643)
Vessels' impairment provision	-	(43,375)	-	-	-	(43,375)
Loss on sale of vessels	-	(558)	-	-	-	(558)
Segment operating profit / (loss)	<u>80,876</u>	<u>(23,213)</u>	<u>27,197</u>	<u>106,991</u>	<u>(9,898)</u>	<u>181,953</u>
Unallocated						
General and administrative expenses						(107,873)
Financing costs						(136,187)
Other income and expenses						34,594
Loss before income taxes						<u>(27,513)</u>
Carrying amount of fleet in operation	<u>2,519,853</u>	<u>1,155,359</u>	<u>198,964</u>	<u>1,236,808</u>	<u>95,166</u>	<u>5,206,150</u>
Carrying amount of non-current assets held for sale	<u>-</u>	<u>49,360</u>	<u>9,100</u>	<u>-</u>	<u>-</u>	<u>58,460</u>
Deadweight tonnage of fleet used in operations ('000)	<u>7,808</u>	<u>2,298</u>	<u>180</u>	<u>1,196</u>	<u>222</u>	<u>11,704</u>

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3. Fleet

	Vessels \$'000	Drydock \$'000	Total Fleet \$'000
Cost			
At 1 January 2013	6,469,332	151,006	6,620,338
Expenditure in period	5,977	18,143	24,120
Transfer from vessels under construction (Note 4)	291,401	5,312	296,713
Transfer to non-current assets held for sale (Note 10)	(241,443)	(8,737)	(250,180)
Write-off of fully amortised drydock cost	-	(11,777)	(11,777)
At 30 June 2013	6,525,267	153,947	6,679,214
Expenditure in period	1,457	24,392	25,849
Transfer from vessels under construction (Note 4)	201,203	4,870	206,073
Transfer to non-current assets held for sale (Note 10)	(56,724)	(3,474)	(60,198)
Write-off of fully amortised drydock cost	-	(23,897)	(23,897)
At 31 December 2013	6,671,203	155,838	6,827,041
Expenditure in period	1,614	10,190	11,804
Transfer from vessels under construction (Note 4)	296,708	6,470	303,178
Transfer to non-current assets held for sale (Note 10)	(29,446)	(1,086)	(30,532)
Disposals in period	(89,082)	(2,636)	(91,718)
Write-off of fully amortised drydock cost	-	(10,430)	(10,430)
At 30 June 2014	<u>6,850,997</u>	<u>158,346</u>	<u>7,009,343</u>
Depreciation and amortisation			
At 1 January 2013	1,501,149	72,160	1,573,309
Charge for the period	111,813	17,827	129,640
Impairment provision	28,081	-	28,081
Transfer to non-current assets held for sale (Note 10)	(167,800)	(5,751)	(173,551)
Write-off of fully amortised drydock cost	-	(11,777)	(11,777)
At 30 June 2013	1,473,243	72,459	1,545,702
Charge for the period	114,631	19,816	134,447
Impairment provision	8,486	-	8,486
Reversal of impairment provision of fleet	(666)	-	(666)
Transfer to non-current assets held for sale (Note 10)	(40,360)	(2,821)	(43,181)
Write-off of fully amortised drydock cost	-	(23,897)	(23,897)
At 31 December 2013	1,555,334	65,557	1,620,891
Charge for the period	115,484	19,279	134,763
Impairment provision	1,456	-	1,456
Transfer to non-current assets held for sale (Note 10)	(14,346)	(346)	(14,692)
Eliminated on disposal	(25,448)	(2,158)	(27,606)
Write-off of fully amortised drydock cost	-	(10,430)	(10,430)
At 30 June 2014	<u>1,632,480</u>	<u>71,902</u>	<u>1,704,382</u>
Net book value			
At 30 June 2014	<u>5,218,517</u>	<u>86,444</u>	<u>5,304,961</u>
At 30 June 2013	<u>5,052,024</u>	<u>81,488</u>	<u>5,133,512</u>
At 31 December 2013	<u>5,115,869</u>	<u>90,281</u>	<u>5,206,150</u>
	30/06/2014	30/06/2013	31/12/2013
Market value (\$'000)	<u>4,688,167</u>	<u>3,996,833</u>	<u>4,355,000</u>
Current insured values (\$'000)	<u>5,789,872</u>	<u>5,412,772</u>	<u>5,587,372</u>
Total deadweight tonnage (dwt)	<u>11,582,213</u>	<u>11,212,947</u>	<u>11,497,966</u>

Included in the Group's fleet are 2 vessels (2013 – 2) held under finance leases with an aggregate carrying value of \$204.4 million (30 June 2013 – \$214.2 million / 31 December 2013 – \$209.2 million).

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4. Vessels Under Construction

	30/06/2014 \$'000	30/06/2013 \$'000	31/12/2013 \$'000
At 1 January	244,584	447,321	447,321
Expenditure in period	228,849	203,835	300,049
Transfer to fleet (Note 3)	(303,178)	(296,713)	(502,786)
At 30 June / 31 December	<u>170,255</u>	<u>354,443</u>	<u>244,584</u>
Total deadweight tonnage (dwt)	<u>391,900</u>	<u>1,064,400</u>	<u>698,800</u>

Vessels delivered during the period comprised the following:

<u>Vessel Name</u>	<u>Vessel Type</u>	<u>Segment</u>	<u>DWT</u>	<u>Delivery Date</u>
Velikiy Novgorod	LNG carrier	Gas	93,486	29 January 2014
SCF Shanghai	VLCC	Crude	320,701	25 February 2014

During the period ended 30 June 2014, the Group signed agreements for the construction of a 172,600 cubic metre ice breaking LNG carrier, one multifunctional ice breaking supply (MIB) vessel and three MIB standby vessels at a total contracted cost of \$837.9 million. The LNG carrier is backed with a time charter contract of 29 years firm period, with various extension options attached in favour of the charterer with estimated scheduled delivery in March 2016. The MIB supply and the three MIB standby vessels are also backed with time charter contracts of 20 years firm period, with five year extension options attached in favour of the charterer with estimated scheduled deliveries between June 2016 and March 2017.

Vessels under construction at 30 June 2014 comprised three LNG carriers, one ice breaking LNG carrier, one MIB supply vessel and three MIB standby vessels scheduled for delivery between August 2014 and March 2017 at a total contracted cost to the Group of \$1,433.5 million. As at 30 June 2014, \$150.9 million of the contracted costs had been paid for.

5. Joint Ventures

Investments in joint ventures are analysed as follows:

	30/06/2014 \$'000	30/06/2013 \$'000	31/12/2013 \$'000
At 1 January	72,507	62,156	62,156
Share of profits in joint ventures	4,687	5,186	9,561
Share of joint ventures' other comprehensive income	(405)	17,024	23,344
Dividends received	(600)	(50)	(2,112)
Release of provision for share in net liabilities of joint ventures	(1,214)	(15,482)	(20,442)
At 30 June / 31 December	<u>74,975</u>	<u>68,834</u>	<u>72,507</u>

	30/06/2014 \$'000	30/06/2013 \$'000	31/12/2013 \$'000
Long term interests in joint ventures			
Interest free loans to joint ventures	<u>3,821</u>	<u>3,821</u>	<u>3,821</u>

Loans due from joint ventures are analysed as follows:

	30/06/2014 \$'000	30/06/2013 \$'000	31/12/2013 \$'000
Loans to joint ventures at U.S. Dollar Libor + 0.5% margin per annum	51,200	58,253	50,984
Loans to joint ventures at U.S. Dollar Libor + 3.0% margin per annum	20,312	17,958	19,292
	71,512	76,211	70,276
Less current portion (current assets)	(6,280)	(4,803)	(4,750)
Non-current portion (non-current assets)	<u>65,232</u>	<u>71,408</u>	<u>65,526</u>

6. Finance Lease Receivables

	30/06/2014 \$'000	30/06/2013 \$'000	31/12/2013 \$'000
At 1 January	89,136	92,261	92,261
Finance lease interest receivable	6,581	6,815	13,631
Finance lease instalments received	(8,308)	(8,308)	(16,756)
At 30 June / 31 December	<u>87,409</u>	<u>90,768</u>	<u>89,136</u>
At 1 January	(6,572)	-	-
Allowance for credit losses	(1,675)	-	(6,572)
At 30 June / 31 December	<u>(8,247)</u>	<u>-</u>	<u>(6,572)</u>
Gross receivable net of provision	79,162	90,768	82,564
Less current finance lease receivables	(3,893)	(3,360)	(3,656)
Non-current finance lease receivables	<u>75,269</u>	<u>87,408</u>	<u>78,908</u>

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7. Derivative Financial Instruments

Derivative financial instruments are classified in the statement of financial position as follows:

	<u>30/06/2014</u> <u>\$'000</u>	<u>30/06/2013</u> <u>\$'000</u>	<u>31/12/2013</u> <u>\$'000</u>
Non-current asset	8,444	9,338	10,356
Non-current liability	(40,899)	(49,562)	(42,266)
Current liability	<u>(24,717)</u>	<u>(33,579)</u>	<u>(26,718)</u>
	<u>(57,172)</u>	<u>(73,803)</u>	<u>(58,628)</u>

Derivative financial instruments are analysed as follows:

Hedging instruments

	<u>30/06/2014</u> <u>\$'000</u>	<u>30/06/2013</u> <u>\$'000</u>	<u>31/12/2013</u> <u>\$'000</u>
At 1 January	52,464	90,901	90,901
Recycled during the period and credited to the income statement	(11,844)	(11,025)	(19,246)
Fair value movement during the period recognised in other comprehensive income	15,695	(17,950)	(17,137)
Fair value movement during the period credited to the income statement	<u>(110)</u>	<u>(1,524)</u>	<u>(2,054)</u>
At 30 June / 31 December	<u>56,205</u>	<u>60,402</u>	<u>52,464</u>

Classified at fair value through profit or loss

	<u>30/06/2014</u> <u>\$'000</u>	<u>30/06/2013</u> <u>\$'000</u>	<u>31/12/2013</u> <u>\$'000</u>
At 1 January	6,164	21,392	21,392
Fair value movement during the period credited to the income statement	<u>(5,197)</u>	<u>(7,991)</u>	<u>(15,228)</u>
At 30 June / 31 December	<u>967</u>	<u>13,401</u>	<u>6,164</u>

8. Trade and Other Receivables

	<u>30/06/2014</u> <u>\$'000</u>	<u>30/06/2013</u> <u>\$'000</u>	<u>31/12/2013</u> <u>\$'000</u>
Non-current assets			
Other receivables	486	9,369	587
Security deposits	<u>17,183</u>	<u>-</u>	<u>17,178</u>
	<u>17,669</u>	<u>9,369</u>	<u>17,765</u>
Current assets			
Amounts due from charterers	65,509	53,752	62,831
Allowance for credit losses	<u>(4,300)</u>	<u>(5,089)</u>	<u>(4,135)</u>
	61,209	48,663	58,696
Casualty and other claims	1,610	8,742	5,761
Agents' balances	11,916	13,025	11,933
Other receivables	25,434	32,429	25,298
Amounts due from joint ventures and associates	947	396	1,170
Security deposits	9,789	27,028	9,789
Amounts due from lessee for finance leases	1,710	1,392	1,662
Receivables under High Court judgement award	2,708	2,870	2,708
Prepayments	18,165	20,240	15,541
Voyages in progress	15,985	12,739	22,952
Accrued income	<u>13,192</u>	<u>28,457</u>	<u>4,611</u>
	<u>162,665</u>	<u>195,981</u>	<u>160,121</u>

9. Cash and Bank Deposits

	<u>30/06/2014</u> <u>\$'000</u>	<u>30/06/2013</u> <u>\$'000</u>	<u>31/12/2013</u> <u>\$'000</u>
Cash and bank deposits	301,147	217,792	281,540
Bank deposits accessible on maturity	(595)	-	(1,833)
Retention accounts	<u>(13,582)</u>	<u>(14,820)</u>	<u>(14,857)</u>
Restricted deposits	<u>(9,500)</u>	<u>(10,000)</u>	<u>(8,100)</u>
Cash and cash equivalents	<u>277,470</u>	<u>192,972</u>	<u>256,750</u>

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10. Non-Current Assets Held for Sale

	Building \$'000	Fleet \$'000	Total \$'000
At 1 January 2013	-	17,824	17,824
Transfer from fleet (Note 3)	-	76,629	76,629
Impairment provision	-	(1,018)	(1,018)
Disposals in period	-	(6,305)	(6,305)
At 30 June 2013	-	87,130	87,130
Transfer from fleet (Note 3)	-	17,017	17,017
Transfer from assets under construction	15,792	-	15,792
Expenditure in period	-	4,990	4,990
Impairment provision	-	(6,746)	(6,746)
Reversal of impairment provision	-	290	290
Disposals in period	-	(44,221)	(44,221)
At 31 December 2013	15,792	58,460	74,252
Transfer from fleet (Note 3)	-	15,840	15,840
Expenditure in period	-	456	456
Impairment provision	-	(4,000)	(4,000)
Reversal of impairment provision	-	823	823
Exchange differences	(1,186)	-	(1,186)
Disposals in period	(14,606)	(43,898)	(58,504)
At 30 June 2014	-	27,681	27,681

As at 31 December 2013, non-current assets held for sale, comprised one asphalt chemical tanker, three chemical oil product tankers, one handysize product tanker, two MR product tankers and an LNG carrier.

During the period the Group disposed of the asphalt chemical tanker, one of the chemical oil product tankers, the two MR product tankers, the handysize product tanker and the LNG carrier, held for sale as at 31 December 2013.

In addition, during the period ended 30 June 2014 the Group made a decision to sell two asphalt chemical tankers. These vessels were actively marketed for sale at a price approximate to their market values and consequently transferred to non-current assets held for sale.

As at 30 June 2014, non-current assets held for sale, comprised two chemical oil product tankers and two asphalt chemical tankers.

11. Dividends

Dividends of Rouble 0.15 per share totalling Roubles 300.0 million, equivalent to \$8.9 million were declared on 30 June 2014 and paid on 15 July 2014 (2013 – 0.15 Rouble per share totalling Roubles 300.0 million, equivalent to \$9.1 million).

12. Trade and Other Payables

	30/06/2014 \$'000	30/06/2013 \$'000	31/12/2013 \$'000
Trade payables	58,146	63,705	88,427
Other payables	41,995	60,822	60,342
Dividends payable	10,918	2,641	1,912
Accrued liabilities	48,881	52,410	53,465
Deferred income	19,594	23,176	27,102
Accrued interest	15,409	15,364	15,338
	<u>194,943</u>	<u>218,118</u>	<u>246,586</u>

13. Secured Bank Loans

The balances of the loans at the period end, net of direct issue costs, are summarised as follows:

	30/06/2014 \$'000	30/06/2013 \$'000	31/12/2013 \$'000
Repayable			
- within twelve months after the end of the reporting period	371,749	308,422	363,259
- between one to two years	347,741	340,208	364,323
- between two to three years	244,130	286,947	225,937
- between three to four years	220,048	227,849	219,372
- between four to five years	150,613	172,048	187,848
- more than five years	629,091	632,160	600,777
	<u>1,963,372</u>	<u>1,967,634</u>	<u>1,961,516</u>
Less current portion (current liabilities)	(371,749)	(308,422)	(363,259)
Long-term balance (non-current liabilities)	<u>1,591,623</u>	<u>1,659,212</u>	<u>1,598,257</u>

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14. Finance Lease Liabilities

	30/06/2014 \$'000	30/06/2013 \$'000	31/12/2013 \$'000
Repayable			
- within twelve months after the end of the reporting period	9,159	8,549	8,850
- after one year but not more than five years	188,614	197,774	193,291
	197,773	206,323	202,141
Less current portion (current liabilities)	(9,159)	(8,549)	(8,850)
Long-term balance (non-current liabilities)	188,614	197,774	193,291

15. Income Taxes

	30/06/2014 \$'000	30/06/2013 \$'000	31/12/2013 \$'000
Russian Federation profit tax	3,740	2,623	9,240
Overseas income tax expense	188	362	1,272
Current income tax expense	3,928	2,985	10,512
Deferred tax	550	(2,148)	1,201
Total income tax expense	4,478	837	11,713

16. Financial Risk Management

(a) Categories of financial assets and financial liabilities

	30/06/2014 \$'000	30/06/2013 \$'000	31/12/2013 \$'000
Financial assets			
Hedging instruments (Note 7)	8,444	9,338	10,356
Cash and bank deposits (Note 9)	301,147	217,792	281,540
Available-for-sale investments	1,012	1,012	1,012
Loans and other receivables	211,792	245,751	204,000
Finance lease receivables (Note 6)	79,162	90,768	82,564
Total financial assets	601,557	564,661	579,472
Financial liabilities			
Hedging instruments (Note 7)	64,649	69,740	62,820
Financial liabilities at fair value through profit or loss (Note 7)	967	13,401	6,164
Secured bank loans (Note 13)	1,963,372	1,967,634	1,961,516
Finance lease liabilities (Note 14)	197,773	206,323	202,141
Other loans	798,339	797,841	798,092
Other liabilities measured at amortised cost	174,152	199,176	216,903
Total financial liabilities	3,199,252	3,254,115	3,247,636

(b) Fair value of financial assets and financial liabilities

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

	30/06/2014 \$'000	Carrying Value 30/06/2013 \$'000	31/12/2013 \$'000	30/06/2014 \$'000	Fair Value 30/06/2013 \$'000	31/12/2013 \$'000
Financial assets						
Derivative financial instruments	8,444	9,338	10,356	8,444	9,338	10,356
Cash and bank deposits	301,147	217,792	281,540	301,147	217,792	281,540
Available-for-sale investments	1,012	1,012	1,012	1,012	1,012	1,012
Loans to joint ventures	71,512	76,211	70,276	67,316	70,061	66,132
Loans and receivables	219,442	260,308	216,288	219,442	260,308	216,288
Total financial assets	601,557	564,661	579,472	597,361	558,511	575,328
Financial liabilities						
Derivative financial instruments	65,616	83,141	68,984	65,616	83,141	68,984
Other liabilities measured at amortised cost	174,152	199,176	216,903	174,152	199,176	216,903
Borrowings at fixed interest rates	158,226	187,798	172,418	159,704	170,118	172,560
Borrowings at floating interest rates	1,805,146	1,779,836	1,789,098	1,796,590	1,717,849	1,790,908
Unsecured loan	798,339	797,841	798,092	810,000	776,000	807,072
Finance lease liabilities	197,773	206,323	202,141	183,362	178,507	193,153
Total financial liabilities	3,199,252	3,254,115	3,247,636	3,189,424	3,124,791	3,249,580

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Notes to the Condensed Consolidated Financial Statements – 30 June 2014
(Continued)

16. Financial Risk Management (Continued)

(b) Fair value of financial assets and financial liabilities (continued)

Fair value measurements of financial instruments recognised in the statement of financial position

The following table provides an analysis of financial instruments as at 30 June 2014, 30 June 2013 and 31 December 2013 that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value valuation inputs are observable.

Recurring fair value measurements of financial instruments recognised in the statement of financial position

At 30 June 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Derivative financial instruments in designated hedge accounting relationships	-	8,444	-	8,444
	-	8,444	-	8,444
Financial liabilities				
Derivative financial instruments classified at fair value through profit or loss	-	967	-	967
Derivative financial instruments in designated hedge accounting relationships	-	64,649	-	64,649
	-	65,616	-	65,616
At 30 June 2013	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Derivative financial instruments in designated hedge accounting relationships	-	9,338	-	9,338
	-	9,338	-	9,338
Financial liabilities				
Derivative financial instruments classified at fair value through profit or loss	-	13,401	-	13,401
Derivative financial instruments in designated hedge accounting relationships	-	69,740	-	69,740
	-	83,141	-	83,141
At 31 December 2013	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Derivative financial instruments in designated hedge accounting relationships	-	10,356	-	10,356
	-	10,356	-	10,356
Financial liabilities				
Derivative financial instruments classified at fair value through profit or loss	-	6,164	-	6,164
Derivative financial instruments in designated hedge accounting relationships	-	62,820	-	62,820
	-	68,984	-	68,984

There were no transfers between Level 1 and 2 during the periods ended 30 June 2014, 30 June 2013 and 31 December 2013.

Non-recurring fair value measurements of financial assets recognised in the statement of financial position

At 30 June 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Non-current assets held for sale	-	27,681	-	27,681
	-	27,681	-	27,681
At 30 June 2013				
Financial assets				
Non-current assets held for sale	-	28,320	-	28,320
	-	28,320	-	28,320
At 31 December 2013				
Financial assets				
Non-current assets held for sale	-	49,360	-	49,360
	-	49,360	-	49,360

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Notes to the Condensed Consolidated Financial Statements – 30 June 2014
(Continued)

16. Financial Risk Management (Continued)

(b) Fair value of financial assets and financial liabilities (continued)

Assets and liabilities for which fair values are disclosed

At 30 June 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Investment property	-	44,214	-	44,214
Derivative financial instruments	-	8,444	-	8,444
Cash and bank deposits	-	301,147	-	301,147
Available-for-sale investments	-	1,012	-	1,012
Loans to joint ventures	-	67,316	-	67,316
Loans and receivables	-	219,442	-	219,442
	-	641,575	-	641,575
Liabilities				
Derivative financial instruments	-	65,616	-	65,616
Other liabilities measured at amortised cost	-	174,152	-	174,152
Borrowings at fixed interest rates	-	159,704	-	159,704
Borrowings at floating interest rates	-	1,796,590	-	1,796,590
Unsecured loan	810,000	-	-	810,000
Finance lease liabilities	-	183,362	-	183,362
	810,000	2,379,424	-	3,189,424
At 30 June 2013				
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Investment property	-	23,419	-	23,419
Derivative financial instruments	-	9,338	-	9,338
Cash and bank deposits	-	217,792	-	217,792
Available-for-sale investments	-	1,012	-	1,012
Loans to joint ventures	-	70,061	-	70,061
Loans and receivables	-	260,308	-	260,308
	-	581,930	-	581,930
Liabilities				
Derivative financial instruments	-	83,141	-	83,141
Other liabilities measured at amortised cost	-	199,176	-	199,176
Borrowings at fixed interest rates	-	170,118	-	170,118
Borrowings at floating interest rates	-	1,717,849	-	1,717,849
Unsecured loan	776,000	-	-	776,000
Finance lease liabilities	-	178,507	-	178,507
	776,000	2,348,791	-	3,124,791
At 31 December 2013				
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Investment property	-	44,214	-	44,214
Derivative financial instruments	-	10,356	-	10,356
Cash and bank deposits	-	281,540	-	281,540
Available-for-sale investments	-	1,012	-	1,012
Loans to joint ventures	-	66,132	-	66,132
Loans and receivables	-	216,288	-	216,288
	-	619,542	-	619,542
Liabilities				
Derivative financial instruments	-	68,984	-	68,984
Other liabilities measured at amortised cost	-	216,903	-	216,903
Borrowings at fixed interest rates	-	172,560	-	172,560
Borrowings at floating interest rates	-	1,790,908	-	1,790,908
Unsecured loan	807,072	-	-	807,072
Finance lease liabilities	-	193,153	-	193,153
	807,072	2,442,508	-	3,249,580

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**Notes to the Condensed Consolidated Financial Statements – 30 June 2014
(Continued)**

16. Financial Risk Management (Continued)

(b) Fair value of financial assets and financial liabilities (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices (other than quoted prices included within Level 1) from observable current market transactions and dealer quotes for similar instruments.

The fair values of derivative instruments, including interest rate swaps, are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

17. Contingent Assets and Liabilities

Some of the defendants in the Novoship (UK) Limited claims were granted permission to appeal against the Judgment of December 2012, allowing the recovery of approximately \$108.5 million of third party profits plus pre-Judgment interest of \$45.4 million, in relation to which recovery had been stayed. The Court of Appeal heard that appeal in June 2014 and issued its Judgment in July 2014. The Group succeeded in confirming the trial judge's findings of fact and the defendants' liability to pay \$410,379. That sum, together with interest, totalling \$664,091 was received by the Group in August 2014. The Group also established that a remedy for an account of profits is available for a dishonest assistant to a breach of trust but the Court allowed the appeal and refused the remedy on grounds of causation and proportionality. The Group is seeking leave to appeal to the Supreme Court these findings on causation and proportionality. If that appeal is allowed and successful the Group may again be entitled to \$108.5 million plus interest.

The Group provided security of \$4.0 million in Court to fortify cross-undertakings in damages in respect of \$90 million of security provided by the defendants to the claim. After their successful appeal the defendants have indicated an intention to pursue a claim in damages and, unless the Group successfully appeals the Court of Appeal outcome, it may face liability of up to or in excess of the \$4 million secured.

Some of the defendants in the London proceeding concluded in 2010 have made an application for an inquiry into damages caused by the freezing orders made against them in the course of those proceedings. They seek \$184.1 million in compensation for the losses allegedly suffered by them because of the immobilisation of these funds. That application was heard on 28 July 2014. Judgment is expected in autumn 2014. Management is of the opinion that the claimed amount is speculative and the likelihood of this claim being successful is remote. The Group will defend its position vigorously. Accordingly, no provision has been made.

18. Related Party Transactions

The Group enters into related party transactions with other Russian State owned and State controlled organisations in the normal course of business. There were no new or material changes, other than the below, to the related party transactions presented in the audited consolidated financial statements of the Group for the period ended 31 December 2013.

- (i) Included in vessels under construction (Note 4) are four newbuildings with a total contracted cost of \$520.0 million placed on order in June 2014 from a shipyard that is a joint venture between a Russian State controlled entity and a third party. As at 30 June 2014 the total contracted cost of \$520.0 million was outstanding in respect of the shipbuilding agreements.
- (ii) In June 2014 the Group signed time charter agreements with a Russian State controlled entity for the chartering out of one MIB supply vessel and three MIB standby vessels, currently under construction (Note 4) for a firm period of 20 years, with various extension options attached, with aggregate hire receivable over the firm period of \$1,751.9 million. The time charter agreements will commence upon delivery of the vessels by the shipyards. Delivery is scheduled between June 2016 and March 2017 respectively.

19. Events After the Reporting Period

In July 2014, agreements signed by the Group during the period ended 30 June 2014 for the construction of three Arctic shuttle tankers (42,000 dwt), at a total contracted cost of \$441.1 million became effective. The agreements are backed by a 12 year time charter with a related party, a Russian State owned entity, with thirteen one year extension options attached in favour of the charterer. The vessels are expected to be delivered to the Group between June and October 2016. The Group has also entered into three unsecured subordinated loan facilities with the above mentioned charterer totalling \$86.2 million, repayable in quarterly instalments from the time of delivery of the vessels until the end of the 12 year time charter mentioned above. Under the agreements the Group has the right to repay the loan in part or in full at any time before maturity.

On 15 July 2014, dividends of 0.15 Rouble per share (totalling Roubles 300.0 million, equivalent to \$8.9 million) were paid.

20. Date of Issue

These condensed consolidated financial statements were issued on 28 August 2014.