

OAO SOVCOMFLOT

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014

OAO Sovcomflot

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Condensed Consolidated Income Statement
For the period ended 30 September 2014

Note	Nine months ended		Three months ended		Year ended
	30/09/2014	30/09/2013	30/09/2014	30/09/2013	31/12/2013
	\$'000	\$'000	\$'000	\$'000	\$'000
Freight and Hire revenue	1,059,225	964,560	384,064	336,157	1,262,816
Voyage expenses and commissions	(263,656)	(303,179)	(79,176)	(95,137)	(390,167)
Time charter equivalent revenues	795,569	661,381	304,888	241,020	872,649
Direct operating expenses					
Vessels' running costs	262,251	244,660	93,368	82,817	336,644
Charter hire payments	45,832	39,348	27,267	25,838	46,032
	(308,083)	(284,008)	(120,635)	(108,655)	(382,676)
Net earnings from vessels' trading	487,486	377,373	184,253	132,365	489,973
Other operating revenues	26,114	25,250	10,058	9,367	33,390
Other operating expenses	(19,837)	(18,315)	(7,850)	(5,696)	(25,551)
Depreciation, amortisation and impairment	(220,104)	(239,064)	(76,362)	(77,251)	(314,335)
General and administrative expenses	(76,190)	(75,969)	(24,680)	(24,334)	(107,873)
Gain / (loss) on sale of assets	10,282	1,026	(282)	(234)	1,401
Allowance for credit losses	1,659	4,044	471	1,653	(4,614)
Release of provision	(52)	(382)	-	-	(382)
Share of profits in equity accounted investments	8,338	7,074	3,638	1,836	9,629
Operating profit	217,696	81,037	89,246	37,706	81,638
Other (expenses) / income					
Financing costs	(104,460)	(101,418)	(33,746)	(34,375)	(136,187)
Interest income	12,528	14,603	4,476	4,447	19,073
Other non-operating income	3,346	1,007	3,314	517	2,756
Other non-operating expenses	(6,482)	(7,026)	(2,152)	(1,199)	(10,558)
Gain on ineffective hedging instruments	7 454	1,681	344	157	2,054
Gain on derivative financial instruments held for trading	7 5,679	11,681	482	3,690	15,228
Foreign exchange differences	(12,345)	(3,464)	(13,627)	793	(1,517)
Net other expenses	(101,280)	(82,936)	(40,909)	(25,970)	(109,151)
Profit / (loss) before income taxes	116,416	(1,899)	48,337	11,736	(27,513)
Income tax expense	16 (7,363)	(3,392)	(2,885)	(2,555)	(11,713)
Profit / (loss) for the period	109,053	(5,291)	45,452	9,181	(39,226)
Profit / (loss) attributable to:					
Owners of the parent	105,610	(5,381)	45,129	9,020	(39,815)
Non-controlling interests	3,443	90	323	161	589
	109,053	(5,291)	45,452	9,181	(39,226)
Earnings per share					
Basic earnings per share for the period attributable to equity holders of the parent	\$0.054	(\$0.003)	\$0.023	\$0.005	(\$0.020)

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 September 2014

	Note	Nine months ended		Three months ended		Year ended
		30/09/2014	30/09/2013	30/09/2014	30/09/2013	31/12/2013
		\$'000	\$'000	\$'000	\$'000	\$'000
Profit / (loss) for the period		109,053	(5,291)	45,452	9,181	(39,226)
Other comprehensive income:						
Share of associates' other comprehensive income		(39)	(13)	(31)	3	(15)
Share of joint ventures' other comprehensive income	5	3,748	18,598	4,153	1,574	23,344
Exchange differences on translation of foreign operations		(11,806)	(2,952)	(9,474)	2,897	(6,906)
Derivative financial instruments recycled and debited to the income statement	7	16,357	15,208	4,513	4,183	19,246
Fair value movement of derivative financial instruments (debited) / credited to other comprehensive income	7	(11,901)	14,656	3,794	(3,294)	17,137
Other comprehensive income for the period, net of tax to be reclassified to profit or loss in subsequent periods		(3,641)	45,497	2,955	5,363	52,806
Remeasurement gains / (losses) on retirement benefit obligations		725	211	60	137	(632)
Other comprehensive income, net of tax not to be reclassified to profit or loss in subsequent periods		725	211	60	137	(632)
Total other comprehensive income for the period, net of tax		(2,916)	45,708	3,015	5,500	52,174
Total comprehensive income for the period		106,137	40,417	48,467	14,681	12,948
Total comprehensive income attributable to:						
Owners of the parent		103,940	40,590	49,202	14,197	13,162
Non-controlling interests		2,197	(173)	(735)	484	(214)
		106,137	40,417	48,467	14,681	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 September 2014

	Note	30/09/2014 \$'000	30/09/2013 \$'000	31/12/2013 \$'000
Assets				
Non-current assets				
Fleet	3	5,440,743	5,180,264	5,206,150
Vessels under construction	4	229,655	304,127	244,584
Other fixed assets		79,168	75,014	87,847
Investment property		13,201	3,030	16,973
Other fixed assets under construction		8,893	40,762	11,992
Investments in associates		185	1,153	1,130
Investments in joint ventures	5	79,216	67,039	72,507
Available-for-sale investments		1,012	1,012	1,012
Loans to joint ventures		60,708	71,515	65,526
Finance lease receivables	6	72,462	86,480	78,908
Derivative financial instruments	7	13,584	8,201	10,356
Trade and other receivables	8	17,563	26,513	17,765
Deferred tax assets		3,426	7,168	2,228
		<u>6,019,816</u>	<u>5,872,278</u>	<u>5,816,978</u>
Current assets				
Inventories		61,142	63,172	64,719
Loans to joint ventures		6,280	4,800	4,750
Trade and other receivables	8	206,624	202,109	160,121
Finance lease receivables	6	4,040	3,487	3,656
Current tax receivable		1,276	1,624	2,017
Cash and bank deposits	9	308,520	284,604	281,540
		<u>587,882</u>	<u>559,796</u>	<u>516,803</u>
Non-current assets held for sale	10	31,767	60,997	74,252
		<u>619,649</u>	<u>620,793</u>	<u>591,055</u>
Total assets		<u><u>6,639,465</u></u>	<u><u>6,493,071</u></u>	<u><u>6,408,033</u></u>
Equity and liabilities				
Capital and reserves				
Share capital		405,012	405,012	405,012
Reserves		2,644,201	2,576,643	2,549,215
Equity attributable to owners of the parent		<u>3,049,213</u>	<u>2,981,655</u>	<u>2,954,227</u>
Non-controlling interests		<u>157,778</u>	<u>157,086</u>	<u>157,045</u>
Total equity		<u><u>3,206,991</u></u>	<u><u>3,138,741</u></u>	<u><u>3,111,272</u></u>
Non-current liabilities				
Secured bank loans	13	1,662,884	1,733,738	1,598,257
Finance lease liabilities	14	186,250	195,569	193,291
Derivative financial instruments	7	35,881	47,509	42,266
Retirement benefit obligations		5,135	8,531	7,405
Other loans	15	841,545	797,967	798,092
Provisions		3,543	8,200	6,354
Deferred tax liabilities		5,215	4,593	2,477
		<u>2,740,453</u>	<u>2,796,107</u>	<u>2,648,142</u>
Current liabilities				
Trade and other payables	12	254,126	258,490	246,586
Secured bank loans	13	402,093	260,745	363,259
Finance lease liabilities	14	9,320	8,699	8,850
Current tax payable		740	530	3,206
Derivative financial instruments	7	25,742	29,759	26,718
		<u>692,021</u>	<u>558,223</u>	<u>648,619</u>
Total equity and liabilities		<u><u>6,639,465</u></u>	<u><u>6,493,071</u></u>	<u><u>6,408,033</u></u>

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

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Condensed Consolidated Statement of Changes in Equity
For the period ended 30 September 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) / profit for the period	-	-	-	-	-	(5,381)	(5,381)	90	(5,291)
Other comprehensive income									
Share of associates' other comprehensive income	-	-	-	-	(13)	-	(13)	-	(13)
Share of joint ventures' other comprehensive income	-	-	-	18,598	-	-	18,598	-	18,598
Exchange differences on translation of foreign operations	-	-	-	-	(2,666)	-	(2,666)	(286)	(2,952)
Derivative financial instruments recycled and debited to the income statement	-	-	-	15,208	-	-	15,208	-	15,208
Fair value movement of derivative financial instruments credited to other comprehensive income	-	-	-	14,656	-	-	14,656	-	14,656
Remeasurement gains on retirement benefit obligations	-	-	-	-	-	188	188	23	211
Total comprehensive income	-	-	-	48,462	(2,679)	(5,193)	40,590	(173)	40,417
Dividends (Note 11)	-	-	-	-	-	(9,121)	(9,121)	(1,610)	(10,731)
At 30 September 2013	405,012	818,845	(834,490)	(92,584)	(2,575)	2,687,447	2,981,655	157,086	3,138,741
(Loss) / profit for the period	-	-	-	-	-	(34,434)	(34,434)	499	(33,935)
Other comprehensive income									
Share of associates' other comprehensive income	-	-	-	-	(2)	-	(2)	-	(2)
Share of joint ventures' other comprehensive income	-	-	-	4,746	-	-	4,746	-	4,746
Exchange differences on translation of foreign operations	-	-	-	-	(3,505)	-	(3,505)	(449)	(3,954)
Derivative financial instruments recycled and debited to the income statement	-	-	-	4,038	-	-	4,038	-	4,038
Fair value movement of derivative financial instruments credited to other comprehensive income	-	-	-	2,481	-	-	2,481	-	2,481
Remeasurement losses on retirement benefit obligations	-	-	-	-	-	(752)	(752)	(91)	(843)
Total comprehensive income	-	-	-	11,265	(3,507)	(35,186)	(27,428)	(41)	(27,469)
Dividends (Note 11)	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	105,610	105,610	3,443	109,053
Other comprehensive income									
Share of associates' other comprehensive income	-	-	-	-	(39)	-	(39)	-	(39)
Share of joint ventures' other comprehensive income	-	-	-	3,748	-	-	3,748	-	3,748
Exchange differences on translation of foreign operations	-	-	-	-	(10,483)	-	(10,483)	(1,323)	(11,806)
Derivative financial instruments recycled and debited to the income statement	-	-	-	16,357	-	-	16,357	-	16,357
Fair value movement of derivative financial instruments debited to other comprehensive income	-	-	-	(11,901)	-	-	(11,901)	-	(11,901)
Remeasurement gains on retirement benefit obligations	-	-	-	-	-	648	648	77	725
Total comprehensive income	-	-	-	8,204	(10,522)	106,258	103,940	2,197	106,137
Dividends (Note 11)	-	-	-	-	-	(8,954)	(8,954)	(1,464)	(10,418)
At 30 September 2014	405,012	818,845	(834,490)	(73,115)	(16,604)	2,749,565	3,049,213	157,778	3,206,991

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 September 2014

	Note	Nine months ended		Year ended
		30/09/2014 \$'000	30/09/2013 \$'000	31/12/2013 \$'000
Operating Activities				
Cash received from freight and hire of vessels		997,300	955,597	1,279,885
Other cash receipts		34,645	31,437	56,886
Cash payments for voyage and running costs		(571,369)	(556,445)	(741,872)
Other cash payments		(113,740)	(90,308)	(157,918)
Cash generated from operations		346,836	340,281	436,981
Interest received		1,821	5,898	7,170
Income tax paid		(7,892)	(6,169)	(9,447)
Net cash inflow from operating activities		340,765	340,010	434,704
Investing Activities				
Expenditure on fleet		(20,499)	(41,688)	(49,807)
Expenditure on vessels under construction		(457,805)	(252,368)	(287,683)
Expenditure on assets held for sale		(438)	(3,794)	(4,990)
Interest capitalised		(5,286)	(9,580)	(12,366)
Expenditure on other fixed assets		(2,949)	(28,575)	(45,444)
Loan repayments from joint ventures		4,617	-	6,604
Loan advances to joint ventures		(1,020)	(5,406)	(5,865)
Proceeds from sale of vessels		113,619	39,544	50,814
Proceeds from sale of other fixed assets		7,311	1,744	3,449
Advances for sale of assets		-	15,288	16,032
Capital element received on finance leases		3,069	2,943	4,897
Interest received on finance leases		13,590	13,275	22,158
Dividends received from joint ventures	5	2,531	50	2,112
Bank term deposits	9	1,452	-	(1,833)
Security deposits	9	-	10,400	10,400
Other receipts		285	39	39
Net cash outflow used in investing activities		(341,523)	(258,128)	(291,483)
Financing Activities				
Proceeds from borrowings		393,830	258,380	286,355
Repayment of borrowings		(246,536)	(223,040)	(284,740)
Financing costs		(6,501)	(5,611)	(6,518)
Repayment of finance lease liabilities		(6,759)	(17,615)	(19,806)
Restricted deposits	9	1,100	(100)	1,900
Funds in retention bank accounts	9	(3,393)	(3,512)	1,389
Interest paid on borrowings and other loans		(75,476)	(72,664)	(114,143)
Interest paid on finance leases		(9,921)	(10,499)	(13,868)
Dividends paid		(10,174)	(9,777)	(9,830)
Net cash inflow / (outflow) from financing activities		36,170	(84,438)	(159,261)
Increase / (decrease) in Cash and Cash Equivalents		35,412	(2,556)	(16,040)
Cash and Cash Equivalents at 1 January	9	256,750	271,807	271,807
Reclassified to other receivables		-	(13,480)	-
Net foreign exchange difference		(9,273)	(1,025)	983
Cash and Cash Equivalents at 30 September / 31 December	9	282,889	254,746	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 September 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 132 vessels at the period end, comprising 116 tankers, 2 chartered in seismic vessels, 7 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 last quarter 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 September 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 September 2014

	Crude Oil \$'000	Oil Product \$'000	Gas \$'000	Offshore \$'000	Other \$'000	Total \$'000
Freight and Hire revenue	478,588	249,281	61,660	166,203	103,493	1,059,225
Voyage expenses and commissions	(161,614)	(91,165)	(1,698)	(515)	(8,664)	(263,656)
Time charter equivalent revenues	316,974	158,116	59,962	165,688	94,829	795,569
Direct operating expenses						
Vessels' running costs	(115,632)	(85,763)	(13,008)	(32,816)	(15,032)	(262,251)
Charter hire payments	-	-	-	-	(45,832)	(45,832)
Net earnings from vessels' trading	201,342	72,353	46,954	132,872	33,965	487,486
Vessels' depreciation	(80,765)	(38,829)	(8,981)	(42,363)	(2,705)	(173,643)
Vessels' drydock cost amortisation	(14,081)	(8,611)	(2,279)	(3,705)	(995)	(29,671)
Vessels' impairment provision	-	(10,623)	-	-	-	(10,623)
Gain / (loss) on sale of vessels	4,728	(185)	(71)	-	-	4,472
Segment operating profit	<u>111,224</u>	<u>14,105</u>	<u>35,623</u>	<u>86,804</u>	<u>30,265</u>	<u>278,021</u>
Unallocated						
General and administrative expenses						(76,190)
Financing costs						(104,460)
Other income and expenses						19,045
Profit before income taxes						<u>116,416</u>
Carrying amount of fleet in operation	<u>2,463,447</u>	<u>1,100,495</u>	<u>592,354</u>	<u>1,192,980</u>	<u>91,467</u>	<u>5,440,743</u>
Carrying amount of non-current assets held for sale	<u>-</u>	<u>22,497</u>	<u>9,270</u>	<u>-</u>	<u>-</u>	<u>31,767</u>
Deadweight tonnage of fleet used in operations ('000)	<u>7,811</u>	<u>2,145</u>	<u>325</u>	<u>1,196</u>	<u>228</u>	<u>11,705</u>

Period ended 30 September 2013

	Crude Oil \$'000	Oil Product \$'000	Gas \$'000	Offshore \$'000	Other \$'000	Total \$'000
Freight and hire revenue	460,459	258,580	34,348	152,953	58,220	964,560
Voyage expenses and commissions	(200,432)	(94,138)	(607)	(647)	(7,355)	(303,179)
Time charter equivalent revenues	260,027	164,442	33,741	152,306	50,865	661,381
Direct operating expenses						
Vessels' running costs	(105,514)	(89,162)	(8,042)	(30,511)	(11,431)	(244,660)
Charter hire payments	-	-	-	-	(39,348)	(39,348)
Net earnings from vessels' trading	154,513	75,280	25,699	121,795	86	377,373
Vessels' depreciation	(80,366)	(43,067)	(4,653)	(40,021)	(2,711)	(170,818)
Vessels' drydock cost amortisation	(12,304)	(8,883)	(2,219)	(3,838)	(926)	(28,170)
Vessels' impairment provision	-	(35,092)	-	-	-	(35,092)
Loss on sale of vessels	-	(346)	-	-	-	(346)
Segment operating profit / (loss)	<u>61,843</u>	<u>(12,108)</u>	<u>18,827</u>	<u>77,936</u>	<u>(3,551)</u>	<u>142,947</u>
Unallocated						
General and administrative expenses						(75,969)
Financing costs						(101,418)
Other income and expenses						32,541
Loss before income taxes						<u>(1,899)</u>
Carrying amount of fleet in operation	<u>2,442,007</u>	<u>1,182,127</u>	<u>209,529</u>	<u>1,250,211</u>	<u>96,390</u>	<u>5,180,264</u>
Carrying amount of non-current assets held for sale	<u>-</u>	<u>60,997</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,997</u>
Deadweight tonnage of fleet used in operations ('000)	<u>7,485</u>	<u>2,347</u>	<u>180</u>	<u>1,196</u>	<u>225</u>	<u>11,433</u>

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Notes to the Condensed Consolidated Financial Statements – 30 September 2014
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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	6,977	33,834	40,811
Transfer from vessels under construction (Note 4)	397,430	7,712	405,142
Transfer to non-current assets held for sale (Note 10)	(273,166)	(9,962)	(283,128)
Write-off of fully amortised drydock cost	-	(21,423)	(21,423)
At 30 September 2013	6,600,573	161,167	6,761,740
Expenditure in period	457	8,701	9,158
Transfer from vessels under construction (Note 4)	95,174	2,470	97,644
Transfer to non-current assets held for sale (Note 10)	(25,001)	(2,249)	(27,250)
Write-off of fully amortised drydock cost	-	(14,251)	(14,251)
At 31 December 2013	6,671,203	155,838	6,827,041
Expenditure in period	2,885	15,879	18,764
Transfer from vessels under construction (Note 4)	500,174	10,470	510,644
Transfer to non-current assets held for sale (Note 10)	(54,457)	(3,409)	(57,866)
Disposals in period	(89,082)	(2,636)	(91,718)
Write-off of fully amortised drydock cost	-	(16,170)	(16,170)
At 30 September 2014	<u>7,030,723</u>	<u>159,972</u>	<u>7,190,695</u>
Depreciation and amortisation			
At 1 January 2013	1,501,149	72,160	1,573,309
Charge for the period	170,818	28,170	198,988
Impairment provision	29,182	-	29,182
Transfer to non-current assets held for sale (Note 10)	(192,024)	(6,556)	(198,580)
Write-off of fully amortised drydock cost	-	(21,423)	(21,423)
At 30 September 2013	1,509,125	72,351	1,581,476
Charge for the period	55,626	9,473	65,099
Impairment provision	7,385	-	7,385
Reversal of impairment provision of fleet	(666)	-	(666)
Transfer to non-current assets held for sale (Note 10)	(16,136)	(2,016)	(18,152)
Write-off of fully amortised drydock cost	-	(14,251)	(14,251)
At 31 December 2013	1,555,334	65,557	1,620,891
Charge for the period	173,643	29,671	203,314
Impairment provision	2,280	-	2,280
Transfer to non-current assets held for sale (Note 10)	(30,153)	(2,604)	(32,757)
Eliminated on disposal	(25,448)	(2,158)	(27,606)
Write-off of fully amortised drydock cost	-	(16,170)	(16,170)
At 30 September 2014	<u>1,675,656</u>	<u>74,296</u>	<u>1,749,952</u>
Net book value			
At 30 September 2014	<u>5,355,067</u>	<u>85,676</u>	<u>5,440,743</u>
At 30 September 2013	<u>5,091,448</u>	<u>88,816</u>	<u>5,180,264</u>
At 31 December 2013	<u>5,115,869</u>	<u>90,281</u>	<u>5,206,150</u>
	30/09/2014	30/09/2013	31/12/2013
Market value (\$'000)	<u>4,861,500</u>	<u>4,127,500</u>	<u>4,355,000</u>
Current insured values (\$'000)	<u>5,980,372</u>	<u>5,510,172</u>	<u>5,587,372</u>
Total deadweight tonnage (dwt)	<u>11,634,590</u>	<u>11,217,701</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 \$202.3 million (30 September 2013 – \$211.7 million / 31 December 2013 – \$209.2 million).

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4. Vessels Under Construction

	<u>30/09/2014</u> <u>\$'000</u>	<u>30/09/2013</u> <u>\$'000</u>	<u>31/12/2013</u> <u>\$'000</u>
At 1 January	244,584	447,321	447,321
Expenditure in period	495,715	261,948	300,049
Transfer to fleet (Note 3)	(510,644)	(405,142)	(502,786)
At 30 September / 31 December	<u>229,655</u>	<u>304,127</u>	<u>244,584</u>
Total deadweight tonnage (dwt)	<u>423,200</u>	<u>1,018,800</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
Pskov	LNG carrier	Gas	93,152	29 August 2014

During the period ended 30 September 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, three MIB standby vessels and three Arctic shuttle tankers at a total contracted cost of \$1,278.9 million.

The LNG carrier, the MIB supply and the three MIB standby vessels and the three Arctic shuttle tankers are scheduled for delivery in June 2016, between June 2016 and March 2017 and between June 2016 and October 2016 respectively (see also Note 19). The LNG carrier is backed with a time charter contract of 29 years firm period, with two five year extension options attached in favour of the charterer. The charter arrangements for the other vessels are described in Note 19.

Vessels under construction at 30 September 2014 comprised two LNG carriers, one ice breaking LNG carrier, one MIB supply vessel, three MIB standby vessels and three Arctic shuttle tankers scheduled for delivery between December 2014 and March 2017 at a total contracted cost to the Group of \$1,677.4 million. As at 30 September 2014, \$182.1 million of the contracted costs had been paid for.

5. Joint Ventures

Investments in joint ventures are analysed as follows:

	<u>30/09/2014</u> <u>\$'000</u>	<u>30/09/2013</u> <u>\$'000</u>	<u>31/12/2013</u> <u>\$'000</u>
At 1 January	72,507	62,156	62,156
Share of profits in joint ventures	8,303	6,995	9,561
Share of joint ventures' other comprehensive income	3,748	18,598	23,344
Dividends received	(2,531)	(2,112)	(2,112)
Release of provision for share in net liabilities of joint ventures	(2,811)	(18,598)	(20,442)
At 30 September / 31 December	<u>79,216</u>	<u>67,039</u>	<u>72,507</u>

6. Finance Lease Receivables

	<u>30/09/2014</u> <u>\$'000</u>	<u>30/09/2013</u> <u>\$'000</u>	<u>31/12/2013</u> <u>\$'000</u>
At 1 January	89,136	92,261	92,261
Finance lease interest receivable	9,876	10,239	13,631
Finance lease instalments received	(12,531)	(12,533)	(16,756)
At 30 September / 31 December	<u>86,481</u>	<u>89,967</u>	<u>89,136</u>
At 1 January	(6,572)	-	-
Allowance for credit losses	(3,407)	-	(6,572)
At 30 September / 31 December	<u>(9,979)</u>	<u>-</u>	<u>(6,572)</u>
Gross receivable net of provision	76,502	89,967	82,564
Less current finance lease receivables	(4,040)	(3,487)	(3,656)
Non-current finance lease receivables	<u>72,462</u>	<u>86,480</u>	<u>78,908</u>

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Notes to the Condensed Consolidated Financial Statements – 30 September 2014
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7. Derivative Financial Instruments

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

	<u>30/09/2014</u> \$'000	<u>30/09/2013</u> \$'000	<u>31/12/2013</u> \$'000
Non-current asset	13,584	8,201	10,356
Non-current liability	(35,881)	(47,509)	(42,266)
Current liability	<u>(25,742)</u>	<u>(29,759)</u>	<u>(26,718)</u>
	<u>(48,039)</u>	<u>(69,067)</u>	<u>(58,628)</u>

Derivative financial instruments are analysed as follows:

Hedging Instruments

	<u>30/09/2014</u> \$'000	<u>30/09/2013</u> \$'000	<u>31/12/2013</u> \$'000
At 1 January	52,464	90,901	90,901
Recycled during the period and credited to the income statement	(16,357)	(15,208)	(19,246)
Fair value movement during the period recognised in other comprehensive income	11,901	(14,656)	(17,137)
Fair value movement during the period credited to the income statement	<u>(454)</u>	<u>(1,681)</u>	<u>(2,054)</u>
At 30 September / 31 December	<u>47,554</u>	<u>59,356</u>	<u>52,464</u>

Classified at fair value through profit or loss

	<u>30/09/2014</u> \$'000	<u>30/09/2013</u> \$'000	<u>31/12/2013</u> \$'000
At 1 January	6,164	21,392	21,392
Fair value movement during the period credited to the income statement	<u>(5,679)</u>	<u>(11,681)</u>	<u>(15,228)</u>
At 30 September / 31 December	<u>485</u>	<u>9,711</u>	<u>6,164</u>

8. Trade and Other Receivables

	<u>30/09/2014</u> \$'000	<u>30/09/2013</u> \$'000	<u>31/12/2013</u> \$'000
Non-current assets			
Other receivables	377	9,339	587
Security deposits	17,186	17,174	17,178
	<u>17,563</u>	<u>26,513</u>	<u>17,765</u>
Current assets			
Amounts due from charterers	122,884	88,062	62,831
Allowance for credit losses	<u>(4,009)</u>	<u>(4,904)</u>	<u>(4,135)</u>
	118,875	83,158	58,696
Casualty and other claims	2,154	9,454	5,761
Agents' balances	9,670	14,506	11,933
Other receivables	20,061	38,655	25,298
Amounts due from joint ventures and associates	1,140	298	1,170
Security deposits	9,348	10,526	9,789
Amounts due from lessee for finance leases	2,685	1,390	1,662
Receivables under High Court judgement award	2,708	2,870	2,708
Prepayments	10,446	14,072	15,541
Voyages in progress	12,113	9,804	22,952
Accrued income	<u>17,424</u>	<u>17,376</u>	<u>4,611</u>
	<u>206,624</u>	<u>202,109</u>	<u>160,121</u>

9. Cash and Bank Deposits

	<u>30/09/2014</u> \$'000	<u>30/09/2013</u> \$'000	<u>31/12/2013</u> \$'000
Cash and bank deposits	308,520	284,604	281,540
Bank deposits accessible on maturity	(381)	-	(1,833)
Retention accounts	(18,250)	(19,758)	(14,857)
Restricted deposits	<u>(7,000)</u>	<u>(10,100)</u>	<u>(8,100)</u>
Cash and cash equivalents	<u>282,889</u>	<u>254,746</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			
Transfer from fleet (Note 3)	-	17,824	17,824
Expenditure in period	-	84,548	84,548
Impairment provision	-	3,794	3,794
Disposals in period	-	(5,910)	(5,910)
	-	(39,259)	(39,259)
At 30 September 2013	-	60,997	60,997
Transfer from fleet (Note 3)	-	9,098	9,098
Transfer from assets under construction	15,792	-	15,792
Expenditure in period	-	1,196	1,196
Impairment provision	-	(1,854)	(1,854)
Reversal of impairment provision	-	290	290
Disposals in period	-	(11,267)	(11,267)
At 31 December 2013	15,792	58,460	74,252
Transfer from fleet (Note 3)	-	25,109	25,109
Expenditure in period	-	438	438
Impairment provision	-	(9,166)	(9,166)
Reversal of impairment provision	-	823	823
Exchange differences	(1,186)	-	(1,186)
Disposals in period	(14,606)	(43,897)	(58,503)
At 30 September 2014	-	31,767	31,767

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 September 2014 the Group made a decision to sell two asphalt chemical tankers and one LNG carrier. 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 September 2014, non-current assets held for sale, comprised two chemical oil product tankers, two asphalt chemical tankers and one LNG carrier (see also Note 20).

11. Dividends

Dividends of Rouble 0.15 per share totalling Roubles 300.0 million, equivalent to \$9.0 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

	30/09/2014 \$'000	30/09/2013 \$'000	31/12/2013 \$'000
Trade payables	114,524	87,838	88,427
Other payables	50,639	66,346	60,342
Dividends payable	1,780	2,029	1,912
Accrued liabilities	42,088	57,263	53,465
Deferred income	15,531	17,473	27,102
Accrued interest	29,564	27,541	15,338
	<u>254,126</u>	<u>258,490</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:

	30/09/2014 \$'000	30/09/2013 \$'000	31/12/2013 \$'000
Repayable			
- within twelve months after the end of the reporting period	402,093	260,745	363,259
- between one to two years	324,312	381,200	364,323
- between two to three years	259,233	272,024	225,937
- between three to four years	234,666	250,574	219,372
- between four to five years	134,245	227,895	187,848
- more than five years	710,428	602,045	600,777
	<u>2,064,977</u>	<u>1,994,483</u>	<u>1,961,516</u>
Less current portion (current liabilities)	(402,093)	(260,745)	(363,259)
Long-term balance (non-current liabilities)	<u>1,662,884</u>	<u>1,733,738</u>	<u>1,598,257</u>

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14. Finance Lease Liabilities

	30/09/2014 \$'000	30/09/2013 \$'000	31/12/2013 \$'000
Repayable			
- within twelve months after the end of the reporting period	9,320	8,699	8,850
- after one year but not more than five years	186,250	195,569	193,291
	<u>195,570</u>	<u>204,268</u>	<u>202,141</u>
Less current portion (current liabilities)	(9,320)	(8,699)	(8,850)
Long-term balance (non-current liabilities)	<u>186,250</u>	<u>195,569</u>	<u>193,291</u>

15. Other Loans

	30/09/2014 \$'000	30/09/2013 \$'000	31/12/2013 \$'000
5.375% Senior Notes	798,465	797,967	798,092
Other loans from related party (Note 19)	43,080	-	-
	<u>841,545</u>	<u>797,967</u>	<u>798,092</u>

16. Income Taxes

	30/09/2014 \$'000	30/09/2013 \$'000	31/12/2013 \$'000
Russian Federation profit tax	6,003	4,804	9,240
Overseas income tax expense	204	470	1,272
Current income tax expense	6,207	5,274	10,512
Deferred tax	1,156	(1,882)	1,201
Total income tax expense	<u>7,363</u>	<u>3,392</u>	<u>11,713</u>

17. Financial Risk Management

(a) Categories of financial assets and financial liabilities

Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

	30/09/2014 \$'000	30/09/2013 \$'000	31/12/2013 \$'000
Financial assets			
Derivative financial instruments (Note 7)	13,584	8,201	10,356
Loans to joint ventures	66,988	76,315	70,276
Finance lease receivables (Note 6)	76,502	89,967	82,564
Total financial assets	<u>157,074</u>	<u>174,483</u>	<u>163,196</u>
Financial liabilities			
Derivative financial instruments (Note 7)	61,623	77,268	68,984
Secured bank loans (Note 13)	2,064,977	1,994,483	1,961,516
Finance lease liabilities (Note 14)	195,570	204,268	202,141
Other loans (Note 15)	841,545	797,967	798,092
Total financial liabilities	<u>3,163,715</u>	<u>3,073,986</u>	<u>3,030,733</u>

(b) Fair value of financial assets and financial liabilities

Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	30/09/2014 \$'000	Carrying Value 30/09/2013 \$'000	31/12/2013 \$'000	30/09/2014 \$'000	Fair Value 30/09/2013 \$'000	31/12/2013 \$'000
Financial assets						
Derivative financial instruments	13,584	8,201	10,356	13,584	8,201	10,356
Loans to joint ventures	66,988	76,315	70,276	63,024	70,725	66,132
Finance lease receivables	76,502	89,967	82,564	76,502	89,967	82,564
Total financial assets	<u>157,074</u>	<u>174,483</u>	<u>163,196</u>	<u>153,110</u>	<u>168,893</u>	<u>159,052</u>
Financial liabilities						
Derivative financial instruments	61,623	77,268	68,984	61,623	77,268	68,984
Borrowings at fixed interest rates	152,772	181,175	172,418	153,165	178,118	172,560
Borrowings at floating interest rates	1,912,205	1,813,308	1,789,098	1,898,617	1,750,495	1,790,908
Other loans	841,545	797,967	798,092	834,252	809,008	807,072
Finance lease liabilities	195,570	204,268	202,141	186,550	189,765	193,153
Total financial liabilities	<u>3,163,715</u>	<u>3,073,986</u>	<u>3,030,733</u>	<u>3,134,207</u>	<u>3,004,654</u>	<u>3,032,677</u>

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.

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17. Financial Risk Management (Continued)

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

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.

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 September 2014, 30 September 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 September 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Derivative financial instruments in designated hedge accounting relationships	-	13,584	-	13,584
	-	13,584	-	13,584
Financial liabilities				
Derivative financial instruments classified at fair value through profit or loss	-	485	-	485
Derivative financial instruments in designated hedge accounting relationships	-	61,138	-	61,138
	-	61,623	-	61,623
At 30 September 2013				
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Derivative financial instruments in designated hedge accounting relationships	-	8,201	-	8,201
	-	8,201	-	8,201
Financial liabilities				
Derivative financial instruments classified at fair value through profit or loss	-	9,711	-	9,711
Derivative financial instruments in designated hedge accounting relationships	-	67,557	-	67,557
	-	77,268	-	77,268
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 September 2014, 30 September 2013 and 31 December 2013.

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 30 September 2014				
Financial assets				
Non-current assets held for sale	-	22,497	-	22,497
At 30 September 2013				
Financial assets				
Non-current assets held for sale	-	41,611	-	41,611
At 31 December 2013				
Financial assets				
Non-current assets held for sale	-	49,360	-	49,360

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

17. 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 September 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Derivative financial instruments	-	13,584	-	13,584
Loans to joint ventures	-	63,024	-	63,024
Finance lease receivables	-	76,502	-	76,502
	-	153,110	-	153,110
Liabilities				
Derivative financial instruments	-	61,623	-	61,623
Borrowings at fixed interest rates	-	153,165	-	153,165
Borrowings at floating interest rates	-	1,898,617	-	1,898,617
Other loans	768,992	65,260	-	834,252
Finance lease liabilities	-	186,550	-	186,550
	768,992	2,365,215	-	3,134,207
At 30 September 2013				
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Derivative financial instruments	-	8,201	-	8,201
Loans to joint ventures	-	70,725	-	70,725
Finance lease receivables	-	89,967	-	89,967
	-	168,893	-	168,893
Liabilities				
Derivative financial instruments	-	77,268	-	77,268
Borrowings at fixed interest rates	-	178,118	-	178,118
Borrowings at floating interest rates	-	1,750,495	-	1,750,495
Other loans	809,008	-	-	809,008
Finance lease liabilities	-	189,765	-	189,765
	809,008	2,195,646	-	3,004,654
At 31 December 2013				
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Derivative financial instruments	-	10,356	-	10,356
Loans to joint ventures	-	66,132	-	66,132
Finance lease receivables	-	82,564	-	82,564
	-	159,052	-	159,052
Liabilities				
Derivative financial instruments	-	68,984	-	68,984
Borrowings at fixed interest rates	-	172,560	-	172,560
Borrowings at floating interest rates	-	1,790,908	-	1,790,908
Other loans	807,072	-	-	807,072
Finance lease liabilities	-	193,153	-	193,153
	807,072	2,225,605	-	3,032,677

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.

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

18. Contingent 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. 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, a total of \$664,091, was received by the Group in August 2014. Although the Group also established that a remedy for an account of profits is available for a dishonest assistant to a breach of trust the Court allowed the appeal and refused that remedy on grounds of causation and proportionality. The Group sought leave to appeal to the Supreme Court these findings on causation and proportionality, however, the application was refused on 10 November 2014.

The Group provided security of \$4.0 million in Court to fortify cross-undertakings in damages in respect of \$90.0 million of security provided by the defendants during the claim. After their successful appeal the Defendants indicated an intention to pursue a claim in damages and as a result the Group may face liability of up to or in excess of the \$4.0 million secured.

Some of the defendants in the 2010 London proceeding made an application for an inquiry into damages caused by the freezing orders made against them in the course of the London proceedings. That application was heard on 28 July 2014 and judgement was handed down on 3 October 2014. The judge ordered that the defendants were entitled to pursue a claim for any recoverable damages suffered by virtue of the freezing orders that were granted against them in 2005 and 2007 in the Fiona litigation. The defendants have until 12 December 2014 to serve their Points of Claim. The defendants have indicated that the claims would be somewhere between \$35.9 million and \$184.1 million but that will not be known until they serve their Points of Claim. The Group will defend its position vigorously. No provision has been made as of 30 September 2014.

19. 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 September 2014 the total contracted cost of \$492.4 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, for which construction contracts have been entered into (Note 4), for a firm period of 20 years, with five year extension periods attached in favour of the charterer, 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.
- (iii) In July 2014, the Group signed time charter with a related party, a Russian State controlled entity, for the chartering out of three Arctic shuttle tankers currently under construction (Note 4) for a firm period of 12 years with a thirteen year extension option attached in favour of the charterer with aggregate receivables of \$1,087.2 million over the firm period. The vessels are expected to be delivered to the Group between June 2016 and October 2016. The Group has also entered into three unsecured subordinated loan facilities with the above mentioned charterer totalling \$86.2 million at an interest rate of 11% per annum, 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 (Note 15).

20. Events After the Reporting Period

On 1 October 2014 the Group entered into an agreement for the sale of the LNG carrier classified as held for sale as at 30 September 2014 (see Note 10). The vessel was delivered to her new owners on 12 November 2014.

21. Date of Issue

These condensed consolidated financial statements were approved by the Executive Board and authorised for issue on 17 November 2014.