

**PAO SOVCOMFLOT**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(UNAUDITED)**

**31 March 2016**

## PAO Sovcomflot

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## PAO Sovcomflot

**Condensed Consolidated Income Statement**  
**For the period ended 31 March 2016**  
**(unaudited)**

	Note	Three months ended (unaudited)	
		31/03/2016 \$'000	31/03/2015 \$'000
<b>Freight and hire revenue</b>		341,542	356,577
Voyage expenses and commissions		<u>(50,735)</u>	<u>(67,062)</u>
<b>Time charter equivalent revenues</b>		<u>290,807</u>	<u>289,515</u>
<b>Direct operating expenses</b>			
Vessels' running costs		74,281	83,841
Charter hire payments		<u>2,176</u>	<u>7,283</u>
		<u>(76,457)</u>	<u>(91,124)</u>
<b>Net earnings from vessels' trading</b>		214,350	198,391
Other operating revenues		4,196	4,854
Other operating expenses		(1,872)	(3,053)
Depreciation, amortisation and impairment		(74,125)	(76,507)
General and administrative expenses		(26,880)	(22,483)
Loss on sale of assets		(334)	-
Gain on sale of equity accounted investments		-	209
Allowance for credit losses		(136)	66
Share of profits in equity accounted investments		<u>6,585</u>	<u>5,294</u>
<b>Operating profit</b>		<u>121,784</u>	<u>106,771</u>
<b>Other (expenses) / income</b>			
Financing costs		(34,110)	(34,215)
Interest income		5,355	4,314
Other non-operating income	17	-	25,558
Other non-operating expenses	17	(1,536)	(863)
Loss on ineffective hedging instruments		(6)	(33)
Foreign exchange gains		18,777	3,466
Foreign exchange losses		<u>(6,587)</u>	<u>(8,536)</u>
<b>Net other expenses</b>		<u>(18,107)</u>	<u>(10,309)</u>
<b>Profit before income taxes</b>		103,677	96,462
Income tax expense	15	<u>(571)</u>	<u>(2,086)</u>
<b>Profit for the period</b>		<u>103,106</u>	<u>94,376</u>
<b>Profit attributable to:</b>			
Owners of the parent		98,803	89,269
Non-controlling interests		<u>4,303</u>	<u>5,107</u>
		<u>103,106</u>	<u>94,376</u>
<b>Earnings per share</b>			
Basic earnings per share for the period attributable to equity holders of the parent		<u>\$0.050</u>	<u>\$0.045</u>

## PAO Sovcomflot

**Condensed Consolidated Statement of Comprehensive Income**  
**For the period ended 31 March 2016**  
**(unaudited)**

	Note	Three months ended (unaudited)	
		31/03/2016 \$'000	31/03/2015 \$'000
<b>Profit for the period</b>		103,106	94,376
<b>Other comprehensive income:</b>			
Share of associates' other comprehensive income		9	(3)
Share of joint ventures' other comprehensive income	5	(4,107)	(1,200)
Exchange loss on translation from functional currency to presentation currency		(408)	(689)
Derivative financial instruments recycled and debited to the income statement		9,454	8,942
Fair value movement of derivative financial instruments debited to other comprehensive income		(32,564)	(18,029)
<b>Other comprehensive income for the period, net of tax to be reclassified to profit or loss in subsequent periods</b>		(27,616)	(10,979)
Remeasurement losses on employee benefit obligations		(137)	(17)
<b>Other comprehensive income, net of tax not to be reclassified to profit or loss in subsequent periods</b>		(137)	(17)
<b>Total other comprehensive income for the period, net of tax</b>		(27,753)	(10,996)
<b>Total comprehensive income for the period</b>		75,353	83,380
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		71,001	78,302
Non-controlling interests		4,352	5,078
		75,353	83,380

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

## PAO Sovcomflot

**Condensed Consolidated Statement of Financial Position – 31 March 2016**  
(unaudited)

	<b>Note</b>	<b>31/03/2016 (unaudited) \$'000</b>	<b>31/12/2015 \$'000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Fleet	3	5,317,661	5,388,542
Vessels under construction	4	405,070	368,453
Intangible assets		4,652	4,668
Other property, plant and equipment		60,957	60,284
Investment property		7,700	7,468
Investments in associates		118	104
Investments in joint ventures		100,779	98,306
Available-for-sale investments		1,012	1,012
Loans to joint ventures		50,426	52,468
Finance lease receivables	6	65,699	66,956
Derivative financial instruments		499	8,050
Trade and other receivables	7	15,989	16,002
Deferred tax assets		9,645	7,387
Bank deposits	8	10,000	10,000
		<u>6,050,207</u>	<u>6,089,700</u>
<b>Current assets</b>			
Inventories		36,274	37,568
Loans to joint ventures		9,340	8,320
Trade and other receivables	7	160,976	174,605
Finance lease receivables	6	5,044	4,875
Current tax receivable		1,878	888
Cash and bank deposits	8	435,519	357,427
		<u>649,031</u>	<u>583,683</u>
Non-current assets held for sale	9	-	28,130
		<u>649,031</u>	<u>611,813</u>
<b>Total assets</b>		<u><u>6,699,238</u></u>	<u><u>6,701,513</u></u>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital		405,012	405,012
Reserves		2,987,535	2,916,047
<b>Equity attributable to owners of the parent</b>		<u>3,392,547</u>	<u>3,321,059</u>
<b>Non-controlling interests</b>		<u>163,728</u>	<u>159,922</u>
<b>Total equity</b>		<u><u>3,556,275</u></u>	<u><u>3,480,981</u></u>
<b>Non-current liabilities</b>			
Trade and other payables	11	21,536	16,045
Secured bank loans	12	1,621,550	1,596,434
Finance lease liabilities	13	171,002	173,690
Derivative financial instruments		49,414	32,135
Retirement benefit obligations		3,373	3,067
Other loans	14	799,214	875,492
Deferred tax liabilities		934	776
		<u>2,667,023</u>	<u>2,697,639</u>
<b>Current liabilities</b>			
Trade and other payables	11	168,555	181,676
Other loans	14	-	16,984
Secured bank loans	12	275,327	289,142
Finance lease liabilities	13	10,326	10,120
Current tax payable		517	2,042
Derivative financial instruments		21,215	22,929
		<u>475,940</u>	<u>522,893</u>
<b>Total liabilities</b>		<u><u>3,142,963</u></u>	<u><u>3,220,532</u></u>
<b>Total equity and liabilities</b>		<u><u>6,699,238</u></u>	<u><u>6,701,513</u></u>

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

**PAO Sovcomflot**  
**Condensed Consolidated Statement of Changes in Equity**  
**For the period ended 31 March 2016**  
**(unaudited)**

	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
<b>At 1 January 2015</b>	<b>405,012</b>	<b>818,845</b>	<b>(834,490)</b>	<b>(81,800)</b>	<b>(30,958)</b>	<b>2,724,483</b>	<b>3,001,092</b>	<b>156,389</b>	<b>3,157,481</b>
Profit for the period	-	-	-	-	-	89,269	89,269	5,107	94,376
Other comprehensive income									
Share of associates' other comprehensive income	-	-	-	-	(3)	-	(3)	-	(3)
Share of joint ventures' other comprehensive income	-	-	-	(1,200)	-	-	(1,200)	-	(1,200)
Exchange loss on currency translation from functional currency to presentation currency	-	-	-	-	(662)	-	(662)	(27)	(689)
Derivative financial instruments recycled and debited to the income statement	-	-	-	8,942	-	-	8,942	-	8,942
Fair value movement of derivative financial instruments debited to other comprehensive income	-	-	-	(18,029)	-	-	(18,029)	-	(18,029)
Remeasurement losses on retirement benefit obligations	-	-	-	-	-	(15)	(15)	(2)	(17)
Total comprehensive income	-	-	-	(10,287)	(665)	89,254	78,302	5,078	83,380
<b>At 31 March 2015 (unaudited)</b>	<b>405,012</b>	<b>818,845</b>	<b>(834,490)</b>	<b>(92,087)</b>	<b>(31,623)</b>	<b>2,813,737</b>	<b>3,079,394</b>	<b>161,467</b>	<b>3,240,861</b>
<b>At 1 January 2016</b>	<b>405,012</b>	<b>818,845</b>	<b>(834,490)</b>	<b>(68,270)</b>	<b>(44,542)</b>	<b>3,044,504</b>	<b>3,321,059</b>	<b>159,922</b>	<b>3,480,981</b>
Profit for the period	-	-	-	-	-	98,803	98,803	4,303	103,106
Other comprehensive income									
Share of associates' other comprehensive income	-	-	-	-	9	-	9	-	9
Share of joint ventures' other comprehensive income	-	-	-	(4,113)	6	-	(4,107)	-	(4,107)
Exchange (loss) / gain on currency translation from functional currency to presentation currency	-	-	-	-	(471)	-	(471)	63	(408)
Derivative financial instruments recycled and debited to the income statement	-	-	-	9,454	-	-	9,454	-	9,454
Fair value movement of derivative financial instruments debited to other comprehensive income	-	-	-	(32,564)	-	-	(32,564)	-	(32,564)
Remeasurement losses on retirement benefit obligations	-	-	-	-	-	(123)	(123)	(14)	(137)
Total comprehensive income	-	-	-	(27,223)	(456)	98,680	71,001	4,352	75,353
Effect of acquisition of non-controlling interests in PAO Novoship	-	-	-	-	(16)	503	487	(546)	(59)
<b>At 31 March 2016 (unaudited)</b>	<b>405,012</b>	<b>818,845</b>	<b>(834,490)</b>	<b>(95,493)</b>	<b>(45,014)</b>	<b>3,143,687</b>	<b>3,392,547</b>	<b>163,728</b>	<b>3,556,275</b>

**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 interim financial statements.

## PAO Sovcomflot

**Condensed Consolidated Statement of Cash Flows**  
**For the period ended 31 March 2016**  
**(unaudited)**

	<b>Note</b>	<b>Three months ended</b> <b>(unaudited)</b>	
		<b>31/03/2016</b> <b>\$'000</b>	<b>31/03/2015</b> <b>\$'000</b>
<b>Operating Activities</b>			
Cash received from freight and hire of vessels		359,503	345,590
Other cash receipts		2,428	32,412
Cash payments for voyage and running costs		(122,057)	(164,290)
Other cash payments		<u>(28,215)</u>	<u>(32,446)</u>
Cash generated from operations		211,659	181,266
Interest received		1,031	899
Income tax paid		<u>(4,796)</u>	<u>(3,107)</u>
Net cash inflow from operating activities		<u>207,894</u>	<u>179,058</u>
<b>Investing Activities</b>			
Expenditure on fleet		(5,674)	(9,298)
Expenditure on vessels under construction		(48,032)	(253,889)
Interest capitalised		(11,521)	(2,651)
Expenditure on other property, plant and equipment		(928)	(172)
Loan repayments from joint ventures		1,100	1,000
Proceeds from sale of vessels		28,172	-
Proceeds from sale of other property, plant and equipment		16	27
Capital element received on finance leases		1,131	965
Interest received on finance leases		3,045	3,166
Bank term deposits	8	<u>(60,644)</u>	<u>501</u>
Net cash outflow used in investing activities		<u>(93,335)</u>	<u>(260,351)</u>
<b>Financing Activities</b>			
Proceeds from borrowings		139,531	221,884
Repayment of borrowings		(211,358)	(54,842)
Financing costs		(4,439)	(1,669)
Repayment of finance lease liabilities		(2,539)	(2,413)
Restricted deposits	8	846	1,360
Funds in retention bank accounts	8	(1,807)	(7,780)
Interest paid on borrowings		(17,826)	(16,047)
Interest paid on finance leases		(3,021)	(3,148)
Dividends paid to non-controlling interests		(3,550)	(7)
Acquisition of non-controlling interests		<u>(59)</u>	<u>-</u>
Net cash (outflow) / inflow used in / from financing activities		<u>(104,222)</u>	<u>137,338</u>
<b>Increase in Cash and Cash Equivalents</b>		10,337	56,045
<b>Cash and Cash Equivalents at 1 January</b>	8	332,680	253,840
Net foreign exchange difference		<u>6,150</u>	<u>(3,919)</u>
<b>Cash and Cash Equivalents at 31 March</b>	8	<u><u>349,167</u></u>	<u><u>305,966</u></u>

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

**PAO Sovcomflot**

**Notes to the Condensed Consolidated Interim Financial Statements – 31 March 2016  
(unaudited)**

**1. Organisation, Basis of Preparation and Accounting Policies**

PAO Sovcomflot (“Sovcomflot” or “the Company”) is a public joint stock company organised under the laws of the Russian Federation and was initially 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 118 vessels at the period end, comprising 103 tankers, 1 chartered in seismic vessel, 8 gas carriers, 2 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 9. In addition the Group through its subsidiaries owns 9 escort tug vessels which have been chartered out on bareboat charter to a Russian state controlled entity (see Note 6).

**Statement of Compliance**

The condensed consolidated interim 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 2015. Operating results for the three-month period ended 31 March 2016 are not necessarily indicative of the results that may be expected for the year ending 31 December 2016.

**Significant Accounting Policies**

The accounting policies adopted in the preparation of the interim condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The nature of each new standard or amendment is described below. Although these new standards and amendments apply for the first time in 2016, they do not have an impact on the condensed consolidated interim financial statements of the Group.

IFRS 10 (“Consolidated Financial Statements”), IFRS 12 (“Disclosure of Interests in Other Entities”) and IAS 28 (“Investments in Associates and Joint Ventures”) – “Amendments regarding the application of the consolidation exception by investment entities”. This amendment has no impact to the Group as it is not an investment entity (effective for annual periods beginning on or after 1 January 2016).

IFRS 11 (“Joint Arrangements”) – “Amendments regarding the accounting for acquisitions of an interest in a joint operation”. Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11) amends IFRS 11 such that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11 (effective for annual periods beginning on or after 1 January 2016).

IAS 1 (“Presentation of Financial Statements”) – “Amendments resulting from the disclosure initiative”. The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial reports. Management has not yet considered any changes or amendments to be made to the financial reports (effective for annual periods beginning on or after 1 January 2016).

IAS 16 (“Property plant and equipment”) and IAS 38 (“Intangibles”) – “Amendments to IAS 16 and IAS 38 to prohibit entities from using a revenue based depreciation method for items of property, plant and equipment”. This amendment has no impact to the Group as the Group uses residual value calculated by reference to lightweight tonnage and the estimated price of steel per lightweight tonne of each vessel and for other property, plant and equipment does not use revenue-based methods to depreciate/amortise its non-current assets (effective for annual periods beginning on or after 1 January 2016).

**Annual Improvements to IFRSs 2012–2014 Cycle**

The “September 2014 Annual Improvements to IFRSs” is a collection of amendments to IFRSs in response to four standards. These improvements are effective from 1 January 2016 and have no material impact on the Group. It includes the following amendments:

- IFRS 5 “Non-current assets held for sale and Discontinued Operations” – “Changes in methods of disposal”
- IFRS 7 “Financial Instruments: Disclosures” – “Servicing contracts” and “Applicability of the amendments to IFRS 7 to condensed interim financial statements”
- IAS 19 “Employee Benefits” – “Discount rate: regional market issue”
- IAS 34 “Interim Financial Reporting” – “Disclosure of information 'elsewhere in the interim financial report”.

**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 previous year.

**Changes in Estimates**

The preparation of the condensed consolidated interim 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 2015 except for a change in the functional currency of PAO Novoship, from the Russian Rouble to the US dollar, due to an increase in US dollar denominated operations.



## PAO Sovcomflot

Notes to the Condensed Consolidated Interim Financial Statements – 31 March 2016 (Continued)  
(unaudited)

## 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 31 March 2016

	Crude Oil \$'000	Oil Product \$'000	Gas \$'000	Offshore \$'000	Other \$'000	Total \$'000
<b>Freight and hire revenue</b>	174,395	70,755	36,358	58,962	1,072	341,542
Voyage expenses and commissions	(35,350)	(14,356)	(134)	(65)	(830)	(50,735)
<b>Time charter equivalent revenues</b>	139,045	56,399	36,224	58,897	242	290,807
<b>Direct operating expenses</b>						
Vessels' running costs	(34,745)	(19,249)	(6,336)	(10,765)	(3,186)	(74,281)
Charter hire payments	-	-	-	-	(2,176)	(2,176)
<b>Net earnings from vessels' trading</b>	104,300	37,150	29,888	48,132	(5,120)	214,350
Vessels' depreciation	(29,418)	(12,071)	(7,095)	(14,819)	(642)	(64,045)
Vessels' drydock cost amortisation	(4,445)	(1,549)	(1,289)	(1,423)	(139)	(8,845)
Loss on sale of vessels	(135)	(208)	-	-	-	(343)
Net foreign exchange (losses) / gains	-	(20)	-	18	1,559	1,557
<b>Segment operating profit / (loss)</b>	<u>70,302</u>	<u>23,302</u>	<u>21,504</u>	<u>31,908</u>	<u>(4,342)</u>	<u>142,674</u>
<b>Unallocated</b>						
General and administrative expenses						(26,880)
Financing costs						(34,110)
Other income and expenses						11,360
Net foreign exchange gains						10,633
<b>Profit before income taxes</b>						<u>103,677</u>
<b>Carrying amount of fleet in operation</b>	<u>2,241,874</u>	<u>930,773</u>	<u>965,490</u>	<u>1,114,054</u>	<u>65,470</u>	<u>5,317,661</u>
<b>Carrying amount of non-current assets held for sale</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Deadweight tonnage of fleet used in operations ('000)</b>	<u>7,548</u>	<u>1,881</u>	<u>472</u>	<u>1,193</u>	<u>153</u>	<u>11,247</u>

## Period ended 31 March 2015

	Crude Oil \$'000	Oil Product \$'000	Gas \$'000	Offshore \$'000	Other \$'000	Total \$'000
<b>Freight and hire revenue</b>	174,058	89,742	29,017	56,479	7,281	356,577
Voyage expenses and commissions	(37,207)	(25,195)	(149)	(777)	(3,734)	(67,062)
<b>Time charter equivalent revenues</b>	136,851	64,547	28,868	55,702	3,547	289,515
<b>Direct operating expenses</b>						
Vessels' running costs	(39,000)	(24,310)	(4,069)	(11,156)	(5,306)	(83,841)
Charter hire payments	-	-	-	-	(7,283)	(7,283)
<b>Net earnings from vessels' trading</b>	97,851	40,237	24,799	44,546	(9,042)	198,391
Vessels' depreciation	(27,248)	(11,172)	(5,481)	(14,109)	(723)	(58,733)
Vessels' drydock cost amortisation	(4,859)	(1,737)	(1,005)	(1,244)	(328)	(9,173)
Vessels' impairment provision (net)	-	(5,527)	-	-	(1,497)	(7,024)
Net foreign exchange (losses) / gains	-	(686)	-	760	1,224	1,298
<b>Segment operating profit</b>	<u>65,744</u>	<u>21,115</u>	<u>18,313</u>	<u>29,953</u>	<u>(10,366)</u>	<u>124,759</u>
<b>Unallocated</b>						
General and administrative expenses						(22,483)
Financing costs						(34,215)
Other income and expenses						38,235
Foreign exchange differences						(9,834)
<b>Profit before income taxes</b>						<u>96,462</u>
<b>Carrying amount of fleet in operation</b>	<u>2,411,469</u>	<u>978,254</u>	<u>789,450</u>	<u>1,165,877</u>	<u>75,122</u>	<u>5,420,172</u>
<b>Carrying amount of non-current assets held for sale</b>	<u>-</u>	<u>87,636</u>	<u>-</u>	<u>-</u>	<u>6,188</u>	<u>93,824</u>
<b>Deadweight tonnage of fleet used in operations ('000)</b>	<u>7,811</u>	<u>2,146</u>	<u>377</u>	<u>1,193</u>	<u>222</u>	<u>11,749</u>

## PAO Sovcomflot

Notes to the Condensed Consolidated Interim Financial Statements – 31 March 2016 (Continued)  
(unaudited)

## 3. Fleet

	<u>Vessels</u> <u>\$'000</u>	<u>Drydock</u> <u>\$'000</u>	<u>Total Fleet</u> <u>\$'000</u>
<b>Cost</b>			
<b>At 1 January 2015</b>	6,779,919	159,654	6,939,573
Expenditure in period	153	8,455	8,608
Transfer from vessels under construction (Note 4)	204,172	4,000	208,172
Transfer to non-current assets held for sale	(18,864)	(1,602)	(20,466)
Write-off of fully amortised drydock cost	-	(9,538)	(9,538)
<b>At 31 March 2015</b>	<u>6,965,380</u>	<u>160,969</u>	<u>7,126,349</u>
<b>At 1 January 2016</b>	7,071,178	164,932	7,236,110
Expenditure in period	740	1,269	2,009
<b>At 31 March 2016</b>	<u>7,071,918</u>	<u>166,201</u>	<u>7,238,119</u>
<b>Depreciation, amortisation and impairment</b>			
<b>At 1 January 2015</b>	1,582,218	78,372	1,660,590
Charge for the period	58,733	9,173	67,906
Impairment provision	1,497	-	1,497
Transfer to non-current assets held for sale	(12,788)	(1,490)	(14,278)
Write-off of fully amortised drydock cost	-	(9,538)	(9,538)
<b>At 31 March 2015</b>	<u>1,629,660</u>	<u>76,517</u>	<u>1,706,177</u>
<b>At 1 January 2016</b>	1,779,699	67,869	1,847,568
Charge for the period	64,045	8,845	72,890
<b>At 31 March 2016</b>	<u>1,843,744</u>	<u>76,714</u>	<u>1,920,458</u>
<b>Net book value</b>			
At 31 March 2016	<u>5,228,174</u>	<u>89,487</u>	<u>5,317,661</u>
At 31 December 2015	<u>5,291,479</u>	<u>97,063</u>	<u>5,388,542</u>
		<u>31/03/2016</u>	<u>31/12/2015</u>
Market value (\$'000)		<u>4,504,750</u>	<u>5,092,750</u>
Current insured values (\$'000)		<u>5,830,970</u>	<u>5,830,970</u>
Total deadweight tonnage (dwt)		<u>11,243,584</u>	<u>11,243,584</u>

As at 31 March 2016, management carried out an assessment of whether there is any indication that the fleet may have suffered an impairment loss and concluded that no impairment should be recognised in the period.

Included in the Group's fleet are 2 vessels (2015 – 2) held under finance leases with an aggregate carrying value as at 31 March 2016 of \$192.7 million (31 December 2015 – \$195.2 million).

## 4. Vessels Under Construction

	<u>31/03/2016</u> <u>\$'000</u>	<u>31/03/2015</u> <u>\$'000</u>
<b>At 1 January</b>	368,453	237,250
Expenditure in period	36,617	314,605
Transfer to fleet (Note 3)	-	(208,172)
<b>At 31 March</b>	<u>405,070</u>	<u>343,683</u>
Total deadweight tonnage (dwt)	<u>233,800</u>	<u>328,500</u>

Vessels under construction at 31 March 2016 comprised one ice breaking LNG carrier, one multifunctional ice breaking ("MIB") supply vessel, three MIB standby vessels and three ice-class shuttle tankers scheduled for delivery between July 2016 and April 2017 at a total contracted cost to the Group of \$1,279.0 million of which \$520.0 million related to contracts with related parties. As at 31 March 2016, \$371.7 million of the contracted costs had been paid for of which \$104.0 million to related parties.

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Notes to the Condensed Consolidated Interim Financial Statements – 31 March 2016 (Continued)  
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## 5. Investments in Joint Ventures

Investments in joint ventures are analysed as follows:

	<b>31/03/2016</b>	<b>31/03/2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>At 1 January</b>	98,306	82,430
Share of profits in joint ventures	6,580	5,280
Share of joint ventures' other comprehensive income	(4,107)	(1,200)
Release of provision for share in net liabilities of joint ventures	-	(564)
<b>At 31 March</b>	<b>100,779</b>	<b>85,946</b>

## 6. Finance Lease Receivables

	<b>31/03/2016</b>	<b>31/12/2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Gross finance lease receivable</b>		
<b>At 1 January</b>	81,325	85,518
Finance lease interest receivable	3,032	12,562
Finance lease instalments receivable	(4,177)	(16,755)
<b>At 31 March / 31 December</b>	<b>80,180</b>	<b>81,325</b>
<b>Allowance for credit losses</b>		
<b>At 1 January</b>	(9,494)	(9,856)
Release of credit losses	57	362
<b>At 31 March / 31 December</b>	<b>(9,437)</b>	<b>(9,494)</b>
<b>Receivable net of allowance for credit losses</b>	70,743	71,831
Less current finance lease receivables	(5,044)	(4,875)
Non-current finance lease receivables	65,699	66,956

## 7. Trade and Other Receivables

	<b>31/03/2016</b>	<b>31/12/2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Non-current assets</b>		
<b>Financial assets</b>		
Other receivables	99	104
Security deposits	13,190	13,190
Receivables under High Court judgement award	2,700	2,708
	<b>15,989</b>	<b>16,002</b>
<b>Current assets</b>		
<b>Financial assets</b>		
Amounts due from charterers	79,461	96,289
Allowance for credit losses	(4,067)	(5,166)
	75,394	91,123
Casualty and other claims	8,831	11,191
Agents' balances	1,277	1,354
Other receivables	19,494	22,387
Amounts due from joint ventures	616	491
Amounts due from lessee for finance leases	1,423	1,423
Accrued income	5,119	5,365
<b>Non-financial assets</b>		
Prepayments	19,602	11,385
Voyages in progress	18,332	23,809
Non-income based taxes receivable	10,888	6,077
	<b>160,976</b>	<b>174,605</b>

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## 8. Cash and Bank Deposits

	31/03/2016 \$'000	31/12/2015 \$'000
<b>Non-current assets</b>		
Bank deposits	10,000	10,000
Restricted deposits	(10,000)	(10,000)
Cash and cash equivalents	<u>-</u>	<u>-</u>
<b>Current assets</b>		
Cash and bank deposits	435,519	357,427
Bank deposits accessible on maturity	(60,644)	-
Retention accounts	(25,708)	(23,901)
Restricted deposits	-	(846)
Cash and cash equivalents	<u>349,167</u>	<u>332,680</u>

## 9. Non-Current Assets Held for Sale

	31/03/2016 \$'000	31/12/2015 \$'000
<b>At 1 January</b>	28,130	93,163
Transfer from fleet	-	20,737
Impairment provision	-	(8,950)
Reversal of impairment provision	-	1,148
Disposals in period	(28,130)	(77,968)
<b>At 31 March / 31 December</b>	<u>-</u>	<u>28,130</u>

As at 31 December 2015, non-current assets held for sale, comprised two chemical oil product tankers and one crude oil Aframax carrier which were all disposed of during the period ended 31 March 2016.

## 10. Dividends

No dividends were paid or declared during the period ended 31 March 2016 and 31 March 2015.

## 11. Trade and Other Payables

	31/03/2016 \$'000	31/12/2015 \$'000
<b>Non-current liabilities</b>		
<b>Non-financial liabilities</b>		
Employee benefit obligations	21,536	16,045
	<u>21,536</u>	<u>16,045</u>
<b>Current liabilities</b>		
<b>Financial liabilities</b>		
Trade payables	36,868	36,406
Other payables	22,004	46,384
Dividends payable	4,045	7,604
Accrued liabilities	40,566	37,535
Accrued interest	30,688	20,436
<b>Non-financial liabilities</b>		
Deferred income	20,020	23,319
Non-income based taxes payable	14,364	9,992
	<u>168,555</u>	<u>181,676</u>

## 12. Secured Bank Loans

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

	31/03/2016 \$'000	31/12/2015 \$'000
Repayable		
- within twelve months after the end of the reporting period	275,327	289,142
- between one to two years	327,188	238,866
- between two to three years	199,605	226,236
- between three to four years	297,556	359,061
- between four to five years	294,319	170,834
- more than five years	502,882	601,437
	<u>1,896,877</u>	<u>1,885,576</u>
Less current portion	(275,327)	(289,142)
Non-current balance	<u>1,621,550</u>	<u>1,596,434</u>

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Notes to the Condensed Consolidated Interim Financial Statements – 31 March 2016 (Continued)  
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## 13. Finance Lease Liabilities

	31/03/2016 \$'000	31/12/2015 \$'000
Repayable		
- within twelve months after the end of the reporting period	10,326	10,120
- between one to two years	171,002	173,690
	181,328	183,810
Less current portion	(10,326)	(10,120)
Non-current balance	171,002	173,690

## 14. Other Loans

	31/03/2016 \$'000	31/12/2015 \$'000
5.375% Senior Notes	799,214	799,089
Other loans from related party	-	93,387
	799,214	892,476
Less current portion	-	(16,984)
Non-current balance	799,214	875,492

## 15. Income Taxes

	31/03/2016 \$'000	31/03/2015 \$'000
Russian Federation profit tax	2,186	2,296
Overseas income tax expense	95	(4)
Current income tax expense	2,281	2,292
Deferred tax	(1,710)	(206)
<b>Total income tax expense</b>	571	2,086

## 16. Financial Risk Management

## (a) Categories of financial assets and financial liabilities

	31/03/2016 \$'000	31/12/2015 \$'000
<b>Financial assets</b>		
Derivative financial instruments in designated hedge accounting relationships	499	8,050
Cash and bank deposits	445,519	367,427
Available-for-sale investments	1,012	1,012
Loans and other receivables	128,143	149,336
Loans to joint ventures	59,766	60,788
Finance lease receivables	70,743	71,831
<b>Total financial assets</b>	705,682	658,444
<b>Financial liabilities</b>		
Derivative financial instruments in designated hedge accounting relationships	70,629	55,064
Secured bank loans	1,896,877	1,885,576
Finance lease liabilities	181,328	183,810
Other loans	799,214	892,476
Other liabilities measured at amortised cost	134,171	148,365
<b>Total financial liabilities</b>	3,082,219	3,165,291

## (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:

	Carrying Value		Fair Value	
	31/03/2016 \$'000	31/12/2015 \$'000	31/03/2016 \$'000	31/12/2015 \$'000
<b>Financial assets</b>				
Loans to joint ventures	59,766	60,788	56,553	57,512
Finance lease receivables	70,743	71,831	70,743	71,831
<b>Total financial assets</b>	130,509	132,619	127,296	129,343
<b>Financial liabilities</b>				
Secured bank loans at fixed interest rates	177,242	115,743	194,785	115,924
Secured bank loans at floating interest rates	1,719,635	1,769,833	1,704,481	1,761,909
Other loans	799,214	892,476	816,688	929,588
Finance lease liabilities	181,328	183,810	174,209	177,828
<b>Total financial liabilities</b>	2,877,419	2,961,862	2,890,163	2,985,249

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**16. Financial Risk Management (Continued)**

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

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 with in 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 31 March 2016 and 31 December 2015 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 recognised in the statement of financial position

<b>At 31 March 2016</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Assets</b>				
Derivative financial instruments in designated hedge accounting relationships	-	499	-	499
	-	499	-	499
<b>Liabilities</b>				
Derivative financial instruments in designated hedge accounting relationships	-	70,629	-	70,629
	-	70,629	-	70,629
<b>At 31 December 2015</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Assets</b>				
Derivative financial instruments in designated hedge accounting relationships	-	8,050	-	8,050
	-	8,050	-	8,050
<b>Liabilities</b>				
Derivative financial instruments in designated hedge accounting relationships	-	55,064	-	55,064
	-	55,064	-	55,064

There were no transfers between Level 1 and 2 during the periods ended 31 March 2016 and 31 December 2015.

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

<b>At 31 March 2016</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Assets</b>				
Non-current assets held for sale	-	-	-	-
	-	-	-	-
<b>At 31 December 2015</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Assets</b>				
Non-current assets held for sale	28,130	-	-	28,130
	28,130	-	-	28,130

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Notes to the Condensed Consolidated Interim Financial Statements – 31 March 2016 (Continued)  
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## 16. Financial Risk Management (Continued)

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

Assets and liabilities not measured at fair values for which fair values are disclosed

At 31 March 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Assets</b>				
Loans to joint ventures	-	56,553	-	56,553
Finance lease receivables	-	70,743	-	70,743
	-	127,296	-	127,296
<b>Liabilities</b>				
Secured bank loans at fixed interest rates	-	194,785	-	194,785
Secured bank loans at floating interest rates	-	1,704,481	-	1,704,481
Other loans	816,688	-	-	816,688
Finance lease liabilities	-	174,209	-	174,209
	816,688	2,073,475	-	2,890,163
<b>At 31 December 2015</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Assets</b>				
Loans to joint ventures	-	57,512	-	57,512
Finance lease receivables	-	71,831	-	71,831
	-	129,343	-	129,343
<b>Liabilities</b>				
Secured bank loans at fixed interest rates	-	115,924	-	115,924
Secured bank loans at floating interest rates	-	1,761,909	-	1,761,909
Other loans	791,928	137,660	-	929,588
Finance lease liabilities	-	177,828	-	177,828
	791,928	2,193,321	-	2,985,249

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.

## 17. Contingent Assets and Liabilities

In relation to the Novoship (UK) Ltd successful claims which received judgment in December 2012, and subsequent settlement agreement concluded by the Group with some of the defendants, on 16 February 2016 the Group was granted leave to appeal the judgment of 15 April 2015 where the High Court in London construed the settlement agreement so that the Group cannot recover the judgment sum of approximately \$59.2 million of principal, plus interest (less any amounts received in prior periods of approximately \$7.9 million) but is restricted to a recovery of no more than the settlement sum of \$40.0 million, which was received in 2015, the defendants said pursuant to the settlement agreement. The hearing in the Court of Appeal will take place on 3-4 May 2017. It is possible that further assets may be recognised in the future.

Some of the defendants in the Novoship (UK) Ltd claims have indicated an intention to pursue the Group for damages in respect of \$90.0 million of security provided during the litigation. No claim has yet been filed.

On 12 December 2014 some of the defendants in the 2010 London proceeding served their Points of Claim, which have been subsequently amended, in respect of any recoverable damages caused by the freezing orders made against them in the course of the London proceedings claiming between \$73.5 million and \$387.8 million plus interest from the discharge date until judgment. The trial of this claim has been fixed to commence on 4 July 2016 and last for 2 weeks. However, in the light of certain disclosure from the defendants, the Group issued an application to reverse the decision permitting the defendants to pursue the damages claim on the basis that the Court was misled by the defendants at the permission hearing on 28 July 2014. That application was fixed to be heard between 8 - 10 February 2016. However, on 8 February 2016 the Court adjourned the application to the trial. In the light of the defendants' objection that the Court had no jurisdiction to set aside the judge's order, the Group, at the Court's suggestion, issued new proceedings to overcome that objection (if valid). Those new proceedings will form part of the July 2016 hearing. In any event, Management is of the opinion that the defendants will more likely than not fail in their claim against the Group even if permitted to proceed with it. The Group will defend its position vigorously. Accordingly, no provision has been made.

An amount, including accrued interest, of \$13.2 million is held as security by the American Courts, as a result of a claim advanced by the charterers relating to the grounding of a Group's vessel in the Suez Canal in November 2004. The claim is in arbitration in London and is to be heard in May 2016. Management is of the opinion that the claim is without merit and the Group will defend its position vigorously. Accordingly no provision has been made against this amount which is included in the line security deposits in non-current trade and other receivables.

A total amount of \$1.5 million (31 March 2015 – \$0.9 million), relating to legal costs and provisions for the costs of certain of the defendants in the unsuccessful claims, has been expensed in the income statement and is included in the line other non-operating expenses.

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## 17. Contingent Assets and Liabilities (Continued)

In 2015 and 2016 the Russian tax authorities, following tax audits of a number of Russian subsidiaries of the Group, challenged application of 0% value added tax ("VAT") rate charged on hire revenues earned from vessels time-chartered out by these subsidiaries and employed on international trade, requiring the subsidiaries to apply 18% VAT rate on hire revenue. Should the position of the Russian tax authorities be adopted, the potential liability of the Group would be approximately RUR1,730 million (equivalent to \$25.6 million). The Group disagrees with the tax authorities' stance and will challenge the tax authorities' position in court vigorously. The Group has already filed its defence on some of the cases with the Russian Arbitrazh Court and hearings are expected in May and June 2016. If the Group is required to settle these contingent liabilities, a maximum amount of RUR1,388 million (equivalent to \$20.5 million) is potentially recoverable from the charterers, parties to the time charter agreement concerned.

In 2015, the Russian customs alleged that one of the Group's Russian subsidiaries had breached the customs' regulations in respect of two of its vessels on the basis that it had not obtained the permission of customs prior to chartering out the vessels on time charter. As result, Russian customs have imposed penalties in 2016 totalling approximately RUR1,548 million (equivalent to \$22.9 million) and requested the Group to pay RUR314 million of custom fees (equivalent to \$4.7 million) of which RUR284 million (equivalent to \$4.2 million), of the RUR314 million paid, are included in other receivables under trade and other receivable. The Group strongly disagrees with the position of the Russian customs and intends to defend its position in courts in Russia. The judgment of the Russian courts is expected by the end of 2016.

## 18. Related Party Transactions

The below are material transactions entered into during the financial reporting period which are not mentioned in any of the preceding notes.

On 5 and 10 February 2016, the Group drew down from a loan facility granted by a Russian State controlled financial institution, an amount of \$23.6 million and \$47.3 million, respectively, to refinance, as part of the financing of three ice-class shuttle tankers, the unsecured subordinated loans facilities referred to in Note 14. Those subordinated loan facilities were repaid in full in February 2016.

The following table provides the total amount of transactions that have been entered into with related parties in the financial reporting period and outstanding balances as at the period end.

	Income Statement (income) / expense		Statement of Financial Position asset / (liability)	
	31/03/2016 \$'000	31/03/2015 \$'000	31/03/2016 \$'000	31/12/2015 \$'000
<b>Transactions with Russian State controlled entities</b>				
Freight and hire of vessels	(34,570)	(37,589)	628	645
Other loans	-	-	-	(95,489)
Finance leases payable	3,012	3,139	(181,328)	(183,810)
Payments to related shipyards for vessels under construction	-	-	104,000	104,000
Cash at bank	(1,903)	(358)	145,357	128,758
Finance leases receivable	(3,032)	(3,155)	81,603	82,748
Allowance for credit losses on finance lease receivables	(57)	(93)	(9,437)	(9,494)
Rental of investment property	-	(67)	-	-
<b>Transactions with Joint Ventures</b>				
Freight and hire of vessel	(2,255)	(2,230)	-	-
Other operating revenues	(749)	(781)	616	491
Loans due from joint ventures	(294)	(254)	62,275	63,081
<b>Compensation of Key Management Personnel</b>				
Short term benefits	1,969	1,658	(8,361)	(6,713)
Post-employment benefits	18	17	(10)	(6)
Long term service benefits	2,922	2,280	(11,523)	(8,578)
	4,909	3,955	(19,894)	(15,297)

## 19. Events After the Reporting Period

On 20 April 2016, a secured bank loan with a balance of \$63.8 million as at 31 March 2016 was fully settled.

## 20. Date of Issue

These condensed consolidated interim financial statements were approved by the Executive Board and authorised for issue on 18 May 2016.