OAO SOVCOMFLOT
AND ITS SUBSIDIARY CORPORATIONS

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

OAO Sovcomflot

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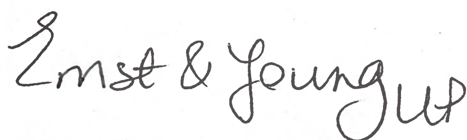
Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of OAO Sovcomflot:

We have audited the accompanying consolidated statement of financial position of OAO Sovcomflot as of 31 December 2012 and the related consolidated income statement, statement of comprehensive income, changes in equity and cash flows for the year ended 31 December 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of OAO Sovcomflot at 31 December 2012 and the consolidated results of its operations and its cash flows for the year ended 31 December 2012, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.



Ernst & Young LLP
London, England
8 April 2013

The maintenance and integrity of the OAO Sovcomflot web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

OAO Sovcomflot

Consolidated Income Statement
For the period ended 31 December 2012

	Note	2012 $'000	2011* $'000
Freight and Hire revenue	6	1,443,362	1,438,926
Voyage expenses and commissions	7	(513,716)	(511,651)
Time charter equivalent revenues		929,646	927,275
Direct operating expenses			
Vessels' running costs	8	338,857	332,317
Charter hire payments	44	32,369	38,349
		(371,226)	(370,666)
Profit on vessels' trading		558,420	556,609
Other operating expenses			
Depreciation, amortisation and impairment	9	314,807	280,085
Allowance for credit losses		677	2,710
General and administrative expenses	10	100,730	93,125
Total other operating expenses		416,214	375,920
Profit from vessels' operations		142,206	180,689
(Loss) / gain on sale of assets		(6,722)	12,190
Gain on disposal of investments		60	283
Other operating revenues	11	95,454	52,423
Other operating expenses	11	(79,249)	(44,030)
Release of provision		24	3,317
Share of profits / (losses) in associated undertakings	21	16,620	(10,873)
Allowance for credit losses on other operating activities	28	(15,808)	-
Operating profit		152,585	193,999
Other (expenses) / income			
Interest expense	13	(140,385)	(142,117)
Financing costs		(3,060)	(4,400)
Interest income		22,304	22,027
Other non-operating income	46	7,805	8,565
Other non-operating expenses	46	(8,122)	(12,837)
Loss on ineffective hedging instruments	24(a)	(155)	(1,512)
Gain on derivative financial instruments held for trading	24(b)	13,479	8,566
Loss on investments held for trading		-	(3)
Foreign exchange differences		(2,505)	(1,086)
Net other expenses		(110,639)	(122,797)
Profit before income taxes		41,946	71,202
Income taxes	25	(8,763)	(17,526)
Profit for the period		33,183	53,676
Profit attributable to:			
Owners of the parent		32,628	52,256
Non-controlling interest		555	1,420
		33,183	53,676
Earnings per share			
Basic earnings per share for the period attributable to equity holders of the parent	26	$0.017	$0.027

* Certain comparatives have been restated as explained in Note 4(a).

OAO Sovcomflot

Consolidated Statement of Comprehensive Income
For the period ended 31 December 2012

	Note	2012 $'000	2011 $'000
Profit for the period		33,183	53,676
Other comprehensive income:			
Share of associates' other comprehensive income	21	15	1,149
Exchange differences on translation of foreign operations		5,569	(4,570)
Derivative financial instruments recycled and debited to the income statement	24(a)	32,073	30,709
Fair value movement of derivative financial instruments debited to other comprehensive income	24(a)	(30,677)	(75,398)
Other comprehensive income for the period, net of tax		6,980	(48,110)
Total comprehensive income for the period		40,163	5,566
Total comprehensive income attributable to:			
Owners of the parent		38,980	4,629
Non-controlling interest		1,183	937
		40,163	5,566

OAO Sovcomflot

Consolidated Statement of Financial Position – 31 December 2012

	Note	2012 $'000	2011* $'000	2010* $'000
Assets				
Non-current assets				
Fleet	15	5,563,239	5,460,390	5,229,773
Vessels under construction	16	447,321	334,977	231,341
Other fixed assets	17	74,776	65,380	55,149
Investment property	18	3,723	4,565	5,487
Other fixed assets under construction	19	23,254	9,866	7,292
Intangible assets	20	9,135	12,273	19,256
Investments in associates	21	1,187	1,273	1,464
Available-for-sale investments	21	1,380	1,381	1,646
Finance lease receivables	23	89,137	92,162	94,859
Derivative financial instruments	24	108	-	1,542
Trade and other receivables	28	9,621	33,525	15,908
Deferred tax assets	25	4,731	5,164	2,049
		6,227,612	6,020,956	5,665,766
Current assets				
Inventories	27	72,009	76,317	51,025
Trade and other receivables	28	219,390	219,103	222,581
Finance lease receivables	23	3,124	2,697	182
Current tax receivable		2,951	940	1,349
Other investments	21	-	-	647
Cash and bank deposits	29	348,046	389,742	512,172
		645,520	688,799	787,956
Non-current assets held for sale	30	17,824	9,800	46,622
		663,344	698,599	834,578
Total assets		6,890,956	6,719,555	6,500,344
Equity and liabilities				
Capital and reserves				
Share capital	31	405,012	405,012	405,012
Reserves		2,546,325	2,520,171	2,531,685
Equity attributable to owners of the parent		2,951,337	2,925,183	2,936,697
Non-controlling interest	34	159,007	159,989	186,324
Total equity		3,110,344	3,085,172	3,123,021
Non-current liabilities				
Trade and other payables	35	-	-	5,084
Secured bank loans	36	2,059,580	1,903,423	1,702,779
Finance lease liabilities	37	202,141	221,688	231,051
Derivative financial instruments	24	119,401	120,826	77,253
Retirement benefit obligations	38	7,895	7,997	8,240
Other loans	39	797,593	797,005	796,498
Tax payable		-	-	1,508
Deferred tax liabilities	25	3,762	7,318	8,235
		3,190,372	3,058,257	2,830,648
Current liabilities				
Trade and other payables	35	215,252	231,222	246,191
Secured bank loans	36	296,733	258,776	173,231
Finance lease liabilities	37	19,547	9,363	52,248
Current tax payable		4,026	6,421	262
Derivative financial instruments	24	54,682	67,263	74,743
Amount due to non-controlling interest	42	-	3,081	-
		590,240	576,126	546,675
Total equity and liabilities		6,890,956	6,719,555	6,500,344

* Certain comparatives have been restated as explained in Note 4(a).

Approved by the Executive Board and authorised for issue on 5 April 2013

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S.O. Frank
Chairman of the Executive Board

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N.L. Kolesnikov
Member of the Executive Board

OAO Sovcomflot

Consolidated Statement of Changes in Equity
For the period ended 31 December 2012

	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 interest $'000	Total $'000
	(Note 31)	(Note 31)	(Note 32)					(Note 34)	
As at 1 January 2011	**405,012**	**818,845**	**(834,490)**	**(97,753)**	**(1,843)**	**2,646,926**	**2,936,697**	**186,324**	**3,123,021**
Profit for the period	-	-	-	-	-	52,256	52,256	1,420	53,676
Other comprehensive income	-	-	-	(44,689)	(2,938)	-	(47,627)	(483)	(48,110)
Total comprehensive income	-	-	-	(44,689)	(2,938)	52,256	4,629	937	5,566
Dividends (Note 33)	-	-	-	-	-	(35,618)	(35,618)	(963)	(36,581)
Repurchase of non-controlling interest in JSC Novoship by JSC Novoship (Note 42)	-	-	-	-	(71)	19,546	19,475	(26,309)	(6,834)
As at 31 December 2011	**405,012**	**818,845**	**(834,490)**	**(142,442)**	**(4,852)**	**2,683,110**	**2,925,183**	**159,989**	**3,085,172**
Profit for the period	-	-	-	-	-	32,628	32,628	555	33,183
Other comprehensive income	-	-	-	1,396	4,956	-	6,352	628	6,980
Total comprehensive income	-	-	-	1,396	4,956	32,628	38,980	1,183	40,163
Dividends (Note 33)	-	-	-	-	-	(12,826)	(12,826)	(2,165)	(14,991)
As at 31 December 2012	**405,012**	**818,845**	**(834,490)**	**(141,046)**	**104**	**2,702,912**	**2,951,337**	**159,007**	**3,110,344**

Notes

Hedging reserve: The hedging reserve contains the effective portion of the cash flow hedge relationships incurred as at the reporting date.

Currency reserve: The currency reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. During the period ended 31 December 2011 the Group's subsidiary company JSC Novoship changed its functional currency from the US dollar to the Russian Rouble, due to the cessation of US Dollar denominated operations.

OAO Sovcomflot

Consolidated Statement of Cash Flows
For the period ended 31 December 2012

	Note	2012 $'000	2011 $'000
Operating Activities			
Cash received from freight and hire of vessels		1,463,930	1,375,485
Other cash receipts		56,923	49,821
Cash payments for voyage and running costs		(900,565)	(883,438)
Other cash payments		(135,345)	(139,139)
Cash generated from operations	41	484,943	402,729
Interest received		7,824	20,725
Income tax paid		(16,991)	(17,666)
Net cash inflow from operating activities		475,776	405,788
Investing Activities			
Acquisition of joint venture net of cash acquired	40	(25,727)	-
Expenditure on fleet		(2,740)	(284,481)
Expenditure on drydock		(37,865)	(25,310)
Expenditure on vessels under construction		(409,827)	(324,680)
Interest capitalised		(13,600)	(6,944)
Expenditure on other fixed assets		(29,141)	(17,235)
Proceeds from sale of vessels		17,174	36,956
Proceeds from sale of other fixed assets		7,747	9,952
Proceeds from disposal of investments		331	927
Capital element received on finance leases		1,495	709
Interest received on finance leases		10,765	4,355
Bank term deposits	29	932	5,630
Claims receipts	46	-	41,086
Other receipts		133	1,072
Net cash outflow used in investing activities		(480,323)	(557,963)
Financing Activities			
Proceeds from borrowings		995,739	551,229
Repayment of borrowings		(843,084)	(265,525)
Repayment to joint venture partner		(17,047)	(53,932)
Financing costs		(13,288)	(5,678)
Repayment of finance lease liabilities		(9,633)	(9,515)
Security and restricted deposits	29	(513)	19,278
Funds in retention bank accounts	29	943	(6,094)
Interest paid on borrowings and other loans		(121,079)	(122,880)
Interest paid on finance leases		(15,176)	(16,038)
Dividends paid		(14,802)	(37,141)
Buy back of shares	42	(3,171)	(3,753)
Net cash (outflow) / inflow from financing activities		(41,111)	49,951
Decrease in Cash and Cash Equivalents		(45,658)	(102,224)
Cash and Cash Equivalents at 1 January	29	339,812	443,428
Net foreign exchange difference		5,324	(1,392)
Cash and Cash Equivalents at 31 December	29	299,478	339,812

Non – cash transactions

During the period ended 31 December 2011 the Group did not exercise its option for the acquisition of one oil product Handymax tanker and consequently both the finance lease liability and the carrying value of the vessel were derecognised on expiry of the time charter agreement (see Notes 15 and 37).

OAO Sovcomflot

Notes to the Consolidated Financial Statements – 31 December 2012

1. Organisation and Trading Activities

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 and joint ventures (the "Group"), is engaged in ship owning and operating on a world-wide basis with a fleet of 149 vessels at the period end, comprising 134 tankers, 1 chartered in seismic vessel, 1 chartered in ice breaking supply vessel, 8 gas carriers, 2 bulk carriers and 3 ice breaking supply vessels. For major changes in the period in relation to the fleet see also Notes 15 and 16. 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 23).

Sovcomflot's various subsidiaries conduct all of the Group's operations and own the entire Group's operating assets. In line with established international shipping practice, most of the Group's vessels are each owned and financed by individual wholly owned subsidiaries of the Group's intermediate holding companies, Fiona Trust and Holding Corporation ("Fiona"), Intrigue Shipping Inc. ("Intrigue") and Sovcomflot Bulk Shipping Inc. ("SBSI").

Ship management services for the Group's vessels are primarily provided by Sovcomflot's subsidiaries JSC Novoship ("Novoship"), Unicom Management Services (Cyprus) Limited ("Unicom"), SCF Unicom Singapore Pte Ltd, Unicom Management Services (St. Petersburg) Ltd, and SCF Marpetrol, S.A. ("Marpetrol").

Sovcomflot has a Ba2 corporate family rating with a "stable" outlook with Moody's Investors Service, a BB rating with a "negative" outlook with Fitch Ratings Limited and a BB+ with "stable" outlook on a global scale with Standard and Poor's (S & P). Sovcomflot also has an Aa3.ru long-term national scale rating with a "stable" outlook with Moody's Interfax Rating Agency as well as ruAA+ on a national scale with S & P.

A list of significant subsidiary companies is disclosed in Note 42 to these financial statements. The ultimate controlling party of OAO Sovcomflot is the Russian Federation.

2. Directors and Management

The corporate structure of OAO Sovcomflot comprises a Board of Directors which is responsible for policy decisions and overall supervision of the Group and an Executive Board which is responsible for day to day management. The Board of Directors and the Executive Board as at the date of approval of these financial statements are:

Members of the Board of Directors	Initial date of appointment	
I.I. Klebanov (Chairman)	3 November 2011	Senior State Counsellor of the Russian Federation, 1st Class
M.I. Poluboyarinov	30 June 2012	Member of the Board of Management and First Deputy Chairman of State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)"
M.G. Manasov	29 June 2010	Entrepreneur
D.G. Moorhouse	29 June 2010	Chairman of the Non-Commercial Organisation London Maritime
V.A. Olerskiy	29 June 2010	Deputy Minister of Transport of the Russian Federation
Ch.E. Ryan	30 June 2008	Chairman of UFG Asset Management
A.Y. Klyavin	30 June 2012	President of Self-Regulation Organisation "Association of Shipping Companies"
N.P. Tokarev	30 June 2008	President of JSC Transneft
S.O. Frank	10 November 2004	President and Chief Executive Officer of OAO Sovcomflot

The members of the Board of Directors are elected at the Annual General Meeting of the Shareholders and remain in office until the next Annual General Meeting where they are eligible for re-election. The current Board of Directors was elected at the Annual General Meeting on 30 June 2012.

Members of the Executive Board	Date of appointment	
S.O. Frank (Chairman)	4 October 2004	President and Chief Executive Officer of OAO Sovcomflot
E.N. Ambrosov	13 July 2009	Senior Executive Vice-President of OAO Sovcomflot, Chief Operating Officer
V.N. Emelianov	12 September 2011	Vice-President of OAO Sovcomflot, Chief Strategy Officer
N.L. Kolesnikov	19 July 2005	Executive Vice-President of OAO Sovcomflot, Chief Financial Officer
A.L. Kurtynin	20 September 2007	Vice-President of OAO Sovcomflot
C.B. Ludgate	22 February 2007	Managing Director of Sovcomflot (UK) Ltd
V.A. Mednikov	17 March 2005	Executive Vice-President of OAO Sovcomflot, Administrative Director
S.G. Popravko	19 July 2005	Managing Director of Unicom Management Services (Cyprus) Limited
M.C. Orphanos	12 May 2010	Managing Director of Sovcomflot (Cyprus) Limited
A.V. Ostapenko	16 October 2012	Director of Legal Department of OAO Sovcomflot
I.V. Tonkovidov	14 January 2011	Executive Vice-President of OAO Sovcomflot, Technical Director
Y.A Tsvetkov	14 December 2012	President of JSC Novoship

3. Adoption of New and Revised International Financial Reporting Standards

In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2012.

The adoption of the Standards and Interpretations issued by the IASB has not led to any changes in the Group's accounting policies.

At the end of the reporting period, the following Standards and Interpretations which are relevant to the Group's operations were in issue but not yet effective:

- IFRS 9 ("Financial Instruments") – "Classification and Measurement" (effective for annual periods beginning on or after 1 January 2015).
- IFRS 10 ("Consolidated Financial Statements") – "Replaces the consolidation guidance in IAS 27" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 11 ("Joint Arrangements") – "Introduces new accounting requirements for joint arrangements" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 12 ("Disclosure of Interest in Other Entities") – "Requires enhanced disclosures about both consolidated and unconsolidated entities" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 13 ("Fair Value Measurement") – "Definition, guidance and disclosure requirements about fair value measurements" (effective for annual periods beginning on or after 1 January 2013).
- IAS 27 ("Separate Financial Statements") – The consolidation guidance in IAS 27 is replaced by IFRS 10. The requirements relating to separate financial statements are unchanged (effective for annual periods beginning on or after 1 January 2013).
- IAS 28 ("Investments in Associates and Joint Ventures") – "Amendments for conforming changes based on the issuance of IFRS 10, IFRS 11 and IFRS 12" (effective for annual periods beginning on or after 1 January 2013).
- IAS 1 ("Presentation of Financial Statements") – "Amendments to revise the way other comprehensive income is presented" (effective for annual periods beginning on or after 1 July 2012).
- IAS 19 ("Employee Benefits") – "Amended standard resulting from the Post-Employment Benefits and Termination Benefit projects" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 7 ("Financial Instruments: Disclosures") - "Amendments for disclosures - offsetting financial assets and financial liabilities" (effective for annual periods beginning on or after 1 January 2013).
- IAS 32 ("Financial Instruments: Presentation") - "Amendments for offsetting financial assets and financial liabilities" (effective for annual periods beginning on or after 1 January 2014).

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no impact on the results and financial position presented in these financial statements, other than changes to the disclosures required in the financial statements, except for IFRS 9 "Financial Instruments" issued in November 2009 and amended in October 2010, IFRS 13 "Fair Value Measurement" issued in May 2011, IAS 19 "Employee Benefits" amended in June 2011 and IFRS 11 "Joint Arrangements" issued in May 2011. The Group does not intend to adopt these standards before their effective date.

IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition:

- IFRS 9 will change the categories of financial assets to those that are carried at amortised cost and those that are carried at fair value. This will mainly affect the classification of the Group's available for sale financial assets and held to maturity investments.
- IFRS 9 will also affect the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability.

In particular for financial liabilities that are designated at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard should be applied prospectively and early adoption is permitted. The effect from the application of the new standard on the results and financial position of the Group is insignificant.

The IASB has issued numerous amendments to IAS 19 that become effective for annual periods beginning on or after 1 January 2013. The accounting options available under current IAS 19 have been eliminated. For example, actuarial gains and losses will be now required to be recognised in other comprehensive income (OCI) and excluded permanently from profit or loss. Unvested past service costs can no longer be deferred and recognised over the future vesting period. There are also a number of other changes, including modification to the timing of recognition of termination benefits and disclosures of defined benefit plans. The effect from the application of the new standard on the results for the period ended 31 December 2012 would have been the following:

		2012 $'000
Decrease in retained earnings	Recognition of unvested past service costs	(1,611)
Increase in retirement benefit obligations	Recognition of unvested past service costs	1,289
Increase in profit for the period	Reversal of amortisation of past service costs	322
Decrease in profit for the period	Reversal of actuarial gain recognised in income statement	(604)
Increase in other comprehensive income	Recognition of actuarial gain in other comprehensive income	604

OAO Sovcomflot

Notes to the Consolidated Financial Statements – 31 December 2012
(Continued)

3. Adoption of New and Revised International Financial Reporting Standards (Continued)

IFRS 11 "Joint Arrangements" will replace IAS 31 "Investments in Joint Ventures". The standard will remove the option to proportionately recognise the assets and liabilities of jointly controlled entities and equity accounting will be the only accounting treatment. The standard which will be applied retrospectively will result in a reduction in most assets, liabilities, income and expenses leaving net assets and profit for the period unchanged. The effect from the application of the new standard on the results for the period ended 31 December 2012 and the statement of financial position as at 31 December 2012 would have been the following:

	2012 $'000
Income Statement	
Freight and hire revenue	(99,448)
Depreciation, amortisation and impairment	20,528
Interest expense	21,380
Other expenses	60,963
Share of loss in joint ventures	(3,892)
Decrease in profit before income taxes	(469)
Income taxes	469
Impact in profit for the period	-
Decrease in other comprehensive income	1,144
Share of joint ventures other comprehensive income	(1,144)
Total Comprehensive Income	-
Statement of Financial Position	
Assets	
Non-current assets	(451,807)
Investments in joint ventures	33,406
Cash and cash deposits	(39,593)
Other current assets	(7,968)
Reduction in total assets	(465,962)
Liabilities	
Non-current financial liabilities	(421,361)
Current financial liabilities	(34,426)
Other current liabilities	(10,175)
Reduction in total liabilities	(465,962)

4. Significant Accounting Policies

(a) Basis of preparation and accounting

The consolidated financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. The financial statements are presented in U.S. Dollars, which is also the currency of the Group's primary economic environment.

The statement of financial position includes the 2010 comparative information provided on a voluntary and supplementary basis. However, not all notes to the statement of financial position include the 2010 comparatives. The information provided has been included to assist the reader with their understanding of the financial statements and certain trends they contain.

Certain comparatives have been represented in order to be consistent with the current period's presentation. The below changes were made to the comparative figures:

Income Statement	As previously reported 2011 $'000	Reclassified 2011 $'000	Restated 2011 $'000
Direct Operating Expenses	405,934	(35,268)	370,666
Other Operating Expenses	340,652	35,268	375,920

The reclassification relates to vessels' drydock amortisation previously presented separately under direct operating expenses. The line item has been reclassified and included in Depreciation and Amortisation (Note 9) under other operating expenses as management consider this as a more appropriate basis of presentation.

	As previously reported 2011 $'000	Reclassified 2011 $'000	Restated 2011 $'000	As previously reported 2010 $'000	Reclassified 2010 $'000	Restated 2010 $'000
Statement of Financial Position						
Trade and Other Receivables	237,563	(18,460)	219,103	233,830	(11,249)	222,581
Current Tax Receivable	2,332	(1,392)	940	2,798	(1,449)	1,349
Total Assets	6,739,407	(19,852)	6,719,555	6,513,042	(12,698)	6,500,344
Trade and Other Payables	245,276	(14,054)	231,222	253,803	(7,612)	246,191
Current Tax Payable	12,219	(5,798)	6,421	5,348	(5,086)	262
Total Equity and Liabilities	6,739,407	(19,852)	6,719,555	6,513,042	(12,698)	6,500,344

The reclassifications relate to other taxes, primarily consisting of value added tax and property tax, previously included in current tax receivable and payable, and invoices issued prior to the end of each reporting period for time charter periods commencing after the end of the reporting period, in line with shipping industry practice, and remaining unsettled as of the period end. Such invoices were previously included in amounts due from charterers with a corresponding credit in deferred income. The Group has refined its policy regarding recognition of amounts invoiced but not yet due on the basis that the Group does not have a contractual right to receive payment of these invoices until the time charters invoiced have commenced. Consequently both the invoice issued to the charterer and the deferred income have been derecognised unless settlement of the invoice had been effected prior to the end of the reporting period.

4. **Significant Accounting Policies (Continued)**

(b) Basis of consolidation

The consolidated financial statements include the financial statements of OAO Sovcomflot and its subsidiaries and joint ventures, for the period from 1 January 2012 (or subsequent dates of incorporation) to 31 December 2012.

The results of the subsidiaries and joint ventures acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries and joint ventures to bring their accounting policies into line with those used by the Group. All intragroup balances, transactions, unrealised gains and losses resulting from intragroup transactions are eliminated in full.

Changes in the Group's ownership interests in subsidiaries that do not result in a change of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(c) Business combinations

Business combinations are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred / assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred (as of 1 January 2010). The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, are recognised at their fair values at the acquisition date.

Business combinations involving entities under common control are excluded from the scope of IFRS 3 "Business Combinations" provided that they are controlled by the same party both before and after the business combination. These transactions are accounted for on a pooling of interests basis. The financial position, financial performance and cash flows of the combined Group are brought together as if the companies had always been a single entity.

The Group initiates and performs a review of all acquisition transactions during each period to consider the transaction to be either a business combination or an asset acquisition in accordance with IFRS 3. When the acquisition is not a business combination by its nature, the Group identifies and recognises the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets in IAS 38 "Intangible Assets") and liabilities assumed. The cost of the Group is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

(d) Segmental reporting

The Group consists of five reportable operating segments: crude oil transportation, oil product transportation, gas transportation, offshore development services and other. The segments are fully explained in Note 14.

The requirements of the IFRS are based on the information about the components of the entity that management uses to make decisions about operating matters. The operating segments are identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, which is defined as the Board of Directors of the Company, in order to allocate resources to the segment and assess its performance. The Group has only one geographical segment, because the Company considers the global market as a whole, and as the individual vessels are not limited to specific parts of the world. Furthermore, the internal management reporting does not provide such information.

The segment income statement comprises revenues and expenses directly attributable to the segment i.e. freight and hire revenue, voyage expenses and commissions, vessels' running costs and charter hire payments, vessels' drydock cost amortisation, vessels' depreciation, vessels' impairment provision and reversal thereof and intangible assets amortisation. The segment's non-current assets consist of the vessels used in the operation of each segment. Not allocated items primarily comprise assets and liabilities as well as revenues and expenses relating to the Group's administrative functions and investment activities, cash and bank balances, interest bearing debt, income tax and deferred tax.

(e) Investments in associates

The results and assets and liabilities of associates are included in these financial statements for the period from 1 January 2012 (or subsequent dates of incorporation) to 31 December 2012, using the equity method of accounting. Investments in associates are carried in the statement of financial position at cost and adjusted by post-acquisition changes in the Group's share of net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

(f) Interests in joint ventures

Joint venture arrangements involve the establishment of a separate entity in which the venturers have joint control over the economic activities of the entity by virtue of an agreement are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are consolidated within the equivalent items in the consolidated financial statements on a line-by-line basis.

4. **Significant Accounting Policies (Continued)**

(g) Goodwill and other intangible assets

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain. Goodwill is initially recognised as an asset at cost and subsequently measured at cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the goodwill attributable is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described in Note 4(e) above.

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost, less accumulated amortisation and accumulated impairment losses. Other intangible assets include customer relations and, up to 31 December 2009, the value of time charter agreements attached to vessels acquired (see Note 20). The consideration paid is allocated between the vessel and the time charter agreement proportionately to their fair value on the date of acquisition. The fair value of the time charter agreement is calculated by reference to market data published by independent brokers. Where no such information is available, the fair value of the time charter agreement is calculated by discounting the net future cash flows of the charter using the effective interest rate implicit to the time charter agreement, which is the rate at which the net future cash flows break even on expiry of the charter. Amounts are reported at fair value less accumulated amortisation and accumulated impairment losses. Amortisation for customer relations and the value of time charter agreements is charged on a straight-line basis over the period from which the Group expects to benefit from the customer relations and over the period of the charter respectively.

(h) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less cost to sell. Depreciation ceases from the date that the non-current asset is classified as held for sale.

(i) Freight and Hire revenue

Freight and Hire revenue, which includes the Group's share of revenues arising under vessel pooling arrangements, represents vessel earnings during the period. Vessel earnings are measured at the fair value of the consideration received or receivable.

Freight revenues are earned for the carriage of cargo on behalf of the charterer from one or more locations of cargo loading to one or more locations of cargo discharge. Freight contracts contain conditions regarding the amount of time available for loading and discharging of the vessel. If these conditions are breached, the Group is compensated for the additional time incurred in the form of demurrage revenue which is recognised when it can be measured reliably in accordance with the terms and conditions of the respective charter party agreements.

Hire revenues are earned for exclusive use of the services of the vessel by the charterer for an agreed period of time.

Time charter equivalent revenues describe the earnings of any charter contract once voyages expenses and commissions relating to the performance of the contract have been deducted from the gross revenues. The term is commonly used in the shipping industry to measure financial performance and to compare revenue generated from a voyage charter to revenue generated from a time charter.

Voyage expenses primarily consisting of port, canal and bunker expenses that are unique to a particular charter are paid for by the charterer under time charter arrangements or by the Group under voyage charter arrangements. Furthermore, voyage related expenses include commission on income paid by the Group. Vessels voyage and operating expenses are accounted for on an accrual basis.

Freight revenue is recognised rateably over the estimated length of each voyage. Profits arising from voyage charters in progress at the end of the financial reporting period are apportioned into accounting periods on the basis of the proportion of the voyage completed at the end of the financial reporting period on a discharge to discharge port basis. Full provision is made for any losses forecast on voyages in progress at the end of the financial reporting period.

In applying its revenue recognition method, management believes that the discharge to discharge port basis of calculating voyage results provides greater degree of accuracy since at the time of discharge management generally knows the next load port and expected discharge port.

Revenues from time charters (hire revenues) are accounted for as operating leases and recognised on a straight line basis over the rental periods of such charters, as service is performed. Provision is made for all hire receivable to the end of the financial reporting period in respect of time charters in progress. Any contractual rate changes over the contract term, to the extent they relate to the firm period of the contract, are taken into account when calculating the daily hire rate. Revenues from variable hire arrangements are recognised to the extent the variable amounts earned beyond an agreed fixed minimum hire are determinable at the reporting date and all other revenue recognition criteria are met.

4. **Significant Accounting Policies (Continued)**

(i) Freight and Hire revenue (continued)

A number of the Group's vessels participate in vessel pooling arrangements with third parties. Pool revenue is generated from each vessel participating, undertaking either voyage or time charters. The Group recognises all revenue (and voyage costs) earned by its vessels through participation in the pools under the specific voyage and time charters that the vessels undertake via their pool participation. Revenue and voyage costs arising under such charters are recognised in the same way as voyage charters and time charters as set out above.

All pool agreements in which the Group participates contain profit share clauses, under which the Group's vessels and the third parties' vessels net (time charter equivalent) earnings are shared. The pool measures net earnings based on the contractual rates, the duration of each voyage and, the relevant voyage costs recognised upon delivery of the services in accordance with the terms and conditions of the charter parties. The Group's share of the net earnings in the pools is dependent on the number of days the Group's vessels have been available for the pools in relation to the total available pool earning days during the period. These profit sharing arrangements may give rise to a liability to the third party or a receivable to the Group. These amounts are settled periodically.

The results of the profit sharing arrangements are recognised in full by the Group within freight and hire revenues assuming a reliable estimate can be made. Any adjustment remaining unsettled at the period end is either recognised in accrued income under current assets or accrued liabilities under current liabilities.

(j) Net other Operating Income

Net other operating income comprise income from non-core non-vessel operating related activities, income from the towing and installation operations, rental income derived from investment properties and income from the commercial and technical management of third party owned vessels net of expenses directly related to these activities.

Other operating revenues are measured at the fair value of the consideration received or receivable. Revenues from non-core vessel operating activities and revenues from the provision of commercial and technical management services is recognised by reference to the time of provision of the activities and services. Revenues from rental income from investment properties are accounted for on a straight line basis over the rental periods of such properties.

The Group uses the "percentage of completion method" to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the reporting date as a percentage of total estimated cost for each contract.

(k) Interest income

Bank and other interest receivable is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(l) Currency translation

Transactions and balances

Transactions during the period in currencies other than the functional currencies of the various Group entities have been translated into their function currencies (mostly the U.S. Dollars) at rates ruling at the time.

At the end of each reporting period, monetary assets and liabilities denominated in currencies other than the functional currencies are retranslated at the rates ruling at that date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Group companies

The assets and liabilities of the Group's foreign operations are translated from their functional currency into U.S. Dollars at the rate of exchange ruling at the reporting date. Income and expenses are translated into U.S. Dollars at the average rate of exchange for the period. Differences arising on retranslation of their opening net assets and results for the period are dealt with as movements in other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation. They are expressed in the functional currency of the foreign operation and are translated at the rate of exchange ruling at the reporting date.

Exchange rates

For the purposes of these financial statements, the exchange rates used are as follows:

	2012 Closing $1	**2012 Average $1**	**2011 Closing $1**	**2011 Average $1**	**2010 Closing $1**	**2010 Average $1**
Russian Roubles	30.3727	31.0742	32.1961	29.3760	30.4769	30.3785
Pounds Sterling	0.6185	0.6309	0.6435	0.6211	0.6387	0.6479
Euros	0.7579	0.7780	0.7703	0.7153	0.7454	0.7579

(m) Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset (see also Note 4(r)). Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period. Investment income earned on the temporary investment of borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

4. **Significant Accounting Policies (Continued)**

(n) Leasing

Finance leases are leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item. Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Group as lessee - Finance and operating lease payables

Finance leases are recorded in the financial statements of the Group at the lower of fair value and net present value of future obligations. The net present value of future obligations is calculated by discounting the total obligation outstanding, at the date of the lease agreement, at the interest rate implicit within the lease. Finance costs are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Group as lessor - Finance lease receivables

At the commencement of the lease term, amounts due from lessees are recognised as receivables in the statement of financial position at the amount equal to the net investment in the lease which is the present value of the minimum lease payments receivable, plus any unguaranteed residual value, each determined at the inception of the lease.

The discount rate used in calculating the present value of the minimum lease payments is the interest implicit in the lease. Any initial direct costs are added to the amount recognised as an asset. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding.

(o) Retirement benefit costs

The Group operates a number of retirement benefit schemes for its shore-based staff and seafarers.

Defined contribution retirement benefit plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Defined benefit retirement benefit plans

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan. The cost of providing benefits is determined annually using the projected unit credit method.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation minus any unrecognised past service cost, any asset resulting from this calculation is limited to the total of any cumulative unrecognised past service cost and the present value of any reductions in future contributions to the plan.

Long-term service retirement benefit plans

The Group's net obligation in respect of long-term service retirement benefit plans is calculated separately for each plan. The cost of providing benefits is determined annually using the projected unit credit method.

The long-term service benefit obligation recognised in the statement of financial position represents the present value of the defined lump-sum benefit obligation.

The Group recognises all actuarial gains and losses arising from both defined benefit retirement benefit plans and long-term service retirement benefit plans in the income statement in the period in which they arise.

The discount rate used to calculate the present value is the yield, at the end of the financial reporting period, on government bonds that have maturity dates which approximate the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

(p) Fixed assets and depreciation

The Group's fleet, buildings and other fixed assets are stated in the statement of financial position at cost less accumulated depreciation and any accumulated impairment loss.

Cost comprises of the acquisition or construction cost of the asset and any costs directly attributable to the acquisition or construction up to the time that the asset is ready for its intended use. Costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management are capitalised as part of the cost of the asset.

Depreciation in respect of the Group's fleet is charged so as to write off the book value of the vessels, less an estimated residual value, on a straight line basis over the anticipated useful life of the vessels (from date of construction) which is as follows:

Oil, product and chemical tankers	25 years
LNG carriers	35 years
LPG carriers	30 years
Second hand LNG carriers (Note 20(b))	45 years (2011 – 43 years)
Multi-purpose dry cargo vessels	25 years
Ice breaking supply vessels	25 years

4. **Significant Accounting Policies (Continued)**

(p) Fixed assets and depreciation (continued)

The residual value for each vessel is calculated by reference to its lightweight tonnage and the estimated price of steel per lightweight tonne as of the end of each reporting period as follows:

	2012 $ per LWT	2011 $ per LWT	2010 $ per LWT
Oil, product and chemical tankers	425	485	490
LNG and LPG carriers	425	485	490
Multi-purpose dry cargo vessels	400	455	445
Ice breaking supply vessels	425	485	490

Depreciation in respect of buildings and other fixed assets is charged so as to write off their cost on a straight-line basis to its residual value over the anticipated useful lives of the assets concerned at a rate of between 2% and 5% and between 20% and 33% per annum respectively. Land is not depreciated.

Leasehold improvements are included within other fixed assets and are depreciated over the non-cancellable period of the operating lease to which they relate.

The residual value and useful life of each asset is reviewed at each financial period end and, if expectations differ from previous estimates, the changes are accounted for prospectively in the income statement in the period of the change and future periods. An increase in the residual value of an asset will decrease the depreciation charge for the period and future periods and vice versa until the residual value is reassessed.

(q) Investment property

Investment property is stated in the statement of financial position at cost less accumulated depreciation and any accumulated impairment loss. Depreciation is provided on the same basis as for buildings and other fixed assets as described in Note 4(p) above.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised. Transfers to, or from, investment property are made only when there is a change in use evidenced by end of owner-occupation, for a transfer from owner-occupied property to investment property, commencement of owner-occupation, for a transfer from investment property to owner occupied property and commencement of development with a view to sale, for a transfer from investment property to assets held for sale.

(r) Assets under construction

Assets under construction, which are assets that necessarily take a substantial period of time to get ready for their intended use, are carried at cost, less any recognised impairment loss. Cost includes supervision fees and expenses, professional fees and capitalised borrowing costs.

Interest payable attributable to finance newbuildings under construction, is added to the cost of those newbuildings, until such time as the newbuildings are ready for their intended use and are delivered to the Group.

Depreciation of these assets commences when the assets are ready for their intended use.

(s) Drydocking and special survey costs

The vessels are required to undergo planned drydockings for replacement of certain components, major repairs and maintenance of other components, which cannot be carried out while the vessels are operating. Each vessel is inspected by a classification society surveyor annually, with either the second or third annual inspection being a more detailed survey (an ‘‘Intermediate Survey’’) and the fifth annual inspection being the most comprehensive survey (a ‘‘Special Survey’’). The inspection cycle resumes after each Special Survey. Vessels are typically required to undergo special surveys, which include inspection of underwater parts (“bottom survey”), every 60 months.

Drydocking surveys are required to be held twice within the five-year survey cycle, with a maximum of 36 months between inspections, for bottom surveys and for repairs related to inspections. An in-water survey may be permitted in lieu of a drydocking for the intermediate survey, although the vessel must carry out a drydocking in conjunction with a special survey.

Drydocking and special survey costs are capitalised as a separate component of vessel cost and are amortised to other operating expenses on a straight line basis over the estimated period to the next drydocking.

Drydocking costs may include the costs associated but not limited to the service and replacements of main engine and propulsion machinery, boilers, engine room tanks, auxiliary machinery, various gears and systems of shaft seals, safety and navigation equipment, anchor and deck machinery, turbo chargers, steering gears, electrical equipment, controls and automated systems, cargo, fuel and ballast tanks and applying of antifouling and hull paint.

Where a vessel is acquired new or constructed, a proportion of the cost of the vessel is allocated to the components expected to be replaced at the next drydocking based on the expected costs related to the first-coming drydocking, which is based on experience and past history of similar vessels.

For second hand vessels, the actual cost of the previous drydocking component is used, amortised to the date of acquisition, taking into account the drydocking cycle of the vessel. Where the actual cost of the previous drydocking is not known, the expected costs related to the first-coming drydocking, amortised to the date of acquisition is used as an indication of the cost of the previous drydocking component, which is again based on experience and past history of similar vessels.

Unamortised balances at the date of disposal are written off to profit / loss on sale of vessels.

4. **Significant Accounting Policies (Continued)**

(t) Impairment

At the end of each financial reporting period, the Group assesses whether there is any indication that its vessels, other fixed assets and intangible assets may have suffered an impairment loss. If any indication exists, the Group estimates the asset's recoverable amount.

The assessment of whether there is an indication that an asset is impaired is made with reference to trading results, predicted trading results, market rates, technical and regulatory changes and market values. If any such indication exists, the recoverable amount of the asset or CGU is estimated in order to determine the extent of any impairment loss.

The first step in this process is the determination of the lowest level at which largely independent cash flows are generated, starting from the individual asset level. A cash generating unit (CGU) represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows generated from other assets or groups of assets. In identifying whether cash inflows from an asset or group of assets are largely independent, and therefore determining the level CGUs, the Group considers many factors including management's trading strategies, how management makes decisions about continuing or disposing of the assets, nature and terms of contractual arrangements and actual and predicted employment of the vessels. Based on the above, the Group has determined it has CGUs of varying sizes ranging from individual vessels to multiple vessels of the same class with similar or identical characteristics.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is determined as the amount at which assets may be disposed of on a willing seller, willing buyer basis, less directly associated costs of disposal. In estimating fair value, the Group considers recent market transactions for similar assets, and the views of reputable shipbrokers.

If the recoverable amount is less than the carrying amount of the asset or the CGU, the asset is considered impaired and an expense is recognised equal to the amount required to reduce the carrying amount of the vessel or the CGU to its recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior years. Such reversal is recognised in the income statement.

(u) Inventories

Inventories are stated at cost and comprise bunkers (where applicable), luboils, victualing and slopchest stocks, other inventories and spares and consumables acquired on board bareboat chartered in vessels. Cost is calculated using the first in first out method. Other stores and spares relating to vessel operations are charged to running costs when purchased and no account is taken of stocks remaining on board at the end of the period.

(v) Financial instruments

Financial assets and liabilities are recognised in the Group's statement of financial position when the Group has become a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument, or, where appropriate, a shorter period.

Trade receivables

Trade receivables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method, as reduced by appropriate allowances for estimated irrecoverable amounts. An allowance is made when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of the receivables. A general provision is made for outstanding demurrages based on prior years' experience after considering specific provisions. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired.

The amount of the allowance is the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The amount of the allowance is recognised in the income statement.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against bad and doubtful debts in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on deposit with banks that are readily convertible to known amounts of cash and which are subject to insignificant penalties on early termination. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets are classified as at FVTPL when the financial asset is held for trading or it is designated upon initial recognition as at FVTPL.

A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling it in the near term; or on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

4. **Significant Accounting Policies (Continued)**

(v) Financial instruments (continued)

Available-for-sale financial assets

Unlisted shares and listed shares held by the Group that are traded in an active market are classified as being available-for-sale financial assets and are stated at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income with the exception of impairment losses and foreign exchange gains and losses on available-for-sale monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the fair value reserve is included in profit or loss for the period. Investments in equity shares that are not traded in an active market and where fair value cannot be estimated on a reasonable basis are stated at cost less impairment losses.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Bank borrowings

Interest bearing bank loans and overdrafts are initially measured at fair value (proceeds received, net of direct issue costs), and are subsequently measured at amortised cost, using the effective interest rate method.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Classification as debt or equity
Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the fair value proceeds received, net of direct issue costs.

Derecognition of financial liabilities

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if and only if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to the financial risks of changes in interest rates and foreign exchange rates.

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate movements on its bank borrowings and foreign exchange rate movements on non-U.S. Dollar denominated payables.

Derivative financial instruments are initially measured at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

The Group designates certain derivatives as hedges of interest rate risk on its bank borrowings. Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised in other comprehensive income and any ineffective portion is recognised immediately in the income statement.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated income statement as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset.

4. **Significant Accounting Policies (Continued)**

(v) Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

A derivative instrument that is not a designated and effective hedging instrument is required to be classified as held for trading under IAS 39 "Financial Instruments: Recognition and Measurement". IAS 1 clarifies that such an instrument must be separated into current and non-current portions unless it is held primarily for trading in which case it is classified as current. Therefore, an entity separates such a derivative instrument into current and non-current portions based on an assessment of the facts and circumstances and classifies it accordingly.

1) When management holds a derivative as an economic hedge (and does not apply hedge accounting), for a period beyond twelve months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item as discussed below in scenarios 2 and 3.
2) An embedded derivative that is not closely related to the host contract, which is required to be accounted for separately, is classified consistent with the cash flows of the host contract.
3) A derivative instrument that is a designated and effective hedging instrument is classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made; and it is applied to all designated and effective hedging instruments.

(w) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profits for the period which are subject to the fiscal regulations of the countries in which the company and its subsidiaries are incorporated. Income taxes in respect of the parent company are accounted for in accordance with Russian fiscal regulations. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

No deferred tax liability is recognised on unremitted earnings of subsidiaries incorporated in jurisdictions that do not have a double tax treaty with the Russian Federation until the earnings are eventually distributed as dividends on the basis that Group controls the distribution of such dividends.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to other comprehensive income, in which case the tax is also recognised directly in other comprehensive income, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tonnage Tax

Tonnage tax is payable by the Group in the countries of registration of its vessels by reference to the registered tonnage of each vessel. Tonnage tax is not a tax on income as defined by IAS 12 "Income Taxes" and is therefore included in general and administrative expenses under non-income based taxes.

(x) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation, and are discounted to present value where the effect is material.

Contingent liabilities are not recognised in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the financial statements unless recovery is virtually certain but are disclosed when an inflow of economic benefits is only probable.

4. Significant Accounting Policies (Continued)

(x) Provisions (continued)

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(y) Insurance claims

Amounts for insurance claims are recognised when amounts are virtually certain to be received, based on the Company's judgement and estimates of independent adjusters as to the amount of the claims.

(z) Earnings per share

Basic earnings per share is calculated by dividing the consolidated net profit or loss for the period available to equity holders of the parent by the weighted average number of shares issued during the period.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, 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. The following are the critical accounting judgements concerning the future and the key sources of estimation uncertainty at the end of the reporting period that have the most significant effect on the amounts recognised in the financial statements.

Critical Accounting Judgements

Classification of charter agreements as either finance or operating leases

Lease contracts are classified as operating or finance leases at the inception of the lease. Once determined, the classification is not subsequently changed. To a certain extent, the classification depends on estimates based on conditions in the contract. In the judgement, a "substance over form" approach is used.

The value of assets held under finance leases recognised in the statement of financial position is based on the discounted value of the contractual lease payments. No conditional lease payments are included and the value can therefore be determined with relative certainty.

Investments in joint ventures and associates

The consolidated financial statements include the financial statements of OAO Sovcomflot and its subsidiaries and joint ventures. The Group reports its interests in jointly controlled entities using proportionate consolidation. Investments in associates are recognised using the equity method of accounting. The classification of entities partly owned by other enterprises depends amongst other things on the individual conditions and clauses in shareholders' agreements and other contractual documents. The exercise of judgement as to the influence and level of control on these conditions and clauses in the agreements determines whether a particular entity is consolidated or accounted for under the equity method.

The Group consolidates its share of losses of associates to the extent that it is believed that the Group has a constructive obligation to do so. The determination of the presence of a constructive obligation requires the exercise of judgement, as invariably such an obligation is not contained within any legal agreement and may take the form of an implied commitment to, or an expectation of, a third party.

The situation that gave rise to the constructive obligation in prior periods altered significantly and it was clearly determined that the Group ceased to have a constructive obligation. The Group ceased to consolidate its share of the losses of associates and recognised a gain in the income statement / loss in other comprehensive income amounting to the losses / gains previously consolidated.

Development of the port of Sochi

The Group is currently engaged in development of new facilities and related property in the port of Sochi, Russia. The development comprises a number of different aspects and components due to be completed in 2014. The Group estimates that the costs of the development will be recovered in full through rental and eventual sale. In view of the development time line judgement is required to estimate the expected future return from the development and determine whether the project costs are expected to be recoverable.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate movements. Derivative financial instruments are initially measured at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. A number of these contracts are interest rate swap agreements used to hedge the future cash outflows of interest payable on secured loans against LIBOR rate fluctuations. Accounting for these contracts as cash flow hedges allows, to the extent that they are designated and effective as cash flow hedges, the change in the fair values of the derivatives to be recognised in other comprehensive income. During the life of the hedge, the Group formally assess whether each derivative designated as a hedging instrument continues to be highly effective in offsetting changes in the fair value or cash flows of hedged items. If it is determined that a hedge has ceased to be highly effective, hedge accounting is discontinued prospectively and any gain or loss recognised in other comprehensive income and accumulated in equity up to the time the hedge ceases to be effective remains in equity and is recognised when the forecast transactions are ultimately recognised in the income statement.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Critical Accounting Judgements (continued)

Determination of cash generating units for value in use calculations

For the purposes of its impairment testing the Group identifies each CGU which represents the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. In determining the CGUs the Group considers various factors including management's trading strategies, nature and terms of contractual arrangements and actual and predicted employment of the vessels. The Group also considers other factors such as investment and discontinuance decisions, and how management monitors financial performance.

The determination as to whether the cash inflows of groups of vessels which form a CGU are largely dependent on each other requires judgement to be exercised in assessing all the available data and information noted above, particularly with reference to assumptions and judgements with regard to future planned and expected employment of the vessels within a CGU. Should these judgements be proven, through the passage of time, to be incorrect or subject to change or amendment in future periods it is possible that additional impairment charges may arise, or reversals of impairments may occur.

Key Sources of Estimation Uncertainty

Carrying amount of vessels and vessels under construction

The carrying values of vessels and vessels under construction may not represent their fair market value at any point in time. The market prices of second-hand vessels tend to fluctuate with changes in charter rates and the cost of newbuildings. Both charter rates and newbuilding costs tend to be cyclical in nature. Management reviews vessels, including vessels under construction, for indicators of impairment whenever events or changes in circumstances indicate the carrying amount of the vessels may not be recoverable. Impairment testing requires an estimate of future cash flows and the choice of a suitable discount rate and an assessment of recoverable amount based on comparable market transactions. If actual results differ from the estimates and assumptions used in estimating future cash flows then this could result in potential impairment losses recognised in future periods. Additional information is disclosed in Note 15 to these financial statements.

Anticipated useful economic life of the fleet and the estimates of residual values

Depreciation of vessels is charged so as to write down the value of those assets to their residual value over their respective estimated useful lives. Management is required to assess the useful economic lives and residual values of the assets so that depreciation is charged on a systematic basis to the current carrying amount. Estimates of useful economic life of vessels are based on managements' experience by comparison to similar vessels in the industry. However, the actual life of a vessel may be different. Residual values are difficult to estimate given the long lives of vessels, the uncertainty as to future economic conditions and the future price of steel. Residual values are calculated by reference to the value of steel as of the reporting date, obtained from independent professional brokers. Changes to estimates of useful lives and residual values may affect the annual depreciation charge and thereby the results for the period significantly.

Recoverability of finance lease receivable

The finance lease receivable is subject to an impairment provision as disclosed in Note 28. In determining the required level of provision for impairment, management has considered projections of future cash flows expected to be generated, available to discharge the obligations to the Group under the finance lease. The cash flow projections are based on certain assumptions, judgements and estimates, such as estimated market share, volumes of oil and refined oil products expected to pass through key ports, projected operating costs and revenue pricing. Should these assumptions and judgements be proven to be incorrect in the passage of time additional impairment charges or reversal of previous impairment charges may arise.

Outcomes of legal claims

The Group has been pursuing a number of legal claims, referred to in Note 46. The majority of the claims received judgement in December 2010 and December 2012 and management has recognised assets and liabilities in relation to these judgements based on legal advice; the basis of recognition is set out in Note 46.

The Group obtained permission from the Court of Appeal in November 2011 to appeal some of the unsuccessful claims of the December 2010 judgement. That appeal has now been heard and, in relation to the Fiona Claimant's appeal, the Group was unsuccessful. The Group will seek permission to appeal the Court of Appeal's decision to the Supreme Court. The Court of Appeal has not indicated its conclusion in relation to the Intrigue costs appeal (i.e. the non-Fiona parts of the appeal of the December 2010 judgment) and judgement is awaited. It is possible that further assets may be recognised in the future in relation to the outcome of the Intrigue costs appeal and, if permission can be obtained to appeal the Court of Appeal's decision to the Supreme Court, in the Fiona appeal. If permission to appeal the Court of Appeal's decision to the Supreme Court is not obtained, it is possible that the Group will face further liabilities.

Some of the Defendants found liable in the December 2012 judgement have been granted permission to appeal against certain legal aspects of that judgement. Further assets may be recognised in the future should the defendants be unsuccessful in their appeal.

The Group's exposure in respect of these claims is disclosed in Notes 45 and 46.

OAO Sovcomflot

Notes to the Consolidated Financial Statements – 31 December 2012 (Continued)

6. Freight and Hire Revenue

	2012 $'000	2011 $'000
Freight	753,290	758,776
Hire	690,072	680,150
	1,443,362	1,438,926

7. Voyage Expenses and Commissions

	2012 $'000	2011 $'000
Bunkers	337,536	329,675
Port costs	135,021	145,663
Commissions	26,951	25,492
Other voyage costs	14,671	11,024
Release of onerous contract provision	(463)	(203)
	513,716	511,651

8. Vessels' Running Costs

	2012 $'000	2011 $'000
Crew costs	210,333	202,438
Technical costs	82,509	77,959
Insurance costs	28,797	29,630
Lubricating oils	14,456	13,554
Other costs	2,762	8,736
	338,857	332,317

9. Depreciation, Amortisation and Impairment

	2012 $'000	2011 $'000
Vessels' depreciation (Note 15)	241,012	223,726
Vessels' drydock cost amortisation (Note 15)	36,658	35,268
Vessels' impairment provision (Note 15 & 30)	22,732	7,602
Other depreciation (Note 17)	5,451	5,092
Intangible assets' amortisation (Note 20)	8,954	8,397
	314,807	280,085

10. General and Administrative Expenses

	2012 $'000	2011 $'000
Administration expenses	80,370	77,681
Non-income based taxes	16,358	13,473
Project related expenses	3,039	1,238
Bank charges and fees	963	733
	100,730	93,125

Administration expenses are analysed as follows:

	2012 $'000	2011 $'000
Overseas office costs and other general expenses	32,073	36,128
Head office costs	23,581	18,732
Russian office costs	18,729	18,245
Legal and professional	2,730	2,238
Audit and accountancy	3,257	2,338
	80,370	77,681

Non-income based taxes are analysed as follows:

	2012 $'000	2011 $'000
Russian Federation taxes		
- Irrecoverable value added tax	8,378	7,301
- Payroll taxes	4,384	2,914
- Property tax	141	160
Overseas taxes		
- Payroll taxes	2,108	2,053
- Tonnage Tax	1,347	1,045
Non-income based taxes	16,358	13,473

11. Net Other Operating Income

	2012 $'000	2011 $'000
Other operating revenues	95,454	52,423
Cost of sales		
- Wages and salaries	(6,054)	(8,963)
- Payroll taxes	(1,882)	(2,328)
- Hire of personnel from joint venture partner	(3,710)	(4,102)
- Other cost of sales	(60,045)	(21,919)
Administrative expenses	(5,188)	(5,396)
Other expenses	(1,511)	(447)
Investment property depreciation (Note 18)	(859)	(875)
Other operating expenses	(79,249)	(44,030)
Net other operating income	16,205	8,393

Net operating income comprise income from non-core non-vessel operating activities of the Group performed by subsidiaries of Novoship, income from the towing and installation operation described in Note 22, rental income derived from investment properties (Note 18) and income from the commercial and technical management of third party vessels performed by the Group.

12. Employee Costs

Employee costs recorded within Vessels' Running Costs, General and Administrative Expenses and Net Other Operating Income, are analysed as follows:

	2012 $'000	2011 $'000
Seafarers		
- Wages and salaries	160,378	152,857
- Payroll taxes	830	2,085
- Defined contribution pension plans	1,393	1,293
- Long-term service defined benefit plans	358	947
	162,959	157,182
Shore based staff		
- Wages and salaries	61,381	62,318
- Payroll taxes	8,927	7,883
- Defined contribution pension plans	1,539	1,600
- Long-term service defined benefit plans	(60)	233
	71,787	72,034
Total employee costs	234,746	229,216

The number of employees employed by the Company, its subsidiaries and joint ventures at 31 December 2012 was 5,437 (2011 – 5,255) comprising ships' crew of 3,973 (2011 – 3,753) and shore-based staff of 1,464 (2011 – 1,502).

Compensation of key management personnel

The remuneration of directors and other members of key management was as follows:

	2012 $'000	2011 $'000
- Short term benefits	7,628	7,038
- Post employment benefits	97	79
- Long term service benefits	20	75
	7,745	7,192

13. Interest Expense

	2012 $'000	2011 $'000
Secured bank loans	34,274	29,517
Interest rate swaps	51,418	54,831
Other loans	35,455	38,512
Finance lease liabilities	15,140	15,612
Effective interest	3,559	3,315
Other interest	539	330
	140,385	142,117

14. **Segment Information**

For management purposes, the Group is organised into business units based on the main types of activities and has five reportable operating segments as follows:

- Crude oil transportation. This segment transports mainly crude oil for the Group's customers worldwide. As of 31 December 2012 the Group's fleet in this segment consisted of 60 crude oil carriers (2011 – 58).
- Oil products transportation. This segment transports mainly refined petroleum and other oil products and chemicals for the Group's customers worldwide. As of 31 December 2012, the Group's fleet in this segment consisted of 61 petroleum product carriers, of which 9 are jointly owned with third parties (2011 – 62 vessels of which 4 were jointly owned with third parties and 4 were chartered-in), including 22 chemical and oil carriers (2011 – 23) and 3 asphalt and bitumen carriers (2011 – 3).
- Gas transportation. This segment primarily transports LNG and LPG. As of 31 December 2012 and 31 December 2011, this segment's fleet consisted of 6 LNG carriers, 4 of which are jointly owned with third parties, and 2 LPG carriers.
- Offshore development services. This segment contains the Group's shuttle tankers and specialised supply vessels. The Group's shuttle tankers provide dedicated services to transport oil from specific offshore facilities to customers' receiving terminals or onward shipment hubs. Supply vessels are likewise dedicated to providing supplies to these offshore facilities continuously. This segment also provides additional services to offshore development facilities, such as logistical support and the management of floating storage and offloading units ("FSOs"). As of 31 December 2012 and 31 December 2011, this segment's fleet consisted of 13 shuttle tankers and 2 ice breaking supply vessels. One supply vessel delivered by the shipyard in December 2012 (see Note 16) commenced operations in March 2013 and is therefore not included in the carrying amount of fleet in operation presented below.
- Other (<10% of revenue). This segment comprises multi-purpose and bulk cargo carriers, primarily for the transportation of coal, and seismic vessels. As of 31 December 2012, this segment's fleet consisted of 2 dry cargo carriers (2011 – 1) and 1 chartered in seismic vessel (2011 – 1). This segment also includes 1 supply vessel chartered in for the support of the seismic vessel (2011 – 1).

Management monitors the profit on vessels' trading of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However Group financing (including finance costs and finance income), general and administrative expenses and income taxes are managed on a Group basis and are not allocated to operating segments. No operating segments have been aggregated to form the above 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 December 2012

	Crude Oil	Oil Product	Gas	Offshore	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Freight and hire revenue	675,281	425,495	86,532	200,604	55,450	1,443,362
Voyage expenses and commissions	(316,242)	(179,185)	(402)	(9,730)	(8,157)	(513,716)
Time charter equivalent revenues	359,039	246,310	86,130	190,874	47,293	929,646
Direct operating expenses						
Vessels' running costs	(138,534)	(132,562)	(21,657)	(36,588)	(9,516)	(338,857)
Charter hire payments	-	(5,729)	-	-	(26,640)	(32,369)
Profit on vessels' trading	220,505	108,019	64,473	154,286	11,137	558,420
Vessels' depreciation	(105,221)	(71,450)	(14,843)	(48,402)	(1,096)	(241,012)
Vessels' drydock cost amortisation	(15,137)	(11,325)	(4,310)	(4,971)	(915)	(36,658)
Vessels' impairment provision	-	(22,732)	-	-	-	(22,732)
Intangible assets' amortisation	-	(557)	(8,397)	-	-	(8,954)
	100,147	1,955	36,923	100,913	9,126	249,064
Unallocated						
Other operating expenses						(106,858)
Profit from vessels' operations						142,206
Other expenses						(100,260)
Profit before income taxes						41,946
Carrying amount of fleet in operation	2,523,061	1,393,241	410,455	1,074,282	57,120	5,458,159
Carrying amount of non-current assets held for sale	-	17,824	-	-	-	17,824
Deadweight tonnage of fleet used in operations ('000)	7,487	2,599	282	1,186	148	11,702

14. **Segment Information (Continued)**

Period ended 31 December 2011 *

	Crude Oil $'000	Oil Product $'000	Gas $'000	Offshore $'000	Other $'000	Total $'000
Freight and hire revenue	702,091	439,885	87,680	190,201	19,069	1,438,926
Voyage expenses and commissions	(311,614)	(188,031)	(443)	(9,249)	(2,314)	(511,651)
Time charter equivalent revenues	390,477	251,854	87,237	180,952	16,755	927,275
Direct operating expenses						
Vessels' running costs	(137,226)	(130,895)	(20,800)	(35,010)	(8,386)	(332,317)
Charter hire payments	(17,112)	(11,458)	-	231	(10,010)	(38,349)
Profit on vessels' trading	236,139	109,501	66,437	146,173	(1,641)	556,609
Vessels' depreciation	(98,195)	(62,372)	(16,318)	(45,982)	(859)	(223,726)
Vessels' drydock cost amortisation	(14,626)	(10,675)	(4,886)	(4,232)	(849)	(35,268)
Vessels' impairment provision	-	(13,782)	-	-	-	(13,782)
Reversal of impairment provision of fleet	-	6,180	-	-	-	6,180
Intangible assets' amortisation	-	-	(8,397)	-	-	(8,397)
	123,318	28,852	36,836	95,959	(3,349)	281,616
Unallocated						
Other operating expenses						(100,927)
Profit from vessels' operations						180,689
Other expenses						(109,487)
Profit before income taxes						71,202
Carrying amount of fleet in operation	2,490,803	1,405,352	420,656	1,125,762	17,817	5,460,390
Carrying amount of non-current assets held for sale	-	9,800	-	-	-	9,800
Deadweight tonnage of fleet used in operations ('000)	7,243	2,635	282	1,186	73	11,419

* Certain comparatives have been restated as explained in Note 4(a).

15. **Fleet**

	Vessels $'000	Drydock $'000	Total Fleet $'000
Cost			
At 1 January 2011	6,259,803	150,750	6,410,553
Expenditure in period	2,933	23,460	26,393
Acquisitions in period	277,388	4,157	281,545
Transfer from vessels under construction (Note 16)	223,312	4,677	227,989
Derecognition of vessels under finance lease	(59,300)	-	(59,300)
Write-off of fully amortised drydock cost	-	(24,383)	(24,383)
At 31 December 2011	6,704,136	158,661	6,862,797
Expenditure in period	2,740	37,865	40,605
Acquired on acquisition of joint venture (Note 40)	68,418	1,280	69,698
Transfer from vessels under construction (Note 16)	322,190	6,258	328,448
Transfer to non-current assets held for sale (Note 30)	(37,396)	(2,378)	(39,774)
Disposals in period	(26,372)	(442)	(26,814)
Write-off of fully amortised drydock cost	-	(38,695)	(38,695)
At 31 December 2012	7,033,716	162,549	7,196,265
Depreciation and amortisation			
At 1 January 2011	1,111,873	68,907	1,180,780
Charge for the period	223,726	35,268	258,994
Impairment provision	9,701	-	9,701
Reversal of impairment provision of fleet	(6,180)	-	(6,180)
Derecognition of vessels under finance lease	(16,505)	-	(16,505)
Write-off of fully amortised drydock cost	-	(24,383)	(24,383)
At 31 December 2011	1,322,615	79,792	1,402,407
Charge for the period	241,012	36,658	277,670
Impairment provision	22,732	-	22,732
Transfer to non-current assets held for sale (Note 30)	(20,872)	(1,078)	(21,950)
Eliminated on disposal	(8,860)	(278)	(9,138)
Write-off of fully amortised drydock cost	-	(38,695)	(38,695)
At 31 December 2012	1,556,627	76,399	1,633,026
Net book value			
At 31 December 2012	5,477,089	86,150	5,563,239
At 31 December 2011	5,381,521	78,869	5,460,390
At 31 December 2010	5,147,930	81,843	5,229,773

	2012	2011	2010
Market value[1] ($'000)	4,563,822	5,050,570	5,304,625
Current insured values[1] ($'000)	6,671,960	6,364,170	5,902,206
Total deadweight tonnage[1] (dwt)	11,678,442	11,202,127	10,247,176

[1] Including Group's share in the joint ventures (Note 22).

Summary of fleet at period end:

Type of vessel	Number of vessels		Dwt'000		Carrying value $ million	
	2012	2011	2012	2011	2012	2011
Oil tankers	73	71	8,664	8,420	3,463	3,473
Product carriers [2]	58	57	2,575	2,422	1,393	1,405
LNG and LPG carriers [2]	8	8	282	282	410	421
Bulk carriers	2	1	144	69	57	18
Ice breaking supply vessels	3	2	13	9	240	143
	144	139	11,678	11,202	5,563	5,460
Vessels held for sale (Note 30)	3	1	24	40	18	10
	147	140	11,702	11,242	5,581	5,470

[2] Product carriers include nine oil product Panamax tankers (LR1 type) (2011 – four) and LNG and LPG carriers include four LNG carriers (2011 – four) owned by joint ventures (Note 22).

15. **Fleet (Continued)**

As at the period end management carried out an impairment review of the carrying amounts of the fleet, in accordance with the Group's policy (Note 4(t)), assessing whether the recoverable amount of the vessels is the higher of their market value as assessed by management at the period end and supported by independent professional valuations, and their value in use. On comparing the higher amount with the carrying value the review led to a recognition of an impairment provision of $22.7 million (2011 – impairment of $9.7 million and reversal of $6.2 million) which consists of $9.8 million of impairment provision based on independent professional valuations market value and $12.9 million based on value in use. The reversal of the impairment which had arisen during the period ended 31 December 2011 was primarily driven by a significant change in the manning arrangements of the vessels concerned which has the effect of significantly reducing the annual predicted running costs of these vessels.

Value in use calculations involve estimating the discounted future cash flows, which require judgements concerning long-term forecasts of future revenues and costs related to the vessels to be made by management as well as judgements about the discount rate used in the calculations. These forecasts are uncertain as they require assumptions to be made regarding demand for products and services, future market conditions and future technological developments. Value in use calculations are mainly sensitive to the freight rates and discount rates applied in the calculations. Significant and unanticipated changes in these assumptions could result in a material impairment provision in a future period.

The main assumptions used in performing the value in use calculations as at period end are as follows:

- Contracted hire rates, for vessels on time charter, until the expiry of the current agreements;
- Freight rate estimates in the years 2013 to 2015 based on Baltic Exchange Forward Freight Assessments for the relevant route that applies to each vessel, or where Baltic Exchange Forward Freight Assessments are not available for the relevant route, publically available market forecasts. These are adjusted for any premium/discount earned by each vessel on the relevant route compared to the historic average without any inflationary increase;
- Freight rate estimates after 2015 based on the historical ten year earnings averages for each type of vessel, obtained from independent brokers' research as adjusted for any premium/discount earned by each vessel on the relevant route compared to the historical average without any inflationary increase;
- Operating expenses based on the Group's operating budget approved by the Group for 2013 and increasing at a rate of 3% (2011 - 3%) per annum for the first five years thereafter (up to 2018);
- The technical element of the operating expenses increasing at a rate of 3% per annum from year six for the remaining useful economic life of the vessels reflecting increase in technical expenses due to the aging of the vessels;
- Discount rates between 6.04% to 7.68% pre-tax (2011 – 6.52% to 7.76% pre-tax), depending on the remaining useful economic life of each vessel and the area it trades; and
- Annual utilisation for each vessel of 363 days less any scheduled estimated drydocking period based on the Group's approved drydock plan and thereafter estimated at 28 days, based on historical performance and the expectations for future fleet utilisation.

The following sensitivity analysis has been performed by management as at 31 December 2012, all other things being equal:

- A decrease in projected freight rates of 10% over the remaining useful economic life of the vessels would result in an additional impairment provision to fleet of $32.5 million (2011 – $41.0 million comprising an additional impairment of $36.5 million and a decrease in the reversal of the impairment provision by $4.5 million); and
- An increase in the discount rate of 1% would result in an additional impairment provision to fleet of $10.2 million (2011 – $6.4 million comprising an additional impairment of $5.8 million and a decrease in the reversal of the impairment provision by $0.6 million).

As at 31 December 2012 management have reassessed the residual value of the fleet in accordance with the Group's accounting policy (see Note 4(p)). The effect of this change in estimate on the results for the period has been to increase the depreciation charge by $7.8 million (2011 – increase of $0.6 million).

Included in the Group's fleet are 4 vessels (2011 – 4) held under finance leases with an aggregate carrying value of $238.9 million (2011 – $247.5 million). The depreciation charge in the period in respect of these vessels amounted to $9.6 million (2011 – $9.3 million) (see also Note 37).

16. Vessels Under Construction

	2012 $'000	2011 $'000
Cost		
At 1 January	334,977	231,341
Acquired on acquisition of joint venture (Note 40)	17,050	-
Expenditure in period	423,742	331,625
Transfer to fleet (Note 15)	(328,448)	(227,989)
At 31 December	447,321	334,977
Total deadweight tonnage[1] (dwt)	1,378,950	1,651,840

[1] Includes Group's share in joint ventures in 2011 (Note 22).

Vessels under construction at 1 January 2012 comprised two crude oil Aframax tankers, four Panamax bulk carriers (two of which were converted into LPG carriers in January 2012), two Multifunctional ice breaking vessels, two Very Large Crude Carriers ("VLCC"), two oil product Aframax tankers (LR2 type), one oil product Panamax tanker (LR1 type) which is jointly owned with third parties and two LNG carriers scheduled for delivery between January 2012 and May 2014 at a total contracted cost to the Group of $1,271.1 million.

In February 2012 the Group acquired through the acquisition of a joint venture the contract for the construction of an oil product Panamax tanker (LR1 type) delivered in March 2012 (see also Notes 22 and 40).

In February 2012 the Group signed agreements for the construction of two LNG carriers at a total contracted cost of $398.4 million.

Vessels delivered during the period comprised the following:

Vessel Name	Vessel Type	Segment	DWT	Delivery Date
SCF Progress[2]	Panamax tanker (LR1)	Oil Product	74,588	18 January 2012
SCF Prudencia[2]	Panamax tanker (LR1)	Oil Product	74,565	12 March 2012
Nikolay Zuyev	Aframax tanker	Crude Oil	122,039	31 May 2012
Georgy Maslov	Aframax tanker	Crude Oil	122,018	18 September 2012
NS Energy	Panamax bulk carrier	Other	74,518	19 November 2012
Vitus Bering	Multifunctional ice breaking vessel	Offshore	4,158	21 December 2012

[2] Vessels jointly owned by joint ventures (see Note 22).

Vessels under construction at 31 December 2012 comprised one Multifunctional ice breaking vessel, two VLCCs, two oil product Aframax tankers (LR2 type), one Panamax bulk carrier, two LPG carriers and four LNG carriers scheduled for delivery between January 2013 and October 2014 at a total contracted cost to the Group of $1,375.9 million (see also Note 47). As at 31 December 2012, $423.9 million of the contracted costs had been paid for (see Note 43(d)).

In accordance with the terms of the shipbuilding contracts, in the event of termination of the new building contracts due to the Group's default, the shipyard has the right to retain all instalments paid up to the date of termination, in order to recover their losses and damages, as well as to retain the full benefit and property of the vessel constructed. Any proceeds from the sale of the vessel by the shipyard after satisfaction of the shipyard's losses, damages and costs of sale shall belong to the Group.

Included in expenditure in the period is an amount of $13.9 million (2011 – $6.9 million) representing interest capitalised during the period in accordance with the Group's accounting policy concerning borrowing costs (Note 4(m)) at a weighted average interest rate of 3.9% per annum (2011 – 4.3% per annum).

The following sensitivity analysis has been performed by management as at 31 December 2012 as part of its impairment review of these assets, all other things being equal:

- A decrease in projected freight rates of 10% over the useful economic life of the vessels under construction after scheduled delivery from the shipyards would result in an impairment provision of $16.6 million (2011 – nil); and
- An increase in the discount rate of 1% would result in an impairment provision of $6.6 million (2011 – nil).

17. **Other Fixed Assets**

	Land and buildings $'000	Miscellaneous $'000	Total $'000
Cost			
At 1 January 2011	54,089	54,689	108,778
Additions	11,206	4,881	16,087
Transfers	10,122	(10,122)	-
Transfer from other fixed assets under construction (Note 19)	909	483	1,392
Disposals	(2,226)	(1,485)	(3,711)
Exchange adjustment	(1,785)	(1,380)	(3,165)
At 31 December 2011	72,315	47,066	119,381
Additions	6,949	7,026	13,975
Transfer from other fixed assets under construction (Note 19)	378	191	569
Disposals	(4,007)	(2,757)	(6,764)
Exchange adjustment	1,888	1,587	3,475
At 31 December 2012	77,523	53,113	130,636
Depreciation			
At 1 January 2011	24,806	28,823	53,629
Charge for the period	1,077	4,015	5,092
Disposals	(1,819)	(1,091)	(2,910)
Exchange adjustment	(1,001)	(809)	(1,810)
At 31 December 2011	23,063	30,938	54,001
Charge for the period	895	4,556	5,451
Disposals	(3,540)	(2,178)	(5,718)
Exchange adjustment	1,125	1,001	2,126
At 31 December 2012	21,543	34,317	55,860
Net book value			
At 31 December 2012	55,980	18,796	74,776
At 31 December 2011	49,252	16,128	65,380
At 31 December 2010	29,283	25,866	55,149

Buildings comprise offices in Moscow, St. Petersburg, Novorossiysk and Limassol. Included in land and buildings is an amount of $32.0 million (2011 – $20.4 million) relating to construction work made to premises in St. Petersburg. Expenses incurred in relation to the construction work up to 31 December 2010 were transferred from miscellaneous other fixed assets to land and buildings following the acquisition and eventual transfer of the preserved office building, including the land the building is built on, from the Property Fund of St. Petersburg, a Russian Governmental body, in January 2011.

During the period the Group disposed of a number of other fixed assets, realising a profit on disposal of $3.7 million (2011 – profit $9.3 million).

Miscellaneous other fixed assets comprise office equipment, motor vehicles, fixtures and fittings and leasehold improvements of leased premises in Moscow, Madrid and London.

18. **Investment Property**

	2012 $'000	2011 $'000
Cost		
At 1 January	21,976	22,522
Disposals	(2,524)	(180)
Exchange adjustment	237	(366)
At 31 December	19,689	21,976
Depreciation		
At 1 January	17,411	17,035
Charge for the period (Note 11)	859	875
Disposals	(2,492)	(180)
Exchange adjustment	188	(319)
At 31 December	15,966	17,411
Net book value		
At 31 December	3,723	4,565
Rental income from investment property	2,933	2,986
Direct operating expenses of investment property	1,062	1,023

Investment property comprises buildings in Moscow and Novorossiysk with a market value, based on valuations performed by independent qualified valuers as at 31 December 2012 of $23.4 million (2011 – $25.1 million). The land on which the Moscow building is built is leased for a period of 49 years from August 1994.

19. Other Fixed Assets Under Construction

	2012 $'000	2011 $'000
At 1 January	9,866	7,292
Expenditure in the period	14,108	5,714
Transfer to other fixed assets (Note 17)	(569)	(1,392)
Disposals	(1,035)	(671)
Exchange adjustment	884	(1,077)
At 31 December	23,254	9,866

Other fixed assets under construction primarily consist of costs incurred and capitalised in relation to a contract with the Federal Corporation "Olympstroy" to construct and develop facilities of the port of Sochi, including, amongst others, a yacht marina and related onshore infrastructure, in connection with the preparation for the Olympic sites for the 2014 Winter Olympic Games in Sochi (see also Note 48).

20. Intangible Assets

	2012 $'000	2011 $'000	2010 $'000
(a) Customer relations	4,519	-	-
(b) Fair value of time charter agreements acquired	-	7,346	14,020
(c) Fair value of time charter agreements acquired on acquisition of joint ventures	4,616	4,927	5,236
	9,135	12,273	19,256

(a) Customer relations

	2012 $'000	2011 $'000
Arising on acquisition of joint venture (Note 40)	5,076	-
Amortisation for the period	(557)	-
At 31 December	4,519	-

The customer relationship included in intangible assets has arisen on the acquisition of 51% of a joint venture entity Magenta Inc. ("Magenta") on 10 February 2012 (see also Note 22 and 40). The relationship which has been assigned a fair value on acquisition is with the joint venture partner who under the joint venture arrangements has responsibility for commercial management of the vessels within the joint venture. Customer relations are amortised over a period of 15 years from the date of built of the vessels, which reflects the minimum period for which joint venture is expected to operate and also represents the period over which the vessels are expected to be commercially employed by the joint venture.

(b) Time charters acquired

During 2006 the Group acquired two 70,000 CBM LNG Carriers, the "SCF Polar" and the "SCF Arctic" together with the time charters attached to each vessel.

The movements in the carrying values of the time charter agreements referred to above are presented as follows:

	2012 $'000	2011 $'000
At 1 January	7,346	14,020
Effective interest for the period	740	1,414
Amortisation for the period	(8,086)	(8,088)
At 31 December	-	7,346

(c) Time charters acquired on acquisition of additional shareholdings in joint ventures

On 30 November 2009, the Group acquired from Nippon Yusen Kabushiki Kaisha ("NYK") an additional 10% shareholding in NYK-SCF LNG Shipping No.1 Limited and in NYK-SCF LNG Shipping No.2 Limited together with the time charters attached to each vessel.

The movements in the carrying values of the time charter agreements are presented as follows:

	2012 $'000	2011 $'000
At 1 January	4,927	5,236
Amortisation for the period	(311)	(309)
At 31 December	4,616	4,927

21. Investments

	2012 $'000	2011 $'000	2010 $'000
Investments in associates	1,187	1,273	1,464
Available-for-sale investments	1,380	1,381	1,646
Non-current asset investments	2,567	2,654	3,110
Current asset investments	-	-	647
Total investments	2,567	2,654	3,757

Current asset investments comprised:

	2012 $'000	2011 $'000	2010 $'000
Short-term bank deposits held to maturity	-	-	144
Russian state bonds	-	-	503
	-	-	647

Investments in associates are analysed as follows:

	2012 $'000	2011 $'000
At 1 January	1,273	1,464
Gain from the reversal of losses previously recognised	16,590	-
Loss from the reversal of other comprehensive income previously recognised	(782)	-
Share of profits / (losses) in associates	30	(10,873)
Share of associates' other comprehensive income	15	1,149
Disposal of inactive associate	(162)	-
(Release of provision) / provision for share in net liabilities of associate	(15,808)	9,909
Currency retranslation difference	31	(376)
At 31 December	1,187	1,273

During the period ended 31 December 2012, following a detailed assessment of the facts and circumstances that previously resulted in the Group providing against the losses of an associate, JSC Rosnefteflot, management concluded that it no longer has a constructive obligation to that associate. Consequently any previously recognised provisions for the Group's share of losses and movements in other comprehensive income of the associate totalling $15.8 million have been reversed in the line items in which they had been recognised in prior periods. This resulted in recognition of a gain of $16.6 million in the income statement and a loss in other comprehensive income of $0.8 million reversing the provision included in Trade and other payables under other payable in Note 35 in 2011 and 2010.

At 31 December 2012 and 31 December 2011, the Group had participating interests in the following active associates:

Name of entity	Holding	Country of Incorporation	Principal Activity
JSC Rosnefteflot	49%	Russia	Ship Management and port fleet operator
JSC Port Prigorodnoye	50%	Russia	Port operations and port coordination activities
Chart Pilot LLC	20%	Russia	Production and distribution of navigation equipment

Summarised financial information in respect of the Group's associates is set out below:

	2012 $'000	2011 $'000
Total assets	131,377	105,366
Total liabilities	(160,483)	(134,248)
Net liabilities	(29,106)	(28,882)
Group's share of associates' net assets / (liabilities)	734	(15,007)
Revenues	64,373	61,844
Profits / (losses) for the period	1,834	(21,913)
Group's share of associates' profits / (losses) for the period	30	(10,873)

22. Joint Ventures

The Group assesses whether an interest in an entity is considered to be an interest in a jointly controlled entity according to the terms of the share purchase and other agreements between the parties. Voting rights and distribution rights are taken into account in conjunction with the percentage of ownership.

As at period end, the Group has interests in the following active jointly controlled entities:

	Percentage holding		
Name of entity	2012	2011	2010
LNG East-West Shipping Company (Singapore) Pte Limited	37.5%	37.5%	37.5%
LNG North-South Shipping Company (Singapore) Pte Limited	50.0%	50.0%	50.0%
NYK-SCF LNG Shipping No.1 Limited	50.0%	50.0%	50.0%
NYK-SCF LNG Shipping No.2 Limited	50.0%	50.0%	50.0%
Eastern Supply Vessels Limited [1]	50.0%	50.0%	50.0%
SSV Sakhalin Offshore Ltd [1]	50.0%	50.0%	50.0%
SCF Swire Offshore Pte Ltd [1]	50.0%	50.0%	50.0%
Anubis Shipholding Limited [2]	51.0%	51.0%	51.0%
Gorey Shipping Limited [2]	51.0%	51.0%	51.0%
Plemont Shipping Limited [2]	51.0%	51.0%	51.0%
Rozel Shipping Limited [2]	51.0%	51.0%	51.0%
Sorel Shipping Limited [2]	51.0%	51.0%	51.0%
SCF ST Product Tankers Limited [2]	51.0%	51.0%	51.0%
JV VOSCF	50.0%	50.0%	50.0%
Magenta Inc.[2]	51.0%	-	-

[1] Effective ownership 33.3%
[2] All key business decisions require joint approval by the shareholders

22. Joint Ventures (Continued)

In November 2010 a subsidiary of the Group entered into joint venture arrangements with a subsidiary of Glencore International AG ("Glencore") for the acquisition and commercial management of five oil product Panamax tankers (LR1 type). On 16 November 2010 the Group, through one of the joint venture companies, took delivery of the first product tanker. In December 2010 four of the joint venture companies acquired the contracts for the construction of four oil product Panamax tankers (LR1 type). During 2011 the Group took delivery of three of the above four oil product Panamax tankers (see also Note 15). The last of series was delivered to the Group on 18 January 2012.

On 10 February 2012 the Group extended its cooperation with Glencore by entering into a second joint venture arrangement with a subsidiary of Glencore whereby the Group acquired through Magenta Inc. ("Magenta"), a holding company specifically set up for the arrangement, 51% of four oil product Panamax tanker (LR1 type) vessel owning companies. Three of the vessels had been delivered to the owning companies in 2011. The last of the vessels was delivered to her shipowning company on 12 March 2012 (see also Notes 15 and 40).

In addition in December 2010, the Group set up, with a third party, a joint venture entity, JV VOSCF, to perform the towing and installation operations of the Gravity Based Structure of a drilling rig of Arkutun Dagi (Sakhalin I) project, in the Far East of Russia, which was completed in September 2012.

The Group's share of the assets and liabilities as at the period end and of revenues, expenses and cash flows of the joint ventures during the period which are proportionately consolidated in the financial statements, are as follows:

	2012 $'000	2011 $'000	2010 $'000
Statement of Financial Position			
Non-current assets	532,714	437,293	372,328
Current assets	52,186	43,365	31,927
Non-current liabilities	421,361	373,116	282,052
Current liabilities	52,227	43,822	83,179
Income Statement			
Revenues	108,032	80,379	41,808
Expenses	82,815	61,529	35,321

Statement of Cash Flows	2012 $'000	2011 $'000	2010 $'000
Cash flows from operating activities	53,762	43,591	32,567
Cash flows used in investing activities	(12,165)	(33,895)	(93,630)
Cash flows (used in) / from financing activities	(33,108)	(1,938)	39,438

23. Finance Lease Receivables

	2012 $'000	2011 $'000	2010 $'000
At 1 January	94,859	95,041	70,478
Transfer from vessels under construction	-	-	19,035
Finance lease interest receivable	14,203	14,373	12,002
Finance lease instalments received	(16,801)	(14,555)	(6,474)
At 31 December	92,261	94,859	95,041
Less current finance lease receivables	(3,124)	(2,697)	(182)
Non-current finance lease receivables	89,137	92,162	94,859

The minimum lease instalments and their corresponding present value is analysed as follows:

	Minimum lease instalments		Present value of minimum lease instalments	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Within one year	16,755	16,801	3,124	2,697
After one year but not more than five years	67,067	67,067	18,328	15,774
More than five years	113,267	130,022	70,809	76,388
	197,089	213,890	92,261	94,859
Less unearned income	(104,828)	(119,031)	-	-
Present value of minimum lease instalments	92,261	94,859	92,261	94,859

Finance lease receivables comprise nine Escort tugs chartered out on fifteen year bareboat charters to JSC Rosnefteflot (a Group associate), (see also Note 21), commencing on delivery of the tugs by the shipyards, at effective interest rates ranging from 11.96% to 18.39% per annum.

The charter hires are payable monthly in arrears at daily rates ranging from $3,411 to $7,083 (2011 – $60 to $7,083) through to expiration of the charters. The charterer has the option to acquire the tugs on any hire payment date through to the expiration of the charter, provided that the charterer has fulfilled all obligations under the bareboat charter agreements, at predetermined prices. Upon expiration of the charters in fifteen years from the commencement date, legal ownership of the tugs will be transferred to the charterer at a nominal amount.

Amounts invoiced but outstanding as at the period end are disclosed separately under trade and other receivables in Note 28.

24. Derivative Financial Instruments

	2012 $'000	2011 $'000	2010 $'000
(a) Hedging instruments	152,583	153,218	107,017
(b) Classified at fair value through profit or loss	21,392	34,871	43,437
Net liabilities	173,975	188,089	150,454

The use of financial derivatives is governed by the Group's policies approved by the executive board, which provide principles on the use of financial derivatives consistent with the Group's risk management strategy.

(a) Hedging instruments

	2012 $'000	2011 $'000
At 1 January	153,218	107,017
Acquired on acquisition of joint venture (Note 40)	606	-
Recycled during the period and credited to the income statement	(32,073)	(30,709)
Fair value movement during the period shown in other comprehensive income	30,677	75,398
Fair value movement during the period debited to the income statement	155	1,512
At 31 December	152,583	153,218

The Group entered into interest rate swap agreements to hedge the future cash outflows of interest payable on secured loans against LIBOR rate fluctuations. As of 31 December 2012 the Group had the following interest rate swap agreements amortising in accordance with the initial repayment schedules of the relevant loans at fixed rates compared to US Dollar three or six month LIBOR as follows:

Type of instrument	Notional amount 2012 $'000	Notional amount 2011 $'000	Fixed interest rate	Expiry date
Swap	46,500	52,500	1.59%	24 August 2015
Swap	43,400	49,000	2.02%	22 July 2017
Swap	27,720	29,700	4.47%	12 December 2016
Swap	327,525	351,675	5.76%	1 March 2021
Swap[1,2]	55,870	58,445	5.06%	31 October 2019
Swap[1,2]	7,842	8,150	5.01%	31 October 2019
Swap[1,2]	58,645	61,283	5.07%	30 December 2019
Swap[1,2]	7,616	7,899	4.73%	4 January 2020
Swap[1,2]	23,327	23,916	5.42%	7 December 2020
Swap[1,2]	28,130	28,840	4.67%	7 December 2020
Swap[1,2]	37,517	39,094	4.92%	30 January 2021
Swap[1,2]	28,483	29,501	5.15%	30 January 2021
Swap[1,2]	12,049	12,941	2.80%	3 February 2021
Swap[1,2]	11,808	12,683	2.83%	25 February 2021
Swap[1,2]	11,808	12,683	2.76%	15 March 2021
Swap[1,2]	11,808	12,683	2.78%	1 April 2021
Swap[1,2]	13,076	-	2.08%	18 January 2016
Swap[1,2]	9,476	-	0.87%	18 July 2016
Swap[1,2]	9,246	-	0.89%	24 August 2016
Swap	80,000	-	1.63%	21 December 2024
	851,846	790,993		

[1] Represents the Group's share in the joint ventures (Note 22).

[2] Fiona has severally guaranteed to the hedging bank the performance of all the obligations and liabilities under the swap agreements limited to its percentage holding in the equity share capital of the joint venture companies.

(b) Classified at fair value through profit or loss

	2012 $'000	2011 $'000
At 1 January	34,871	43,437
Fair value movement during the period credited to the income statement	(13,479)	(8,566)
At 31 December	21,392	34,871

All derivative financial instruments classified at fair value through profit or loss at 31 December 2012 and 31 December 2011 are interest rate financial instruments and are recorded in the statement of financial position as current liabilities.

24. **Derivative Financial Instruments (Continued)**

(b) Classified at fair value through profit or loss (continued)

In addition to the interest rate swaps designated as hedging instruments, as at period end the Group had the following interest rate financial instruments:

Type of instrument	Notional amount 2012 $'000	Notional amount 2011 $'000	Fixed interest rate	Expiry date
Swaption				
IRS	-	50,000	4.59%	5 March 2012
IRS (IRS from 6 March 2012)	50,000	50,000	4.59%	6 March 2014
Swaption				
IRS	-	55,000	4.40%	22 May 2012
IRS (IRS from 22 May 2012)	55,000	55,000	4.40%	22 May 2014
Swaption				
IRS	-	50,000	4.17%	22 May 2012
IRS (IRS from 22 May 2012)	50,000	50,000	4.17%	22 May 2014
Collar, sold Cap and knock in				
IRS	50,000	50,000	3.50%	18 March 2013
Knock in floor	50,000	50,000	4.50%	17 March 2014
Sold Cap	50,000	50,000	5.00%	18 March 2013
Knock in floor				
Knock in floor	50,000	50,000	4.48%	1 April 2014
IRS				
IRS	50,000	50,000	3.80%	22 October 2013
Swaption				
IRS	-	50,000	4.00%	27 November 2012
IRS (IRS from 27 November 2012)	50,000	50,000	4.00%	27 November 2013
Swaption	50,000	50,000	4.00%	28 November 2014
IRS				
IRS	27,750	30,750	2.40%	29 November 2013
Collar and knock in / out				
Knock in floor	50,000	50,000	3.62%	25 February 2013
Knock out Cap	50,000	50,000	3.62%	25 February 2013

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

	2012 $'000	2011 $'000	2010 $'000
Non-current asset	108	-	1,542
Non-current liability	(119,401)	(120,826)	(77,253)
Current liability	(54,682)	(67,263)	(74,743)
	(173,975)	(188,089)	(150,454)

25. Income Taxes

	2012 $'000	2011 $'000
Russian Federation profit tax current year	9,525	19,492
Overseas income tax expense	2,147	1,642
Income tax expense	11,672	21,134
Deferred tax	(2,909)	(3,608)
Total income tax expense	8,763	17,526

Under the laws of the countries of incorporation and / or vessel registration, a limited number of vessel owning and operating subsidiaries are subject to tax on international shipping income. Management is of the opinion that the Group is fully compliant with the respective tax regime of the countries of incorporation of the vessel owning companies and / or vessel registration.

Russian Federation profits tax is payable in Roubles at an effective rate of 20% (2011 – 20%) on the profits arising on Russian operations, as adjusted for Russian fiscal purposes. Taxes are also payable on the results of the Group's overseas management, agency and broking subsidiaries, and towing operations. The liability to taxation of the other subsidiaries is insignificant.

The income tax expense for the period is reconciled to the expected tax expense based on the Russian Federation tax rate as follows:

	2012 $'000	2011 $'000
Profit before income taxes	41,946	71,202
Income tax using Russian Federation income tax rate of 20% (2011 – 20%)	8,389	14,240
Effect of tax on profits taxable under income tax in other jurisdictions	17,052	21,740
Effect of tax on profits taxable in other jurisdictions under tonnage tax regimes	(22,237)	(27,405)
Tax effect of intercompany dividends	4,415	5,313
Tax effect of intercompany fees	2,491	4,449
Tax effect of non-deductible expenses and non-taxable income	(595)	(3,929)
Difference in tax rate of dividends received	(11)	(113)
Tax on exchange gain on repatriation of investment	-	3,709
Tax arising from the utilisation of prior and current period unused tax losses	30	(451)
Tax overprovision related to previous years	(771)	(27)
Income tax expense	8,763	17,526

Deferred Tax

	Opening balance $'000	(Charged) / released to income $'000	Exchange differences $'000	Closing balance $'000
At 31 December 2012				
Deferred tax assets	5,164	(645)	212	4,731
Deferred tax liabilities	(7,318)	3,554	2	(3,762)
	(2,154)	2,909	214	969
At 31 December 2011				
Deferred tax assets	2,049	2,895	220	5,164
Deferred tax liabilities	(8,235)	713	204	(7,318)
	(6,186)	3,608	424	(2,154)

Deferred tax assets arise from the following:

	Opening balance $'000	(Charged) / released to income $'000	Exchange differences $'000	Closing balance $'000
At 31 December 2012				
Fleet	1,960	(475)	34	1,519
Other	27	22	(3)	46
Unused tax losses carried forward	1,047	(293)	56	810
Accounts payable	2,130	101	125	2,356
	5,164	(645)	212	4,731
At 31 December 2011				
Fleet	1,943	129	(112)	1,960
Pensions	94	(91)	(3)	-
Other	12	15	-	27
Unused tax losses carried forward	-	1,082	(35)	1,047
Accounts payable	-	1,760	370	2,130
	2,049	2,895	220	5,164

25. **Income Taxes (Continued)**

Deferred tax liabilities arise from the following:

	Opening balance $'000	(Charged) / released to income $'000	Exchange differences $'000	Closing balance $'000
At 31 December 2012				
Fleet	(3,903)	2,362	(18)	(1,559)
Drydock	(4)	(155)	-	(159)
Other fixed assets	(545)	118	-	(427)
Bank loans	(64)	16	-	(48)
Gains on disposal of assets reinvested	(909)	186	-	(723)
Other	(368)	273	95	-
Accounts receivable	(1,525)	754	(75)	(846)
	(7,318)	3,554	2	(3,762)
At 31 December 2011				
Fleet	(2,632)	(1,271)	-	(3,903)
Drydock	(13)	9	-	(4)
Other fixed assets	(666)	121	-	(545)
Bank loans	(64)	-	-	(64)
Provisions	(3,368)	3,263	105	-
Gains on disposal of assets reinvested	(1,168)	214	45	(909)
Other	(324)	(45)	1	(368)
Accounts receivable	-	(1,578)	53	(1,525)
	(8,235)	713	204	(7,318)

26. **Earnings per share**

	2012 $'000	2011 $'000
Net profit attributable to equity holders of the parent for basic earnings	32,628	52,256

	2012	2011
Weighted average number of ordinary shares for basic earnings per share	1,966,697,210	1,966,697,210
Basic earnings per share based on profit for the period attributable to holders of the parent	$0.017	$0.027

27. **Inventories**

	2012 $'000	2011 $'000	2010 $'000
Bunkers	48,881	52,159	31,118
Lubricants	17,596	17,669	15,169
Victualing and slopchest	1,801	1,762	1,577
Spare parts and consumables[1]	1,242	1,468	-
Other	2,489	3,259	3,161
	72,009	76,317	51,025

[1] Acquired from the owners on chartering in of seismic vessel Vyacheslav Tikhonov in 2011

The amounts expensed during the period are disclosed in Note 7, Voyage Expenses and Commissions, and Note 8, Vessels' Running Costs.

28. **Trade and Other Receivables**

	2012 $'000	2011* $'000	2010* $'000
Non-current assets			
Other receivables	9,621	10,004	2,491
Accrued income	-	23,521	13,417
	9,621	33,525	15,908
Current assets			
Amounts due from charterers	59,691	54,779	52,642
Allowance for credit losses	(5,435)	(4,975)	(2,782)
	54,256	49,804	49,860
Casualty and other claims	7,996	12,712	12,106
Agents' balances	14,271	14,459	12,040
Other receivables	27,264	21,673	22,769
Security deposits	33,103	31,279	34,633
Amounts due from lessee for finance leases (Note 23)	1,165	12,128	2,637
Receivables under High Court judgement award (Note 46)	9,321	2,000	55,675
Prepayments	18,688	13,201	8,250
Voyages in progress	19,512	23,126	15,671
Accrued income	33,814	38,721	8,940
	219,390	219,103	222,581

* Certain comparatives have been restated as explained in Note 4(a).

28. Trade and Other Receivables (Continued)

Amounts due from charterers represent amounts receivable from charterers of vessels owned or leased by the Group in respect of voyage charters, time charters, and contracts of affreightment.

Freight from voyage charters and contracts of affreightment is receivable upon discharge of the vessel and hire from time charters is receivable monthly in advance over the duration of the time charter voyage. Trade receivables are non-interest bearing. The estimated irrecoverable amounts due from charterers are provided for based on management's past experience.

The Group has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. As at 31 December 2012, $18.6 million (2011 – $15.0 million) of amounts due from charterers are neither past due nor impaired.

As at 31 December 2012, charterers with a carrying amount of $35.6 million (2011 – $34.8 million) are past due at the reporting date. The Group has not provided for these receivables as there has not been a significant change in credit quality and the amounts outstanding are still considered recoverable. The Group does not hold any collateral over these balances.

The ageing analysis of these receivables is as follows:

	2012 $'000	2011 $'000	2010 $'000
Up to one month	19,583	23,818	9,201
One to two months	9,308	4,290	3,017
Two to three months	3,545	1,529	1,565
Three to four months	400	1,240	2,101
More than four months	2,794	3,908	8,238
	35,630	34,785	24,122

Movement in the allowance for credit losses in respect of charterers balances:

	2012 $'000	2011 $'000	2010 $'000
At 1 January	4,975	2,782	3,041
Amounts written off during the period	(242)	(497)	(360)
Amounts recovered during the period and recognised in the income statement	(439)	(167)	(4)
Increase in allowance recognised in the income statement	1,129	2,859	138
Exchange adjustments	12	(2)	(33)
At 31 December	5,435	4,975	2,782

Security deposits comprised the following:

- an amount of $19.9 million (2011 – $18.1 million) representing securities placed to the Court's Funds Office to cover potential legal costs of the Defendants connected with the claims described in Note 46. An amount of $5.4 million has been released and returned to the Group in January 2013.
- an amount, including accrued interest, of $13.2 million (2011 – $13.1 million) held as security by the American Courts, in relation to the arrest of one of the Group's vessels in the United States (see also Note 45).

Amounts due from the associated company lessee for finance leases of $15.5 million (2011 – $10.8 million) were past due at the reporting date. A provision of $15.8 million was provided for against the overdue balances and current receivable as of 31 December 2012.

The voyages in progress contains residual prepaid and accrued income and costs relating to the Group's policy of applying a rateable approach to the recognition of voyage charter results at each period end.

Other non-current receivables include guarantee funds of $8.4 million including interest (2011 - $8.3 million) placed in escrow in relation to the chartering in of the seismic vessel Vyacheslav Tikhonov.

29. Cash and Bank Deposits

	2012 $'000	2011 $'000	2010 $'000
Cash and bank deposits	348,046	389,742	512,172
Bank deposits accessible on maturity	-	(932)	(6,562)
Retention accounts	(25,737)	(26,680)	(20,586)
Security deposits held as counter security for claims (Note 46)	(10,400)	(10,400)	(30,698)
Restricted deposits	(12,431)	(11,918)	(10,898)
Cash and cash equivalents	299,478	339,812	443,428

Retention accounts are bank accounts designated by the Group's lenders for the purposes of the secured bank loan agreements referred to in Note 36. These funds are accumulated to cover future loan principal and interest repayments. Restricted deposits represent additional security for the purposes of certain secured loan agreements.

Under the terms of the agreements, two subsidiaries of the Group have to maintain freely available bank balances and cash in the amount of not less than $35.0 million each. The amount of freely available bank balances and cash that had to be maintained under the terms of the agreements as at 31 December 2012 were $35.0 million (2011 – $35.0 million) and $35.0 million (2011 – $35.0 million) respectively.

In addition under the terms of the agreements, one of the two subsidiaries has to maintain minimum liquidity of not less than $50.0 million and at least 50% of the minimum liquidity has to be maintained in cash and cash equivalents. The amount of cash and cash equivalents that had to be maintained under the terms of the agreements as at 31 December 2012 was $82.8 million (2011 – $73.9 million).

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and in bank as stated above.

30. Non-Current Assets Held for Sale

	2012 $'000	2011 $'000
At 1 January	9,800	46,622
Expenditure in the period	-	1,231
Transfer from fleet (Note 15)	17,824	-
Impairment provision	-	(4,081)
Disposals	(9,800)	(33,972)
At 31 December	17,824	9,800
Current insured value ($000)	30,500	13,000
Total deadweight tonnage (dwt)	23,586	40,000

Prior to the period ended 31 December 2010 the Group had made a decision to sell three oil product Handymax tankers and three multi-purpose cargo vessels. These vessels were actively marketed for sale at a price approximate to their market values. These vessels had been classified as non-current assets held for sale as at 31 December 2010 and were presented separately in the statement of financial position. All three multi-purpose cargo vessels and two of the three oil product Handymax tankers were sold and delivered to their new owners in March 2011 and August 2011 respectively, realising a gain on disposal of $2.9 million. The last oil product Handymax tanker was sold in March 2012 and delivered on 23 April 2012 realising an insignificant loss on disposal.

Prior to the end of the reporting period ended 31 December 2012 the Group made a decision to sell one Asphalt chemical tanker and two Chemical oil product tankers. The vessels are actively marketed for sale at a price approximate to their fair value. All three vessels were classified as held for sale and presented separately in the statement of financial position at 31 December 2012. An agreement for the sale of one Chemical oil product tanker was signed prior to the end of the reporting period. The Chemical oil product tanker was delivered to her new owner on 22 January 2013 (see Note 48).

31. Share Capital

	2012 $'000	2011 $'000	2010 $'000
Authorised, issued and fully paid 1,966,697,210 shares of 1 Rouble each	405,012	405,012	405,012
Share premium arising from issue of shares in exchange for shares in JSC Novoship in 2007 (Note 42)	818,845	818,845	818,845

32. Group Reconstruction Reserve

	2012 $'000	2011 $'000	2010 $'000
Surplus arising on Group reconstruction in 2007	8,960	8,960	8,960
Shares issued by OAO Sovcomflot in exchange for shares in JSC Novoship in 2007 (Note 42)	(843,450)	(843,450)	(843,450)
	(834,490)	(834,490)	(834,490)

In 2007 the Federal Agency for Federal Property Management of the Russian Federation transferred its 50.34% shareholding (67.13% of the ordinary shares) in JSC Novoship, a company incorporated in the Russian Federation, to OAO Sovcomflot in exchange for 602,158,693 shares of the Company, at a price of 34.28 Roubles ($1.40071) per share (see also Note 31), thus uniting its interest in the two companies. As the Federal Agency ultimately controlled the two entities both before and after the group reconstruction, the acquisition of JSC Novoship has been accounted for on a pooling of interests basis.

33. Dividends

Dividends of Rouble 0.21 per share totalling Roubles 420.6 million (2011 - 0.51 Rouble per share totalling Roubles 1,000.0 million), equivalent to $12.8 million (2011 – $35.6 million) were declared on 30 June 2012 and paid on 22 August 2012.

34. Non-Controlling Interest

	Currency reserve $'000	Retained earnings $'000	Total $'000
At 1 January 2011	(325)	186,649	186,324
Total comprehensive income	(483)	1,420	937
Dividends	-	(963)	(963)
Repurchase of non-controlling own shares by JSC Novoship	71	(26,380)	(26,309)
At 31 December 2011	(737)	160,726	159,989
Total comprehensive income	628	555	1,183
Dividends	-	(2,165)	(2,165)
At 31 December 2012	(109)	159,116	159,007

35. Trade and Other Payables

	2012 $'000	2011* $'000	2010* $'000
Non-current liabilities			
Other payables	-	-	5,084
Current liabilities			
Trade payables	53,771	69,014	39,437
Other payables	33,083	51,014	46,699
Dividends payable	1,893	1,767	2,326
Accrued liabilities	80,552	67,874	57,712
Amount due to joint venturer	-	-	53,932
Deferred income	27,556	23,945	28,236
Accrued interest	18,397	17,608	17,849
	215,252	231,222	246,191

* Certain comparatives have been restated as explained in Note 4(a).

36. Secured Bank Loans

The balances of the loans at the period end, net of direct issue costs, which include the Group's share of loans of the joint ventures are summarised as follows:

	2012 $'000	2011 $'000	2010 $'000
Repayable			
- within twelve months after the end of the reporting period	296,733	258,776	173,231
- between one to two years	280,791	538,109	214,593
- between two to three years	371,915	169,390	246,976
- between three to four years	272,262	373,393	213,609
- between four to five years	219,339	112,415	296,095
- more than five years	915,273	710,116	731,506
	2,356,313	2,162,199	1,876,010
Less current portion (current liabilities)	(296,733)	(258,776)	(173,231)
Long-term balance (non-current liabilities)	2,059,580	1,903,423	1,702,779

The interest rates applicable for the secured bank loans during the period are as follows:

	Interest rate		Outstanding loans gross of financing costs		
Contractual interest rates	2012	2011	2012 $'000	2011 $'000	Maturity
Floating rate loans between 0.35%-3.00% per annum	Libor+1.05%[1]	Libor+0.91%[1]	2,255,978	2,031,834	Between April 2013 - December 2024
Fixed rate	4.75%	4.75%	27,600	32,400	July 2018
Fixed rate	5.19%	5.19%	35,801	41,642	July 2019
Fixed rate	5.50%[2]	5.50%[2]	55,331	66,558	July 2018
			2,374,710	2,172,434	

[1] Weighted average margin for the period

[2] In accordance with the loan agreement the secured bank loan is fixed at 4.75% per annum plus margins of 0.50% or 0.75% depending on the employment of the vessels mortgaged.

The Group has the option to repay in whole or any part of the loans on the last date of each monthly, quarterly or semi-annual interest period or such longer interest period as the lenders may agree.

As security for the loans, the lenders have first preferred mortgages on Group vessels with an aggregate carrying value at 31 December 2012 of $4,282.6 million (2011 – $3,999.0 million) together with assignments of charter hire monies and all earnings and insurances of those vessels, assignment of the newbuilding contracts reported in Note 16 and pledges of shares in certain of the vessel owning companies.

The Group is subject to a number of covenants in relation to its borrowing facilities which if breached could result in its loans becoming immediately repayable. As at the period end the Group was not in default of any of its bank loan covenants.

37. Finance Lease Liabilities

	2012 $'000	2011 $'000	2010 $'000
Repayable			
- within twelve months after the end of the reporting period	19,547	9,363	52,248
- after one year but not more than five years	202,141	47,998	47,232
- more than five years	-	173,690	183,819
	221,688	231,051	283,299
Less current portion (current liabilities)	(19,547)	(9,363)	(52,248)
Long-term balance (non-current liabilities)	202,141	221,688	231,051

The Group, through the acquisition of Marpetrol in 2006, acquired the obligations under two bareboat charter agreements entered into by Marpetrol on 16 February 2005 when it sold and leased back two of its vessels for an aggregate consideration of $26.0 million at an effective interest rate of 6.79% per annum.

The charter hires are payable monthly in advance at daily rates of $3,743, from inception through to year three, and $3,493 from year four through to year eight.

Both Marpetrol and the lessor had call and put options, respectively, requiring the lessor to sell the vessels to the Group or the Group to buy the vessels from the lessor. In November 2012 the lessor exercised the put option requiring Marpetrol to buy the vessels at a predetermined price of $7.25 million per vessel less a seller's credit of $1.75 million per vessel. Ownership of the vessels was transferred to Marpetrol in March 2013 concurrently with the final payment to the lessor.

In addition, during 2008 the Group entered into time charter agreements for the chartering in of two ice class Handymax Product tankers at daily charter hire rates of $25,000 payable monthly in advance, expiring in June 2010 and February 2011 with the option to acquire the vessels on expiry of the time charter agreements at predetermined prices. The effective interest rates implicit in these finance leases were 6.46% and 8.90% per annum respectively.

The Group did not exercise its option for either of the two vessels and consequently both the finance lease liability and the carrying value of the vessel were derecognised on expiry of each of the time charter agreements in June 2010 and February 2011 respectively.

On 7 September and 16 November 2010 the Group sold and leased back, under bareboat charter, two of its vessels, for an aggregate consideration of $230.0 million at effective interest rates of 6.52% per annum.

The charter hires are payable monthly in advance at monthly rates of $926,652 per vessel expiring in September and November 2017 respectively. On expiration of the bareboat charter agreements, the Group has an obligation to repurchase the vessels from the lessors for an aggregate consideration of $165.6 million. The Group has the right to re-purchase the vessels at any time during the bareboat charter period at predetermined prices.

38. Retirement Benefit Obligations

	2012 $'000	2011 $'000	2010 $'000
Long-term service retirement benefit plans	3,984	4,011	3,231
Less past service cost	(1,288)	(1,610)	(1,934)
	2,696	2,401	1,297
Post retirement pension benefit plans	5,199	5,596	6,943
Net liability	7,895	7,997	8,240

A subsidiary of the Group operates two defined benefit retirement plans, a post retirement pension benefit plan and a long-term service retirement benefit plan for its seafarers and shore based staff.

Post retirement service benefit plans stipulate payment of a fixed amount of monthly pension for all retired employees who have completed a specified period of service with the subsidiary. The pension is paid over the life of the pensioners. In addition, the subsidiary has a long-term service retirement benefit plan stipulating payment of a lump sum to employees who have completed a specified period of service upon their retirement. All defined benefit plans are unfunded. The plans do not have any assets.

Changes in the past service cost relating to long-term service retirement benefit plan are as follows:

	2012 $'000	2011 $'000	2010 $'000
At 1 January	1,610	1,934	2,337
Amortisation of past service costs	(322)	(324)	(403)
At 31 December	1,288	1,610	1,934

38. **Retirement Benefit Obligations (Continued)**

Changes in the present value of the defined obligations under post retirement benefit plans are as follows:

	2012 $'000	2011 $'000	2010 $'000	2009 $'000	2008 $'000
Defined benefit obligation at 1 January	5,596	6,943	4,289	4,491	2,066
Interest cost	475	524	326	382	134
Past service costs	-	-	1,895	-	-
Benefits paid	(781)	(777)	(879)	(658)	(780)
Exchange rate differences	317	(373)	(52)	(121)	(290)
Actuarial (gains) / losses on obligation	(408)	(721)	1,364	195	3,361
Defined benefit obligation at 31 December	5,199	5,596	6,943	4,289	4,491

Changes in the present value of the defined obligations under long-term service retirement benefit plans are as follows:

	2012 $'000	2011 $'000	2010 $'000	2009 $'000	2008 $'000
Defined benefit obligation at 1 January	4,011	3,231	3,345	4,046	2,278
Current service costs	173	217	154	154	122
Interest cost	157	145	162	240	148
Past service costs	-	-	-	-	2,805
Benefits paid	(209)	(155)	(487)	(135)	(416)
Exchange rate differences	48	(41)	(70)	(53)	(413)
Actuarial (gains) / losses on obligation	(196)	614	127	(907)	(478)
Defined benefit obligation at 31 December	3,984	4,011	3,231	3,345	4,046

The amounts recognised in the income statement during the period are as follows:

	Post retirement pension benefit plans		Long-term service retirement benefit plans		Total recognised in the income statement	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Current service cost	-	-	173	217	173	217
Interest cost	475	524	157	145	632	669
Past service cost	-	-	322	324	322	324
Actuarial (gains) / losses recognised in the period	(408)	(721)	(196)	614	(604)	(107)
Exchange rate differences	317	(373)	48	(41)	365	(414)
	384	(570)	504	1,259	888	689

The principal actuarial assumptions used in measurement of the defined benefit obligations at the end of the reporting period are as follows:

	2012	2011
Discount rate for cash flows in Russian Roubles	8.00%	8.00%
Discount rate for cash flows in US Dollars	1.76%	2.76%
Future salary increases in Russian Roubles	5.00%	6.00%
Future salary increases in US Dollars	-	2.00%
Future pension increases	-	1.50%
Life expectancy in years of a male pensioner retiring at the age of 60	14	14
Life expectancy in years of a female pensioner retiring at the age of 55	23	23

The Group expects to contribute $0.8 million (2011 - $1.0 million) to the defined benefit plans in the annual period beginning after the reporting period end. The experience adjustments on the plans liabilities during the period amounted to $0.1 million (2011 – $0.1 million).

39. Other Loans

	2012 $'000	2011 $'000	2010 $'000
5.375% Senior Notes	797,593	797,005	796,498

On 27 October 2010, the Group, through its subsidiary SCF Capital Limited, issued Senior Notes (the "Notes") of $800 million, redeemable at par value, maturing on 27 October 2017. The Notes are unsecured and guaranteed by Sovcomflot. The Notes are included above net of amortised financing costs. There are no equity conversion rights or options attached to the Notes.

Interest accrues at 5.375% from 27 October 2010 and is payable semi-annually in arrears on 27 April and 27 October of each year, commencing on 27 April 2011. Interest charged during the period amounted to $43.0 million (2011 – $43.0 million).

40. Acquisition of Joint Venture

On 10 February 2012 the Group acquired an interest in a joint venture arrangement with a subsidiary of Glencore whereby the Group acquired 51% of four oil product Panamax tanker (LR1 type) vessel owning companies (see Note 22). The Group regards the business combination as an acquisition and has applied the acquisition method of accounting. The fair values of the interest in the assets acquired and the liabilities acquired were as follows:

	Carrying value on acquisition $'000	Fair value adjustment $'000	Fair value on acquisition $'000
Assets			
Vessels	77,237	(12,728)	64,509
Fair value of time charters acquired attached to vessels	-	3,909	3,909
Total value of vessels (Note 15)	77,237	(8,819)	68,418
Drydock (Note 15)	1,280	-	1,280
Vessel under construction (Note 16)	21,581	(4,531)	17,050
Intangible – customer relations (Note 20(a))	-	5,076	5,076
Inventories	213	-	213
Cash and cash equivalents	1,140	-	1,140
Trade and other payables	(17,306)	-	(17,306)
Secured bank loans	(48,398)	-	(48,398)
Derivative financial instruments (Note 24(a))	(606)	-	(606)
	35,141	(8,274)	26,867
Goodwill arising on acquisition			-
Total purchase consideration			26,867
Net cash flow arising on acquisition			
Cash consideration paid			(26,867)
Cash and cash equivalents acquired			1,140
Net cash flow arising on acquisition			(25,727)

41. Cash Generated From Operations

	2012 $'000	2011 $'000
Profit for the period before income taxes	41,946	71,202
Share of (profits) / losses in associates	(16,620)	10,873
Allowance for credit losses on other operating activities	15,808	-
Depreciation and amortisation	314,807	280,085
Investment property depreciation	859	875
Loss / (gain) on sale of assets	6,722	(12,190)
Gain on disposal of other investments	(60)	(283)
Interest expenses and financing costs	143,445	146,517
Interest income	(22,304)	(22,027)
Gain on derivative financial instruments held for trading	(13,479)	(8,566)
Loss on ineffective hedging instruments	155	1,512
Loss on investments held for trading	-	3
Foreign exchange differences	2,505	1,086
Change in allowance for credit losses	677	2,710
Operating cash flows before movements in working capital	474,461	471,797
Decrease / (increase) in inventories	4,308	(25,292)
Decrease / (increase) in trade and other receivables	35,074	(23,350)
Decrease in trade and other payables	(28,900)	(20,426)
Cash generated from operations	484,943	402,729

42. Significant Subsidiary Companies

In addition to the joint ventures referred to in Note 22, at 31 December 2012, the Group had 123 single vessel owning and operating subsidiaries (2011 – 122) incorporated in Liberia, Malta, Cyprus, Russia, Spain and the Marshall Islands. The most significant subsidiaries of the Group comprised:

Name	Country of Incorporation	Percentage Holding	Principal Activity
JSC Novoship	Russia	89.32%	Shipowning and operating and ship management
Fiona Trust and Holding Corporation and its subsidiaries	Liberia	100%	Vessel owning and operation
Intrigue Shipping Inc. and its subsidiaries	Liberia	100%	Vessel owning and operation
Sovcomflot Bulk Shipping Inc. and its subsidiaries	Liberia	100%	Vessel owning and operation
SCF Marpetrol, S.A. and its subsidiaries	Spain	100%	Vessel owning and operation and ship management
Sovcomflot Varandey LLC	Russia	100%	Ship operation
Sovcomflot (UK) Ltd	UK	100%	Agency
Sovcomflot (Cyprus) Limited	Cyprus	100%	Accounting and financial consultancy
Unicom Management Services (Cyprus) Limited	Cyprus	100%	Ship management
Unicom Management Services (St. Petersburg) Ltd	Russia	100%	Ship management
SCF Unicom Singapore Pte Ltd	Singapore	100%	Ship management
SCF Capital Limited	Ireland	100%	Financing

On 5 December 2007 the Federal Agency for Federal Property Management of the Russian Federation transferred to Sovcomflot its 50.34% shareholding (67.13% of the ordinary shares) in Novoship, a company incorporated in the Russian Federation, in exchange for 602,158,693 shares of the company.

Following two mandatory public offers by Sovcomflot to the non-controlling ordinary shareholders of Novoship in 2008 and four repurchases of non-controlling ordinary and preference shares by Novoship, two in 2009 and two in 2010, the effective interest of Sovcomflot in Novoship increased from 50.34% to 87.62% as at 31 December 2010.

In March 2011 the Group launched a fifth buyback of Novoship ordinary and preference shares. The buyback was completed in May 2011. A total of 186,992 ordinary shares and 3,402,740 preference shares were transferred back to the company. These shares were cancelled on 9 September 2011. In addition, following an internal reorganisation of the Novoship Group, Novoship absorbed its subsidiary, JSC Novoshipinvest Plus, which held 20,898,606 ordinary shares in Novoship, on 21 June 2011. The shares acquired from the subsidiary were cancelled on 5 July 2011.

In November 2011 the Group launched a sixth buyback of Novoship ordinary and preference shares. The buyback was completed in December 2011. A total of 562,972 ordinary shares and 1,971,849 preference shares were effectively controlled by Novoship as at 31 December 2011 of which 152,611 preference shares were not formally registered in the name Novoship until January 2012. The liability to non-controlling shareholders arising due to the share buyback as at 31 December 2011 amounted to $3.1 million. This liability was settled in full in January 2012 and the shares were cancelled on 19 July 2012.

The share capital of Novoship comprises voting ordinary shares and non-voting preference shares. Ownership of the shares is analysed as follows:

	At 31 December 2012			At 31 December 2011		
	Ordinary shares	Preference shares	Total shares	Ordinary shares	Preference shares	Total shares
	%	%	%	%	%	%
Share capital composition	90.88	9.12	100.00	90.88	9.12	100.00
OAO Sovcomflot	98.28	-	89.32	98.09	-	88.61
Treasury shares held by JSC Novoship	-	-	-	0.20	6.41	0.79
Non-controlling shareholders	1.72	100.00	10.68	1.71	93.59	10.60
	100.00	100.00	100.00	100.00	100.00	100.00

Ordinary and preference shareholders of Novoship participate equally in the distribution of the net assets of the company on liquidation. Consequently Sovcomflot holds an effective interest in Novoship of 89.32% as at period end (2011 – 89.32%).

43. **Financial Risk Management**

(a) Capital management

The capital structure of the Group consists of net debt and equity. The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns to its shareholder and benefits for other stakeholders;
- to enhance the ability of the Group to invest in future projects by sustaining a strong financial position and high borrowings capacity;
- to provide an adequate return to its shareholder; and
- to maintain and improve the Group's credit rating.

The Group reviews its capital structure and the capital structure of its subsidiaries on a semi-annual basis. As part of this review, management makes adjustments to it in the light of changes in economic conditions and the risk characteristics relating to the Group's activities. In order to maintain or adjust its capital structure, the Group may repay existing secured term loans and revolving credit facilities, sell assets to reduce debt, inject additional capital into its subsidiaries or adjust the amount of dividends paid to its shareholder.

The Group monitors its capital structure on the basis of the net debt ratio and the net adjusted debt ratio both at Group and subsidiary level. The net debt ratio is calculated as net debt divided by net debt plus total equity ("total capital"). The net adjusted debt ratio is calculated as net debt divided by net debt plus total equity as adjusted for the excess or deficit of the market value of the fleet over/under its carrying amount as disclosed in Note 15 ("total adjusted capital"). Net debt is calculated as the total of secured bank loans, finance lease liabilities and, other loans disclosed in Notes 36, 37 and 39 of the financial statements respectively, less cash and bank deposits (Note 29). Total equity comprises all components of equity.

Certain of the Group's debt agreements, at subsidiary level, contain loan-to-value clauses, which could require the Group, at its option, to post additional collateral or prepay a portion of the outstanding borrowings should the value of the vessels securing borrowings under each of such agreements decrease below their current valuations. In addition, the financing agreements impose operating restrictions and establish minimum financial covenants, including limitations on the amount of total borrowings and secured debt and provide for acceleration of payment under certain circumstances, including failure to satisfy certain financial covenants. Failure to comply with any of the covenants in the financing agreements could also result in a default under those agreements and under other agreements containing cross-default provisions.

The Company undertakes certain transactions when necessary in order to increase the amount of the total equity at the sub-holding group level (Fiona Trust and Holding Corporation) which is a key input into loan covenant calculations for that sub-holding group. The Company undertook debt to equity conversions in December 2011, March 2012 and September 2012 and made March 2012 the legally effective date of the September 2012 conversion.

Management believes that such an approach provides an efficient capital structure and an appropriate level of financial flexibility. During 2012 the Group's overall strategy remained unchanged from 2011. The net debt ratio at 31 December 2012 and at 31 December 2011 and the net adjusted debt ratio of the Group were as follows:

	2012 $'000	2011 $'000
Secured bank loans (Note 36)	2,356,313	2,162,199
Finance lease liabilities (Note 37)	221,688	231,051
Other loans (Note 39)	797,593	797,005
Less: cash and bank deposits (Note 29)	(348,046)	(389,742)
Net debt	3,027,548	2,800,513
Total equity	3,110,344	3,085,172
Total capital	6,137,892	5,885,685
Net debt ratio	49.3%	47.6%
Total capital	6,137,892	5,885,685
Deficit of market value of fleet over carrying value	(999,417)	(409,820)
Total adjusted capital	5,138,475	5,475,865
Net adjusted debt ratio	58.9%	51.1%

(b) Categories of financial instruments

	2012 $'000	2011 $'000
Financial assets		
Hedging instruments (Note 24)	108	-
Cash and bank deposits (Note 29)	348,046	389,742
Investments in associates (Note 21)	1,187	1,273
Available-for-sale investments (Note 21)	1,380	1,381
Loans and other receivables	186,095	214,909
Finance lease receivables (Note 23)	92,261	94,859
Total financial assets	629,077	702,164
Financial liabilities		
Hedging instruments (Note 24)	152,691	153,218
Financial liabilities at fair value through profit or loss (Note 24)	21,392	34,871
Secured bank loans (Note 36)	2,356,313	2,162,199
Finance lease liabilities (Note 37)	221,688	231,051
Other loans (Note 39)	797,593	797,005
Financial liabilities measured at amortised cost	182,928	204,560
Total financial liabilities	3,732,605	3,582,904

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

(c) Fair value of financial instruments

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.

	Carrying Value		Fair Value	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Financial assets				
Derivative financial instruments	108	-	108	-
Cash and bank deposits	348,046	389,742	348,046	389,742
Investments	2,567	2,654	2,567	2,654
Loans and receivables	278,356	309,768	278,356	309,768
Total financial assets	629,077	702,164	629,077	702,164
Financial liabilities				
Derivative financial instruments	174,083	188,089	174,083	188,089
Financial liabilities measured at amortised cost	182,928	204,560	182,928	204,560
Borrowings at fixed interest rates	118,487	140,276	117,193	138,739
Borrowings at floating interest rates	2,237,826	2,021,923	2,094,655	1,892,568
Unsecured loan	797,593	797,005	826,480	696,000
Finance lease liabilities	221,688	231,051	184,092	188,514
Total financial liabilities	3,732,605	3,582,904	3,579,431	3,308,470

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 31 December 2012 and 31 December 2011 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 is observable.

- Level 1: fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

At 31 December 2012

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Financial assets				
Derivative financial instruments classified at fair value through profit or loss	-	-	-	-
Derivative financial instruments in designated hedge accounting relationships	-	108	-	108
	-	108	-	108

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Financial liabilities				
Derivative financial instruments classified at fair value through profit or loss	-	21,392	-	21,392
Derivative financial instruments in designated hedge accounting relationships	-	152,691	-	152,691
	-	174,083	-	174,083

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

(c) Fair value of financial instruments (continued)

At 31 December 2011

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Derivative financial instruments classified at fair value through profit or loss	-	-	-	-
Derivative financial instruments in designated hedge accounting relationships	-	-	-	-
	-	-	-	-

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial liabilities				
Derivative financial instruments classified at fair value through profit or loss	-	34,871	-	34,871
Derivative financial instruments in designated hedge accounting relationships	-	153,218	-	153,218
	-	188,089	-	188,089

There were no transfers between Level 1 and 2 during the periods ended 31 December 2012 and 31 December 2011.

(d) Financial risk factors

The Group's operations expose it to a number of risk factors including market risk (foreign currency risk, cash flow interest rate risk and spot market rate risk), credit risk and liquidity risk. The Group seeks to minimise potential adverse effects on the Group's financial performance by employing a sufficiently robust risk financial strategy to withstand prolonged adverse conditions in significant risk factors such as down-cycles in freight rates or unfavourable conditions in the financial markets.

The Group's results and cash flows are influenced by the success of the Group in managing these risk factors as detailed below.

Market risk

Foreign currency risk

The Group's economic environment is the international shipping market. This market utilises the U.S. Dollar as its functional currency. The majority of the Group's revenues and most of the operating expenses are in U.S. Dollars. Exposure to transaction risk arises because certain voyage expenses, vessel operating expenses, drydocking and overhead costs are denominated in currencies other than the U.S. Dollar, the most significant of which are the Euro, the Russian Rouble and the Sterling Pound. The Group utilises its revenues in Euros and Russian Roubles to mitigate its exposure to foreign currency risk fluctuations.

The Group has certain investments in foreign operations whose net assets are exposed to foreign currency translation risk. There is a risk that currency exposure arising from the net assets of the Group's foreign operations will have a negative effect on the Group's cash flows. The Group has not entered into any forward contracts to hedge against this translation risk as the exposure is insignificant.

The carrying amounts of the Group's most significant foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Euro (EUR)	18,072	22,927	43,783	35,123
Russian Roubles (RUR)	23,992	28,345	28,289	23,712
Sterling Pounds (GBP)	18,385	12,820	22,268	22,746
Others	3,097	2,178	4,967	2,923

Had the foreign exchange rate between the U.S. Dollar and the above currencies at 31 December increased by 10% (2011 - 10%) with all other variables held constant, the effect would be to decrease the monetary liabilities / assets, with a corresponding increase / decrease in profit as shown below.

	Liabilities		Assets	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Euro (EUR)	1,643	2,084	3,980	3,193
Russian Roubles (RUR)	2,181	2,577	2,571	2,156
Sterling Pounds (GBP)	1,671	1,165	2,025	2,068
Others	282	198	450	266

Had the foreign exchange rate between the U.S. Dollar and the above currencies at 31 December decreased by 10% (2011 - 10%) with all other variables held constant, the effect would be to increase the monetary liabilities / assets, with a corresponding increase / decrease in profit as shown below.

	Liabilities		Assets	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Euro (EUR)	2,008	2,547	4,865	3,903
Russian Roubles (RUR)	2,666	3,149	3,143	2,635
Sterling Pounds (GBP)	2,043	1,424	2,474	2,527
Others	344	242	551	325

Any percentage increase or decrease of the foreign exchange rate between the U. S. Dollars and the Group's significant currencies will have a proportionate effect on the foreign currency sensitivity analyses presented above.

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

(d) Financial risk factors (continued)

Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk as it borrows funds at floating interest rates. During 2012 and 2011 all of the Group's borrowings were denominated in U.S. Dollars.

The Group evaluates its interest rate exposure and hedging activities on a regular basis and acts accordingly in order to align with the defined risk limits set by the executive board. To ensure optimal hedging strategies various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and financial hedging instruments.

The Group manages its cash flow interest rate risk by the use of floating to fixed interest rate swaps. Such financial instruments have the economic benefit of converting borrowings issued at variable rates to fixed interest rates. The Group's hedging instruments as at the reporting date are detailed in Note 24 of these financial statements.

The sensitivity analyses below have been determined based on the net exposure of interest bearing borrowings. The net exposure of the Group to interest rate fluctuations as at period end was as follows:

	2012 $'000	2011 $'000
Total floating rate borrowings (gross of direct issue costs)	2,255,978	2,031,834
Notional amount of floating to fixed rate swaps qualifying under IAS 32 / IAS39 (Note 24(a))	(851,846)	(790,993)
Net exposure to interest fluctuations under IAS 32 / IAS 39	1,404,132	1,240,841
Less notional amount of interest rate financial instruments held for trading (Note 24(b))	(482,750)	(485,750)
Net exposure to interest rate fluctuations	921,382	755,091
% of floating rate borrowings exposed to interest rate fluctuations	40.84%	37.16%

If interest rates had been 100 basis points higher / lower and all other variables held constant, the Group's:

- other comprehensive income and profit or loss for the period would increase by approximately $58.0 million and $1.5 million / decrease by approximately $65.2 million and $1.5 million respectively (2011 – increase by approximately $53.9 million and $1.7 million / decrease by approximately $65.2 million and $1.8 million respectively) due to the change in the fair value of interest rate swaps designated as hedging instruments; and
- profit for the period ended 31 December 2012 would increase by approximately $5.0 million and decrease by approximately $2.1 million (2011 – increase by approximately $10.4 million and decrease by approximately by $5.9 million) due to the change in the fair value of the derivative financial instruments held for trading through profit or loss.

If interest rates had been 100 basis points higher / 25 basis points lower and all other variables held constant, the Group's:

- total interest payable, for the period ended 31 December 2012 would increase approximately by $10.5 million and decrease approximately by $2.6 million (2011 – increase by $5.9 million, decrease by $1.5 million), excluding any interest capitalised. This is mainly attributable to the exposure of the Group's floating rate borrowings not hedged.

The Group's sensitivity to interest rate net exposure has increased during the period primarily as a result of an increase in floating rate borrowings.

Spot market rate risk

The Group is exposed to spot market rate risk arising from the cyclical nature of the shipping industry that may lead to volatile changes in charter rates and vessel values that might adversely affect its position and financial performance. The Group is not engaged in any derivative forward freight agreements or futures. Exposure to spot market rate risk is managed by maintaining an optimal mix between vessels trading on time and voyage charters in accordance with the set policies of the Group. During the period, 60.39% (2011 – 59.86%) of the vessels' total trading days were on time charter representing 74.23% (2011 – 73.32%) of time charter equivalent revenues. As at 31 December 2012, 60.54% (2011 – 58.90%) of the vessels were on time charter.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. Credit risk arises from derivative financial instruments and deposits with financial institutions as well as exposure to charterers, including receivables and committed transactions.

In determining the recoverability of a charterer, the Group performs a risk analysis considering the credit quality of the charterer, the age of the outstanding amount and any past default experience. The concentration of credit risk is limited due to the customer base being large and unrelated. As at 31 December 2012, amounts due from charterers included one charterer (2011 – one) with a balance of freight and hire due representing 11.9% of total amounts due (2011 – 11.2%). Management believes that there is no further credit provision required in excess of the allowance for credit losses. In addition, no charterer individually represents more than 10% of total freight and hire revenue for the period ended 31 December 2012 and 31 December 2011.

Management is of the opinion that the credit risk on liquid funds and derivative financial instruments is limited as counterparties are banks with high credit-ratings assigned by credit rating agencies. Management continuously monitors the credit-rating of each of the counterparties and maintains the majority of its liquid funds with the Group's lenders which are investment grade financial institutions. Management also monitors the concentration of bank deposits and takes appropriate action to minimise exposure to any one bank. Cash and bank deposits include deposits with two banks (2011 – three) representing 21.92% and 14.96% (2011 – 14.36%, 12.77% and 10.92%) of total deposits of $346.1 million (2011 – $388.4 million).

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

(d) Financial risk factors (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset and arises because of the possibility that the Group could be required to pay its liabilities earlier than expected.

Management has built an appropriate liquidity risk assessment framework for the purposes of short, medium and long-term funding and liquidity management requirements. Due to the dynamic nature of the shipping industry, the Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve revolving credit facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Below is a table summarising additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

	Credit facilities $'000	Drawn down $'000	Available $'000
At 31 December 2012			
Secured bank loans	300,000	(124,820)	175,180
Secured revolving credit facilities	543,535	(303,660)	239,875
	843,535	(428,480)	415,055
At 31 December 2011			
Secured bank loans	17,308	(14,189)	3,119
Secured revolving credit facilities	1,019,730	(547,900)	471,830
	1,037,038	(562,089)	474,949

Availability of secured revolving credit facilities is subject to compliance with the relevant loan to value covenants of each of the facilities based on the market value of the vessels used as collateral. The following table details the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

At 31 December 2012	Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
Trade and other payables	164,531	-	-	164,531
Minimum lease payments under finance leases	33,659	248,999	-	282,658
Secured bank loans	300,454	1,155,115	919,141	2,374,710
Other loans	-	800,000	-	800,000
Interest payable on derivative instruments	48,774	104,125	50,005	202,904
Interest payable on secured loans	51,241	152,511	51,517	255,269
Interest payable on other loans	43,597	174,508	-	218,105
	642,256	2,635,258	1,020,663	4,298,177
At 31 December 2011				
Trade and other payables	183,871	-	-	183,871
Minimum lease payments under finance leases	24,783	100,378	182,280	307,441
Secured bank loans	260,672	1,199,042	712,720	2,172,434
Other loans	-	-	800,000	800,000
Interest payable on derivative instruments	52,029	122,072	64,822	238,923
Interest payable on secured loans	33,551	95,484	37,390	166,425
Interest payable on other loans	43,717	174,508	43,597	261,822
	598,623	1,691,484	1,840,809	4,130,916

The payment of the Group's contractual commitments under its newbuilding programme referred to in Note 16, and in respect of the construction and development facilities of the port of Sochi, in connection with the preparation for the Olympic sites for the 2014 Winter Olympic Games in Sochi, is summarised as follows:

At 31 December 2012	Less than 1 year $'000	1 to 5 years $'000	Total $'000
Newbuilding contracts	436,009	516,045	952,054
Construction and development costs for Sochi	39,919	-	39,919
	475,928	516,045	991,973
At 31 December 2011			
Newbuilding contracts	283,889	661,489	945,378
Construction and development costs for Sochi	28,000	27,400	55,400
	311,889	688,889	1,000,778

44. **Operating Lease Arrangements**

The Group has the following non-cancellable operating lease commitments in respect of vessels and office premises in London, Madrid, Moscow and Singapore:

	Vessels		Buildings	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Within one year	25,368	33,413	3,575	3,657
After one year but not more than five years	66,790	92,088	1,816	5,978
	92,158	125,501	5,391	9,635
Expensed during the period	32,369	38,349	3,651	3,576

45. **Contingent Liabilities and Commitments**

Contracted revenues and guarantees

The Group entered into time charter agreements, with aggregate hire revenues as at 31 December 2012 over the firm contract period receivable as follows:

At 31 December 2012	Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
Group's share of contracted revenues of joint ventures (Note 22)	45,982	173,737	405,666	625,385
Contracted revenues of subsidiaries	482,164	1,580,790	2,467,395	4,530,349
	528,146	1,754,527	2,873,061	5,155,734
At 31 December 2011				
Group's share of contracted revenues of joint ventures (Note 22)	42,964	172,372	441,502	656,838
Contracted revenues of subsidiaries	453,959	1,343,078	2,277,698	4,074,735
	496,923	1,515,450	2,719,200	4,731,573

The time charters referred to above include various charterers' purchase, termination and extension options.

The joint venture companies owning LNG carriers, referred to in Note 22, entered into four time charter agreements which expire between sixteen and twenty years with various extension options with aggregate time charter hire receivable as at the period end over the remaining firm charter periods amounting to $1,345.8 million (2011 – $1,412.6 million). Under two of the time charter agreements the charterers have the option to purchase the vessels in years five, ten, fifteen or twenty of the charters at amounts for each vessel ranging from $176.4 million in the fifth year to $35.0 million in the twentieth year. Fiona has guaranteed its share of obligations and responsibilities arising under the above time charter agreements.

In addition to the guarantees obtained by the Group from the shareholders of the State controlled entity referred to in Note 47(ii), the Group obtained guarantees from the shareholders of the charterers in respect of the performance of the obligations of the charterers under the time charter agreements referred to in Note 20(b).

Contingent liabilities

The Group operates in several jurisdictions with significantly different taxation systems. The major shipping and holding companies of the Group are incorporated in foreign jurisdictions traditionally utilised in the shipping sector and a significant portion of the Group's profit is realised by these companies. Generally, in most jurisdictions the foreign legal entity may be required to pay income tax if it is a tax resident of such jurisdiction or if its activities constitute a permanent establishment in such a jurisdiction. Management believes that the Group's shipping and holding companies are subject to taxation in their respective countries of incorporation in full compliance with local tax legislation. However, the concept of permanent establishment and tax residency for legal entities introduced by domestic and international law is subject to interpretation. As a result, there is a risk that the taxation authorities of certain jurisdictions may attempt to subject the Group's earnings to income taxes. Management believes that it has provided adequately for all tax liabilities based on its interpretations of applicable legislation, official pronouncements and court decisions.

Some of the Defendants referred to in Note 46 have made an application for an inquiry into damages caused by the freezing orders made against them in the course of the London proceedings. They seek $184.1 million in compensation for the losses allegedly suffered by them because of the immobilisation of these funds. A hearing was scheduled for 16 or 17 November 2011 at which the Court was to determine whether there should be an enquiry into such damages. In light of the Fiona Claimant's appeal being dismissed by the Court of Appeal, the Group anticipates the relevant Defendants seeking to fix a hearing for the Court to determine whether there should be an enquiry into such damages. The Group anticipates the Court fixing such a hearing, subject to the Group seeking/obtaining permission to appeal the Court of Appeal's decision to the Supreme Court and requesting that the damages hearing be postponed until after that appeal is determined. Management is of the opinion that the application is without merit, the claimed amount is speculative and the likelihood of this claim being successful is remote. The Group will defend its position vigorously. Accordingly, no provision has been made.

An amount, including accrued interest, of $13.2 million is held as security by the American Courts, in relation to the arrest of one of the Group's vessels in the United States, as a result of a claim advanced by the charterers of the vessel at the time, relating to the grounding of the vessel in the Suez canal in November 2004. The claim is in arbitration. 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.

Revenue and capital commitments

The Group is engaged in a contract with the Federal Corporation "Olympstroy" to construct and develop facilities of the port of Sochi, including, amongst others, a yacht marina and related onshore infrastructure, in connection with the preparation for the Olympic sites for the 2014 Winter Olympic Games in Sochi. The total costs of construction and development is expected to be approximately the equivalent of $75.9 million. An amount of approximately the equivalent of $24.5 million has been incurred to 31 December 2012 of which $21.8 million (2011 – $8.3 million) has been capitalised and included in other fixed assets under construction (Note 19).

Details of the Group's capital commitments in respect of newbuilding contracts are disclosed in Note 16 and 43(d).

Details of the Group's obligations under finance leases are disclosed in Note 37.

46. **Contingent Asset**

During 2005 through to 2009, following a review of the Group's operations, in conjunction with the restructuring of the Group's business, some irregularities and alleged fraud were discovered which resulted in the Group's newly appointed management filing claims in London for losses arising out of various transactions that had taken place during 2000 through to 2004.

The trial for the claims filed commenced at the High Court in London in October 2009 and concluded in mid-2010. Judgment was handed down on 10 December 2010. The Group was successful on a number of claims, and unsuccessful on a number of others. In respect of the successful claims which resulted from fraudulent action, the Group has been awarded principal and interest at 3-month $ LIBOR plus 2.5% at quarterly rests, and has received $56.0 million in 2011 of which $37.9 million of principal and $17.8 million of interest had been recognised in 2010 in other non-operating income and interest income respectively and the balance in 2011 in interest income.

The Group has also been awarded approximately $3.3 million plus interest of approximately $1.4 million against another Defendant. Management is looking at various options to enforce that judgment. Consequently these amounts have not been recognised in the Income Statement in the current or prior periods. In addition, in February 2012, a settlement was reached pursuant to which a charge has been granted over a residential property. If the judgment cannot be enforced the charge will allow the Group to recover an estimated $2.5 million when it is enforced. An amount of $0.5 million and $2.0 million has been recognised in the income statement for the period ended 31 December 2012 and 2011 respectively and was included in other non-operating income.

On 2 November 2011 the London's Court of Appeal (Civil Division) granted the Group leave to appeal against certain important elements of the previous judgement handed down on 10 December 2010. In addition to granting the Group leave to appeal, the Court of Appeal dismissed an application by Mr Yuri Nikitin for leave to appeal.

The Claimants' appeals were heard by the Court of Appeal in London on 5, 6 and 11 March 2013. The Court of Appeal (Lord Justice Longmore, Lord Justice Tomlinson and Lord Justice Rimmer) has upheld Mr Justice Andrew Smith's judgment on the issue of applicable law (i.e. that Russian law applies) and determined that the other issues which the Fiona Claimants were given permission to appeal thereby fall away. The Court of Appeal's judgment was handed down on 26 March 2013. The Group will seek permission to appeal the Court of Appeal's decision to the Supreme Court. The Group has been ordered to pay the Defendants' costs of the appeal. The Court of Appeal has not indicated its conclusion in relation to the Intrigue costs appeal, in relation to the judgement that awarded Intrigue no costs in relation to its successful commission claims, and judgement is awaited.

In addition, in late 2005 the Group investigated a number of transactions which involved the former management of Novoship (UK) Ltd ("NOUK"). NOUK filed claims in London in December 2006 and joined further defendants. The claims, which relate to a number of charters entered into between 2002 and 2004, were in the region of $172.0 million plus interest. The trial for the claims filed commenced at the Commercial Court in London on 16 May 2012 and concluded on 5 July 2012. Judgement was handed down on 14 December 2012. The Group was successful in all claims and has been awarded principal of approximately $169.4 million plus interest, up to the date of judgement, payable at 3-month $ LIBOR plus 2.5% at quarterly rests and costs on an indemnity basis. Pre-judgement interest is estimated to be approximately $74.0 million.

Some of the Defendants have been granted permission to appeal against certain legal aspects of the judgement following. Pending the outcome of the appeal the recovery of approximately $108.5 million plus pre-judgement interest of $45.4 million is stayed subject to these Defendants paying into Court an amount of $138 million, comprising principal and interest, as security for enforcement of the judgement. The Defendants have until 1 June 2013 to put that security in place. It is anticipated that the Defendants' appeal will be heard by the Court of Appeal in London sometime in late 2013.

On 18 January 2013 the Court ordered that post judgment interest rate runs at 3-month $ LIBOR plus 2.5% calculated on a simple basis. The Group has launched an appeal in relation to the post judgment interest rate.

The Group has now received approximately $8.2 million of the principal amount awarded out of approximately $60.9 million from other Defendants who have not appealed or whose application for leave to appeal was refused, and under separate actions, of which $3.4 million relating to these claims was received in prior periods as explained elsewhere in this note. The Group is taking steps to enforce the judgement against frozen assets of about $0.7 million of the other Defendants and locate and freeze further assets of these Defendants. A total of $5.5 million has been recognised in other non-operating income.

Security in the sum of $4.0 million placed in Court by the Group in 2011 to fortify cross undertakings in damages in respect of the frozen assets will remain in the Court pending the appeal. If unsuccessful in its claims the Group may face liability of up to or in excess of this sum.

In early 2010 NOUK reached a settlement with Odin Marine Inc. on terms that are confidential between the parties. The settlement monies had been recognised in other non-operating income.

Related proceedings have also been commenced in Nevis, Guernsey and Jersey. In May 2011 NOUK obtained summary judgement against defendants in the related Nevis proceedings of approximately $3.0 million plus interest of approximately $0.7 million. The summary judgment in the related Nevis proceedings has now been enforced and the Group has recovered approximately $2.8 million which has been recognised in other non-operating income for the period ended 31 December 2011.

Proceedings have also been brought by NOUK in Nevis against third parties in respect of claims for secret commissions for charters entered into between 2003 and 2006 in the amount of $0.8 million plus interest. On 28 December 2012 the Group reached a settlement with the Defendants in the said proceedings, on terms that are confidential between the parties, and the settlement monies were received in January 2013. The total amount has been recognised in other non-operating income in 2012.

A total amount of $7.5 million (2011 – $11.2 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.

47. **Related Party Transactions**

Related party transactions comprised:

(i) Bank balances include $61.1 million (2011 – $91.8 million) held with State controlled banks. Interest received on those accounts during the period amounted to $2.0 million (2011 – $0.9 million).

(ii) Included in the time charters entered by subsidiaries of the Company, referred to in Note 45, are two agreements entered into with a State controlled entity with aggregate hires receivable of $845.6 million (2011 – $924.8 million). The charters are for 25 years, commenced in February and September 2010. The Group has obtained guarantees from the State controlled shareholders of the charterers in respect of the performance of the obligations of the charterers under the time charter agreements. In March 2010 the Group agreed with the charterers to reduce the time charter hire rate receivable under the agreements for the period from commencement of the charters until 31 December 2011 with a corresponding increase in the charter rate, plus interest for the period from the commencement of the charters in February and December 2010 to 31 December 2013. Consequently this resulted in recognition of accrued income of $40.6 million as at 31 December 2011 (2010 - $12.9 million). The balance of accrued income as at 31 December 2012 was $20.3 million (see Note 28).

(iii) Included in the time charters entered by subsidiaries of the Company, referred to in Note 45, is an agreement entered into with a subsidiary of a State controlled entity with aggregate hire receivable of $108.3 million (2011 – $121.1 million). The charter is for 15 years and has commenced in September 2006.

(iv) Included in the time charters entered by subsidiaries of the Company, referred to in Note 45, are three time charter agreements, attached to vessels acquired in 2011, with a subsidiary of a State controlled entity, with aggregate hire receivable over the remaining firm period of the charters, including any options exercised, of $59.2 million (2011 – $83.1 million). The period of the charters expire in October 2013, May 2015 and October 2017.

(v) The time charter agreements entered into by the joint ventures, referred to in Note 45, included two agreements entered into with a subsidiary of a State controlled entity with aggregate hire receivable as at the period end over the remaining firm period of the charters of $661.9 million (2011 – $701.9 million). The charters are for 20 years and have commenced in October 2007 and January 2008.

(vi) The Group sold and leased back two of its vessels to subsidiaries of a State controlled financial institution for an aggregate consideration of $230.0 million on 7 September and 16 November 2010, respectively. The monthly hire is $926,652 for each vessel, payable monthly in advance (see Note 37).

(vii) The Group leases out part of the premises owned by Sovcomflot, located at 7 Dunayevskogo Street, Moscow 121165, Russian Federation, to JSC Rosnefteflot (a Group Associate). The current lease term is for eleven months (2011 – eleven months expired 31 December 2012) expiring on 30 November 2013 at lease rentals for the period of Roubles 17.81 million equivalent to $0.58 million (2011 – Roubles 17.81 million equivalent to $0.53 million).

(viii) Included in vessels under construction (Note 16) is one newbuilding (2011 – two) with a total contracted cost of $100.0 million (2011 – $200.0 million) placed on order in 2010 from a shipyard that is a joint venture between a State controlled entity and a third party. As at 31 December 2012 instalments of $50.0 million (2011 – $140.0 million) were outstanding in respect of the shipbuilding agreements.

(ix) The Group is engaged in a contract with the Federal Corporation "Olympstroy", a State controlled organisation, to construct and develop facilities of the port of Sochi in connection with the preparation for the Olympic sites for the 2014 Winter Olympic Games in Sochi as fully explained in Notes 19 and 45.

(x) Nine Escort tugs on bareboat charter to JSC Rosnefteflot (a Group associate) for a period of 15 years as explained in Note 23. An amount of $17.0 million (2011 – $12.1 million) of bareboat hire payments was outstanding as at the period end of which $15.8 million was provided for as at 31 December 2012 (Note 28).

(xi) In May 2011 the Group signed time charter agreements with a State controlled entity for the chartering out of two LNG carriers currently under construction (Note 16) for a firm period of 15 years, with various extension options attached, with aggregate hire receivable over the firm period of $792.6 million. The time charter agreement will commence upon delivery of the vessels by the shipyards. Delivery is scheduled for December 2013 and May 2014 respectively.

(xii) In September 2011 the Group entered into a time charter agreement with a State controlled entity for the chartering out of seismic vessel Vyacheslav Tikhonov for a period of five years, expiring on 18 August 2016, at a fixed rate of $20,000 per day plus a variable rate, during the employment of the vessels on 3D seismic surveys, of 60% of the profits arising from the operation of the vessel, taking into account the expenses incurred both by the Group and the charterer and including the fixed rate payable by the charterer for the relevant period. The balance of time charter hire receivable as at period end is $3.2 million and is included in amounts due from charterers (2011 – nil).

(xiii) In October 2010, a subsidiary of the Group signed an agreement with the Property Fund of St. Petersburg, a Russian Governmental body, for the acquisition of a preserved office building situated at 3A, Moika River Embankment, Saint Petersburg 191186, Russian Federation including the land the building is built on, for a total purchase consideration of Roubles 200 million (equivalent to $6.7 million). Ownership of the building was transferred to the Group in January 2011.

(xiv) Included in amounts due from charterers are $3.6 million (2011 – $8.6 million) of amounts receivable from related parties not included above.

48. Events After the Reporting Period

The chemical oil product tanker sold and classified as held for sale at the end of the financial reporting period, referred to in Note 30, the m/v Mar Carmen was delivered to her new owners on 22 January 2013.

On 22 and 23 January 2013 the Group took delivery from two shipyards a Panamax bulk carrier the m/v NS Yakutia and an Aframax oil product tanker (LR2), the m/v Anatoly Kolodkin respectively.

In February 2013 the Group entered into an agreement with a third party for the sale of part of the onshore infrastructure constructed in connection with the preparation for the Olympic sites for the 2014 Winter Olympic Games in Sochi for a sale consideration of Roubles 707.5 million (equivalent to $23.3 million) net of Value Added Tax which is higher than the estimated cost of the property disposed of. Legal ownership of the property is expected to be transferred not later than 1 February 2014.

On 14 March 2013 Marpetrol purchased two vessels held under finance lease following the exercise of the put option by the lessor in November 2012.

On 15 March 2013, at an extraordinary general meeting, the shareholder of OAO Sovcomflot resolved to increase the authorised share capital of the Company by 280,956,743 ordinary shares of nominal value of 1 Rouble each.

On 25 March 2013, Cyprus and the Eurogroup reached an agreement on a package of measures intended to restore the viability of the financial sector and sound public finances over the coming years. As part of the measures for restructuring the financial sector, there will be a restructuring of two of the local banks (i.e. Cyprus Popular Bank (Laiki) and Bank of Cyprus (BoC)).

In addition, the Cypriot authorities have introduced administrative measures in view of the present unique and exceptional situation of Cyprus' financial sector. These administrative measures include temporary restrictions on money transfers and cash transactions (funds transferred from abroad to Cyprus are excluded from the restrictions). These measures are expected to be in force for a short period of time. According to the relevant legislation, the Minister of Finance has the power to extend, amend and cancel the restrictions.

The scale and size of the Group means it has been able to take action to avoid significant business disruption. Action has already been taken in a number of areas, to manage relationships and flows of funds with creditors, crew, employees and charterers.

The Group had $25.8 million on current accounts with Cyprus State-controlled bank Laiki as at 25 March 2013. There is a significant risk that a large part of these funds will not be recoverable and for the immediate future are blocked and not accessible. Management is not able to estimate the amount of potential losses at the date of approval of these financial statements.

The administrative measures and the potential losses noted above do not have a significant impact on the ability of the Group to operate its business and to meet its obligations as they fall due.