FAR-EASTERN SHIPPING COMPANY PLC.
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

CONTENTS

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Auditors' Report

To the Shareholders
FAR-EASTERN SHIPPING COMPANY PLC. (FESCO)

We have audited the accompanying consolidated financial statements of FAR-EASTERN SHIPPING COMPANY PLC. (FESCO) (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the fair presentation of these consolidated financial statements based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

AUDITED ENTITY: Far-Eastern Shipping Company PLC. (FESCO), a company incorporated under the Laws of the Russian Federation on the basis of the act of the Head of Administration of Frunzenskiy district of Vladivostok (Primorskiy region) on 3 December 1992 No.467 AOO.

Entered in the Unified State Register of Legal Entities on 28 December 2007 by Vladivostok Inter-Regional Tax of Frunzenskiy district of the Ministry for Taxes and Duties of the Russian Federation, Registration No.1022502256127, Certificate series 25 No.002932105.

29 Serebryanicheskaya Naberezhnaya, Vladivostok, Primorskiy Kray, Russian Federation 109028

Independent auditor: ZAO KPMG, a company incorporated under the Laws of the Russian Federation, a part of the KPMG Europe LLP group, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585.

Entered in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No. 005721432.

Member of the Non-commercial Partnership "Chamber of Auditors of Russia". The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012, and its financial performance and its cash flows for 2012 in accordance with International Financial Reporting Standards.

Romanenko A.M., Director, power of attorney dated 1 October 2010 No. 47/10

ZAO KPMG
2 April 2013

Moscow, Russian Federation

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Consolidated Statement of Financial Position
As at 31 December 2012

USD mln	Note	31 December 2012	31 December 2011
ASSETS			
Non-Current Assets			
Fleet	5	87	382
Rolling stock	6	498	505
Other tangible fixed assets	7	409	161
Goodwill	4	280	214
Other intangible assets		3	2
Investments in associates and joint ventures	8	359	105
Other equity investments		2	199
Other non-current assets	9	565	313
Total non-current assets		2,203	1,881
Current Assets			
Inventories	10	26	25
Accounts receivable	11	190	178
Current tax assets		14	10
Assets held for sale	12	12	-
Other current assets	13	3	8
Cash and cash equivalents	14	232	232
Total current assets		477	453
Total Assets		2,680	2,334
EQUITY AND LIABILITIES			
Shareholders' Equity	19		
Share capital		57	57
Share premium		777	999
Treasury shares		-	(336)
Retained earnings		814	889
Reserves		(125)	(182)
Equity attributable to owners of the Company		1,523	1,427
Non-controlling interests		9	14
Total equity		1,532	1,441
Non-current liabilities			
Long term loans and finance lease obligations	16	701	499
Deferred tax liability	18	57	35
Other long term liabilities	17	16	27
Total non-current liabilities		774	561
Current Liabilities			
Accounts payable	15	147	128
Current tax liabilities		2	5
Liabilities held for sale		6	-
Short term loans and finance lease obligations	16	219	199
Total current liabilities		374	332
Total liabilities		1,148	893
Total equity and liabilities		2,680	2,334

Y.B. Gilts, President ____________ A.A.Sugrey, Deputy CFO ____________

Date: 02 April 2013

The accompanying notes on pages 12 to 56 form an integral part of these consolidated financial statements.

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Consolidated Income Statement
For the year ended 31 December 2012

USD mln	Note	2012	2011
Revenue	22	1,197	1,029
Operating expenses	23	(793)	(680)
Gross profit before depreciation and amortization		404	349
Depreciation and amortisation	5,6,7	(100)	(82)
Administrative expenses	24	(157)	(133)
Impairment loss on tangible fixed assets	27	(96)	(47)
Other expenses, net	26	(28)	(5)
Profit from operating activity		23	82
Interest expense		(53)	(45)
Foreign exchange gain		1	15
Other finance income, net	25	5	1
Share of profit of equity accounted investees	8	45	7
Profit before income tax		21	60
Income tax expense	18	(38)	(31)
(Loss)/profit for the year		(17)	29
Attributable to:			
Owners of the Company		(20)	19
Non-controlling interest		3	10
Basic (loss)/profit per share	28	(USD 0.007)	USD 0.008
Diluted (loss)/profit per share		(USD 0.007)	USD 0.008

The accompanying notes on pages 12 to 56 form an integral part of these consolidated financial statements.

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

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

USD mln	**2012**		**2011**	
(Loss)/profit or the year		(17)		29
Other comprehensive income/(loss):				
Revaluation of fleet	(6)		4	
Deferred tax charge on revaluation of fleet	-		(1)	
Effect of foreign currency translation	28		(37)	
Net change in fair value of available-for-sale financial asset	20		(73)	
Correction of the cost of tangible fixed assets, net of deferred tax	-		2	
Other comprehensive (loss)/ income for the year		42		(105)
Total comprehensive income/(loss) for the year		25		(76)
Total comprehensive (loss)/ income attributable to:				
Ordinary shareholders of the Company		22		(85)
Non-controlling interests		3		9

The accompanying notes on pages 12 to 56 *form an integral part of these consolidated financial statements.*

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

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

	Attributable to equity holders of the Company										
USD mln	**Share capital (Note 19)**	**Share premium (Note 19)**	**Treasury shares (Note 19)**	**Retained earnings**	**Revaluation reserve**	**Investment fair value reserve**	**Translation reserve**	**Cash flow hedge**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2011	57	999	(336)	870	29	24	(130)	3	1,516	11	1,527
Profit for the year	-	-	-	19	-	-	-	-	19	10	29
Other comprehensive income/(loss)											
Effect of foreign currency translation	-	-	-	-	-	-	(36)	-	(36)	(1)	(37)
Revaluation of fleet, net of deferred tax	-	-	-	-	3	-	-	-	3	-	3
Release from revaluation reserve	-	-	-	2	(2)	-	-	-	-	-	-
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	(73)	-	-	(73)	-	(73)
Correction of the cost of tangible fixed assets, net of deferred tax (Note 6)	-	-	-	2	-	-	-	-	2	-	2
Total other comprehensive income/(loss)	-	-	-	4	1	(73)	(36)	-	(104)	(1)	(105)
Total comprehensive income/(loss) for the year	-	-	-	23	1	(73)	(36)	-	(85)	9	(76)
Transactions with owners, recorded directly in equity											
Dividends declared	-	-	-	-	-	-	-	-	-	(5)	(5)
Total contributions by and distributions to owners	-	-	-	-	-	-	-	-	-	(5)	(5)
Acquisition of non-controlling interests without a change in control	-	-	-	(4)	-	-	-	-	(4)	(1)	(5)
Total transaction with owners	-	-	-	(4)	-	-	-	-	(4)	(6)	(10)
Balance at 31 December 2011	57	999	(336)	889	30	(49)	(166)	3	1,427	14	1,441

The accompanying notes on pages 12 to 56 form an integral part of these consolidated financial statements.

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Consolidated Statement of Changes in Equity
For the year ended 31 December 2012
(Continued)

USD mln	Attributable to equity holders of the Company										
	Share capital (Note 19)	Share premium (Note 19)	Treasury shares (Note 19)	Retained earnings	Revaluation reserve	Investment fair value reserve	Translation reserve	Cash flow hedge	Total	Non-controlling interest	Total equity
Balance at 1 January 2012	57	999	(336)	889	30	(49)	(166)	3	1,427	14	1,441
Loss for the year	-	-	-	(20)	-	-	-	-	(20)	3	(17)
Other comprehensive income/(loss)											
Effect of foreign currency translation	-	-	-	-	-	-	28	-	28	-	28
Revaluation of fleet, net of deferred tax	-	-	-	-	(6)	-	-	-	(6)	-	(6)
Release from revaluation reserve	-	-	-	11	(11)	-	-	-	-	-	-
Disposal of cash flow hedge	-	-	-	3	-	-	-	(3)	-	-	-
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	20	-	-	20	-	20
Disposal of available-for-sale financial assets, see Note 8	-	-	-	(29)	-	29	-	-	-	-	-
Total other comprehensive income/(loss)	-	-	-	(15)	(17)	49	28	(3)	42	-	42
Total comprehensive income/(loss) for the year	-	-	-	(35)	(17)	49	28	(3)	22	3	25
Transactions with owners, recorded directly in equity											
Acquisition of non-controlling interests without a change in control (Note 29)	-	-	-	(40)	-	-	-	-	(40)	(17)	(57)
Acquisition of subsidiaries(Note 29)	-	-	-	-	-	-	-	-	-	9	9
Disposal of treasury shares (Note 19)		(222)	336	-	-	-	-	-	114	-	114
Total transaction with owners	-	(222)	336	(40)	-	-	-	-	74	(8)	66
Balance at 31 December 2012	57	777	-	814	13	-	(138)	-	1,523	9	1,532

The availability of the Company's retained earnings for distribution to shareholders is determined by the Company's Charter and by Russian law and does not correspond with the figures shown above. The Company's retained earnings available for distribution under Russian Accounting Standards as at 31 December 2012 were USD 330 million (as at 31 December 2011 USD 240 million).

The accompanying notes on pages 12 to 56 *form an integral part of these consolidated financial statements.*

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

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

USD mln	Note	2012	2011
Cash flows from operating activities			
(Loss)/profit for the year		(17)	29
Adjustments for:			
Depreciation and amortisation		100	82
Impairment losses		96	47
Loss on disposal of tangible fixed assets		2	-
Foreign exchange differences		(1)	(15)
Net finance costs		48	44
Share of profit of equity accounted investees		(45)	(7)
Income tax expense		38	30
Other income and expense		(8)	3
Cash from operating activities before changes in working capital and provisions		213	213
Change in inventories		1	(3)
Change in trade and other receivables		(10)	(22)
Change in trade and other payables		19	18
Cash flows from operations before income taxes paid		223	206
Income tax paid		(54)	(34)
Cash flows from operating activities		169	172

The accompanying notes on pages 12 to 56 *form an integral part of these consolidated financial statements.*

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Consolidated Statement of Cash Flows
For the year ended 31 December 2012
(Continued)

USD mln	Note	2012	2011
Cash flows from investing activities			
Expenditure on vessels under construction	5	(9)	(25)
Refund from cancellation of construction contract		-	1
Expenditure on non-current assets		(1)	-
Expenditure on other fixed assets	7	(48)	(110)
Expenditure on drydocking	5	(7)	(8)
Proceeds on disposal of fleet	5	186	5
Proceeds on disposal of other fixed assets		26	4
Acquisition of equity-accounted investee	8	(40)	(5)
Other investments acquired		(1)	(106)
Acquisition of subsidiaries, net of cash acquired	29	18	(45)
Prepayments for investments	9	(2)	(293)
Proceeds on sale of investments		-	1
Dividends received		10	2
Long-term loans issued		(540)	(6)
Short- term loans/investments received		11	-
Finance lease received		2	1
Interest received		12	11
Net cash used in investing activities		(383)	(573)
Cash flows from financing activities			
Proceeds from borrowings		588	501
Repayment of borrowings		(411)	(345)
Finance charges		(53)	(46)
Financial instruments liability paid		(32)	(10)
Dividends paid		-	(8)
Proceeds on sale of treasury shares		114	-
Acquisition of non-controlling interests		-	(4)
Net cash from financing activities		206	88
Effect of exchange rate fluctuations on cash and cash equivalents		8	(11)
Net increase/(decrease) in Cash and cash equivalents		-	(324)
Cash and cash equivalents at 1 January		232	556
Cash and cash equivalents at 31 December	14	232	232

The accompanying notes on pages 12 to 56 *form an integral part of these consolidated financial statements.*

1. Organisation and Trading Activities

Far-Eastern Shipping Company PLC. (FESCO or Company) was privatised and became a joint stock company governed by the laws of the Russian Federation on 3 December 1992. The Company's registered office and principal place of business is: 29 Serebryanicheskaya Naberezhnaya, Moscow, Russian Federation 109028.

In December 2012 Maple Ridge Limited, ultimately controlled by Mr. Ziaudin Magomedov, acquired control over Fesco. To finance the acquisition, the Group entered into several bank loan facilities in the aggregate amount of USD 540 million, which were on-lent to the Group's new shareholders, see Notes 9 and 16. Additionally, the Group subsidiaries issued guarantees for the bank facilities obtained by the new shareholders for the aggregate amount of USD 400 million.

The principal activity of the Group has traditionally been shipping (ship owning, ship management, chartering out and line operating). In recent years FESCO has been transformed into an intermodal logistics Group focused on Russia, offering a full range of logistical solutions through a combination of shipping, rail, trucking and port services.

2. Basis of Preparation

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The preparation of consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of selecting and applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where estimates are significant to the financial statements are disclosed in Note 2c.

The significant accounting policies adopted by the Group have been consistently applied with those of the prior period.

The consolidated financial statements are prepared on the historical cost basis except that derivative financial instruments, investments at fair value through profit and loss and financial investments classified as available-for-sale are stated at fair value. Group's vessels are stated at fair value at each reporting date based on valuation performed by an independent professional appraiser as disclosed in Note 5. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

(b) Basis of consolidation

These financial statements include the accounts of FESCO and its subsidiaries. The principal subsidiaries of the Group are as follows:

Name	Country of Incorporation	Percentage Holding	Activity
Bodyguard Shipping Company Limited	Cyprus	100%	Ship owning
Diataxis Shipping Company Limited	Cyprus	100%	Ship owning
Yerakas Shipping Company Limited	Cyprus	100%	Ship owning
Antilalos Shipping Company Limited	Cyprus	100%	Ship owning
Carmina Maritime Ltd	Marshall Islands	100%	Ship owning

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Name	Country of Incorporation	Percentage Holding	Activity
Udarnik Maritime Ltd.	Marshall Islands	100%	Ship owning
Marline Shipping Company Limited	Cyprus	100%	Ship owning
Marview Shipping Company Limited	Cyprus	100%	Ship owning
FESCO Agencies N.A., Inc.	USA	100%	Shipping agency
Astro-Moon Shipping Company Limited	Cyprus	100%	Ship owning
Anouko Shipping Company Limited	Cyprus	100%	Ship owning
FESCO Lines China, Co., Ltd.	China	100%	Shipping agency
Firm Transgarant LLC	Russia	100%	Holding company for transportation services group
FIT LLC	Russia	100%	Transport and forwarding services
VKT LLC	Russia	99%	Container terminal
VMTP PLC	Russia	96%	Commercial Port
TRANSFES Co., Ltd	Russia	100%	Shipping agency and operations
Dalreftrans Co, Ltd	Russia	100%	Transport and forwarding services
ESF	Russia	100%	Shipping agency and operations
FESCO Lines Hong Kong Limited	China	100%	Shipping agency
FESCO Agency Lines HK Limited	Hong Kong	100%	Shipping agency
FESCO Lines Management Limited	Hong Kong	100%	Financial management
FESCO Container Services Company Limited	Cyprus	100%	Line operator
FESCO Ocean Management Limited	Cyprus	100%	Shipping operations
Maritime and Intermodal Logistics Systems Inc.	USA	100%	Container freight services
Remono Shipping Company Limited	Cyprus	100%	Freight forwarder
Shonstar Limited	British Virgin Islands	100%	Share options for Group's management
FESCO Transportation Group Ltd	Russia	100%	Managing company

Subsidiaries.
Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

Certain subsidiaries, associate companies and joint ventures that are neither individually nor in aggregate material to the results, cash flows or financial position of the Group are not consolidated. These investments are recorded as available-for-sale investments at fair value as estimated by management. Where it is not possible to estimate fair values reliably, they are recorded at historical cost less applicable impairment.

Joint ventures and associates (equity accounted investees).
Joint ventures are those companies and other entities in which the Group, directly or indirectly, undertake an economic activity that is subject to joint control. Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies Joint ventures and associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that joint control/significant influence commences until the date that joint control/significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Transactions eliminated on consolidation.
Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Acquisitions from entities under common control.
Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognised as part of share premium. Any cash paid for the acquisition is recognised directly in equity.

(c) Critical accounting estimates and judgements in applying accounting policies

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.
Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

1. Impairment of goodwill and tangible fixed assets, see Note 4 and Notes 5,6,7
2. Determination of the fair value of the Group's fleet, see Note 5
3. Russian taxation contingencies, see Note 30(c)

(d) Segmental Reporting

The Group has four operating segments: shipping, which operates on a global basis; liner and logistics; railway transportation services which operate in Russia and other countries of the CIS and ports which include Russian-based port and sea terminal. A segmental analysis has been included in Note 21.

3. Accounting Policies

(a) Functional and Presentation Currency

The presentation currency used in the preparation of these consolidated financial statements is the U.S. Dollar ("USD").
The functional currency of each Group entity is the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity are translated to USD as stated below.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are translated into functional currency at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Foreign currency differences arising in translation are recognised in the income statement, except for differences arising on the translation of available-for-sale equity instruments.

The results and financial position of each Group entity whose functional currency is different from USD, are translated into the presentation currency as follows:

(i) assets and liabilities at each reporting date are translated at the closing rate at this date;
(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
and
(iii) all resulting exchange differences are recognised as a separate component of equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the translation reserve is transferred to the income statement.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity.

None of the Group entities has a functional currency which is a currency of hyperinflational economy. All financial information presented in USD has been rounded to the nearest million.

The Russian rouble is not a fully convertible currency outside of the Russian Federation and, accordingly, any conversion of RUB amounts to USD should not be construed as a representation that RUB amounts have been, could be, or will be in the future, convertible into USD at the exchange rate shown, or at any other exchange rate.

At 31 December 2012, the official rate of exchange, as determined by the Central Bank of the Russian Federation, was USD 1 = RUB 30.3727 (31 December 2011 USD 1 = RUB 32.196).

Fleet

The fleet is stated on an individual vessel basis at market value as assessed by independent professional valuers and supported by calculations of value in use.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Revaluations are performed annually.

A revaluation increase is recognised in revaluation reserve in equity except to the extent that it reverses a previous revaluation deficit on the same asset recognised in the income statement, in which case it is recognised in the income statement. A revaluation decrease is recognised in the income statement except to the extent that it reversed the previous revaluation surplus on the same asset recognised directly in equity, in which case it is recognised directly in equity.

At the year end a portion of the revaluation reserve, which is equal to the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Other fixed assets are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Vessels in course of construction include advances to shipyards, supervision fees, professional fees, finance costs and interest capitalised.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment. Dry-docking and special survey costs ("Dry-docking costs") are recognised as a separate component of the vessel and are capitalised as incurred during the period of the dry-docking programme.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of that item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Fleet depreciation

Depreciation is charged on a straight-line basis in the income statement on net book value less an estimated scrap value, based on anticipated useful lives of 25 years from date of building of the vessel.

Other fixed assets depreciation

Other fixed assets are depreciated on a straight line basis to their residual values at the following annual rates:

Buildings	3 – 10%
Rolling stock	4 – 20%
Machinery, equipment and other fixed assets	5 – 33%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease. Land is not depreciated.

Residual values

The residual value of an asset is the estimated amount that the Group would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

(b) Impairment of non-financial assets.

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of material impairment. If any such indication exists, recoverable amounts are estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business acquisition, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in the income statement unless it reverses a previous revaluation recognised in equity in which case it is recognised in equity.
Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(c) Dry-docking and special surveys

Dry-docking and special survey costs are capitalised and depreciated on a straight-line basis over a period of five years. Any unamortised amounts are derecognised when the next dry dock / special survey occurs or on disposal of the vessel to which the costs relate.

(d) Inventories

Inventories are stated at the lower of cost, calculated on a FIFO basis, and net realisable value. Inventories comprise bunkers, victualling stocks, stores, spares and materials for construction. Net realisable value is the estimated amount an item could be sold for less any selling expenses.

(e) Revenue recognition

The Group derives revenue from the following main sources:

- "freight and hire" revenue from sea transportation;
- agency fees for arranging transportation;
- provision of transportation services using own and leased wagons (operators' business);
- revenue from stevedoring services;
- revenue from rentals.

The Group recognises revenue on an accruals basis at the fair value of the consideration received or receivable. Revenue is presented in the income statement net of VAT and discounts.

Freight and hire
Revenue from transportation services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to the number of days completed out of the total estimated number of days in a particular transportation route/charter. Estimated losses on transportation in progress are recognised at the time such losses become evident.

Transportation agency fee
In certain cases Group's subsidiaries act as a legal intermediary for transportation organizations and pay transport fees on behalf of its clients. These fees, which are reimbursed by the Group's clients, are not included in sales or cost of sales. Consequently, only the Group's fees for intermediary activities are recognised as sales. Debtors and liabilities that occur in accordance with these activities are recognized as accounts receivable and accounts payable respectively.

Transportation services (operator's business)
The Group also organizes transportation for clients and provides similar services using its own or leased wagons. Normally, a transportation tariff charged by the Russian Railway is re-charged to the counterparty (the Company acts as an agent). For this type of activity, the Group's revenue comprises operator's fee.

The costs of sales for this type of activity generally includes transportation fees charged by transportation organizations for transportation of empty wagons (those are not re-charged to the counterparty), depreciation, repairs and maintenance costs for owned

Revenue from port and stevedoring services
Port and stevedoring services represent cargo handling and storage in port and terminal. The revenue is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to the surveys of work performed.

Revenues from rentals
Revenue earned by the Group from rentals is recognised on a straight line basis over the term of the rent agreements.

(f) Classification of financial assets

Non-derivative financial instruments.
Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits. 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. Accounting for finance income and costs is discussed in note 3(v).

Held-to-maturity investments.
If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets.
The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement.

Other.
Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. Investments in equity securities that are not quoted on a stock exchange are principally valued using valuation techniques such as discounted cash flow analysis, option pricing models and comparisons to other transactions and instruments that are substantially the same. Where fair value cannot be estimated on a reasonable basis by other means, investments are stated at cost less impairment losses.

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

(g) Derivative financial instruments

The Group's activities expose it to the financial risks arising from changes in foreign currency exchange rates and interest rates. The Group uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures. The Group does not use derivative financial instruments for speculative purposes. All derivative financial instruments are initially recognised at their fair value; attributable transaction costs are recognised in the income statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion of designated cash flow hedge, changes in the fair value of designated fair value hedges and changes in the fair value of derivatives which do not meet the criteria for hedge accounting including, instances where sufficient hedge documentation is not available, is recognised in the income statement. Amounts recognised in equity are recycled in the income statement in the period in which the hedged item is recognised in the income statement, in the same line of the income statement as the recognised hedged item.

(h) Financial liabilities and equity instruments issued by the Company.

Debt and equity instruments are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangement. 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 issued by the Company are recorded at the proceeds received, net of direct issue costs. Financial liabilities are classified as either financial liabilities at Fair Value Through Profit or Loss or “other financial liabilities”.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Fair value is obtained through discounting future cash flows at the current market interest rate applied to financial instruments with similar terms. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The Company derecognises financial liabilities when, and only when, the Company’s obligations are discharged, cancelled or they expire.

(i) Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.
An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.
Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the income statement.
An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in the income statement. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(j) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(k) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from the share premium.

(l) Operating leases

Where the Group is a lessee
Where Group company is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments, including those on expected termination, are charged to profit or loss on a straight-line basis over the period of the lease.

Where the Group company is a lessor
Assets leased to third parties under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

(m) Finance leases

Where the Group is a lessee
Where a Group company is a lessee in a lease which transfers substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to the income statement over the lease period using the effective interest method.

Assets acquired under finance leases are depreciated over the shorter of useful life and the lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

Where the Group is a lessor
Assets leased out under finance lease agreements are recognized in the statement of financial position and presented as receivable at an amount equal to the net investment in the lease. The income on the finance lease is recognized as interest income and is based on the pattern reflecting a constant periodic rate of return on the Company’s net investment in the finance lease.

(n) Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans, including Russia's State pension fund, are recognised in the income statement when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on Russian Government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method.
When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.
The Group recognises all actuarial gains and losses arising from defined benefit plans in profit or loss in the period in which they arise.

(o) Current and deferred tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the balance sheet liability method. Deferred income taxes are provided for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.
Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(p) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(q) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(r) Goodwill arising on acquisition

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is tested annually for impairment and carried at cost less accumulated impairment losses.

Negative goodwill (excess of the fair value of the share in net assets acquired over consideration paid) is recognised in the income statement.

Any excess of the consideration paid to acquire a non-controlling interest over the book value of the non-controlling interest is recognised in equity.

(s) Other intangible assets

Other intangible assets are recognised at cost less accumulated amortisation and impairment losses. Amortisation is charged on a straight line basis over the useful life (generally five years), representing management's estimate of the period during which the Group is expected to benefit from these assets.

(t) Dividends

Dividends are recognised as a deduction from equity in the period in which they are approved by the shareholders.

(u) Share –based payments

The Group has a share option scheme to incentivise certain key members of management (see Note 20 for a fuller description of the scheme).

Due to the cash settlement option held by employees, the scheme is treated as creating a liability rather than an equity obligation. The fair value of the options outstanding is estimated by the Group at each balance sheet date using the Black-Scholes option pricing model.

For each option granted a liability based over the vesting period is recognised with a corresponding charge to the income statement (employee expenses).

(v) Finance income and costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss.

Interest income is recognised as it accrues in the income statement, using the effective interest method. Dividend income is recognised in the income statement on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in the income statement using the effective interest method, except to the extent that they relate to acquisition of qualifying assets, in which case they are capitalized in the cost of such assets.

(w) Guarantees

The Group considers that financial guarantee contracts entered into by the Group to guarantee the indebtedness of parties under common control are insurance arrangements, and accounts for themas such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

Adoption of new and revised standards and interpretations.

A number of new standards and interpretations are not yet effective as of the reporting date, and have not been applied in preparing these consolidated interim financial statements.

- IAS 28 (2011*) Investments in Associates and Joint Ventures* combines the requirements in IAS 28 (2008) and IAS 31 that were carried forward but not incorporated into IFRS 11 and IFRS 12. The amended standard will become effective for annual periods beginning of or after 1 January 2013 with retrospective application required.
- Amendments to IFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements. The amendments are effective for annual periods beginning on or after 1 January 2013, and are to be applied retrospectively.
- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2015. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during 2013. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Group does not intend to adopt this standard early.
- IFRS 10 *Consolidated Financial Statements* will be effective for annual periods beginning on or after 1 January 2013. The new standard supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 introduces a single control model which includes entities that are currently within the scope of SIC-12 Consolidation – Special Purpose Entities. Under the new three-step control model, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee, has the ability to affect those returns through its power over that investee and there is a link between power and returns. Consolidation procedures are carried forward from IAS 27 (2008). When the adoption of IFRS 10 does not result a change in the previous consolidation or non-consolidation of an investee, no adjustments to accounting are required on initial application. When the adoption results a change in the consolidation or non-consolidation of an investee, the new standard may be adopted with either full retrospective application from date that control was obtained or lost or, if not practicable, with limited retrospective application from the beginning of the earliest period for which the application is practicable, which may be the current period.
- IFRS 11 *Joint Arrangements* will be effective for annual periods beginning on or after 1 January 2013 with retrospective application required. The new standard supersedes IAS 31 Interests in Joint Ventures. The main change introduced by IFRS 11 is that all joint arrangements are classified either as joint operations, in which case these arrangements are treated similarly to jointly controlled assets/operations under IAS 31s, or as joint ventures, for which the equity method only is applied. The type of arrangement is determined based on the rights and obligations of the parties to the arrangement arising from joint arrangement's structure, legal form, contractual arrangement and other facts and circumstances. When the adoption of IFRS 11 results a change in the accounting model, the change is accounted for retrospectively from the beginning of the earliest period presented.
- IFRS 12 *Disclosure of Interests in Other Entities* will be effective for annual periods beginning on or after 1 January 2013. The new standard contains disclosure requirements for entities that have

interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The expanded and new disclosure requirements aim to provide information to enable the users to evaluate the nature of risks associated with an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows.

- IFRS 13 *Fair Value Measurement* will be effective for annual periods beginning on or after 1 January 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied prospectively. Comparative disclosure information is not required for periods before the date of initial application.

- Amendment to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income.* The amendment requires that an entity present separately items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Additionally, the amendment changes the title of the statement of comprehensive income to statement of profit or loss and other comprehensive income. However, the use of other titles is permitted. The amendment shall be applied retrospectively from 1 July 2012.

- Amendments to IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* specify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments are effective for annual periods beginning on or after 1 January 2014, and are to be applied retrospectively.

The Group has not yet analysed the likely impact that adoption of these new standards will have on its financial position or performance.

4. Goodwill

	Gross amount	Accumulated impairment loss	Carrying amount
		USD mln	
At 1 January 2011	241	(40)	201
Additions	26	-	26
Translation difference	(13)	-	(13)
At 31 December 2011	254	(40)	214
Additions (Note 29)	55	-	55
Translation difference	11	-	11
At 31 December 2012	320	(40)	280

Goodwill has been allocated to groups of cash generating units (CGU's) which represent the lowest level within the Group at which goodwill is monitored by management for internal reporting purposes.

The carrying amount of goodwill, net of impairment, allocated to each CGU is as follows:

	31 December 2012	31 December 2011
	USD mln	
FIT LLC and its subsidiaries	4	4
FESCO ESF Limited and its subsidiaries	6	6
Firm Transgarant LLC and its subsidiaries	73	69
Commercial Port of Vladivostok (VMTP)	53	-
VKT LLC	144	135
	280	214

The Group uses discounted cash flow techniques and fair value less costs to sell determined by an independent appraisal company to arrive at the recoverable amounts of the cash generating units for the purposes of a impairment testing.

The particular key assumptions used in the impairment testing, discount and growth rates for each CGU for the years 2012 and 2011 were as follows:

2012	Discount rate	Terminal growth rate	Key assumptions
FIT LLC and its subsidiaries	16%	3%	<u>Container volume (intermodal transportation and container forwarding services)</u>: increase from 211,636 TEU in 2013 to 242,353 TEU in 2017
Firm Transgarant LLC and its subsidiaries	16%	3%	<u>Revenue growth:</u> increase from USD 325 million in 2013 to USD 400 million in 2017
FESCO ESF Limited and its subsidiaries	14.2%	3%	<u>Container volume</u>: increase from 97,768 TEU in 2013 to 106,864 TEU in 2017
VKT LLC	15.36%	3%	<u>Throughput of containers</u>: increase from 547,313 TEU in 2013 to 642,721 TEU in 2017
Commercial Port of Vladivostok (VMTP)	15.36%	3%	<u>Throughput of containers</u>: increase from 547,313 TEU in 2013 to 642,721 TEU in 2017

2011	Discount rate	Terminal growth rate	Key assumptions
FIT LLC and its subsidiaries	15.90%	3%	Container volume (intermodal transportation and container forwarding services): increase from 127,617 TEU in 2012 to 138,439 TEU in 2016
FESCO ESF Limited and its subsidiaries	11.25%	3%	Container volume: increase from 102,216 TEU in 2012 to 125,503 TEU in 2016
VKT LLC	14.92%	3%	Throughput of containers: increase from 379,408 TEU in 2012 to 457,837 TEU in 2016

Recoverable amount for CGU's exceed carrying values and, therefore, no impairment was recognised.

The table below details sensitivity analysis for each CGU :

	Discount rate	Impairment loss USD mln	Revenue	Impairment loss USD mln
FIT LLC and its subsidiaries	+1%	-	-2%	-
Firm Transgarant LLC and its subsidiaries	+1%	-	-2%	-
FESCO ESF Limited and its subsidiaries	+1%	-	-2%	(4)
VKT LLC	+1%	-	-2%	-
Commercial Port of Vladivostok (VMTP)	+1%	-	-2%	-

5. Fleet

	Carrying value	
	31 December 2012	31 December 2011
	USD mln	
(a) Fleet	80	313
(b) Deferred dry docking expenses	7	21
(c) Vessels under construction	-	48
	87	382
Total deadweight tonnage	283	700

	Valuation	Depreciation	Net Book Value
		USD mln	
At 1 January 2011	307	-	307
Depreciation charge for the year	-	(12)	(12)
Disposals	(5)	-	(5)
Revaluation	(50)	12	(38)
Transfer from Vessels under construction	61	-	61
At 31 December 2011	313	-	313
Depreciation charge for the year	-	(12)	(12)
Disposals	(176)	3	(173)
Transfers to current assets held-for-sale	(4)	1	(3)
Revaluation	(110)	8	(102)
Transfer from Vessels under construction	57	-	57
At 31 December 2012	80	-	80

In December 2012, the Group sold 11 vessels to its former controlling shareholder for a consideration of USD 158 million. The gain on disposal of USD 10 million is recognized in the income statement.

The Group reviews the carrying value of the fleet on an annual basis. In determining an appropriate carrying value the Company relies on the opinion of expert third party valuers. The valuers determine by reference to recent sales transactions of similar vessels the amount a vessel could be sold for, assuming that the vessel is in reasonable condition. Management critically reviews the valuation arrived at by the valuers and also produces calculations of value in use based on discounted anticipated future cash flows.

The valuation basis utilised implicitly includes the value of dry docking in the overall valuation. Management, therefore, deducts the net book value of capitalised dry dock from the valuation and account, for such dry dock at historical cost less accumulated depreciation.

At 31 December 2012, the estimated scrap value of the Group's fleet was calculated based on an estimate of USD 390 per LWT (31 December 2011: USD 455). This change in accounting estimate was made in reaction to the decrease in international steel prices. This change in accounting estimate resulted in an increase in the depreciation charge for the year ended 31 December 2012 of USD 0.7 million.

The fleet includes 11 vessels, fully depreciated, with an aggregate scrap value of USD 25 million at 31 December 2012 (21 vessels with scrap value of USD 69 million at 31 December 2011).

Had the vessels been carried at the historical cost, the carrying amount would have been USD 74 million at 31 December 2012 (31 December 2011 – USD 257 million).

The fleet was revalued as at 31 December 2012 by independent professional brokers with reference to the observable market transactions with comparable vessels. The resulting revaluation decrease of USD 102 million has been recognised in the revaluation reserve (USD 6 million decrease) and the income statement (USD 96 million decrease).

At 31 December 2012, 10 vessels in the Group's fleet with a net book value of USD 49 million were insured for hull and machinery risks with western underwriters, a further 13 vessels with a net book value of USD 31 million were insured with Russian underwriters. The total insured value amounted to USD 137 million.

13 vessels with a net book value of USD 46 million are pledged as security to guarantee the Group's obligations under ING Bank N.V and Raffaisenbank loans (Note 16).

Movements during the period on deferred dry docking expenses were:

	Cost	**Depreciation**	**Net Book Value**
		USD mln	
At 1 January 2011	39	(18)	21
Additions	7	-	7
Charge for the year	-	(8)	(8)
Amortised dry dock write off	(3)	3	-
Release on disposal of fleet	(1)	1	-
Transfer from Vessels under construction	1	-	1
At 31 December 2011	43	(22)	21
Additions	6	-	6
Charge for the year	-	(7)	(7)
Amortised dry dock write off	(4)	4	-
Transfers to assets held-for-sale	(5)	2	(3)
Release on disposal of fleet	(21)	11	(10)
At 31 December 2012	19	(12)	7

Movements during the period on vessels under construction were:

	31 December 2012	31 December 2011
	USD mln	
At the beginning of the period	48	84
Expenditure incurred during the year	9	25
Capitalised borrowing costs	-	1
Transferred to fleet during the year	(57)	(62)
At the end of the period	-	48

6. Rolling Stock

	Cost	Depreciation	Net Book Value
		USD mln	
At 1 January 2011	421	(104)	317
Correction of the cost of tangible fixed assets	2	-	2
Additions	201	-	201
Addition on acquisition	55	-	55
Depreciation charge	-	(40)	(40)
Disposals	(3)	2	(1)
Translation difference	(37)	8	(29)
At 31 December 2011	639	(134)	505
Additions	37	-	37
Depreciation charge	-	(48)	(48)
Disposals	(24)	3	(21)
Translation difference	29	(4)	25
At 31 December 2012	681	(183)	498

Rolling stock includes assets held under finance leases with a net book value of USD 147 million (at 31 December 2011 – USD 153 million).

At 31 December 2012, rolling stock with a carrying amount of USD 127 million (31 December 2011 - USD 219 million) are subject to registered debentures to secure bank loans (Note 16).

As at 31 December 2012, rolling stock with a net book value of USD 256 million was insured with Russian insurance companies. The total insured value is USD 405 million (31 December 2011 – USD 539 million with a net book value of USD 351 million).

7. Other Tangible Fixed Assets

	Buildings and Infrastructure	Plant, Machinery and Other	Assets under construction	Total
	USD mln			
Cost				
At 1 January 2011	82	151	10	243
Additions	1	18	24	43
Reclass	-	(1)	-	(1)
Transfer	2	2	(4)	-
Disposals	-	(5)	(1)	(6)
Impairment	(4)	-	(1)	(5)
Translation difference	(2)	(4)	(3)	(9)
At 31 December 2011	79	161	25	265
Additions	7	31	1	39
Acquisition through a business combination(Note 29)	154	88	7	249
Transfer	-	4	(4)	-
Disposals	(5)	(5)	(1)	(11)
Translation difference	-	1	-	1
At 31 December 2012	235	280	28	543
Depreciation				
At 1 January 2011	21	69	-	90
Depreciation charge for the year	4	16	-	20
Eliminated on disposal	-	(4)	-	(4)
Translation difference	(1)	(1)	-	(2)
At 31 December 2011	24	80	-	104
Depreciation charge for the year	7	25	-	32
Eliminated on disposal	-	(3)	-	(3)
Translation difference	-	1	-	1
At 31 December 2012	31	103	-	134
Net Book Value				
At 1 January 2011	61	82	10	153
At 31 December 2011	55	81	25	161
At 31 December 2012	204	177	28	409

Plant, machinery and other fixed assets include containers held under finance lease with a net book value of USD 15 million (31 December 2011– USD 18 million) and plant and mashinery with a net book value of USD 2.8 million (31 December 2011 – USD 3.5 million).

At 31 December 2012, fixed assets with a carrying amount of USD 66 million (31 December 2011 - USD 22 million) are pledged as a security to guarantee the Group’s loan obligations (Note 16).

8. Investments in Associates and Joint Ventures

Equity accounted investments represent investments in joint ventures and associates.

Name	Country of incorporation	Percentage Holding	Activity
OJSC TransContainer	Russia	23.67%	Intermodal Container Operations
“Russkaya Troyka”	Russia	50%	Intermodal Container Operations
Trans Russia Agency Japan Co. Ltd	Japan	50%	Agency services
International Paint (East Russia) Limited	Hong Kong	49%	Ship Paint Production
“SHOSHTRANS” JVCSC	Uzbekistan	25%	Forwarding services
MB – Fesco Trans	Cyprus	49%	Forwarding services
FESCO BLG Automobile Logistics Russia Limited	Cyprus	50%	Agency stevedoring services

Movements in joint ventures and associated companies consolidated on an equity basis are as follows:

	31 December 2012	31 December 2011
	USD mln	
Balance as at 1 January	105	101
Share of results of equity accounted investees	45	7
Consolidation of VMTP (Note 29)	(90)	-
Additions	303	5
Dividends paid	-	4
Dividends received	(11)	(1)
Translation differences	7	(11)
Balance as at 31 December	359	105

During 2012, the Group purchased a 5.17% equity stake in the form of Global Depositary Receipt (“GDR”) of OJSC TransContainer which resulted in OJSC TransContainer becoming an associate with a 23.67% equity stake at 31 December 2012. Prepayment for the GDR was made in December 2011. The payment made in 2012 was USD 40 million.

Management decided to account for acquisition using “cost approach”. As a result, cumulative loss in the amount of USD 29 million recognized previously in other comprehensive income was transferred to retained earnings.

Summary financial information for equity- accounted investees, not adjusted for the percentage ownership held by the Group, is as follows:

	Reporting date	Current assets	Non-current assets	Total assets	Current liabilities	Non – current liabilities	Total liabilities	Income	Expenses	Profit/ (loss)
2012					USD mln					
TransContainer	31 December	293	1,649	1,942	360	299	659	1,094	(958)	136
M-Port (joint venture)	31 December	-	-	-	-	-	-	37	(29)	8
Russkaya Troyka (joint venture)	31 December	23	55	78	19	13	32	32	(18)	14
Other companies	31 December	23	2	25	15	-	15	43	(38)	5
		339	1,706	2,045	394	312	706	1,206	(1,043)	163
2011										
M-Port (joint venture)	31 December	43	143	186	18	40	58	149	(143)	6
Russkaya Troyka (joint venture)	31 December	12	49	61	7	24	31	23	(18)	5
Other companies	31 December	27	2	29	17	1	18	30	(28)	2
		82	194	276	42	65	107	202	(189)	13

Goodwill in amount of USD 28 million related to OJSC TransContainer and FESCO BLG is included into the investments in associates and joint ventures.

The fair value of OJSC TransContainer shares and GDR's held by the Group, based on the quotations in MICEX and LSE, at 31 December 2012 is USD 462 million.

9. Other Non-Current Assets

	31 December 2012	31 December 2011
	USD mln	
Prepayment for investment, at cost	2	293
Non-current portion of finance lease receivable, at amortized cost	5	7
Long term bank deposit, at cost	-	2
Prepayments for fixed assets, at cost	2	4
Other long term prepayments, at cost	-	2
Long term loans to related party, at amortized cost	542	1
Other non-current assets	4	4
Lease right	10	-
	565	313

In December 2012, the Group issued loans to its intermediate shareholder in the aggregate total amount of USD 540 million. The loans are USD denominated, bear interest at Libor+6.6 to 7.6% per annum. The loan with the aggregated amount of USD 140 million is repayable in 2014. The other loan with the aggregate amount of USD 400 million is repayable, together with any accrued interest, on 31 December 2019.

Prepayments for fixed assets represent prepayments for equipment.

The lease right was acquired on consolidation of VMTP, see Note 29.

The Group leases railroad platforms to one of its joint ventures. The lease agreement provides for ownership transfer of assets to the lessee at the end of the lease term for nominal consideration. The contractual interest rate on the platforms leased is 13.2 %.

Lease receivables as at 31 December are scheduled as follows:

	31 December 2012		**31 December 2011**	
	Minimum lease payments	**Present value of minimum lease payments**	**Minimum lease payments**	**Present value of minimum lease payments**
	USD mln		**USD mln**	
Within one year	3	2	3	2
Two to five years	5	5	8	7
	8	7	11	9
Less: future finance charges	(1)		(2)	
Present value of lease obligations	7		9	
Less current portion		(2)		(2)
Non-current portion		5		7

10. Inventories

	31 December 2012	**31 December 2011**
	USD mln	
Bunkers	16	17
Stores and spares	5	4
Victualing	-	-
Other stocks and raw materials	5	4
	26	25

11. Accounts Receivable

	31 December 2012	**31 December 2011**
	USD mln	
Trade debtors	77	66
VAT receivable	36	48
Prepayments to OJSC “Russian Railways”	17	19
Amounts due from associates and joint ventures	2	4
Other debtors and prepayments	86	72
Allowance for impairment	(28)	(31)
	190	178

12. Assets Held-for-Sale

	31 December 2012	31 December 2011
	USD mln	
Vessels held for sale	6	-
Other assets held for sale	6	-
	12	-

13. Other Current Assets

	31 December 2012	31 December 2011
	USD mln	
Loans and promissory notes issued to related parties, at cost	1	-
Short term finance lease receivable, at amortized cost	2	2
Short term bank deposit, at cost	-	6
	3	8

14. Cash and Cash Equivalents

	31 December 2012	31 December 2011
	USD mln	
Bank accounts and cash in hand	232	227
Restricted deposits	-	5
	232	232

15. Accounts Payable

	31 December 2012	31 December 2011
	USD mln	
Trade creditors	57	37
Fair value of interest swap contracts	-	11
Taxes payable, other than income tax	12	7
Interest payable	3	3
Amounts due to associates and joint ventures	-	2
Short term share based payments (Note 20)	2	-
Other creditors and accruals	73	68
	147	128

As at 31 December 2012, the Group did not have any of interest rate swap contracts.

16. Loans Payable and Finance Leases Obligations

(a) Loans payable

	31 December 2012	31 December 2011
	USD mln	
Loans and other obligations comprise:		
Secured loans		
At fixed rate 0.3%-5%	-	44
At fixed rate 5% - 10%	198	254
At variable rates 0.25%-5% above Libor/Euribor /Mosprime	52	257
At variable rates 5%-9.5% above Libor/Euribor /Mosprime	540	-
	790	555
Unsecured loans		
At fixed rate 1.5% - 5%	1	-
	1	-
Obligations under finance leases at fixed rate 6%	22	21
Obligations under finance leases at fixed rate 7.7% - 18.3%	107	122
	129	143
	920	698
Repayable within the next twelve months	219	199
Long term balance	701	499
	920	698

In December 2012, Halimeda International Limited, a Group subsidiary, signed a number of linked forward and swap agreements with banks for its 23.67% share in OJSC TransContainer.

The forward agreements stipulate future payment to the banks, in four installments, of a cash equivalent of the fair value of 23.67% shares in Transcontainer as determined at the installment payment date in exchange for USD 447.5 million in cash received from the banks upfront. The first installment occurs 12 months from the date of transaction, and following installments are due every 3 months thereafter.

The swap agreements exchange USD 307.5 mln in cash paid to the banks upfront for four future installments paid by the banks equal to i) USD 76.875 million plus ii) the difference (positive or negative) between the fair value of 23.67% of the shares in TransContainer at the installment payment date and its initial fair value at the moment of signing the agreement. The installment payment dates under the swap agreements match those of the forward agreements.

The swap and forward agreements contain netting provisions and Halimeda receives and pays cash on a net basis. The swap agreement stipulates payment of Libor+6.5% interest on the net balance due to the banks.

The economic substance of the transactions is a receipt by Halimeda of USD 140 million of loan with the repayments scheduled in four equal quarterly installments starting 12 months from the date of agreement. The shares of Trasncontainer were transferred as collateral for the banks to secure Halimeda's obligations under the agreements in conjunction with guarantees issued by a related party to the banks. The proceeds from the Halimeda forward-swap agreements were issued to a related party, which is an intermediate shareholder of Fesco.

In accordance with loan facility agreement, mentioned in Note 1, Halimeda is restricted from obtaining loans from other Fesco Group companies in order to serve the forward-swap loan. Effectively, the forward-swap loan may be served though dividend income from TransContainer, proceeds from sales of shares in TransContainer (if any) and cash received from repayment of loan due from the related party.

For currency and maturity analysis of loans and other obligations see Note 31.

Fixed assets pledged as a security for loans are disclosed in Notes 5, 6, 7.

The Group was in compliance with covenants as at 31 December 2012.

(b) Finance Leases obligations

The Group partially finances the purchase of wagons and containers through leasing and sale-leaseback transactions with leasing companies.

All the lease agreements provide for ownership transfer of assets to the Group at the end of the lease terms for a nominal consideration.

The Group's finance leases mainly relate to acquisition of containers and railroad platforms.
The average effective interest rate on the wagon lease liability is 13% (2011: 13%) and on the container lease liability it is 6%. Minimum lease payments and future interest element are estimated based on the rates applicable to each individual lease contract.

Lease payments as at each reporting date are scheduled as follows:

	31 December 2012		31 December 2011	
	Minimum lease payments	**Present value of minimum lease payments**	**Minimum lease payments**	**Present value of minimum lease payments**
	USD mln		**USD mln**	
Within one year	38	23	38	21
Two to five years	125	100	146	110
Over five years	6	6	14	12
	169	129	198	143
Less: future finance charges	(40)		(55)	
Present value of lease obligations	129		143	
Less current portion		(23)		(21)
Non-current portion		106		122

17. Other Non-Current Liabilities

	31 December 2012	31 December 2011
	USD mln	
Fair value of interest rate swap	-	21
Defined benefit obligations	5	2
Long term share based payments (Note 20)	1	4
Other non-current liabilities	10	-
	16	27

18. Current and Deferred Tax

Companies within the Group are subject to taxation in different jurisdictions. The most significant tax expense arises in entities incorporated in the Russian Federation.

	31 December 2012	31 December 2011
	USD mln	
Current tax expense		
Current period	49	30
Adjustment for prior periods	-	-
	49	30
Deferred tax expense		
Origination and reversal of temporary differences	(11)	1
	(11)	1
Total income tax expense	38	31

Reconciliation of effective tax rate:

	31 December 2012		31 December 2011	
	USD mln	%	USD mln	%
Profit before income tax	21	100	60	100
Income tax at applicable tax rate of 20% (2011: 20%)	4	20	12	20
Effect of income taxed at different rates	21	100	10	17
Income tax on dividends	2	10	-	-
Non-deductible expenses/non taxable income, net	4	20	7	12
Unrecognised deferred tax liability on investments in joint ventures	(2)	(10)	-	-
Change in unrecognised deferred tax asset	9	42	2	3
	38	182	31	52

The Group's deferred tax liability mainly arises in entities incorporated in Russia and the effect of deferred taxation in other jurisdictions is not material.

Movements in temporary differences were the following:

	Balance 1 January 2012	Recognised in profit or loss	Addition on acquisition of subsidiary	Translation differences	Balance 31 December 2012
			USD mln		
Vessels	(14)	8	-	-	(6)
Deferred dry docking	(1)	1	-	-	-
Other fixed assets	(52)	7	(33)	(3)	(81)
Assets under construction	1	-	-	-	1
Accounts receivable	3	-	-	-	3
Accounts payable	23	(4)	1	2	22
Provisions, accruals and deferred income	1	-	-	-	1
Tax loss carry-forwards	4	(1)	-	-	3
	(35)	11	(32)	(1)	(57)

	Balance 1 January 2011	Recognised in profit or loss	Addition on acquisition	Translation differences	Balance 31 December 2011
Vessels	(17)	4	-	(1)	(14)
Deferred dry docking	(2)	1	-	-	(1)
Other fixed assets	(27)	(21)	(8)	4	(52)
Assets under construction	-	1	-	-	1
Accounts receivable	2	1	-	-	3
Accounts payable	4	16	5	(2)	23
Provisions, accruals and deferred income	1	-	-	-	1
Tax loss carry-forwards	6	(3)	2	(1)	4
	(33)	(1)	(1)	-	(35)

Unrecognised deferred tax asset

The Group has unrecognized DTA at the amount of USD 13 million as of 31 December 2012 (31 December 2011: USD 4 million).

Unrecognised deferred tax liability

A temporary difference of USD 168 million relating to investments in subsidiaries and joint ventures has not been recognised as the Group is able to control the timing of reversal of the difference, and reversal is not expected in the foreseeable future.

19. Shareholders' Equity

	31 December 2012	31 December 2011
	USD mln	
Authorised number of shares (1 Rouble per share)	3,643,593,000	3,643,593,000
Issued number of shares	2,951,250,000	2,951,250,000
Share capital (USD mln)	57	57

	31 December 2012	31 December 2011
	Number of shares	
Treasury shares held by:		
Far Eastern Shipping Company PLC	-	55,783
Neteller Holdings Limited	-	393,650,024
	-	393,705,807

394 million of treasure shares representing approximately 13% of all issued shares have been sold to a related party for the total cash consideration of USD 114 million.

20. Share – Based Payments

The Group has a share option programme for management.

The Group's obligations may be settled in shares or in cash at the choice of the employee. Vesting of the options is subject to the individuals concerned remaining employees at the end of the specified period, although leavers may have a pro-rata entitlement. The employees are not required to achieve any other non-market or market based performance conditions.

The accumulated liability from recognised grants amounts to USD 2.8 million (31 December 2011 – USD 3.9 million).

The fair value of options granted under the Group's share option scheme were calculated at the period end using a Black-Scholes option pricing model with the following key assumptions:

	2012	2011
Stock price, USD	0.31	0.27
Exercise price, USD	0.32	0.32-0.456
Risk – free rate	0.16%-0.21%	0.25%-0.31%
Volatility	51.16%-67.52%	87.30%-91.56%
Time to expiration	0.11-1.5 years	1.9-2.5 years

The stock price was obtained from Russian Trading System (RTS) data on the balance sheet date. The risk – free rate is based on an estimate of returns on US two-four year Treasury bonds. Volatility is based upon historical record of share price with reference to the period of time from the reporting date to expected exercise date ranging from 0.11 to 1.5 years. The method corresponds to level 3 of the hierarchy of determination of the fair values.

The variables set out above resulted in a value per option of 6.54 cents. This value is sensitive to changes in volatility. An increase in the assumed volatility to 100% will result in an increase in the option value to 11.79 cents. A decrease to 20% volatility will result in a decrease of the option value by 3.04 cents.

The movement in options to subscribe for shares under the Group's share option scheme is shown in the table below.

	2012		2011	
	Number of share option	**Weighted average exercise price, USD**	**Number of share option**	**Weighted average exercise price, USD**
Outstanding at 1 January	71,643,593	0.339	54,643,593	0.32
Granted during the year	-	-	17,000,000	0.40
Forfeited during the year	(15,000,000)	0.388	-	-
Outstanding at 31 December	56,643,593	0.320	71,643,593	0,339

Options granted to 15 directors and senior executives were outstanding at 31 December 2012.

21. Business Segmental Analysis

For management purposes, the Group is organised into four major operating divisions – shipping, liner and logistics, railway services and ports. The Group also includes certain companies that cannot be allocated to a specific division; these include investing and managing companies. These divisions are the basis on which the Group reports its operating segment information. The services provided by each of these divisions are as follows:

Shipping	The shipping division is involved in ship ownership, ship management, chartering out and provision of agency services. These activities are carried out on a cabotage, cross trade and import-export basis. The vessels operated by the shipping division are largely container vessels and bulk carriers.
Liner and Logistics	The Liner and logistics division operates liner services and provides freight forwarding services both for containers and break-bulk cargoes.
Railway Services	The railway services division provides services both as an operator and an agent. When acting as an operator it renders services for containerised and bulk cargoes using locomotives, railway wagons, hoppers, steel-pellet wagons and tank wagons owned by the division or leased by it under finance leases. In addition it uses rolling stock hired on short term operating leases.
Ports	The ports division owns and operates port facilities and container terminals in Russia and provides cargo handling, stevedoring, container storage and rental and related port services and facilities.

Segmental reporting information is submitted to management of the Group on a regular basis as part of the management reporting process. It is used to assess the efficiency of the segments and to take decision on the allocation of resources.

Segment information for the main reportable segments of the Group for the period ended 31 December 2012 is set out below.

	Shipping	Liner and Logistics	Railway services	Ports	Corporate	Investment in TransContainer	Eliminations/ Adjustments	Total
	USD mln							
External sales	99	622	343	133	-	-	-	1,197
Inter-segment sales	42	1	4	45	-	-	(92)	-
Segment revenue	141	623	347	178	-	-	(92)	1,197
Segment expenses (*)	(151)	(581)	(180)	(92)	(47)	-	101	(950)
Segment result	(10)	42	167	86	(47)			247
Segment non-cash items:								
Depreciation and amortization	(22)	(13)	(48)	(15)	(2)	-	-	(100)
Impairment reversal on tangible fixed assets	(96)	-	-	-	-	-	-	(96)
Other material items of income/expense:								
Other income and expenses	1	1	8	(6)	(22)	-	(10)	(28)
Interest expense, share of profit/(loss) of associates and income tax expense:								
Interest expense	(12)	(2)	(40)	(3)	(8)	-	12	(53)
Share of profit of equity accounted investees	-	1	7	4	2	31	-	45
Income tax expense	9	(10)	(21)	(15)	(1)	-	-	(38)

Segment information for the main reportable segments of the Group for the year ended 31 December 2011 is set out below.

	Shipping	Liner and Logistics	Railway services	Ports	Corporate	Eliminations/ Adjustments	Total
	USD mln						
External sales	114	565	301	49	-	-	1,029
Inter-segment sales	45	2	7	28	-	(82)	-
Segment revenue	159	567	308	77	-	(82)	1,029
Segment expenses (*)	(154)	(518)	(174)	(29)	(31)	93	(813)
Segment result	5	49	134	48	(31)	11	216
Segment non-cash items:							
Depreciation and amortization	(23)	(12)	(42)	(4)	(1)	-	(82)
Impairment loss on tangible fixed assets	(42)	-	-	(5)	-	-	(47)
Other material items of income/expense:							
Other income and expenses	(2)	2	(2)	-	(3)	-	(5)
Interest expense, share of profit/(loss) of associates and income tax expense:							
Interest expense	(8)	(3)	(35)	(1)	(6)	8	(45)
Share of profit of equity accounted investees	1	-	3	3	-	-	7
Income tax expense	1	(10)	(14)	(8)	-	-	(31)

Segmental assets and liabilities

	Assets		Liabilities	
	31 December 2012	**31 December 2011**	**31 December 2012**	**31 December 2011**
	USD mln			
Shipping (Global)	189	561	66	250
Liner and logistics (Global)	218	186	113	88
Railway services (Russia)	619	681	306	426
Stevedoring services (Russia)	818	440	517	19
Total of all segments	1,844	1,868	1,002	783
Goodwill	280	214	-	-
Other items not attributable to a specific segment	556	252	146	109
Consolidated	2,680	2,334	1,148	892

Other segmental information

	Acquisition of segment assets		Investments in equity accounted investees	
	31 December 2012	**31 December 2011**	**31 December 2012**	**31 December 2011**
	USD mln			
Shipping (Global)	17	36	1	1
Liner and logistics (Global)	9	6	8	7
Railway services (Russia)	39	332	23	15
Stevedoring services (Russia)	35	276	-	82
Investment in TransContainer	-	-	327	-
	100	650	359	105

(*) Segment expenses include operating expenses and administrative expenses.

22. Revenue

	2012	**2011**
	USD mln	
Transportation services (operators' business)	900	814
Hire and freight	101	115
Port and stevedoring services	132	49
Revenue from rentals	57	39
Agency fees	7	12
	1,197	1,029

23. Operating Expenses

	2012	2011
	USD mln	
Railway infrastructure tariff and transportation services	526	443
Voyage and vessel running cost	91	111
Payroll expenses	89	62
Stevedoring expenses	36	8
Operating lease	42	48
Non-profit based taxes	9	8
	793	680

24. Administrative Expenses

	2012	2011
	USD mln	
Salary and other staff related costs	93	86
Professional fees	21	8
Office rent	8	8
Other administrative expenses	35	31
	157	133

Salary and other staff related costs include share based payment release in amount of USD 1 million (2011: USD 0.8 million release).

25. Other Finance Income and Costs

	2012	2011
	USD mln	
Interest income	10	12
Changes in fair value of financial instruments	(4)	(11)
Other expenses	(1)	-
	5	1

26. Other Income and Expenses

	2012	2011
	USD mln	
Loss on sale of vessels	(2)	-
Bad debt charge	(2)	(6)
Other (expenses)/income	(24)	1
	(28)	(5)

27. Impairment loss on Tangible Fixed Assets

	2012	2011
	USD mln	
Fleet impairment charge (Note 5)	(96)	(42)
Impairment of other fixed assets and assets under construction	-	(5)
	(96)	(47)

28. (Loss)/profit per Share

Basic (loss)/profit per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding those held by Group companies . For diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to assume conversion of all potential dilutive ordinary shares. These represent share options granted to management.

	31 December 2012	31 December 2011
	USD	
(Loss)/profit for the year	(19,762,000)	19,253,000
Weighted average number of shares in issue (note 19)	2,742,132,381	2,557,544,193
Basic (loss)/profit per share	(0.007)	0.008

	31 December 2012	31 December 2011
	USD	
(Loss)/profit for the period, adjusted for stock option expense	(20,881,484)	18,466,861
Weighted average number of shares in issue, adjusted for stock options (note 20)	2,739,998,236	2,537,879,704
Diluted (loss)/profit per share	(0.007)	0.008

Since the assumed exercise of the options is anti-dilutive during 2012, the diluted loss per share equals basic loss per share.

29. Acquisitions of Subsidiary

On 31 March 2012, the Group obtained control over Commercial Port of Vladivostok by acquiring 45.6% of shares and voting interests in the company. As a result, the Group's equity interest in Commercial Port of Vladivostok increased from 50% to 95.6%.

In the nine month period to 31 December 2012, Commercial Port of Vladivostok contributed revenue of USD 74 million and profit of USD 15 million to the Group results. If the acquisition had occurred on 1 January 2012, the consolidated revenue of the Group would have been USD1,229 million and the consolidated net loss of the Group for the year would have been USD 10 million.

The acquisition of the subsidiary had the following effect on the Group's assets and liabilities at the date of acquisition:

	Recognised fair values on acquisition
	USD mln
Non-current assets	
Property, plant and equipment	249
Prepayments for fixed assets	13
Other non-current assets	13
Current assets	
Inventories	2
Trade and other receivables	5
Cash and cash equivalents	18
Other current assets	23
Non-current liabilities	
Loans and borrowings	(24)
Deferred tax liabilities	(32)
Other non-current liabilities	(18)
Current liabilities	
Loans and borrowings	(8)
Trade and other payables	(7)
Non-controlling interests	(9)
Net identifiable assets	**225**
Goodwill	55
Carrying value of previously held shareholding	90
Cash paid in 2011	190
Cash acquired in 2012	18
Net cash outflow in the statement of cash flows	172

Goodwill arose as an expectation of synergy in the container business of the combined port which will include Commercial Sea port and container terminal.

The carrying value of the existing 50% of shares in Commercial Port of Vladivostok approximates the fair value. Therefore, no remeasurement gain was recognised when control was obtained.

As part of business combination of Commercial Port of Vladivostok, the Group increased its shareholding in VCT from 75% to 99%. The consideration paid for the minority stake in VCT in 2011 amounted to USD 57 million. The acquisition of non-controlling interest resulted in a decrease of retained earnings by USD 40 million.

30. Contingencies and Commitments

(a) Operating lease commitments – where a Group company is the lessee

The Group leases rolling stock, berths and office premises under non-cancellable lease agreements. As at 31 December 2012 all non-cancellable operating lease agreements are for a period of less than 12 months with renewal options.

At 31 December 2012, the Group had the following outstanding commitments under non-cancellable operating leases.

	31 December 2012	31 December 2011
	USD mln	
Within one year	12	21
In two to five years	21	20
After five years	70	-
	103	41

(b) Guarantees issued to related parties

To finance the acquisition of Fesco, the new shareholders obtained a bank loan in the aggregate amount of USD 400 million. Some of the Group's subsidiaries act as guarantors for such bank loans.

(c) Taxation contingencies

The Group operates in several jurisdictions with significantly different taxation systems. Management believes that the Group's shipping and holding companies incorporated in foreign jurisdictions are not subject to taxes outside their countries of incorporation. However, there is a risk that the taxation authorities of higher tax jurisdictions may attempt to subject the Group's earnings to income taxes of a particular jurisdiction. Should the taxation authorities be successful in assessing additional taxes, late payment interest and imposing fines on this basis, the impact on these financial statements could be significant.

Russian tax law and practice are not as clearly established as those of more developed market economies. Russian tax laws, regulations and court practice are subject to frequent change, varying interpretation and inconsistent and selective enforcement. As a result, sometimes taxpayers are being challenged as to structures and transactions which have not been challenged or litigated as a result of prior tax audits. Taxation of companies in the transportation and freight forwarding industry in particular has historically been a vague area in the Russian tax legislation leaving a room for interpretation by the tax authorities.

From 1 January 2011, amendments of Russian tax legislation related to VAT treatment of transportation and related services (in particular, application of the 0% VAT rate) came into force. The VAT law was further changed with effect from 1 October 2011. However, certain ambiguity as to VAT treatment of some transportation and related services still remain and the new rules have not yet been tested in courts. Therefore, the interpretations of the new law by the Russian tax authorities and by the customers of the Group transportation companies could differ from that taken by the Group and the effect on these consolidated financial statements if the resulting disputes are not resolved in favour of the company could be material.

The taxation system in the Russian Federation continues to evolve is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, different interpretations exist amongst numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are able by law to impose severe fines, penalties and interest charges. The tax authorities are increasingly taking a more assertive position in their interpretation and enforcement of tax legislation.

In particular, on 1 January 2012 a law came into force that completely replaced the existing Russian transfer pricing rules with new ones making Russian transfer pricing rules closer to OECD guidelines, but creating additional uncertainty in practical application of tax legislation in certain circumstances. For instance, when determining controllable types of transactions which are not limited to sales of goods, work and services, but may include other types of transactions as well.

The new transfer pricing rules introduce an obligation of taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe a new basis and mechanisms for assessing additional taxes in case prices in the controlled transactions differ from the market level. For example, the new transfer pricing rules eliminated the 20-percent price safe harbour that existed under the previous transfer pricing rules applicable to transaction on or prior to 31 December 2011.

The new transfer pricing rules primarily apply to cross-border transactions between related parties as well as certain cross-border transactions between independent parties, as determined under the Russian Tax Code. In addition, the rules apply to in-country transactions between related parties if the accumulated annual volume of the transactions between the same parties exceeds a particular threshold (RUB3 billion in 2012, RUB2 billion in 2013, and RUB1 billion in 2014 and thereafter).
Penalty for underpayment of tax arising from non-compliance with the new transfer pricing rules will apply from 2014 (inclusive) with increase of the penalty rate from 20% in 2014 to 40% of underpaid tax starting from 2017.

It is difficult to predict how such rules will be interpreted by the Russian tax authorities, but it is generally expected that the Russian tax authorities will be able to enforce the new transfer pricing rules more effectively than the previous ones.

Taking into account that there is no practice of applying the new transfer pricing rules by the tax authorities and courts, that the rules are themselves vague and contain gaps and that practically all large Group companies in Russia are engaged in transactions that may be subject to control under the new rules, there is a risk that the Russian tax authorities could attempt to assess additional taxes and late payment interest on Russian Group companies on the basis of such new rules. Should the Russian taxation authorities be successful in that challenge , the impact on these financial statements could be significant.

The above circumstances may create tax risks in Russia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation (including new Russian transfer pricing rules). However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(d) Business environment

Part of the Group's operations is located in the Russian Federation and Ukraine. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation and Ukraine which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. The consolidated financial statements reflect management's assessment of the impact of the Russian and Ukrainian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

31. Financial Risk Management Objectives and Policies

Capital Risk Management

The Group manages its capital to ensure that it can continue to operate and expand their operations while at the same time maximising returns to shareholders through the optimisation of the debt-equity balance. This strategy remains unchanged from prior year.

The Group is financed by a combination of borrowing and equity attributable to shareholders. Borrowing comprises long and short term loans (as disclosed in Note 16) and is monitored net of cash and cash equivalents. Equity attributable to shareholders comprises issued share capital, share premium, retained earnings and other reserves less treasury shares (as disclosed in notes 19).

The Group is not subject to externally imposed capital requirements other than those included, from time to time, in the financial covenants associated with bank borrowing and those, imposed by the Russian legislation.

The Board of Directors monitors the capital structure of the Group taking into account the costs and risks associated with each category of capital. The Group's net debt to equity ratio is the primary tool used in the monitoring process. No formal targets have been set to maintain a net debt to equity ratio on a definite level.

The Group's net debt to equity ratio at the year end was as follows:

	31 December 2012	31 December 2011
	USD mln	
Net debt		
Long term loans and finance lease obligations	701	499
Short term loans and finance lease obligations	219	199
Less cash and cash equivalents	(232)	(232)
	688	466
Equity attributable to equity shareholders of the Company	1,523	1,427
Net debt to equity ratio	45%	33%

Major categories of financial instruments.

The Group's principle financial liabilities comprise borrowings, finance leases, trade and other payables.

The main risks arising from the Group's financial instruments are market risk which includes foreign currency and interest rate risk, credit and liquidity risks.

The Board of Directors has overall responsibility for the establishment and overseeing of the Group's risk management framework. The Group Audit Committee is responsible for developing and monitoring the Group's risk management policies.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(a) Credit risk

Credit risk is the risk that a customer may default or not meet its obligations to the Group on a timely basis, leading to financial losses to the Group.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which the customer operates, has less of an influence on a credit risk. There is no concentration of credit risk with a single customer.

Each company within the Group establishes its own credit policy taking into account the specifics of the sector and the company's customer base.

The majority of the Group's customers have been transacting with the Group companies for many years and losses arising from this category of customer are infrequent.

Policies established by Group companies for new customers will generally involve some form of credit check based on the available information. Where a customer is not deemed creditworthy, the Group will generally only offer services on a prepayment basis.

The Group has provided fully for all receivables over one year because historical experience is such that receivables that are past due beyond one year are generally not recoverable.

The Group's maximum exposure to credit risk in relation to each class of recognised financial asset is the carrying amount of those assets as stated in the balance sheet and was as follows:

	31 December 2012	**31 December 2011**
	USD mln	
Investments available-for-sale	-	197
Long term loans issued to a related party	542	-
Prepayment for investment, at cost	2	293
Accounts receivable	190	178
Current tax assets	14	10
Other current assets	1	8
Cash and cash equivalents	232	232
	981	918

The ageing profile of trade receivables was:

	31 December 2012		**31 December 2011**	
	USD mln			
	Total book value	**Allowance for impairment**	**Total book value**	**Allowance for impairment**
Current	50	-	33	-
Overdue 90 days	3	-	5	-
Overdue 91 days to one year	2	-	7	2
Overdue more than one year	22	22	21	21
	77	22	66	23

During the year, the Group had the following movement in allowance for trade receivables:

	31 December 2012	**31 December 2011**
	USD mln	
Balance as at 1 January	23	27
Uncollectible receivables written off during the year	(4)	(6)
Increase in allowance	3	2
Balance as at 31 December	22	23

Other assets of the Group with exposure to credit risk include cash and advances to suppliers. Cash is placed with reputable banks. Advances to suppliers mainly include prepayments for transportation services and prepayments to Russian Railway. Management does not expect these counterparties to fail to meet their obligations.

(b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on sales, purchases, finance leases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the RUB and USD.
Borrowings and interest thereon are generally denominated in currencies that match the cash flows generated by the underlying operations of the Group, this providing an economic hedge.
In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

At 31 December 2012, the Group had the following monetary assets and liabilities denominated in currencies other than the functional currency of the respective Group entity:

	USD	RUB	Other currencies
		USD mln	
Assets			
Other non-current assets	407	1	-
Accounts receivable	17	5	3
Other current assets	2	-	-
Bank and cash balances	31	-	16
Intra-group assets	50	2	-
	507	8	19
Liabilities			
Accounts payable	24	7	3
Loans and other obligations	403	13	27
Intra-group liabilities	107	69	-
	534	89	30
	(27)	(81)	(11)

Other currencies include EURO primarily.

At 31 December 2011, the Group had the following monetary assets and liabilities denominated in currencies other than the functional currency of the respective Group entity.

	USD	RUB	Other currencies
		USD mln	
Assets			
Other non-current assets	7	-	-
Accounts receivable	15	13	4
Other current assets	2	-	-
Bank and cash balances	19	2	3
Intra-group assets	55	40	-
	98	55	7
Liabilities			
Accounts payable	7	7	5
Loans and other obligations	66	24	8
Intra-group liabilities	119	66	-
	192	97	13
	(94)	(42)	(6)

Foreign currency sensitivity analysis

The table below details the Group's sensitivity to strengthening/weakening of USD against the RUB by 10% which represents management's assessment of the possible change in foreign currency exchange rates.

	RUB/USD impact			
USD mln	**31 December 2012**	**31 December 2012**	**31 December 2011**	**31 December 2011**
	RUB/USD +10%	**RUB/USD -10%**	**RUB/USD +10%**	**RUB/USD -10%**
Profit or (loss)	3	(3)	9	(9)

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's interest risk mainly arises from its debt obligations in particular non-current borrowings. Borrowing at variable rates exposes the Group to cash flow interest rate risk. Lending at fixed rates or the purchase of debt instruments at fixed rates expose the Group to changes in the fair value.

The Group reviews its debt portfolio and monitors the changes in the interest rate environment to ensure that interest payments are within acceptable levels. Information relating to interest rates on the Group's borrowings is disclosed in Note 16.

Structure of interest rate risk.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments, excluding the effect of derivative financial instruments, was:

	Carrying amount	
	31 December 2012	**31 December 2011**
	USD mln	
Fixed rate instruments		
Cash and cash equivalents	74	159
Loans and promissory notes receivable	2	1
Long term deposits	-	2
Finance lease receivable	7	9
Borrowings and finance lease obligations	(328)	(440)
	(245)	(269)
Variable rate instruments		
Loans receivable	540	-
Borrowings	(592)	(257)
	(52)	(257)

Interest rate sensitivity analysis

The table below details the Group's sensitivity to increase or decrease of floating interest rates by 1%. The analysis was applied to financial instruments based on the assumption that the amount of financial instruments outstanding as at the balance sheet date was outstanding for the whole year.

The change in Libor/Euribor/Mosprime by 1% would not have resulted in a significant impact on the Group' results.

(c) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: 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: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2012	**Level 1**	**Level 2**	**Level 3**
		USD mln	
Share-based payments liability	-	-	(3)
	-	-	(3)

31 December 2011	**Level 1**	**Level 2**	**Level 3**
		USD mln	
Investments available for sale	197	-	-
Share-based payments liability	-	-	(4)
Interest rate swap liability	-	(32)	-
	197	(32)	(4)

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they fall due. The Group has in place a detailed budgeting and cash flow forecasting process to help ensure that it has sufficient cash to meet its payment obligations.

Loans, borrowings, finance lease and other payables

	Carrying value	**Minimum future payment**	**Less than 3 month**	**3-6 month**	**6-12 month**	**1-5 years**	**Later than 5 years**
				USD mln			
As at 31 December 2012							
Loans and interest payable	794	1,013	27	27	206	752	1
Finance leases	129	169	10	10	18	125	6
Trade and other payables	104	104	104	-	-	-	-
Share-based payments	3	3	2	-	-	-	1
Defined benefit obligations	5	5	-	-	-	-	5
Total	1,035	1,294	143	37	224	877	13

	Carrying value	Minimum future payment	Less than 3 month	3-6 month	6-12 month	1-5 years	Later than 5 years
				USD mln			
As at 31 December 2011							
Loans and interest payable	557	638	22	109	79	377	51
Finance leases	143	198	10	9	19	146	14
Interest swap	32	33	3	4	5	21	-
Trade and other payables	75	75	74	1	-	-	-
Share-based payments	4	4	-	-	-	4	-
Defined benefit obligations	2	2	-	-	-	2	-
Total	813	950	109	123	103	550	65

32. Related Party Transactions

For the purposes of these financial statements, parties are considered to be related if both parties are under common control or one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

During the period seven individuals were considered to be the Group's key management and directors (2011 – ten individuals). Their remuneration during the period was as follows:

	31 December 2012	31 December 2011
	USD mln	
Salaries	3	3
Bonuses	3	2
Board of directors remuneration	2	1
	8	6

During the year the share option liability decreased resulting in a gain of USD 1 million.

Guarantees issued to shareholders amount to USD 400 million at 31 December 2012 (2011 – nil).

Statement of financial position	31 December 2012	31 December 2011	Nature of balances
	USD mln		
Associates	-	2	Agency and other service
Associates	2	-	Trade receivables
Joint Venture Company	-	(2)	Trade payables
Joint Venture Company	1	2	Trade receivables
Joint Venture Company	-	(13)	Loan payable
Joint Venture Company	1	2	Loan issued
Related through common shareholder	541	-	Loan issued
Related through common shareholder	2		Interest receivable
Related through common shareholder	4	-	Payables on behalf of related party
Related through common shareholder	-	72	Cash and cash equivalents
Joint Venture Company	7	9	Finance lease receivable
Non-consolidated subsidiaries	(1)	-	Loan payable

Income Statement	31 December 2012	31 December 2011	Nature of transactions
	USD mln		
Non-consolidated subsidiary purchases	(1)	(1)	Agency Services
Associates purchases	(3)	(2)	Agency services, rent and security expenses
Joint Venture Company purchases	(9)	(10)	Agency ,transportation and stevedoring services
Joint Venture Company sales	2	3	Transportation services
Joint Venture Company	1	2	Finance lease and interest income
Related through common shareholder	4	3	Interest income
Related through common shareholder	(4)	-	Consulting expenses

33. Events subsequent to the reporting date

In February 2013, the Group pledged shares of certain group subsidiaries, including all shares in VMTP and 50% shareholding in VCT to secure liabilities of the related parties under long-term bank loan facilities agreements.