Public Joint Stock Company Novorossiysk Commercial Sea Port and Subsidiaries

Consolidated Financial Statements

For the Year Ended 31 December 2009

PUBLIC JOINT STOCK COMPANY
NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES

TABLE OF CONTENTS

	Page
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009	1
INDEPENDENT AUDITOR'S REPORT	2
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009:	
Consolidated statement of comprehensive income	4
Consolidated statement of financial position	5
Consolidated statement of changes in equity	6
Consolidated statement of cash flows	7
Notes to the consolidated financial statements	8

PUBLIC JOINT STOCK COMPANY
NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

Management is responsible for the preparation of consolidated financial statements that present fairly the consolidated financial position of Public Joint Stock Company Novorossiysk Commercial Sea Port and its subsidiaries (the "Group") as of 31 December 2009, and the consolidated results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with Russian legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2009 were approved by management on 15 April 2010:

I.E. Vilinov
Chief Executive Officer

G.I. Kachan
Chief Accountant

ZAO “Deloitte & Touche CIS”
5 Lesnaya Street
Moscow, 125047
Russia

Tel: +7 (495) 787 06 00
Fax: +7 (495) 787 06 01
www.deloitte.ru

INDEPENDENT AUDITOR’S REPORT

To the Shareholders of Public Joint Stock Company Novorossiysk Commercial Sea Port:

We have audited the accompanying consolidated financial statements of Public Joint Stock Company Novorossiysk Commercial Sea Port and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 Group’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 Group’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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu and its Member Firms.

© 2010 ZAO “Deloitte & Touche CIS”. All rights reserved.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2009, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

15 April 2010
Moscow, Russia

PUBLIC JOINT STOCK COMPANY
NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009
(in thousands of US Dollars, except earnings per share)

	Notes	Year ended 31 December 2009	Year ended 31 December 2008
REVENUE	6	675,060	653,777
COST OF SERVICES	7	(236,813)	(342,239)
GROSS PROFIT		**438,247**	**311,538**
Selling, general and administrative expenses	8	(68,232)	(67,189)
Loss on disposal of property, plant and equipment		(2,089)	(6,556)
Impairment of goodwill	14	-	(3,456)
OPERATING PROFIT		**367,926**	**234,337**
Interest income on deposits		11,336	5,384
Finance costs	9	(31,835)	(39,932)
Foreign exchange loss, net		(25,392)	(82,715)
Gain from disposal of subsidiaries	26	-	2,718
Other (expense)/income, net		(1,307)	779
PROFIT BEFORE INCOME TAX		**320,728**	**120,571**
INCOME TAX EXPENSE			
Current income tax expense	10	(74,108)	(51,981)
Deferred tax benefit	10	5,545	27,192
PROFIT FOR THE YEAR		**252,165**	**95,782**
OTHER COMPREHENSIVE LOSSES			
Effect of translation to presentation currency		(7,366)	(123,153)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**244,799**	**(27,371)**
Profit for the year attributable to:			
Equity shareholders		249,795	90,498
Non-controlling interests		2,370	5,284
		252,165	**95,782**
Total comprehensive income/(loss) attributable to:			
Equity shareholders		243,584	(27,295)
Non-controlling interests		1,215	(76)
		244,799	**(27,371)**
Weighted average number of ordinary shares outstanding	12	19,259,815,400	19,259,815,400
BASIC AND DILUTED EARNINGS PER SHARE (US Dollars)		0.0130	0.0047

I.E. Vilinov
Chief Executive Officer

G.I. Kachan
Chief Accountant

The notes on pages 8 to 49 form an integral part of these consolidated financial statements.

PUBLIC JOINT STOCK COMPANY
NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009
(in thousands of US Dollars)

	Notes	31 December 2009	31 December 2008
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	13	549,867	576,367
Goodwill	14	394,632	406,234
Mooring rights	15	9,692	10,615
Investments in securities and other financial assets	16	1,521	3,216
Investment in joint venture	33	1,409	-
Non-current VAT recoverable		1,094	5,100
Spare parts		4,532	5,023
Deferred tax assets	10	1,839	2,213
Other intangible assets		1,519	1,480
		966,105	1,010,248
CURRENT ASSETS:			
Inventories	17	8,510	6,011
Advances to suppliers		2,138	2,115
Trade and other receivables	18	32,499	29,887
VAT recoverable and other taxes receivable		24,771	29,348
Investments in securities and other financial assets	16	168,736	85,976
Cash and cash equivalents	19	159,075	42,868
		395,729	196,205
TOTAL ASSETS		**1,361,834**	**1,206,453**
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	20	10,471	10,471
Share premium		9,255	9,255
Foreign currency translation reserve		(43,959)	(37,748)
Retained earnings		823,029	606,383
Equity attributable to shareholders of the parent company		798,796	588,361
Non-controlling interests		18,176	27,117
TOTAL EQUITY		816,972	615,478
NON-CURRENT LIABILITIES:			
Long-term debt	21	324,694	463,231
Defined benefit obligation	22	9,732	7,643
Deferred tax liabilities	10	33,988	41,294
		368,414	512,168
CURRENT LIABILITIES:			
Current portion of long-term debt	21	130,057	42,254
Trade and other payables	23	5,318	6,104
Advances received from customers		18,006	11,348
Taxes payable		4,656	7,188
Interest rate swap liability		3,064	4,741
Accrued expenses	24	15,347	7,172
		176,448	78,807
TOTAL EQUITY AND LIABILITIES		**1,361,834**	**1,206,453**

The notes on pages 8 to 49 form an integral part of these consolidated financial statements.

PUBLIC JOINT STOCK COMPANY
NOVOROSSIYSK COMMERCIAL SEA PORT AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009
(in thousands of US Dollars)

		Attributable to shareholders of the parent company						
	Notes	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total
At 1 January 2008		**10,471**	**9,255**	**80,045**	**631,458**	**731,229**	**38,883**	**770,112**
Profit for the year		-	-	-	90,498	**90,498**	5,284	**95,782**
Other comprehensive loss for the year		-	-	(117,793)	-	**(117,793)**	(5,360)	**(123,153)**
Total comprehensive loss		-	-	(117,793)	90,498	**(27,295)**	(76)	**(27,371)**
Dividends	11	-	-	-	(14,818)	**(14,818)**	-	**(14,818)**
Purchase of non-controlling interests	26	-	-	-	(100,755)	**(100,755)**	(11,690)	**(112,445)**
At 31 December 2008		**10,471**	**9,255**	**(37,748)**	**606,383**	**588,361**	**27,117**	**615,478**
At 1 January 2009		**10,471**	**9,255**	**(37,748)**	**606,383**	**588,361**	**27,117**	**615,478**
Profit for the year		-	-	-	249,795	249,795	2,370	**252,165**
Other comprehensive loss for the year		-	-	(6,211)	-	(6,211)	(1,155)	**(7,366)**
Total comprehensive income		-	-	(6,211)	249,795	**243,584**	1,215	**244,799**
Dividends	11	-	-	-	(16,089)	**(16,089)**	(6)	**(16,095)**
Purchase of non-controlling interests	26	-	-	-	(17,054)	**(17,054)**	(10,156)	**(27,210)**
At 31 December 2009		**10,471**	**9,255**	**(43,959)**	**823,035**	**798,802**	**18,170**	**816,972**

The notes on pages 8 to 49 are an integral part of these interim condensed consolidated financial statements.

CONSOLIDATED STATMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009
(in thousands of US Dollars)

	Notes	Year ended 31 December 2009	Year ended 31 December 2008
Cash flows from operating activities			
Cash generated from operations	25	447,290	373,693
Income tax paid		(70,646)	(62,250)
Interest paid		(31,068)	(35,957)
Net cash generated by operating activities		**345,576**	**275,486**
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		1,272	3,652
Purchase of property, plant and equipment		(56,718)	(88,330)
Proceeds from maturity of securities and other financial assets		320,061	77,503
Purchase of securities and other financial assets		(407,880)	(166,030)
Proceeds from disposal of OJSC Office Centre Pokrovsky and City Park shares		-	14,372
Increase of ownership in subsidiaries	26	(27,210)	(112,445)
Investment in joint venture	26	(1,344)	-
Proceeds from disposal of subsidiaries, net of cash disposed	26	-	26,281
Interest received		10,114	5,384
Purchase of other intangible assets		(922)	(893)
Loans given to employees		-	(1,470)
Net cash used in investing activities		**(162,627)**	**(241,976)**
Cash flows from financing activities			
Repayments of long-term borrowings		(55,325)	(34,052)
Dividends paid		(15,920)	(12,694)
Net cash used in financing activities		**(71,245)**	**(46,746)**
Net increase/(decrease) in cash and cash equivalents		**111,704**	**(13,236)**
Cash and cash equivalents at the beginning of the year	19	42,868	66,660
Effect of translation into presentation currency and exchange rate changes on the balance of cash held in foreign currencies		4,503	(10,556)
Cash and cash equivalents at the end of the year		**159,075**	**42,868**

The notes on pages 8 to 49 form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Organisation

Public Joint Stock Company ("PJSC") Novorossiysk Commercial Sea Port ("NCSP") was founded in 1845. NCSP was transformed from a state-owned enterprise to a public joint stock company in December 1992. NCSP's principal activities include stevedoring, additional port services, and sea vessel services. NCSP and its subsidiaries (the "Group") primarily operate in the Russian Federation. The principal activities and significant entities of the Group as at 31 December 2009 were as follows (Note 32):

Subsidiaries	Nature of business
Open Joint Stock Company ("OJSC") IPP	Stevedoring and additional port services
PJSC Fleet of Novorossiysk Commercial Sea Port	Tug and towing services
OJSC Novorossiysk Shipyard	Stevedoring and marine vessels repair services
OJSC Novoroslesexport	Stevedoring and additional port services
PJSC Novorossiysk Grain Terminal	Stevedoring and additional port services
Limited Liability Company ("LLC") Baltic Stevedore company	Stevedoring and additional port services

Main subsidiaries of the Group are located in the Eastern sector of the Black Sea in Tsemesskaya Bay and in Kaliningrad.

NCSP is the largest stevedore of the Group and the holding company. It has main cargo-loading district, the Sheskharis oil terminal, the technical support base and the passenger terminal in Novorossiysk. NCSP has six significant subsidiaries, the primary activities of which are as follows:

OJSC IPP ("IPP")

IPP is a liquid-cargo processing enterprise. Starting from 2007 IPP also provides bunkering services.

PJSC Fleet of NCSP ("Fleet")

Fleet is a maritime tug and towing company. It provides most of the tug and towing, mooring and bunkering services for ships and other maritime vessels at and around the Novorossiysky Port (the "Port"). In addition, it carries out emergency services such as transferring vessels to shelter zones during emergencies, provides cleaning and containment services for oil or other liquid spills in and around the Port and provides hazardous material response and waste management services pursuant to its agreement on water use with Kubanskoye Basin Department of Krasnodar region under the Russian Ministry of Natural Resources.

OJSC Novorossiysk Shipyard ("Shipyard")

Shipyard is the largest ship-repair enterprise in the south of Russia that has a major universal port at its disposal. The cargo specialization of Shipyard is the transhipment of ferrous metals. It also handles loose goods in soft containers and big bags, construction cargo, oversize cargo, food and perishable cargo, ro-ro cargo at own ferry berth.

OJSC Novoroslesexport ("Timber Export")

Timber Export provides stevedoring and storage services for the export of the timber, containerised cargo and nonferrous metals. It is engaged in all year-round cargo operations.

PJSC Novorossiysk Grain Terminal ("Grain Terminal")

Grain Terminal manages grain storage and shipment terminal in the western part of the Tsemesskaya bay.

LLC Baltic Stevedore Company ("Baltic Stevedore")

Baltic Stevedore is a stevedoring company operating the container, car-ferry, cargo and passenger terminal of the Baltiysk port in Kaliningrad District.

2. BASIS FOR PRESENTATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which includes standards and interpretations approved by the International Accounting Standards Board (the "IASB"), including International Accounting Standards ("IASs") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") which replaced the Standing Interpretations Committee.

In preparing these consolidated financial statements, management complied with existing standards and interpretations that are effective or available for early adoption at the Group's IFRS annual reporting date.

New and revised Standards and Interpretations adopted in the current period

The following new standards, amendments to standards or interpretations have been adopted by the Group and were effective for the financial year commencing 1 January 2009. Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group.

- IFRS 7 "Financial instruments: disclosures" – amendment;
- IAS 1 (Revised 2007) "Presentation of financial statements" – amendment;
- IAS 16 "Property, plant and equipment" – amendment;
- IAS 19 "Employee benefits" – amendment;
- IAS 20 "Government grants and disclosure of government assistance" – amendment;
- IAS 27 "Consolidated and separate financial statements" – amendment;
- IAS 28 "Investments in associates" – amendment;
- IAS 32 "Financial Instruments: presentation" – amendment;
- IAS 34 "Interim financial reporting" – amendment;
- IAS 36 "Impairment of assets" – amendment;
- IAS 38 "Intangible assets" – amendment;
- IAS 39 "Financial instruments: recognition and measurement" – amendment; and
- IFRIC 18 "Transfers of assets from customers".

IAS 1 (Revised 2007) "Presentation of financial statements" has introduced a number of terminology changes (including revised titles for financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised Standard has had no impact on the reporting results or financial position of the Group.

Standards and Interpretations in issue but not yet adopted

At the date of approval of the Group's consolidated financial statements, the following new and revised Standards and Interpretations have been issued, but are not effective for the current year:

	Effective for annual periods beginning on or after
IAS 1 "Presentation of financial statements" – amendment	1 January 2010
IAS 7 "Statement of cash flows" – amendment	1 January 2010
IAS 17 "Leases" – amendment	1 January 2010
IAS 24 "Related party disclosure" – revision	1 January 2011
IAS 32 "Financial instruments: presentation" – amendment	1 February 2010
IAS 36 "Impairment of assets" – amendment	1 January 2010
IAS 39 "Financial Instruments: recognition and measurement" – amendment	1 January 2010

	Effective for annual periods beginning on or after
IFRS 2 “Share-based payment” – amendment	1 January 2010
IFRS 3 (Revised) “Business combinations”	1 July 2009
IFRS 5 “Non-current assets held for sale and discontinued operations” – amendment	1 January 2010
IFRS 9 “ Financial instruments”	1 January 2013
IFRIC 14 “IAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction”	1 January 2011
IFRIC 16 “Hedges of a net investment in a foreign operation”	1 July 2009
IFRIC 17 “Distributions of non-cash assets to owners”	1 July 2009
IFRIC 19 “Extinguishing financial liabilities with equity”	1 July 2010

The impact of the adoption of these standards and Interpretations in the preparation of the consolidated financial statements in future periods is currently being assessed by Group management, however no material effect on the Group’s financial position or results of its operations is anticipated.

Early adoption of Standards and Interpretations

During 2009 the Group has adopted amendments to the following standards in advance of its effective date:

- IFRS 8 (Revised) “Operating Segments” (effective for accounting periods on or after 1 January 2010) in advance of its effective date.

Functional and presentation currency

The functional currency of NCSP and each of its subsidiaries (except for Longbranch, which has the Euro (“EUR”) as its functional currency) is the Russian Rouble (“RUR”). The presentation currency of the consolidated financial statements is the US Dollar (“USD”). Management consider that the USD is a more relevant presentation currency for international users of the consolidated financial statements of the Group.

The translation from RUR (functional currency of the Group) into USD (presentation currency) is performed in accordance with the requirements of IAS 21 “The Effect of Changes in Foreign Exchange Rates”, as described below:

- All assets and liabilities, both monetary and non-monetary, are translated at closing exchange rates at the dates of each consolidated statements of financial position presented;
- Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period. As the RUR significantly depreciated against the USD in the year ended 31 December 2008 with the most part of depreciation falling on the 4th quarter of 2008, income and expense items for 2008 have been translated using average exchange rates for the first nine months and 4th quarter of 2008 separately. Income and expenses for the year ended 31 December 2009 have been translated using average exchange rate for 2009;
- All resulting exchange differences are included in equity and presented separately as an effect of translation into the presentation currency (foreign currency translation reserve);
- In the consolidated statement of cash flows, cash balances at the beginning and end of each year presented are translated at exchange rates at the respective dates of the beginning and end of each year. All cash flows are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period. As the RUR significantly depreciated against the USD in the year ended 31 December 2008 with the most part of depreciation falling on the 4th quarter of 2008, cash flows for 2008 have been translated using

average exchange rates for the first nine months and 4th quarter of 2008 separately. Cash flows for the year ended 31 December 2009 have been translated using average exchange rate for 2009. Resulting exchange differences are presented separately from cash flows from operating, investing and financing activities as "Effect of translation into presentation currency and exchange rate changes on cash and cash equivalents"; and

- All items included in parent's equity, other than net profit for the reporting period, have been translated at historical rate, except for balances converted to USD at the rate in effect on 1 January 2005, the date of transition to IFRS.

Exchange rates

The exchange rates used by the Group in the preparation of the consolidated financial statements are as follows:

	2009	2008
Year-end rates		
RUR / 1 USD	30.2442	29.3804
RUR / 1 EUR	43.3883	41.4411
Average for the period		
RUR / 1 USD	31.7231	24.8553
RUR / 1 EUR	44.1299	36.4291

	9 months 2008
Average for the period	
RUR / 1 USD	24.0454

	4th quarter 2008
Average for the period	
RUR / 1 USD	27.2672

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of NCSP and its subsidiaries (Note 32), from the date that control effectively commenced until the date that control effectively ceased. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The assets and liabilities of all subsidiaries are measured at their fair values at the date of acquisition.

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

The financial statements of subsidiaries are prepared for the same reporting period as those of NCSP; where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used by them in line with those of the Group.

All intra-group balances, transactions, and any unrealised profits or losses arising from intra-group transactions, are eliminated on consolidation.

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

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. The acquirer's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" ("IFRS 5"), which are recognised and measured at fair value less costs to sell.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Any differences arising from acquisition of additional non-controlling interests in subsidiaries between carrying values of net assets attributable to acquired interests and consideration paid are either added to additional paid-in-capital, if positive, or charged to retained earnings, if negative.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

The results and assets and liabilities of associates and joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, investments in associates and joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate or joint venture, less any impairment in the value of individual investments. Losses of an associate or joint venture in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, forms part of the Group's net investment in the associate or joint venture) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

Where a group entity transacts with an associate or joint venture of the Group, profit and losses resulting from transactions with associates or joint ventures are eliminated to the extent of the Group's interest in these associates.

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. If the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary exceeds the cost of the acquisition the difference is recognised immediately in profit or loss.

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

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described under "Investments in associates" above.

Foreign currencies

In preparing the financial statements of the individual entities, transactions in currencies other than the Group's functional currency (foreign currencies) are recorded at the exchange rates prevailing on the dates of the transactions. At each balance sheet date monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the balance sheet date. Non-monetary items carried at historical cost are translated at the exchange rate prevailing on the date of the transaction.

Exchange differences are recognised in profit or loss in the period in which they arise as a separate component.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group, delivery has occurred, services have been rendered or construction works are fully completed, the amount of the revenue can be measured reliably, persuasive evidence of an arrangement exists and the collectability of the revenue is reasonably assured.

The Group's revenue is derived as follows:

(i) Stevedoring services (liquid, dry bulk cargo, general cargo and containers transhipment) include loading and unloading of oil and oil products, grain, mineral fertilizes, chemicals, containers, timber and timber products, metal products (slabs, tubing, rolled metal and others), sugar and other cargo;
(ii) Additional port services provided to customers by their requests (e.g.: forwarding, storage, custom documentation, repacking, etc.);
(iii) Fleet services include tag, towing and other fleet services;
(iv) Ship repair services mostly represent all types of vessel repairs and maintenance in docks; and
(v) Other services include passenger transit, vessel rent and other services provided at the Port.

Revenue from cargo-transhipment, ship repair, fleet and additional port services is recognised when the services are accepted by the customers (typically after the loading or unloading of cargo, as defined by the sales terms). Revenue from other services is recognised when the services are provided to the customers.

Prices for cargo transhipment and storage services are subject to Government regulations. The Group can provide discounts to its customers only within the limits set by the statutory legislation. Prices for port additional services, fleet services, ship repair and other services are set by the Group.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Depreciation of these assets is recorded on the same basis as for other property assets, and commences when the assets are put into operation.

Transaction costs associated with the issuance of a debt instrument are recorded as a reduction of the debt liability, and are amortised to interest expense over the term of the related debt. In any period in which the debt is redeemed, the unamortized costs relating to the debt being redeemed are expensed.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Employee benefits

Defined contribution plans

The Group's Russian subsidiaries are legally obliged to make defined contributions to the Russian Federation State Pension Fund.

The Group's contributions to the Russian Federation State Pension Fund relating to defined contribution plans are charged to consolidated statement of comprehensive income in the period to which they relate.

In the Russian Federation all state social contributions, including contributions to the Russian Federation State Pension Fund, are collected through a unified social tax ("UST") calculated by the application of a regressive rate from 26% to 2% of the annual gross remuneration of each employee. UST is allocated to Federal Budget and three state social funds, including the Russian Federation State Pension Fund, where the rate of contributions to that fund vary from 14% to 2%, depending on the annual gross remuneration of each employee.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service.

Defined benefit plans

For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in total in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost.

The Group has defined benefit plans for employees of NCSP and some of its subsidiaries. Under the plans, the employees are entitled to one-time retirement benefits of 10% of final salary for every year worked for the eligible companies of the Group on attainment of a retirement age of 55 for women and 65 for men. Also post-retirement benefits are provided to these employees amounting to RUR 500 (USD 0.02) per month depending on the employee’s actual years of services and qualifications.

Income tax

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

Property, plant and equipment

The Group adopted IFRS effective 1 January 2005. As part of the adoption, the Group elected to utilise exemptions available for first-time adopters under IFRS 1, choosing to record property, plant and equipment at fair value (deemed cost). Valuations were performed by independent appraisers as at 1 January 2005. After that date, property, plant and equipment is stated at deemed cost less accumulated depreciation and impairment losses.

Property, plant and equipment acquired through acquisitions of subsidiaries is recorded at fair value on the date of the acquisition, as determined by an independent appraiser.

Additions to property, plant and equipment are recorded at cost. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs, including overhaul expenses, are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Capitalised cost includes major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalisation are charged to statement of comprehensive income as incurred.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and property under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

	Number of years
Buildings and completed constructions	15-50
Machinery and equipment	4-20
Marine vessels	4-20
Vehicles	5-7
Office and other equipment	3-10

Properties in the course of construction for production, rental or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are put into operation.

Construction in progress comprise costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction as well as costs of purchase of other assets that require installation or preparation for their use. Depreciation of these assets, on the same basis as for other property assets, commences when the assets are put into operation. Construction-in-progress is reviewed regularly to determine whether its carrying value is fairly stated and whether appropriate provision for impairment is made.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Mooring rights and other intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Amortisation of mooring rights and other intangible assets is charged to profit or loss.

Mooring rights and other intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, mooring rights and other intangible assets acquired in a business combination are reported at cost less accumulated amortisation and impairment losses, on the same basis as intangible assets acquired separately.

Useful lives of mooring rights and other intangible assets are as follows:

	Number of years
Mooring rights	20
Marine vessels rights	10
Other intangible assets	3-5

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Spare parts

Major spare parts and stand-by equipment qualify as non-current assets when an entity expects to use them during more than one period. Such spare parts are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the spare parts to their present location and condition. Spare parts are recognised in profit or loss as consumed.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial assets

Investments are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories:

- Financial assets as at fair value through profit or loss (“FVTPL”);
- Held-to-maturity investments;
- Available-for-sale (“AFS”) financial assets; and
- Loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets designated as at FVTPL.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash deposits and highly liquid investments with original maturities of three months or less, those are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Impairment of financial assets

Financial assets, other than those as at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Derecognition of financial assets

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

Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

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

Financial liabilities

Financial liabilities are classified into the following specified categories:

- Financial liabilities as at FVTPL; and
- Other financial liabilities.

Financial liabilities as at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing in the near future; or
- It is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities as at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in Note 29.

Other financial liabilities

Other financial liabilities, including loans and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Effective interest method

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

Derecognition of financial liabilities

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

Transaction costs associated with the issuance of a debt instrument are recorded as a reduction of the debt liability, and are amortised to interest expense over the term of the related debt. In any period in which the debt is redeemed, the unamortised costs relating to the debt being redeemed are expensed.

Derivative financial instruments

The Group enters into interest rate swap derivative financial instruments to manage its exposure to interest rate risk.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Dividends declared

Dividends paid to shareholders are determined by the board of directors and declared and approved at the annual shareholders' meeting.

Dividends and related taxation thereon are recognised as a liability in the period in which they have been declared and legally payable.

Accumulated profits distributable by the Group's entities are based on the amounts available for distribution in accordance with the applicable legislation of the jurisdictions where each entity operates and as reflected in the statutory financial statements of the individual entities of the Group based on calendar reporting years (years ended 31 December). These amounts may differ significantly from the amounts calculated on the basis of IFRSs.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods of the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance for trade and other receivables and advances to suppliers

The Group creates allowances for doubtful receivables to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of the allowance for doubtful receivables, management bases its estimates on the current overall economic conditions, the ageing of accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the estimated allowance for doubtful receivables.

Useful lives of fixed assets

The useful economic lives of the Group's assets are determined by management at the time the asset is acquired and regularly reviewed for appropriateness. The Group defines useful lives of its assets in terms of the assets' expected utility to the Group. This judgment is based on the experience of the Group with similar assets. In determining the useful life of an asset, the Group also follows technical and/or commercial obsolescence arising on changes or improvements from a change in the market.

During 2008, the Group reassessed the useful life of certain property, plant and equipment items should be changed. The prospective effect of such change is presented in Note 13.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Details of the estimates used in the Group's annual impairment testing are presented in Note 14.

Impairment of assets (excluding goodwill)

The Group periodically evaluates the recoverability of the carrying amount of its assets. Whenever events or changes in circumstances indicate that the carrying amounts of those assets may not be recoverable, the Group estimates the recoverable amount of the asset. This requires the Group to make judgments regarding long-term forecasts of future revenues and costs related to the assets subject to review. In turn, these forecasts are uncertain in that they require assumptions about demand for products and future market conditions. Significant and unanticipated changes to these assumptions and estimates included within the impairment reviews could result in significantly different results than those recorded in the consolidated financial statements.

Taxation

The Group is subject to income tax and other taxes. Significant judgement is required in determining the provision for income tax and other taxes due to the complexity of the tax legislation of the Russian Federation where the Groups' operations are principally located. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of the whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the amount of tax and tax provisions in the period in which such determination is made.

In addition, the Group records deferred tax assets at each balance sheet date based on the amount that management believes will be utilised in future periods. This determination is based on estimates of future profitability. A change in these estimates could result in the write off of deferred tax assets in future periods for assets that are currently recorded on the consolidated statement of financial position. In estimating levels of future profitability, the Group has considered historical results of operations in recent years and would, if necessary, consider the implementation of prudent and feasible tax planning strategies to generate future profitability. If future profitability is less than the amount that has been assumed in determining the deferred tax asset, then an increase in valuation reserve will be required, with a corresponding charge against income. On the other hand, if future profitability exceeds the level that has been assumed in calculating the deferred tax asset, the valuation reserve could be reduced, with a corresponding credit to income.

Current and deferred tax assets and liabilities are usually measured using the tax rates (and tax laws) that have been enacted. However, in some jurisdictions, announcements of tax rates (and tax laws) by the government have the substantive effect of actual enactment, which may follow the announcement by a period of several months. In these circumstances, tax assets and liabilities are measured using the announced tax rate (and tax laws).

Allowance for slow-moving inventory

The Group creates an allowance for obsolete and slow-moving raw materials. Estimates of net realisable value of inventories are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of prices or costs directly relating to events occurring subsequent to the balance sheet date to the extent that such events confirm conditions existing at the end of the reporting period. Changes in the supply and demand for the products, any subsequent changes to prices or costs may require adjustments to the estimated allowance for obsolete and slow-moving raw materials.

5. SEGMENT INFORMATION

The Group has adopted IFRS 8 in advance of its effective date. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the Group's chief operating decision maker for the purpose of resource allocation and assessment of segment performance is more specifically focussed on the types of services. The principal types of services are stevedoring, fleet, ship repair and other. The Group's reportable segments under IFRS 8 are therefore as follows:

- Stevedoring services (liquid and bulk cargo transhipping services, including bunkering) and additional port services (forwarding, storage, custom documentation, repacking, etc.);
- Fleet services;
- Ship repair services, and
- Other services mainly comprise of rent and resale of energy and utilities to external customers. Neither of these services constitutes a separate reportable segment.

The Group has adopted the amendments to IFRS 8 in advance of their effective date, with effect from 1 January 2009. These amendments require an entity to report a measure of total assets and liabilities for each reportable segment if such amounts are regularly provided to the chief operating decision maker. No such information about segment assets and liabilities is provided to chief operating decision maker, therefore it is not disclosed below. In contrast, the standard without amendment required an entity to report a measure of total assets for each reportable segment.

Information regarding the Group's reportable segments as at 31 December 2009 and for the year then ended and the comparative information as at 31 December 2008 and for the year then ended is presented below.

The segment information for the year ended 31 December 2009:

	Stevedoring and additional	Fleet	Ship repair	Other	Total reportable segments	Adjustments and eliminations	Conso-lidated
Segment revenue							
Third parties	618,823	47,147	915	8,175	675,060	-	675,060
Inter-segments	3,833	2,335	2,158	12,294	20,620	(20,620)	-
Total revenue	**622,656**	**49,482**	**3,073**	**20,469**	**695,680**	**(20,620)**	**675,060**
Segment profit/(loss)	363,932	9,786	(212)	12,319	385,825	(65,097)	320,728
Other segment information							
Depreciation and amortisation charge	53,307	4,510	1,242	1,161	60,220	4,176	64,396
Capital expenditures	53,144	2,433	-	239	55,816	935	56,751
Investment in joint venture	1,409	-	-	-	1,409	-	1,409

Capital expenditure consists of additions of property, plant and equipment which includes construction in progress and advances paid in the period in relation to it, net of the impairment loss recognised for the advances paid for property, plant and equipment (Note 13).

During 2009, no single customer accounted for more than 10% of the total segment revenues.

Segment profit represents the operating profit earned by each segment without allocation of central administration costs and directors' salaries, profits of associates, investment revenue, foreign exchange gain/ (loss), finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment profit is adjusted (eliminated) against the following items to be reconciled to profit before tax:

	Year ended 31 December 2009
Unallocated:	
Interest income on deposits	11,336
Other expenses, net	(1,307)
Loss on disposal of property, plant and equipment	(2,089)
Foreign exchange loss, net	(25,392)
Finance costs	(31,835)
Other unallocated expenses included in operating profit	(36,430)
Eliminated:	
Inter-segment purchases	20,620
Total adjustments and eliminations	**(65,097)**

Pricing basis for inter-segment operation is consistent with pricing on an arm's length basis.

The segment information for the year ended 31 December 2008:

	Stevedoring and additional	Fleet	Ship repair	Other	Total reportable segments	Adjustments and eliminations	Conso-lidated
Segment revenue							
Third parties	592,895	50,741	1,109	9,032	653,777	-	653,777
Inter-segments	5,463	4,431	42	8,002	17,938	(17,938)	-
Total revenue	**598,358**	**55,172**	**1,151**	**17,034**	**671,715**	**(17,938)**	**653,777**
Segment profit/(loss)	283,727	11,756	(5,101)	5,310	295,692	(175,121)	120,571
Other segment information							
Depreciation and amortisation	83,133	13,094	1,626	3,801	101,654	21,124	122,778
Capital expenditures	86,938	1,112	-	805	88,855	2,207	91,062
Goodwill impairment	-	-	(3,456)	-	(3,456)	-	(3,456)

Capital expenditure consists of additions of property, plant and equipment, construction in progress and advances paid in the period in relation to it.

During 2008, revenue from Axial Marine Services LTD (68,458) comprises more than 10% of segment revenue. No other customer accounted for more than 10% of the total revenues during 2008.

Segment profit represents the operating profit earned by each segment without allocation of central administration costs and directors' salaries, profits of associates, investment revenue, foreign exchange gain/ (loss), finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The segment profit is adjusted (eliminated) against the following items to be reconciled to profit before tax:

	Year ended 31 December 2008
Unallocated:	
Interest income on deposits	5,384
Other income, net	779
Loss on disposal of property, plant and equipment	(6,556)
Finance costs	(39,932)
Other unallocated expenses included in operating profit	(70,019)
Foreign exchange loss, net	(82,715)
Eliminated:	
Inter-segment purchases	17,938
Total adjustments and eliminations	**(175,121)**

Geographical information

A majority of the Group's entities operate and their non-current assets are located in one principal geographical area – the Eastern sector of the Black Sea in Tsemesskaya bay. The Novorossiysk Capital and Black sea stevedore company ("BSSC"), registered in the territories of the Luxemburg and the Ukraine respectively, do not constitute separate segments due to the insignificance of their operations. The Group's revenue from external customers (location of the external customers) by geographical location is detailed below:

	Year ended 31 December 2009	Year ended 31 December 2008
Revenue		
Local customers	391,227	340,486
Export	283,833	313,291
Total	**675,060**	**653,777**

6. REVENUE

	Year ended 31 December 2009	Year ended 31 December 2008
Stevedoring services	534,168	500,925
Additional port services	84,663	91,970
Fleet services	47,147	50,741
Ship repair services	915	1,109
Other	8,167	9,032
Total	**675,060**	**653,777**

7. COST OF SERVICES

	Year ended 31 December 2009	Year ended 31 December 2008
Fuel	68,198	94,170
Depreciation and amortisation	60,550	115,250
Payroll	44,778	62,228
Repairs and maintenance	13,350	17,804
Unified social tax	10,849	14,117
Rent	9,856	11,113
Raw materials	8,584	9,413
Subcontractors	6,934	8,698
Energy and utilities	4,789	4,871
Insurance	380	1,429
Other	8,545	3,146
Total	**236,813**	**342,239**

During the 2008 financial year, the Group reassessed the useful life of certain property, plant and equipment due to the completion of significant investment programs, such as building of a grain terminal and reconstruction of a container terminal. As a result of the assessment, the useful life of certain assets was changed, what led to an increase in depreciation expenses for the year ended 31 December 2008 (see Note 13).

8. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December 2009	Year ended 31 December 2008
Payroll	22,361	25,347
Loss on advances for property, plant and equipment	8,456	-
Taxes other than income tax	8,396	8,623
Security services	4,011	5,704
Depreciation and amortisation	3,846	7,528
Charity	3,402	2,676
Unified social tax	2,648	3,149
Bank charges	2,160	1,967
Travel and representation expenses	1,473	2,273
Rent	1,254	1,258
Repairs and maintenance	1,221	1,324
Professional services (audit, consulting and legal fees)	1,158	2,861
Advertising	1,024	1,992
Raw materials	776	1,146
Other	6,046	1,341
Total	**68,232**	**67,189**

9. FINANCE COSTS

	Year ended 31 December 2009	Year ended 31 December 2008
Interest on borrowings	33,305	34,514
Net (gain)/loss on interest rate swap	(1,470)	5,418
Total	**31,835**	**39,932**

10. INCOME TAX

	Year ended 31 December 2009	Year ended 31 December 2008
Current income tax expense	74,108	51,981
Deferred tax benefit	(5,545)	(27,192)
Total	**68,563**	**24,789**

The corporate income tax rate in the Russian Federation is calculated at 20% (2008: 24%) of the estimated assessable profit for the year based on stand alone accounts. See below for a reconciliation of tax on profit before income tax at the statutory rate on income tax expense:

	Year ended 31 December 2009	Year ended 31 December 2008
Profit before income tax	320,728	120,571
Tax at the statutory rate of 20% (2008: 24%)	64,146	28,937
Effect of other expenses that are not deductible in determining taxable profit	2,699	4,281
Non-deductible loss on advances for property, plant and equipment	1,691	-
Non-deductible impairment losses	-	910
Loss on disposals of property, plant and equipment	27	295
Impact of change in income tax rate in the Russian Federation	-	(9,634)
Total	**68,563**	**24,789**

The movement in the Group's deferred taxation position was as follows:

	31 December 2009	31 December 2008
Net balance at the beginning of the year	**39,081**	**74,226**
Benefit recognised during the year	(5,545)	(17,558)
Impact of change in income tax rate in the Russian Federation	-	(9,634)
Effect of translation into presentation currency	(1,387)	(7,953)
Net balance at the end of the year	**32,149**	**39,081**

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was 253,956 (2008: 63,382). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

In November 2008, an amendment to the Tax Code was enacted to reduce the income tax rate from 24% to 20% have effected from 1 January 2009. As such the Group has measured its deferred taxes as at 31 December 2008 at 20%.

Deferred taxation is attributable to the temporary differences that exist between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

The tax effects of temporary differences that give rise to deferred taxation are presented below:

	31 December 2009	31 December 2008
Deferred tax assets		
Allowance for slow-moving inventories	938	740
Vacation accruals	855	738
Allowance for doubtful receivables	694	119
Investment valuation	343	423
Accrued expenses	1,480	193
Total	**4,310**	**2,213**
Deferred tax liabilities		
Difference in depreciable value of property, plant and equipment	33,730	36,746
Mooring rights	2,239	2,119
Long-term debt	490	2,081
Other adjustments	-	348
Total	**36,459**	**41,294**
Net deferred tax liability	**32,149**	**39,081**

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances (after offset) as they are recorded in the consolidated statement of financial position:

	31 December 2009	31 December 2008
Deferred tax assets	1,839	2,213
Deferred tax liabilities	33,988	41,294
Total	**32,149**	**39,081**

11. DIVIDENDS AND DISTRIBUTIONS

Dividends declared in 2009 and 2008 were 16,095 and 14,818, respectively. Amount of dividends per share for 2009 and 2008 were US cents 0.084 and 0.077 respectively. The total amounts of dividends paid during 2009 and 2008 was 15,920 and 12,694, respectively.

12. EARNINGS PER SHARE

Basic and diluted earnings per share for 2009 and 2008 have been calculated on the basis of the net profit for the year attributable to shareholders of the parent and the weighted average number of common shares in issue during the year.

The calculation of basic and fully diluted earnings per share is based on the following information:

	Year ended 31 December 2009	Year ended 31 December 2008
Profit attributable to shareholders of the parent	249,795	90,498
Weighted average number of shares during the year	19,259,815,400	19,259,815,400
Basic and diluted earnings per share (US Dollars)	**0.0130**	**0.0047**

There were no dilutive equity instruments outstanding, that would require the calculation of separate diluted earnings per share in any reporting period presented herein.

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and completed constructions	Machinery and equipment	Marine vessels	Aircraft	Vehicles	Office and other equipment	Construction in progress	Total
Cost									
As at 1 January 2008	**22,738**	**268,039**	**237,191**	**78,685**	**26,632**	**17,895**	**69,761**	**154,414**	**875,355**
Additions	434	9,127	13,342	-	-	1,526	3,588	63,045	91,062
Transfer	-	103,348	43,927	72	-	80	4,869	(152,296)	-
Disposals	-	(6,975)	(3,620)	(855)	-	(277)	(461)	(2,501)	(14,689)
Disposal of subsidiary	-	-	-	-	(27,187)	-	-	-	(27,187)
Effect of translation into presentation currency	(3,773)	(57,508)	(48,002)	(12,805)	555	(3,172)	(12,286)	(14,864)	(151,855)
As at 31 December 2008	**19,399**	**316,031**	**242,838**	**65,097**	**-**	**16,052**	**65,471**	**47,798**	**772,686**
Additions	56	7,591	10,883	3,374	-	1,996	4,498	36,809	65,207
Transfer	-	7,347	2,185	-	-	-	14,328	(23,860)	-
Disposals	-	(434)	(2,195)	(2,269)	-	(1,087)	(796)	(1,969)	(8,750)
Effect of translation into presentation currency	(551)	(8,317)	(6,404)	(1,805)	-	(414)	(988)	(828)	(19,307)
As at 31 December 2009	**18,904**	**322,218**	**247,307**	**64,397**	**-**	**16,547**	**82,513**	**57,950**	**809,836**
Accumulated depreciation									
As at 1 January 2008	-	**(23,863)**	**(60,819)**	**(14,273)**	**(2,663)**	**(4,710)**	**(13,576)**	-	**(119,904)**
Charge for the year	-	(28,295)	(57,264)	(12,599)	(906)	(4,102)	(18,278)	-	(121,444)
Disposals	-	2,297	843	856	-	154	331	-	4,481
Disposal of subsidiary	-	-	-	-	3,625	-	-	-	3,625
Effect of translation into presentation currency	-	7,893	18,718	4,134	(56)	1,352	4,882	-	36,923
As at 31 December 2008	**-**	**(41,968)**	**(98,522)**	**(21,882)**	-	**(7,306)**	**(26,641)**	-	**(196,319)**
Charge for the year	-	(20,122)	(28,025)	(4,094)	-	(2,466)	(8,253)	-	(62,960)
Disposals	-	53	2,039	1,660	-	880	756	-	5,388
Loss on advances for property, plant and equipment recognised in profit or loss	-	-	-	-	-	-	-	(8,456)	(8,456)
Effect of translation into presentation currency	-	217	1,543	506	-	131	395	(414)	2,378
As at 31 December 2009	**-**	**(61,820)**	**(122,965)**	**(23,810)**	-	**(8,761)**	**(33,743)**	**(8,870)**	**(259,969)**
Carrying value									
As at 31 December 2008	**19,399**	**274,063**	**144,316**	**43,215**	-	**8,746**	**38,830**	**47,798**	**576,367**
As at 31 December 2009	**18,904**	**260,398**	**124,342**	**40,587**	-	**7,786**	**48,770**	**49,080**	**549,867**

As at 31 December 2009 construction in progress included 40,398 (2008: 29,345) of advances paid for property, plant and equipment.

During 2009 the Group carried out a review of the recoverable amount of its property plant and equipment. This review resulted in the recognition of loss on advances for property, plant and equipment in amount of 8,456, which relates to construction of a tugboat, which has been cancelled. The loss on advances for property, plant and equipment has been included in the line item “Selling, general and administrative expenses” in the consolidated statement of comprehensive income.

As at 31 December 2009 property, plant and equipment with carrying value of 8,386 (2008: 16,269) was pledged to secure bank overdrafts and loans granted to the Group (Note 21). The total amount of capitalised interest expenses for the year ended 31 December 2008 amounted to 3,205. During the year ended 31 December 2009 no interest expenses were capitalised to the cost of property, plant and equipment.

During the year ended 31 December 2008 the Group reassessed the useful life of certain property, plant and equipment due to the completion of significant investment programs, such as building of a grain terminal and reconstruction of a container terminal. As a result of the assessment, the useful life of certain assets was changed.

The change in useful life is treated as a change in accounting estimate and is accounted for prospectively. The financial effect of the change in useful life, assuming the assets are held until the end of their estimated useful lives, is an increase in the consolidated depreciation expense in the financial year ended 31 December 2008 and for the next 3 years of the following amounts:

	Amount
2008	64,951
2009	12,408
2010	6,977
2011	1,561
Total	**85,897**

14. GOODWILL AND IMPAIRMENT OF GOODWILL

	31 December 2009	**31 December 2008**
Cost	397,747	409,441
Accumulated impairment loss	(3,115)	(3,207)
Carrying amount	**394,632**	**406,234**

	31 December 2009	**31 December 2008**
Cost		
Balance at the beginning of year	409,441	490,077
Effect of translation into presentation currency	(11,694)	(80,636)
Balance at the end of the year	**397,747**	**409,441**
Accumulated impairment loss		
Balance at the beginning of year	(3,207)	-
Impairment losses recognised during the year	-	(3,456)
Effect of translation into presentation currency	92	249
Balance at the end of the year	**(3,115)**	**(3,207)**

For the purpose of impairment testing as at 31 December 2009 management of the Group used a certified independent appraiser to assist management in estimating the recoverable amount of each of the Group’s cash-generating unit.

The recoverable amount of each cash-generating unit has been determined based on value in use calculation. Value in use calculation uses cash flow projections based on actual operating results and business plan approved by management and a corresponding discount rate which reflects time value of money and risks associated with each individual cash generating unit.

Key assumptions used by the management in the value in use calculation are as follows:

- For all cash generating units cash flow projections cover a period of five years, from 2010 to 2014;
- Cash flow projections were prepared in nominal terms;
- Cash flow projections during the forecast period were based on long-term price trends for both sales prices and material costs specific to each segment and geographic region and operating cost inflation in line with consumer price inflation.

Based on the performed analysis no impairment was recognised in the year 2009 (2008: 3,456).

The carrying amount of goodwill as at 31 December 2009 is allocated to the following cash-generating units:

	Carrying amount	
	31 December 2009	31 December 2008
Grain Terminal	157,002	161,618
Timber Export	126,702	130,427
Fleet	71,543	73,646
IPP	27,310	28,114
Shipyard	9,249	9,520
Baltic Stevedore	2,826	2,909
Total	**394,632**	**406,234**

15. MOORING RIGHTS

	31 December 2009	31 December 2008
Cost	11,786	12,132
Accumulated amortisation	(2,094)	(1,517)
Carrying value	**9,692**	**10,615**

	31 December 2009	31 December 2008
Cost		
Balance at the beginning of year	12,132	14,962
Disposal of mooring rights	-	(447)
Effect of translation into presentation currency	(346)	(2,383)
Balance at the end of the year	**11,786**	**12,132**
Accumulated amortisation		
Balance at the beginning of year	(1,517)	(1,402)
Charge for the year	(591)	(843)
Disposal of mooring rights	-	447
Effect of translation into presentation currency	14	281
Balance at the end of the year	**(2,094)**	**(1,517)**

Mooring rights represent the long-term lease rights of hydro technical infrastructure (e.g. berths, piers and vessels) held with the state.

16. INVESTMENTS IN SECURITIES AND OTHER FINANCIAL ASSETS

	31 December 2009	31 December 2008
Current		
Financial assets carried at amortised cost		
Deposits	159,682	76,900
Promissory notes	8,051	7,000
Loans issued	1,003	2,076
Total current	**168,736**	**85,976**
Non-current		
Financial assets carried at amortised cost		
Deposits with maturity period over year	1,435	-
Loans issued and other financial assets	86	3,216
Total non-current	**1,521**	**3,216**

Short-term deposits denominated in USD are placed in Open Joint Stock Company Commercial Savings Bank of the Russian Federation (“Sberbank”) with interest rates varying from 1.30% to 5.95% per annum. Short-term deposits denominated in EUR are placed in Sberbank with an interest rate of 0.95% per annum and in VTB bank with an interest rate 3.35% per annum. A considerable amount of deposits have been accumulated to settle a current portion of long-term debt of NCSP.

Short-term promissory notes at 31 December 2009 consist of an Sberbank RUR promissory note in the amount of 562 (2008:7,000) with interest rate 8.4% per annum (2008: 4.5%) and EUR promissory notes in the amount of 7,489 (2008:0) with an interest rate of 0.95% per annum.

Non-current deposits denominated in EUR are placed in VTB bank with an interest rate of 5.25% per annum.

Loans issued include loans given to employees of the Group and to related parties.

17. INVENTORIES

	31 December 2009	31 December 2008
Raw materials and low value items	6,892	7,663
Goods for resale	2,606	548
Fuel	1,859	926
Other	94	9
Less: allowance for slow-moving inventories	(2,941)	(3,135)
Total	**8,510**	**6,011**

18. TRADE AND OTHER RECEIVABLES

	31 December 2009	31 December 2008
Trade accounts receivable (USD)	15,627	14,598
Trade accounts receivable (RUR)	11,611	10,593
Trade accounts receivable (EUR)	236	-
Other receivables and prepayments	6,536	5,837
Less: allowance for doubtful receivables	(1,511)	(1,141)
Total	**32,499**	**29,887**

The average credit period for the Group's customers is 25 days. During this period no interest is charged on the outstanding balances. Thereafter, interest according to the contracts charged at 3% rate per month on the outstanding balance

Before accepting any new customer, the Group uses an internal credit system to assess the potential customer's credit quality. Of the trade receivables balance at the end of the year, the Group's five largest customers (individually exceed 3% of the total balance) and in total represent 66% (2008: 59%) from the outstanding balance.

The summary below shows the outstanding balances of top main counterparties at the respective balance sheet dates (other counterparties are shown for comparative information):

	Customer location	31 December 2009	31 December 2008
Dihanis Trading Limited	British Virgin Island	11,733	-
LLC Ruskon	Novorossiysk, Russia	2,439	1,601
OJSC NLMK	Lipetsk, Russia	1,722	1,304
INTER-LOGISTICS	Bremen, Germany	1,177	43
OJSC ROSNEFT	Moscow, Russia	1,124	788
LLC Morservice group	Novorossiysk, Russia	754	2,044
Axial Marine Services LTD	Limassol, Cyprus	-	6,714
ELISIA SERVICES LTD	Limassol, Cyprus	-	2,375
Mikynet Trading LTD	Limassol, Cyprus	-	1,973
Total		**18,949**	**16,842**

Included in the Group's receivable balance are debtors with a carrying value of 2,709 (2008: 4,423) which are past due at the respective reporting date and which the Group still considers recoverable (i.e. but not impaired).

A maturity analysis of trade and other receivables excluding advances and VAT recoverable is as follows:

	31 December 2009	31 December 2008
Not past due and not impaired	**29,790**	**25,464**
Past due but not impaired		
less than 45 days	1,247	2,869
45-90 days	468	442
90-180 days	268	294
180-365 days	726	818
Past due and impaired	**1,511**	**1,141**
Total	**34,010**	**31,028**

The Group does not hold any collateral over these outstanding balances. No credit limits are set for the customers.

Movement in allowance for doubtful trade and other receivables:

	31 December 2009	31 December 2008
As at beginning of the year	**1,141**	**2,604**
Recognised in the statement of comprehensive income	632	731
Amount recovered during the year	(49)	(1,256)
Effect of translation into presentation currency	(13)	(274)
Amounts written-off as uncollected	(200)	(664)
As at end of the year	**1,511**	**1,141**

Trade receivables and other receivables between 45 and 365 days are provided for based on estimated irrecoverable amounts, which were determined by reference to past experience, and are regularly reassessed based on the facts and circumstances existing as at each reporting date. The Group has provided fully for all receivables with due dates over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable.

No collaterals are held over these outstanding balances.

19. CASH AND CASH EQUIVALENTS

	31 December 2009	31 December 2008
Bank deposits in EUR	83,301	-
Bank deposits in RUR	58,529	9,463
Bank deposits in USD	11,760	22,438
Current accounts in USD	2,795	8,033
Current accounts in RUR	2,541	2,914
Current accounts in EUR	48	-
Cash in hand	101	20
Total	**159,075**	**42,868**

Bank deposits as at 31 December 2009 mainly represent deposits with Sberbank with an original maturity of three months or less.

20. SHARE CAPITAL

The share capital of the Group consists of 19,259,815,400 ordinary shares authorised, issued, fully paid and outstanding with a par value of 0.0130 US Dollars per share. Authorised share capital at par is 10,471 (2008: 10,471). Each ordinary share has equal voting rights.

21. DEBT

	Interest rate	Maturity date	31 December 2009	31 December 2008
Non-current				
Unsecured bank loans				
Loan Participation Notes (USD)	7%	May 2012	300,361	299,354
Bayerische Hypo- und Vereinsbank AG (USD)	LIBOR + 1.6%	July 2010	117,912	117,640
Sberbank (USD)*	10.0%	August 2011	28,241	40,335
Sberbank (USD)	10.0%	September 2011	3,546	7,800
Sberbank (USD)	10.75%	November 2010	-	14,924
Sberbank (USD)	10.5%	March 2010	-	6,350
Sberbank (USD)	10.5%	June 2010	-	9,143
Sberbank (USD)	10.75%	December 2009	-	2,520
Secured bank loans				
Sberbank (USD)	11.0%	December 2011	2,332	3,624
UniCredit Bank (USD)	8.95%	September 2011	1,532	2,375
Sberbank (USD)	11.0%	December 2011	827	1,420
Total debt			**454,751**	**505,485**
Current portion of long-term loans			(130,057)	(42,254)
Total non-current debt			**324,694**	**463,231**

*The loans denoted above with an asterix are the secured notes which become unsecured in 2009 as a result of modification in Sberbank loan conditions.

During the year ended 31 December 2009, Sberbank unsecured loans with maturity in March 2010, June 2010 and November 2010 were repaid.

In 2008, certain loan agreements with Sberbank totalling 11,769 were modified. As a result of the removal of the security interest, interest rates increased from 8.0% to 8.2% to interest rates varying between 10% to 10.75%.

The interest on the Sberbank loans is accrued on a monthly bases and is payable at the end of each month.

On 17 May 2007, the Group, through a newly formed consolidated special purpose entity, Novorossiysk Port Capital S.A., issued 7% loan participation notes due 2012 (the “Loan Participation Notes”) in an aggregate principal amount of USD 300 million. The Group applied the proceeds of the Loan Participation Notes to repay a portion of the outstanding principal amount of the Sberbank loans.

Interest on the Loan Participation Notes is payable semi-annually on 17 November and 17 May of each year, commencing on 17 May 2007. The Loan Participation Notes are subject to provisions, including representations and warranties, covenants, undertakings and events of default, including change of control, negative pledge and cross-default provisions. Violation of the change of control provisions can result in the Group being required to repay the Loan Participation Notes at 101% of par value.

In July 2007, the Group entered into an agreement for a 118,000 syndicated term loan facility (the “Facility”) provided by UniCredit Bank Austria AG. The Group drew down the Facility in full on 19 July 2007, and used the proceeds to repay a portion of the outstanding principal amount of the loan under the Sberbank loan.

On 7 December 2009 UniCredit Bank Austria AG resigned as facility agent under the agreement dated 17 July 2007 and appointed Bayerische Hypo- und Vereinsbank AG, London Branch, as successor. As of the transfer date Bayerische Hypo- und Vereinsbank AG assumes all the rights and obligations as facility agent under the agreement.

The Facility is unsecured. The outstanding principal amount must be repaid in full at final maturity, 17 July 2010, and may be prepaid in whole or in part on 10 business days' notice in five thousand increments above a minimum prepayment of ten thousand. Amounts prepaid or repaid under the Facility may not be reborrowed. The Facility bears interest at a rate of one month US dollar LIBOR plus 1.60% (declining to 1.40%, if the Group obtains a rating of Ba3 (or the equivalent) by Moody's or an equivalent rating agency), which is payable monthly.

The Group is subject to certain financial covenants measured which are to be computed as defined in the Facility agreement.

There were no defaults or breaches of loan terms during the year ended 31 December 2009.

The Group's secured debt is secured by property, plant and equipment. As at 31 December 2009, and 31 December 2008, property, plant and equipment with a carrying value of 8,386 and 16,269 respectively, were pledged to secure bank overdrafts and loans granted to the Group (Note 13).

As at 31 December 2009, the average effective borrowing rate relating to the Group's secured debt was 6.67% per annum (2008: 7.02% per annum). A majority of the Group's debt have interest rates that are fixed at the contract date. The Group has one loan with variable interest rates that expose the Group to interest rate risk. To mitigate the risk, the Group entered into interest rate swap agreement to fix the LIBOR rate on the loan provided by Bayerische Hypo- und Vereinsbank AG (Note 31).

The Group borrowings as of 31 December 2009 are repayable as follows:

	Capital element	Contractual interest liability
Due within three months	4,045	2,299
Due from three to six months	3,173	12,739
Due from six months to twelve months	122,839	12,695
	130,057	**27,733**
Between 1 and 2 years	26,877	23,344
Between 2 and 5 years	297,817	10,471
Total	**454,751**	**61,548**

22. EMPLOYEE BENEFITS

Unfunded defined benefit plan

The most recent actuarial valuation of the defined benefit obligation was carried out as at 31 December 2009. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Valuation at	
	31 December 2009	31 December 2008
Discount rate	9%	9%
Employees turnover per annum	7%	7%
Expected annual rate of salary increase	10%	10%
Expected annual rate of post retirement benefits increase	4%	3%
Average residual period of work	7 years	7 years

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:

	Year ended 31 December 2009	Year ended 31 December 2008
Interest on obligation	726	800
Current service cost	282	263
Past service cost	229	302
Actuarial losses recognised during the year	1,380	339
Total	**2,617**	**1,704**

The defined benefit obligation charge for the year has been included in cost of services.

In 2009 2,768 retired employees received benefits (2008: 2,685).

The amount included in the consolidated statement of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows:

	31 December 2009	31 December 2008
Present value of unfunded benefit obligation	10,451	8,630
Past service cost not yet recognised	(719)	(987)
Net liability arising from defined benefit obligation	**9,732**	**7,643**

Movements in the present value of the defined benefit obligations in the current period were as follows:

	Year ended 31 December 2009	Year ended 31 December 2008
Opening defined benefit obligation	**8,630**	**9,658**
Actuarial losses recognised during the year	1,380	339
Interest cost	726	800
Current service cost	282	263
Effect of translation to presentation currency	(150)	(1,842)
Benefits paid	(417)	(588)
Closing defined benefit obligation	**10,451**	**8,630**

Defined contribution plans

Payments to the Russian Federation State Pension Fund amounted to 13,384 and 17,266 for the year ended 31 December 2009 and 2008, respectively.

23. TRADE AND OTHER PAYABLES

	31 December 2009	31 December 2008
Trade payables (RUR)	3,055	3,817
Trade payables (USD)	101	97
Payables for property, plant and equipment	2,162	2,190
Total	**5,318**	**6,104**

The average credit period for trade payables relating to the purchase of inventories (e.g. fuel) and a substantial of trade payables for services (e.g. utility) in the territory of the Russian Federation is 20 days. No interest is charged on the outstanding balance for trade and other payables during credit period. Thereafter, interest may be charged from 3% to 6% per month on the outstanding balance.

The maturity profile of trade and other payables is as follows:

	31 December 2009	31 December 2008
Past due	547	1,546
Due within three months	2,557	2,136
Due from three to six months	84	955
Due from six months to twelve months	945	450
Due in next financial year	1,185	1,017
Total	**5,318**	**6,104**

24. ACCRUED EXPENSES

	31 December 2009	31 December 2008
Accrued salaries and wages	6,264	5,611
Accrued rent expenses	2,869	-
Accrued charity expenses	1,488	-
Accrued professional service expenses	245	922
Other accrued expenses	4,481	639
Total	**15,347**	**7,172**

25. CASH FLOWS FROM OPERATING ACTIVITIES

	Year ended 31 December 2009	Year ended 31 December 2008
Profit for the year	252,165	95,782
Adjustments for:		
Depreciation and amortisation	64,396	122,778
Finance costs	31,835	39,932
Loss on disposal of property, plant and equipment	2,089	6,556
Gain from disposal of subsidiaries	-	(2,718)
Foreign exchange loss, net	25,392	91,046
Income tax expense	68,563	24,789
Change in retirement benefit obligation	2,200	1,116
Interest income on deposits	(11,336)	(5,384)
Impairment of goodwill	-	3,456
Impairment loss on advances for property, plant and equipment	8,456	-
Other adjustments	939	(1,763)
	444,699	375,590
Working capital changes:		
(Increase) / decrease in inventories	(2,755)	873
Decrease / (increase) in trade and other receivables	2,036	(1,263)
Decrease / (increase) in long-term VAT receivables	3,681	(5,585)
Increase in trade and other payables and accruals	(371)	4,078
Cash flows from operating activities	**447,290**	**373,693**

26. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

2009:

Acquisitions

During 2009, the Group acquired an additional 2.41% of interest in IPP and 9.51% interest in Fleet for a cash consideration of 27,209 increasing its ownership interest to 99.97% and 95.19%, respectively. The carrying value of IPP and Fleet's net assets in the consolidated financial statements on the dates of acquisition of non-controlling interests was 144,625 in total. As a result of this transaction, the Group recognised a decrease in net assets attributable to non-controlling interests in the amount of 10,156. The excess of the consideration paid over the Group's share in net assets acquired in the amount of 17,054 was recognised in the statement of changes in equity as a decrease of retained earnings.

On 19 May 2009, the Group founded a joint venture LLC Novorossiysk Mazutny Terminal ("NMT") in equal shares with Centrosun Holdings Limited with share capital of 3 (RUR 100,000) for the purposes of building stevedoring facilities for oil product transhipment. On 31 December 2009, the total share capital was increased to 2,688 with the Group contributing 1,344 during the year.

On 29 June 2009, PJSC Fleet of NCSP founded a Longbranch Shipping Enterprises Ltd. Co (Cyprus) with the share capital of EUR 1,000 to expand its tow business. Ownership in the subsidiary of PJSC Fleet of NCSP is 80%, with a second founder (unrelated party), owning the remaining 20%. Contribution to the share capital in amount of EUR 800 was made in July 2009.

2008:

Acquisitions

During 2008, the Group acquired additional 24.9% of interest in IPP, 0.108% of interest of Shipyard and 50% Baltic Stevedore for a cash consideration of 112,445 increasing its ownership to 97.56%, 65.18% and 100%, respectively. The carrying value of IPP, Shipyard and Baltic Stevedore net assets in the consolidated financial statements on the dates of acquisition of additional interests was 80,240 in total. As a result of this transaction, the Group recognised a decrease in net assets attributable to non-controlling interests in the amount of 11,690. Excess of consideration paid over the Group's share in net assets acquired in the amount of 100,755 was recognised in the statement of changes in equity as a decrease of retained earnings.

Non-controlling interests put option

In accordance with the Russian Joint Stock Company Law, non-controlling interests shareholders may require the Group to purchase their voting shares and securities convertible into voting shares ("non-controlling interests put option"), or the Group may require the remaining non-controlling interests shareholders to sell such securities to the Group (non-controlling interests squeeze-out) following the acquisition of more than 95% of the voting shares of a company under voluntarily or obligatory share purchase offer during the period. On 27 May 2008, the Group increased its ownership in IPP to greater than 95% of the voting shares and the fair value of the cash obligation associated with the non-controlling interests put option was 20,316 on that date. In accordance with IFRS, the Group did not recognise a financial liability as statutory obligations are not considered financial liabilities under IAS 39. In addition, the Group determined that the non-controlling interests put option did not meet the criteria for an onerous contract under IAS 37.

Subsequent to May 2008, the Group acquired 2.4% of additional non-controlling interests in IPP which has been included in the total 24.9% additional non-controlling interests discussed in the paragraphs above. At 31 December 2008, the fair value of the remaining cash obligation associated with the non-controlling interests put option was 6,277 based on the stock price on that date.

Disposals

On 24 July 2008, the Group sold 100% of its subsidiary NR Air for a cash consideration of 26,281. Net assets of the subsidiary at the date of disposal equal to 23,563 and was mainly represented by property, plant and equipment. As a result of this transaction a gain in the amount of 2,718 was recognised as a separate component of the consolidated statement of comprehensive income.

27. RELATED PARTY TRANSACTIONS

Transactions between NCSP and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. The related party receivables and payables resulting from operating activities are settled in the normal course of business. Details of transactions with related parties are disclosed below.

Given that the Federal Agency owns a 20% interest in NCSP significant balances and transactions with state-controlled entities are considered transactions with related parties. In 2009 and 2008 the Group had balances and transactions with Sberbank, Transneft and its subsidiaries, Rosneft, Military divisions, Russian Railways, etc.

Transactions with state-controlled entities:

	Year ended 31 December 2009	Year ended 31 December 2008
Sales and income received from related parties		
Sales and income received from related parties	87,517	49,804
Interest income	10,441	2,205
Purchases from related parties		
Non-capital expenditures	4,923	4,676
Capital expenditures	-	922
Interest expenses	5,002	5,495

Balances with state-controlled entities:

	31 December 2009	31 December 2008
Cash in related parties banks		
Cash and cash equivalents in related party bank	138,890	38,804
Deposit with related party bank	158,747	76,900
Receivables from related parties		
Trade and other receivables	2,870	1,885
Advances to suppliers	480	226
Short-term loans to related parties	-	681
Short-term promissory notes	8,051	7,000
Long-term loans to related parties	-	3,131
Payables to related parties		
Trade and other payables	57	84
Advances received from customers	2,653	1,706
Long-term debt	26,191	47,371
Current portion of long-term debt	8,755	38,745

Other related parties are considered to include the ultimate controlling parties, affiliates and entities under common ownership and control with the Group.

As at the date of approval of these consolidated financial statements the ultimate controlling parties of the Group were members of the families of Mr. Ponomarenko and Mr. Scorobogatko.

NCSP, its subsidiaries and associates, in the ordinary course of their business, enter into various sales, purchases and service transactions with related parties: TPS, Kuban Security Company, Ekomarin, etc. Details of transactions between the Group and other related parties are disclosed below.

Transactions with other related parties:

	Year ended 31 December 2009	Year ended 31 December 2008
Sales and income received from related parties		
Sales and income received from related parties	613	1,058
Interest income	93	121
Purchases from related parties		
Services rendered	2,499	2,433
Interest expenses	-	345

Balances with other related parties:

	31 December 2009	31 December 2008
Receivables from related parties		
Trade and other receivables	968	1,142
Advances to suppliers	65	299
Loans given to related parties	1,142	1,650
Payables to related parties		
Trade accounts payables	-	83

Compensation of key management personnel

For the year ended 31 December 2009 and 2008, the remuneration of the directors and other members of key management was 8,523 and 6,014, respectively, which represented short-term employee benefits.

The remuneration of directors and key executives is determined by the Board of Directors having regard to the performance of individuals and market trends.

28. COMMITMENTS AND CONTINGENCIES

Proceedings

The Group is involved in various claims and legal proceedings arising in the ordinary course of business. These claims relate to, but are not limited to, its business practices and tax matters. The Group believes that they will not have a material adverse effect on its consolidated financial statements based on information currently available.

However, litigation is inherently unpredictable and, although the Group believes that it has valid defenses in these matters, unfavorable resolutions could occur, which could have a material adverse effect on the Group's consolidated financial statements in future reporting periods.

Taxation contingencies in the Russian Federation

The government of the Russian Federation has commenced a revision of the Russian tax system and passed certain laws implementing tax reform. The new laws reduce the number of taxes and overall tax burden on businesses and simplify tax legislation. However, these new tax laws continue to rely heavily on the interpretation of local tax officials and fail to address many existing problems. Many issues associated with practical implication of new legislation are unclear and complicate the Group's tax planning and related business decisions.

In terms of Russian tax legislation, authorities have a period of up to three years to re-open tax declarations for further inspection. Changes in the tax system that may be applied retrospectively by authorities could affect the Group's previously submitted and assessed tax declarations.

While management believes that it has adequately provided for tax liabilities based on its interpretation of current and previous legislation, the risk remains that the tax authorities in the Russian Federation could take differing positions with regard to interpretative issues. This uncertainty may expose the Group to additional taxation, fines and penalties that could be significant.

Environmental matters

The Group is subject to extensive federal and local environmental controls and regulations. The Group's management believes that the Group operations are in compliance with all current existing environmental legislation in the Russian Federation. However, environmental laws and regulations continue to evolve. The Group is unable to predict the timing or extent to which those laws and regulations may change, or the cost thereby.

Russian Federation risk

The economy of the Russian Federation, while deemed to be of market status, continue to display certain traits consistent with that of an emerging market. These characteristics have in the past included higher than normal inflation, insufficient liquidity of the capital markets, and the existence of currency controls. The continued success and stability of the Russian economy will be subject to their government's continued actions with regard to supervisory, legal and economic reforms.

Insurance

As at 31 December 2009, the Group has insurance coverage in respect of potential damage of its major facilities. NCSP has business interruption insurance and third party liability insurance in respect of environmental damage. Until the Group obtains comprehensive insurance coverage exceeding the book value of property, plant and equipment, there is a risk that the loss or destruction of certain assets could have a material adverse effect on Group's operations and financial position.

Operating lease arrangements

Operating lease arrangements relate to the lease of land, mooring installation and vessels from the Russian State. These arrangements have lease terms of between 5 and 49 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the land and mooring installations at the expiry of the lease period.

Non-cancellable operating leases with initial terms in excess of one year are as follows:

2010	10,126
2011	9,818
2012	9,131
2013	9,106
2014	6,411
Thereafter	182,527
Total	**227,119**

29. CAPITAL COMMITMENTS

The Group had the following commitments for the acquisition of property, plant and equipment and construction works at:

	31 December 2009	31 December 2008
NCSP	19,464	22,388
Fleet	632	-
Grain Terminal	129	-
Novoroslesexport	30	23
IPP	15	32
Shipyard	13	71
Total	**20,283**	**22,514**

The above commitments were entered into to enhance of the Groups' transhipment capacities during the following 3-10 years.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and liabilities is determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- The fair value of other financial assets and financial liabilities (excluding derivatives) are determined in accordance with generally accepted pricing model based on discounted cash flow analysis using prices from observable current market transactions.

As at 31 December 2009 and 2008, management believes that the carrying values of significant financial assets (refer to notes 16, 18 and 19) and financial liabilities (refer to notes 21 and 23) recorded at amortised cost in the consolidated financial statements approximated their fair value due to their short-term nature, except for the borrowings and long-term investments.

The Group classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The fair value of long-term financial liabilities as at 31 December 2009 and 31 December 2008 is as follows:

	31 December 2009		31 December 2008	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Participation notes (Level 1)	300,361	301,410	299,354	262,192
Fixed rate financial liabilities (Level 2)	36,478	35,631	85,971	78,639
LIBOR+ rate agreement (fixed by SWAP) (Level 2)	117,912	112,338	117,640	107,027

Interest rate swap is measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The fair value of long-term financial assets as at 31 December 2009 and 31 December 2008 is as follows:

	31 December 2009		31 December 2008	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Promissory notes and other financial assets (Level 2)	1,521	1,263	3,216	2,113

31. RISK MANAGEMENT

Capital risk management

The Group manages its capital to ensure that entities of the Group will be able to continue as a going concern while maximising the return to the equity holder through the optimisation of the debt and equity balance. The management of the Group reviews the capital structure on a regular basis. Based on the results of this review, the Group takes steps to balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

Major categories of financial instruments

The Group's principle financial liabilities comprise loans and borrowings, trade payables and other payables and accruals. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables, investments in securities and cash and cash equivalents.

	31 December 2009	31 December 2008
Financial assets		
Cash and cash equivalents	159,075	42,868
Investments and receivables carried at amortised cost		
Deposits	161,117	76,900
Trade and other receivables, net	32,499	29,887
Promissory notes	8,051	10,131
Loans issued	1,087	2,157
Total financial assets	**361,829**	**161,943**
Financial liabilities carried at amortised cost		
Loans and borrowings	(454,751)	(505,485)
Trade payables	(3,156)	(3,914)
Payables for property, plant and equipment	(2,162)	(2,190)
Total financial liabilities	**(460,069)**	**(511,589)**

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

Foreign currency risk

Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group undertakes certain transactions denominated in foreign currencies. The Group does not use any derivatives to manage foreign currency risk exposure, at the same time the management of the Group is trying to mitigate such risk by managing monetary assets and liabilities in foreign currency at the same (more or less stable) level.

The carrying amount of the Group's US Dollar denominated monetary assets and liabilities as at the reporting date are as follows:

	31 December 2009	31 December 2008
Assets		
Investments and receivables carried and amortised cost	173,729	98,499
Cash and cash equivalents	14,555	30,471
Total assets	**188,284**	**128,970**
Liabilities		
Loans and borrowings	(454,751)	(505,485)
Trade payables	(101)	(97)
Total liabilities	**(454,852)**	**(505,582)**
Total net position	**(266,568)**	**(376,612)**

The table below details the Group's sensitivity to depreciating of the Russian Rouble against US Dollar by 10%. The analysis was applied to monetary items at the balance sheet dates denominated in respective currencies.

	31 December 2009	31 December 2008
Loss	(24,233)	(34,238)

Management consider that 10% of increase reflects the current RUR depreciation against USD.

The carrying amount of the Group's EURO denominated monetary assets and liabilities as at the reporting date are as follows:

	31 December 2009	31 December 2008
Assets		
Cash and cash equivalents	83,349	-
Investments and receivables carried and amortised cost	10,739	-
Total assets	**94,088**	**-**
Total net position	**94,088**	**-**

The table below details the Group's sensitivity to depreciating of the Russian Rouble against EURO by 10%. The analysis was applied to monetary items at the balance sheet dates denominated in respective currencies.

	31 December 2009	31 December 2008
Gain	9,409	-

Interest rate risk

To mitigate the interest rate risk during 2008 the Group entered into interest rate swap agreement with Morgan Stanley and fixed LIBOR rate at 3.2% per annum for the loan provided by Bayerische Hypo- und Vereinsbank AG. The maturity date of the contract is 18 November 2010.

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 for the Group.

Before accepting of any new customer, the Group uses an internal credit system to assess the potential customer's credit quality. No credit limits are set to the customers.

The summary below shows the turnover and outstanding balances of top five counterparties as at 31 December 2009 and for the period then ended:

	Customer location	Turnover for 2009	31 December 2009
Palmpoint International	Panama	63,602	18
TRANSNEFT-SERVICE	Russia	59,962	1
Dihanis Trading Limited	British Virgin Island	52,624	11,733
MZK	Russia	34,247	2
NLMK	Russia	32,969	1,722
Total		**243,404**	**13,476**

	Customer location	Turnover for 2008	31 December 2008
Axial Marine Services LTD	Cyprus	68,458	6,714
Palmpoint International	Panama	56,704	-
NLMK	Russia	27,854	1,304
LLC Morservice group	Russia	24,128	2,044
Morservice Group LTD	British Virgin Island	22,566	1,176
Total		**199,710**	**11,238**

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they are due.
The Group's liquidity position is carefully monitored and managed. The Group has in place a detailed budgeting and cash forecasting process to help ensure that it has adequate cash available to meet its payment obligations.

Maturity analyses of financial liabilities are presented in Notes 21 and 23.

32. INVESTMENTS IN SIGNIFICANT SUBSIDIARIES

		Ownership % held	
Subsidiary	**Country of incorporation**	**31 December 2009**	**31 December 2008**
IPP	Russian Federation	99.97%	97.56%
Fleet	Russian Federation	95.19%	85.68%
Shipyard	Russian Federation	65.18%	65.18%
Novoroslesexport	Russian Federation	91.38%	91.38%
Grain Terminal	Russian Federation	100.00%	100.00%
Baltic Stevedore	Russian Federation	100.00%	100.00%
Longbranch Shipping Enterprises Ltd.	Cyprus	80.00%	-

* The ownership is calculated based on the total number of shares owned by the Group as of the reporting dates i.e. including preferred shares.

33. INVESTMENT IN JOINT VENTURE

	Ownership % held	
Joint venture	**31 December 2009**	**31 December 2008**
OJSC NMT	50.00%	-

Summarised financial information of the joint venture is represented below:

	31 December 2009	31 December 2008
Total assets	11,330	-
Total liabilities	(8,512)	-
Capital	2,818	-
Group's share of capital of joint venture	**1,409**	-
Carrying value of investment	**1,409**	**-**

34. EVENTS AFTER THE BALANCE SHEET DATE

No significant events after the balance sheet date occurred.