Global Ports Investments Plc

Management report and consolidated financial statements
31 December 2020

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BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors

Mr. Soren Jakobsen (appointed 02 March 2018)
(Mr. Mogens Petersen is the alternate to Mr. Soren Jakobsen)
Chairman of the Board of Directors since 24 April 2020, Non-Executive Director, Member of Nomination and Remuneration and Strategy Committees

Mrs. Britta Dalunde (appointed 12 May 2017)
Senior Independent Non-Executive Director, Chairwoman of Audit and Risk Committee

Mr. Kristian Bai Hollund (appointed 29 May 2020)
(Mr. Soren Jakobsen is the alternate to Mr. Kristian Bai Hollund)
Non-executive Director

Ms. Alexandra Fomenko (appointed 18 June 2019)
Non-Executive Director, Member of Nomination and Remuneration Committee

Mr. Shavkat Kary-Niyazov (appointed 18 June 2019)
Non-Executive Director

Mr. Demos Katsis (appointed 14 May 2018)
Non-Executive Director

Mrs. Inna Kuznetsova (appointed 01 January 2018)
Independent Non-Executive Director, Chairwoman of Nomination and Remuneration Committee
Member of Audit and Risk Committee

Mr. Lambros Papadopoulos (appointed 01 January 2018)
Independent Non-Executive Director, Member of Audit and Risk and Strategy Committees

Mr. Mogens Petersen (appointed 18 June 2019)
(Mr. Soren Jakobsen is the alternate to Mr. Mogens Petersen)
Non-Executive Director, Member of Audit and Risk and Strategy Committees

Mr. Sergey Shishkarev (appointed 14 May 2018)
(Ms. Alexandra Fomenko is the alternate to Mr. Sergey Shishkarev)
Non-executive Director, Chairman of Strategy Committee

Mr. Andrey Yashchenko (appointed 16 April 2020)
Non-executive Director, Member of Audit and Risk and Strategy Committees

Mr. Morten Henrick Engelstoft resigned 29 May 2020

Mr. Ivan Besedin resigned 16 April 2020

Board of Directors And Other Officers (continued)

Registered office

20 Omirou Street
Ayios Nicolaos
CY-3095 Limassol
Cyprus

Secretary

Team Nominees Limited
20 Omirou Street
Ayios Nicolaos
CY-3095 Limassol
Cyprus

MANAGEMENT REPORT

1. The Board of Directors presents its report together with the audited consolidated financial statements of Global Ports Investments Plc (hereafter also referred to as "GPI" or the "Company" or "Global Ports") and its subsidiaries and joint ventures (hereafter collectively referred to as the "Group") for the year ended 31 December 2020. The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (hereafter also referred as "IFRS") as adopted by the European Union ("EU") and the requirements of Cyprus Companies Law, Cap. 113.

Principal activities and nature of operations of the Group

2. The principal activities of the Group are the operation of container and general cargo terminals in Russia and Finland. The Group offers its customers a wide range of services for their import and export logistics operations. There were no changes in principal activities of the Group in current year.

Results

3. The Group's results for the year are set out on pages 28 and 29.

Changes in group structure

4. The management continues the optimization of the Group structure and elimination of the excess companies from the Group. As a part of simplification and streamlining of Group structure the following steps were implemented in 2020.
   a. On 30.01.2020 NCC Pacific Investments Ltd transferred to Global Ports Investments Plc 99.98% in Global Ports (Finance) PLC and Intercross Investments B.V. sold one share of Global Ports (Finance) PLC to LLC Global Ports Management.
   b. On 19.05.2020 Intercross Investments B.V. was dissolved.
   c. On 10.07.2020 Arytano Holdings Limited, Cormarys Investments Ltd and NCC Group Limited transferred their shares of Global Ports (Finance) PLC to Vostochnaya Stevedoring LLC, JSC Petrolesport and First Container Terminal Incorporated respectively (each one share).
   d. On 25.09.2020 Global Ports Investments Plc purchased 4.76% in Alocasia CO. Ltd from NCC Group Limited.
   e. Container Services LLC was merged into Farvater LLC on 03.12.2020.
   f. On 04.12.2020 a legal merger of Arytano Holdings Limited, Cormarys Investments Ltd and NCC Pacific Investments Ltd into National Container Holding Company Ltd was completed. As a result of the reorganisation, National Container Holding Company Ltd directly holds 100% in Vostochnaya Stevedoring Company LLC, JSC Petrolesport, Farvater LLC and Shakhovo-18 LLC and indirectly owns 100% in First Container Terminal Inc and 80% in Ust-Luga Container Terminal JSC.
   g. A members' voluntary liquidation of NCC Group Limited was initiated in late 2020.

   These reorganisations did not have an impact on the underlying assets/liabilities and overall activities of the Group.
5. There were no other material changes in the group structure. However, the Board of Directors is regularly reviewing the Group structure and the possibilities to optimize it and will continue its efforts in the following years.

Review of Developments, Position and Performance of the Group's Business

6. The Russian container market demonstrated resilience in 2020 declining by only 0.8%, supported by continuing growth in containerised export by 5.2%. However, this growth was not sufficient to offset the decline of containerised import by a moderate 1.8% due to the global and local macroeconomic impact of COVID-19.
7. Outperforming the market in both export and import, the Group's Consolidated Marine Container Throughput increased by 6.6% to 1,553 thousand TEU with growth of full export containers of 16.8% and full import containers of 3.6%. As a result, share of full export containers in the Groups' Consolidated Marine Container Throughput increased from 40% in 2019 to 44% in 2020.
8. Consolidated Marine Bulk Throughput increased by 38.7% y-o-y, driven by strong growth in coal handling at VSC and ULCT as well as growth of fertilisers and steel handling at PLP.

Management Report (continued)

9. Consolidated revenue increased by 6.2% to USD 384.4 million. Excluding the impact of VSC transportation services, like-for-like revenue declined by 8.2% driven by a decrease in both Consolidated Container and Non-Container Revenue.
10. Like-for-like Revenue per TEU decreased by 13% to USD 155.1 million as a result of depreciation of the Russian rouble against US dollar, the growing share of full export containers in Group throughput and additional free storage days and other incentives provided by the Group to its clients in order to support them on the back of the global and local macroeconomic turmoil following the COVID-19 outbreak. Like-for-like Revenue per TEU adjusted for FX decreased by 2.7%.
11. Operating profit increased by 8.7% to USD 157.4 million.
12. In response to COVID-19 conditions, cost control measures were implemented to manage and reduce the Group's cost base. Like-for-like Total Operating Cash Costs were successfully and safely reduced by 9.7% to USD 113.2 million despite the healthy growth in both container and non-container throughput.
13. Adjusted EBITDA decreased by 7.6% to USD 209.7 million as cost control improvements and volume growth could not offset the decline in Revenue per TEU and US dollar equivalent of Russian rouble nominated bulk handling tariffs due to the depreciation of the Russian rouble as a result of COVID-19. Profitability was nonetheless maintained with like-for-like Adjusted EBITDA Margin of 65.2%.
14. The Group’s capital expenditure in 2020 was USD 33.9 million and focused on planned maintenance projects, scheduled upgrades of existing container handling equipment and customer service improvement initiatives.
15. The Group generated a healthy USD 157.1 million of Free Cash Flow (-1.1% compared to 2019) demonstrating the resilience of the business model.
16. The Group reduced Net Debt by USD 134.9 million over the year and continues to prioritise deleveraging over dividend distribution.
17. In line with the Group’s focus on deleveraging, Net Debt to Adjusted EBITDA decreased from 3.3x as of 31 December 2019 to 2.9x as at the end of the reporting period, achieving the lowest level since 2012.

Terms used above are defined as follows:

Adjusted EBITDA (a non-IFRS financial measure) for Global Ports Group is defined as profit for the period before income tax expense, finance income/(costs)—net, depreciation, write-off and impairment of property plant and equipment, depreciation and impairment of right-of-use assets, amortisation, write-off and impairment of intangible assets, share of profit/(loss) of joint ventures accounted for using the equity method, other gains/(losses)—net.

Net Debt (a non-IFRS financial measure) is defined as the sum of current borrowings, non-current borrowings, current and non-current lease liabilities (following adoption of IFRS 16) and swap derivatives less cash and cash equivalents and bank deposits with maturity over 90 days.

Revenue per TEU is defined as the Global Ports Group’s Consolidated Container Revenue divided by total Consolidated Container Marine Throughput.

Adjusted EBITDA Margin (a non-IFRS financial measure) is calculated as Adjusted EBITDA divided by revenue, expressed as a percentage.

Consolidated Container Revenue is defined as revenue generated from containerised cargo services.

Consolidated Non-Container Revenue is defined as a difference between total revenue and Consolidated Container Revenue.

Consolidated Marine Bulk Throughput is defined as combined marine bulk throughput by consolidated terminals: PLP, VSC, FCT and ULCT.

Consolidated Marine Container Throughput is defined as combined marine container throughput by consolidated marine terminals: PLP, VSC, FCT and ULCT.

Free Cash Flow (a non-IFRS financial measure) is calculated as Net cash from operating activities less Purchase of property, plant and equipment.

Total Debt (a non-IFRS financial measure) is defined as the sum of current borrowings, non-current borrowings, current and non-current lease liabilities (following adoption of IFRS 16) and swap derivatives.

Management Report (continued)

Future Developments of the Group

18. The Board of Directors does not expect any significant changes in the activities of the Group in the foreseeable future.

Risk Management Process, Principal Risks and Uncertainties

19. Global Ports is exposed to a variety of risks and opportunities that can have commercial, financial, operational and compliance impacts on its business performance, reputation and licence to operate. The Board recognises that creating shareholder value involves the acceptance of risk. Effective management of risk is therefore critical to achieving the corporate objective of delivering long-term growth and added value to our shareholders.

20. Global Ports bases its risk management activities on a series of well-defined risk management principles, derived from experience, best practice, and corporate governance regimes. The Group's enterprise risk management processes (ERM) are designed to identify, assess, respond, monitor and, where possible, mitigate or eliminate threats to the business caused by changes in the business, financial, regulatory and operating environment.

21. The Board has overall oversight responsibility for GPI's risk management and for the establishment of the framework of prudent and effective controls. As such it systematically monitors and assesses the risks attributable to the Group's performance and delivery of the GPI strategy. Where a risk has been identified and assessed, the Group selects the most appropriate risk measure available in order to reduce the likelihood of its occurrence and mitigate any potential adverse impact.

22. The Board delegates to the Chief Executive Officer of LLC Global Ports Management responsibility for the effective implementation and maintenance of the risk management system. Day-to-day responsibility for risk management lies with the management team. The Audit and Risk Committee is authorized by the Board to monitor, review and report on the organization, functionality and effectiveness of the Group's Enterprise Risk Management (ERM) system.

23. Global Ports is exposed to a variety of risks which are listed below. The order in which these risks are presented is not intended to be an indication of the probability of their occurrence or the magnitude of their potential effects.

24. Not all of these risks are within the Group's control, and the list cannot be considered to be exhaustive, as other risks and uncertainties may emerge in a changing external and internal environment that could have a material adverse effect on the Group's ability to achieve its business objectives and deliver its overall strategy.

25. Further information on our risk management system, including a detailed description of identified risk factors is contained in the notes to the Consolidated Financial Statements attached to this report.

26. The Group's financial risk management and critical accounting estimates and judgments are disclosed in Notes 3 and 4 to the consolidated financial statements.

27. The Group's contingencies are disclosed in Note 28 to the consolidated financial statements.

Management Report (continued)

Risk factor	Risk management approach
Strategic risks	
Market conditions: Global Ports' operations are dependent on the global macroeconomic environment and resulting trade flows, including in particular container volumes. Container market throughput is closely correlated to the volume of imported goods, which in turn is driven by domestic consumer demand, and influenced by RUB currency fluctuations against USD/Euro, and exported goods, which in their turn correlate with the Russian rouble exchange rate fluctuations and global commodity markets` trends. The Group remains exposed to the risk of contraction in the Russian and world economy which, if it were to occur, could further dampen consumer demand and lead to a deterioration in the container market which could have a materially adverse impact on the Group.	The Group has responded to throughput volatility in the container market by: • Focusing on quality and value-driven services (getting closer to the customer); • Greater focus on balancing export and import container flows; • Offering operational flexibility to all clients; • Effective cost containment; • Development of IT solutions; • Adopting new revenue streams and attracting new cargoes.
Competition: Barriers to entry are typically high in the container terminal industry due to the capital-intensive nature of the business. However, challenging market trading conditions mean that competition from other container terminals continues to be a significant factor, which is also supported by the existing excess capacity in the market, i.e. in the North-West of Russia. Further consolidation between container terminal operators and container shipping companies, the creation of new strategic alliances, the introduction of new/upgraded capacity and carrier consolidation could result in greater price competition, lower utilisation, and a potential deterioration in profitability. Strategic international investors may develop or acquire stakes in existing competitor Russian container terminals, which could bring new expertise into the market and divert clients and cargoes away from the Group. Also Beneficial Cargo Owners may optimise their logistics chains and decide to control them, which may lead to changes in the competitive environment. Given the historically high margins in the Russian container handling industry, this trend may continue.	The Group actively monitors the competitive landscape and adjusts its strategy accordingly, i.e. the Group prioritises building close long-term strategic relationships with its leading customers (locally, regionally and with headquarters). The Group's focus on service quality is a key differentiator from its competition and the Group believes this is one of its key competitive advantages. The Group continues to invest in its terminals and infrastructure to ensure competitive levels of service. It takes a long-term approach to managing its network of terminals that represent core infrastructure assets in Russia with an expected operating lifespan of 10 to 20 years and beyond. The Group owns a significant land bank giving it flexibility should market conditions require it. The Group maintains level of capital expenditure in line with the requirements needed to maintain effective development of its existing capacity. The Group has developed long-term operating masterplans for each of its terminals that enable it to react quickly in the case of additional market demands being placed on its facilities' infrastructure and equipment. The Group's healthy cash flow generation and decreasing leverage allows financial flexibility in terms of timing and size of required capital expenditure program.

Management Report (continued)

Risk factor	Risk management approach
Political, economic and social stability: Instability in the Russian economy as well as social and political instability could create an uncertain operating environment and affect the Group's ability to sell its services due to significant economic, political, legal and legislative risks. Certain government policies or the selective and arbitrary enforcement of such policies could make it more difficult for the Group to compete effectively and/or impact its profitability. The Group may also be adversely affected by US, EU and other jurisdictions sanctions against Russian business/companies whose measures have had and may continue to have an adverse effect on the Russian economy and demand for commodities. Ongoing sanctions could also adversely impact the Group's ability to obtain financing on favourable terms and to deal with certain persons and entities in Russia or in other countries.	In light of the macroeconomic challenges faced by the ports industry in recent years, the Group has focused on improving its resilience, in particular its ability to withstand short-term economic fluctuations in Russia, as well as the wider regional and global environment. This has included a strong focus on cost containment measures, and on strengthening its financial position by refinancing its debt, switching to longer maturities at fixed rates. In addition, the Group has developed its growth strategy to embrace exports and new revenue streams to counteract the impact of any fall in consumer sentiment or any macro-economic downturn. The Group has strengthened its system to monitor compliance with restrictions posed by international sanctions and fend off the risk of secondary sanctions. The Group continues to maintain an international base of shareholders, bondholders and business partners. The Group is not aware of any specific sanctions' risks related to its ownership or operations.
Coronavirus (COVID-19): The global coronavirus (COVID-19) pandemic that emerged during 2020 impacted the container ports industry and Global Ports own operations, resulting in significant interruption to global trade, disruption to supply chains, reshuffling of vessel calls, and high FX volatility. Despite the introduction of vaccination programmes, visibility remains low and there remains a risk of future outbreaks and disruptions to business operations. Risks include: -personnel shortages due to COVID-19 related illness - inability to deliver contracted services due to regulatory or safety requirements -loss of revenue due to business interruption, loss of customer volumes or customer withdrawals - additional process steps or safety measures - liquidity issues associated with delays in customer payments, potential customer failures or availability of financing.	There are no restrictions imposed by the governments on the operations of ports, since they are considered to be the core transport infrastructure servicing the inbound and outbound traffic from the country. Group measures to mitigate risk are grouped under/focused on four main priorities: • *Protecting all employees (operations and admin) and communities*: including medical examinations, restrictions on travelling and external/internal meetings, social distancing, additional disinfection according to the schedule, personal protective equipment provided for personnel, improved cleaning, purchasing protective masks, gloves and COVID-19 tests for the local hospital in Nakhodka, Far East. Administrative staff had been moved to work from home. The Group tried to establish the maximum comfort for its employees during remote work. The IT infrastructure was adapted to new challenges and was working without major failures. As of the date of signing the financial statements, the employees were not fully returned from working from home. The Group has not taken final decision, whether some of the employees shall continue working from home going forward. Any return to the office is and will be accompanied by following the strict safety protocols including social distancing, disinfection, use of masks, limitation of external contacts.

Management Report (continued)

Risk factor	• **Risk management approach**
	• *Supporting customers*: uninterrupted 24/7 round the clock operations (quay, yard and gates), to support and protect customers' supply chains in Russia, improved commercial and operational flexibility; • *Strengthening online channels*, including maximum digitalisation of documentation and customer integration, further development of online-solutions to decrease necessity of client's presence at the terminal, improvement of resilience of IT systems to external shocks and cyber attacks; • *Ensuring financial stability and cash preservation*, including pro-active management of costs, receivables and capacity for effective adaptation to crisis and its consequences, Stress testing of financial performance and liquidity position, revisiting financial plans. All these measures implemented ensured that the terminals of the Group (quay, yard and gates) remained 100% operational to service vessels/handle cargoes throughout the pandemic as well as the call and service centres of the Group were working without interruption.
Operational risks	
Leases of terminal land: The Group leases a significant amount of the land and quays required to operate its terminals from government agencies and to a lesser extent from private entities. Any revision or alteration to the terms of these leases or the termination of these leases, or changes to the underlying property rights under these leases, could adversely affect the Group's business.	The Group believes it has a stable situation at present regarding its land leases and its terminals have been in operation for a number of years. The Group owns the freehold on 66% of the total land of its terminals and 70% of the land of its container and inland terminals in Russia. The remainder is held under short and long-term leases routinely renewable at immaterial costs.
Customer Profile and Concentration: The Group is dependent on a relatively limited number of major customers (shipping lines, freight forwarders etc.) for a significant portion of its business. These customers are affected by conditions in their market sector which can result in contract changes and renegotiations as well as spending constraints, and this is further exacerbated by carrier consolidation.	The Group conducts extensive and regular dialogue with key customers and actively monitors changes that might affect our customers' demand for our services. The Group has a clear strategy to reduce its dependence on its major customers, by targeting new customers, increasing the share of business from other existing global customers, and new cargo segments. The Group is also relying on the contribution from non-container revenues through building its presence in marine bulk cargoes like coal and scrap metal (share of non-container revenue was 26% and 22% in 2019 and 2020 respectively).

Management Report (continued)

Risk factor	Risk management approach
Reliance on third parties: The Group is dependent on the performance of services by third parties outside its control, including all those other participants in the logistics chain, such as customs inspectors, supervisory authorities, railway and others, and the performance of security procedures carried out at other port facilities and by its shipping line customers.	The Group strives to maintain a continuous dialogue with third parties across the supply chain. In addition, its geographic diversification provides it with some flexibility in its logistics, should bottlenecks develop in one area.
Tariff regulation: Tariffs for certain services at certain of the Group's terminals have in the past, been regulated by the Russian Federal Antimonopoly Service (FAS). As a result, the tariffs charged for such services were, and may potentially in the future be, subject to a maximum tariff rate and/or fixed in Russian roubles as PLP, VSC, and FCT, like many other Russian seaport operators, are classified as natural monopolies under Russian law.	All tariffs are set in Russian roubles. To the best of the knowledge of the Group's management, the Group is in full compliance with the tariff legislation. The Group continues to monitor for any legislative proposals and regulatory actions that could lead to changes to the existing tariff regulations. It seeks a proactive dialogue with the relevant Russian federal authorities. It believes it is as well placed as any market participant to adapt to any future changes in tariff regulation.
Human resources management: The Group's competitive position and prospects depend on the expertise and experience of its key management team and its ability to continue to attract, retain and motivate qualified personnel. Industrial action or adverse labour relations could disrupt the Group's operating activities and have an adverse effect on performance results.	The Group annually reviews labour market trends and aligns employee salaries and benefits at all levels to foster and retain skilled labour. The Group invests in the professional development of its staff, including international best practices implementation and internal development/ training programmes. The Group engages in socially responsible business practices and support of local communities. The Group strives to maintain a positive working relationship with labour unions at its facilities. Moreover, it pursues overall labour policies designed to provide a salary and benefit package in line with the expectations of our employees.

Management Report (continued)

Risk factor	**Risk management approach**
Health, safety, security and environment: Accidents involving the handling of hazardous materials at the Group's terminals could disrupt its business and operations and/or subject the Group to environmental and other liabilities. The risk of safety incidents is inherent in the Group's businesses. The Group's operations could be adversely affected by terrorist attacks, natural disasters or other catastrophic events beyond its control.	The Group has implemented clear safety policies designed around international best practices and benchmarks using such measures as GPI Global Minimum Requirements. Safety is one of the Group's top priorities. A safety strategy and annual action plans have been developed, to build a sustainable safety culture across the whole Group. The detailed roadmap is designed to ensure sustainable implementation of safety culture over the medium term. GPI is constantly improving its safety practices by involving the employees in identifying and mitigating potential safety risks. Similarly, GPI works with all its stakeholders to maintain high levels of environmental security around port facilities and vessel operations to minimise the risk of terrorist attack.
Information technology and security: The Group's container terminals rely on IT and technology systems to keep their operations running efficiently, prevent disruptions to logistic supply chains, and monitor and control all aspects of their operations. Any IT glitches or incidents can create major disruptions for complex logistic supply chains. Any prolonged failure or disruption of these IT systems, whether a result of a human error, a deliberate data breach or an external cyber threat could create major disruptions in terminal operations. This could dramatically affect the Group's ability to render its services to customers, leading to reputational damage, disruption to business operations and an inability to meet its contractual obligations.	The Group has centralised its IT function in recent years which is an important step in ensuring both the efficiency and consistency of the Group's security protocols implementation. We are continuing to align our IT strategy with the business objectives. We regularly review, update and evaluate all software, applications, systems, infrastructure and security. All software and systems are upgraded or patched regularly to ensure that we minimise vulnerabilities. Each of our business units has an IT disaster recovery plan. Our security policies and infrastructure tools are updated or replaced regularly to keep pace with changing and growing threats. Our security infrastructure is updated regularly and employs multiple layers of defence. Connectivity to our partners' systems is controlled, monitored and logged.
Regulatory and compliance risks	
Regulatory compliance: The Group is subject to a wide variety of regulations, standards and requirements and may face substantial liability if it fails to comply with existing regulations applicable to its businesses. The Group's terminal operations are subject to extensive laws and regulations governing, among other things, the loading, unloading and storage of hazardous materials, environmental protection and health and safety.	The Group strives to be in compliance at all times with all regulations governing its activities and devotes considerable management and financial resources to ensure compliance.

Management Report (continued)

Risk factor	Risk management approach
Changes in regulations: Changes to existing regulations or the introduction of new regulations, procedures or licensing requirements are beyond the Group's control and may be influenced by political or commercial considerations not aligned with the Group's interests. Any expansion of the scope of the regulations governing the Group's environmental obligations, in particular, would likely involve substantial additional costs, including costs relating to maintenance and inspection, development and implementation of emergency procedures and insurance coverage or other financial assurance of its ability to address environmental incidents or external threats.	The Group maintains a constructive dialogue with relevant federal, regional and local authorities regarding existing and planned regulations. The Group does not have the power to block any or all regulations it may judge to be harmful, but this dialogue should ensure it has time to react to changes in the regulatory environment.
Conflict of interests: The Group's controlling beneficial shareholders may have interests that conflict with those of the holders of the GDRs or notes. The major implications of this risk are that (i) co-controlling shareholders pursue other businesses not related to GPI and hence may not be deeply involved with developing GPI and (ii) one of the major shareholders is also a major customer of the Group. The employees of the Group may have interests in the companies, that may or potentially may have the business with the Group.	The Group's corporate governance system is designed to maximise the company's value for all shareholders and ensure the interests of all stakeholders are taken into account. The Group's LSE listing ensures our compliance with the highest international standards. In addition, the Board consists of highly experienced individuals including strong independent directors. In 2020 the Group adopted the Policy on Conflicts of Interest regulating the potential conflicts of interest by the employees of the Group.
Legal and tax risks: Adverse determination of pending and potential legal actions involving the Group's subsidiaries could have an adverse effect on the Group's business, revenues and cash flows and the price of the GDRs. Weaknesses relating to the Russian legal and tax system and appropriate Russian law create an uncertain environment for investment and business activity and legislation may not adequately protect against expropriation and nationalisation. The lack of independence of certain members of the judiciary, the difficulty of enforcing court decisions and governmental discretion claims could prevent the Group from obtaining effective redress in court proceedings. The UK left the EU on 31 January 2020 with the prior conclusion of the EU-UK Trade and Cooperation Agreement. Although the Agreement covers the financial services in general, it is expected that the parties further will establish a framework for regulatory cooperation on financial services.	The Group maintains a strong and professional legal function designed to monitor legal risks, avoid legal actions where possible and carefully oversee any changes in applicable legislation that may occur. The Group performs ongoing monitoring of changes in relevant tax legislation and court practice in the countries where its companies are located and develops the Group's legal and tax position accordingly.

Management Report (continued)

Risk factor	Risk management approach
Financial risks	
Foreign exchange risks: The Group is subject to foreign-exchange risk arising from various currency exposures, primarily the Russian rouble and the US dollar. Foreign-exchange risk is the risk of fluctuations in profits and cash flows of the Group arising from movement of foreign-exchange rates. Risk also arises from revaluation of assets and liabilities denominated in foreign currency.	As of 2020, all Group tariffs are denominated in Russian roubles, and part of the Group's debt is denominated in US Dollars. Most of the Group's operating expenses, on the other hand are and will continue to be denominated and settled in Russian roubles. In order to mitigate the possibility of foreign exchange risks arising from a significant mismatch between the currency of revenue and the currency of debt ('open FX position'), the Group is converting part of its existing USD debt into RUB, the currency of revenue. In order to further mitigate FOREX risk, between June and September 2019 the Group put in place forward hedges and currency options totalling USD231.4 million to convert part of USD denominated debt into RUB. During 2018-2020 the Group repurchased part of its USD denominated Eurobonds and currently/to date ~29% of the total issued Eurobonds have been canceled. New debt in 2020 was attracted/raised only in Russian rouble (VSC bonds in the amount of 5 billion RUB-USD equivalent of USD67,681 thousand). In addition, the Group has negotiated with some of its customers the right to change its Russian rouble tariffs in conjunction with RUB/USD exchange rate fluctuations within a range of +/-15% each time when average RUB/USD exchange rate for a given month falls beyond 5% from the base exchange rate used for translating original USD tariffs to RUB, however the risk above the levels of these currency moves remains.
Credit risk: The Group may be subject to credit risk, arising primarily from trade and other receivables, loans receivable and cash and cash equivalents and derivative financial instruments. The Group's business is also dependent on several large key customers.	The Group closely tracks its accounts receivables overall and the creditworthiness of key customers and suppliers.
Debt, leverage and liquidity: The Group's indebtedness or the enforcement of certain provisions of its financing arrangements could affect its business or growth prospects. Failure to promptly monitor and forecast compliance with loan covenants both at the Group and individual terminal levels may result in covenant breaches and technical defaults. If the Group is unable to access funds (liquidity) it may be unable to meet financial obligations when they fall due, or on an ongoing basis, to borrow funds in the market at an acceptable price to fund its commitments.	The Group has been able to reduce its total debt level. During 2018-2020 the Group repurchased USD203.5 million nominal value of 2022 and 2023 Eurobonds of which USD69.5 million were refinanced via a 5 year/60 month RUB bank loan in 2019. FCT Series 1 Bonds were repaid in 2020 using the proceeds from VSC bonds issued in December 2020 with maturity over 5 years and lower interest rate than FCT bonds. Debt reduction beyond minimum repayment requirements remains a management priority in 2021. Liquidity risk is carefully monitored, with regular forecasts prepared for the Group and its operating entities.

Management Report (continued)

Risk factor	Risk management approach
	The risk of liquidity shortfalls within the following 18-24 months has been significantly reduced via extensions of debt maturities through public debt issuance in 2020: VSC issued Russian rouble bonds in the amount of 5 billion RUB - USD equivalent of USD67,681 thousand, which is a part of the rouble-denominated Bond Program of VSC with Moscow Exchange which provides VSC with the potential to issue additional bonds of RUB25 billion - USD equivalent of USD338,406 thousand over an unlimited period of time with a maturity of up to 10 years. FCT has a similar Bond Program for RUB50 billion - USD equivalent of USD676,813 thousand. In addition the Group has over US Dollars 300 million of open uncommitted limits for credit line facilities from the banks which in combination with VSC and FCT bonds can facilitate financial flexibility and diversification of the debt portfolio of the Group and the refinancing of the existing debt of the Group and ensure all obligations of the Group falling due in the next 12 months are met. The Group regularly stress tests scenarios when different negative trends that could affect cash flows are identified. The liquidity position is carefully monitored in case of further deterioration of financial performance. Multi-Link Terminals Ltd Oy, a Finnish joint venture of the Group, secured a waiver from its financing bank confirming that the bank will not exercise its right for an early prepayment of the loan due to breach of financial covenants as 31.12.2020.

Management Report (continued)

Internal control and risk management systems in relation to the financial reporting process

28. The internal control and risk management systems relating to financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and to ensure compliance with applicable laws and regulations.
29. Financial reporting and supervision are based on approved budgets and on monthly performance reporting.
30. The Audit and Risk Committee of the Board of directors of the Company reviews certain high-risk areas at least once a year, including the following:

    - Significant accounting estimates;

    - Material changes to the accounting policies.
31. Reporting from various Group entities to the centralised unit is supervised on an ongoing basis and procedures have been established for control and checking of such reporting. Procedures have also been set up to ensure that any errors are communicated to, and corrected by, the reporting entities. The internal controls are subject to ongoing reviews, including in connection with the regular control inspections at subsidiaries conducted by the central unit. The results from these reviews are submitted to the executive management, the Audit and Risk Committee and Board of Directors. The internal financial reporting ensures an effective process to monitor the Group's financial results, making it possible to identify and correct any errors or omissions. The monthly financial reporting from the respective entities is analysed and monitored by the centralised department in order to assess the financial and operating performance as well as to identify any weaknesses in the internal reporting, failures to comply with procedures and the Group accounting policies. The Audit and Risk Committee follows up to ensure that any internal control weaknesses are mitigated and that any errors or omissions in the financial statements identified and reported by the auditors are corrected, including controls or procedures implemented to prevent such errors or omissions.

Use of financial instruments by the Group

32. The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. For a description of the Group's financial risk management objectives and policies and a summary of the Group's exposure to financial risks please refer to Note 3 of the consolidated financial statements.

The Role of the Board of Directors

33. The Company is governed by its Board of Directors (also referred as "the Board") which is collectively responsible to the shareholders for the short- and long-term sustainable success of the Group, generating value to shareholders and contributing to the wider society as a whole. Its responsibility is to promote adherence to best-in-class corporate governance.
34. The Board of Directors' role is to provide entrepreneurial leadership to the Group through establishing the Group's purpose, values and strategy, setting out the corporate governance standards, satisfying itself that these and its culture are aligned, ensuring that the necessary financial and human resources are in place for the Group to meet its objectives and reviewing management performance. The Group seeks directors who bring strong track records and a deep understanding of the industry. The Board sets the Group's values and standards and ensures all obligations to shareholders are understood and met. The Board ensures the Group establishes a framework of prudent and effective controls, which enables risk to be assessed and managed and maintains a sound system of internal control, corporate compliance and enterprise risk management to safeguard the Group's assets and shareholders' investments in the Group.
35. The roles and responsibilities of the Chairman, Senior Independent Director, Board and committees' members are set out in writing in the Terms of Reference of the Board and committees. The latest version of the Terms of Reference of the Board of Directors was approved by the shareholders on 18 June 2019. It is available on the Company`s website.

Management Report (continued)

Members of the Board of Directors

36. The Board of Directors leads the process in making new Board member appointments and makes recommendations on appointments to shareholders. In accordance with the Terms of Reference of the Board, all Directors are subject to election by shareholders at the first Annual General Meeting after their appointment, and to re-election at intervals of no more than one year. Any term beyond six years for a Non-Executive Director is subject to particularly rigorous review, and takes into account the need to refresh the Board on a regular basis.
37. The Board currently has 11 members and they were appointed as shown on page 2.
38. On 16 April 2020 Mr. Ivan Besedin resigned from the Board and Mr. Andrey Yashchenko replaced him on the same date. Mr. Morten Henrick Engelstoft resigned from the Board on 29 May 2020 and Mr. Kristian Bai Hollund was appointed on the same date. Both new Board members were reviewed and recommended for appointment by the Nomination and Remuneration Committee.
39. All other Directors were members of the Board throughout the year ended 31 December 2020, including the independent directors: Mrs. Britta Dalunde, Mrs. Inna Kuznetsova and Mr. Lambros Papadopoulos.
40. Mr. Soren Jakobsen was elected the Chairman of the Board of Directors on 24 April 2020. There were no significant changes in the responsibilities of the Directors during 2020 except for membership in the committees as described below.
41. There is no provision in the Company's Articles of Association for the retirement of Directors by rotation. However, in accordance with the Terms of Reference of the Board of Directors and the resolutions adopted by the Shareholders at the Annual General Meeting held on 16 April 2020 and Extraordinary General Meeting held on 29 May 2020 all present directors are subject to re-election at the next Annual General Meeting of the Shareholders of the Company, which will take place in 2021.

Directors' Interests

42. The interests in the share capital of Global Ports Investments Plc, both direct and indirect, of those who were Directors as at 31 December 2020 and 31 December 2019 are shown below:

Name	Type of holding	Shares held at 31 December 2020	Shares held at 31 December 2019
Britta Dalunde	Through holding of the GDRs	7,000 GDRs representing 21,000 ordinary shares	7,000 GDRs representing 21,000 ordinary shares
Sergey Shishkarev	Through shareholding in LLC Management Company "Delo" and other related entities	88,769,817 ordinary shares	88,769,817 ordinary shares
		34,605,183 ordinary non-voting shares	34,605,183 ordinary non-voting shares

Management Report (continued)

Chairman of the Board of Directors

43. Mr. Soren Jakobsen is the Chairman of the Board since 24 April 2020, when he replaced Mr. Morten Engelstoft.
44. The role of the Chairman of the Board of Directors is to ensure that Board meetings are held as and when necessary, lead the directors, ensure their effectiveness and review the agenda of Board meetings. The Chairman together with the Secretary of the Board review Board materials before they are presented to the Board and ensure that Board members are provided with accurate, timely and clear information. The members of the management team who have prepared the papers, or who can provide additional insights into the issues being discussed, are invited to present papers or attend the Board meeting at the relevant time. Board members regularly hold meetings with the Group's management to discuss their work and evaluate their performance.
45. The Chairman monitors communications and relations between the Group and its shareholders, the Board and management, and independent and non-independent directors, with a view to encouraging dialogue and constructive relations. The Chairman should demonstrate objective judgement and promote a culture of openness and debate. In addition, the Chairman facilitates constructive board relations and the effective contribution of all non-executive directors.
46. The Group separates the positions of the chairman and CEO to ensure an appropriate segregation of roles and duties.

Non-executive and Independent Directors

47. All of the Board members are non-executive directors.
48. Mrs. Britta Dalunde, Mrs. Inna Kuznetsova and Mr. Lambros Papadopoulos are independent directors, and have no relationship with the Group, its related companies or their officers. This means they can exercise objective judgment on corporate affairs independently from management.
49. Although all directors have an equal responsibility for the Group's operations, the role of the independent non-executive directors is particularly important in ensuring that the management's strategies are constructively challenged. As well as ensuring the Group's strategies are fully discussed and examined, they must take into account the long-term interests, not only of the major shareholders, but also of the GDR holders, bondholders, other lenders, employees, customers, suppliers and the communities in which the Group conducts its business.
50. Mrs. Britta Dalunde was appointed as the Senior Independent Director on 31 May 2018. The role of Senior Independent Director is to provide a sounding board for the Chairman and serve as an intermediary for the other directors and shareholders. Led by the senior independent director, the non-executive directors should meet without the Chairman present at least annually to appraise the Chairman's performance, and on other occasions as necessary.

The Board Committees

51. Since December 2008 the Board of Directors established the operation of three committees: an Audit and Risk Committee, a Nomination Committee and a Remuneration Committee. The composition of the committees was changed by the Board of Directors in June 2019: Nomination Committee and Remuneration Committee were merged into one and a new Strategy Committee was established.

The Audit and Risk Committee

52. The Audit and Risk Committee comprises of five Non-Executive Directors, three of whom are independent, and meets at least four times a year. The Audit and Risk Committee is chaired by Mrs. Britta Dalunde (an Independent Non-Executive Director), re-elected on 24 April 2020, and its other members are Mrs. Inna Kuznetsova (an Independent Non-Executive Director appointed as of 01 January 2018, re-elected on 24 April 2020), Mr. Lambros Papadopoulos (an Independent Non-Executive Director appointed as of 01 January 2018, re-elected on 24 April 2020), Mr. Mogens Petersen (appointed as of 18 June 2019, re-elected on 24 April 2020) and Mr. Andrey Yashchenko (appointed as of 24 April 2020). Ms. Alexandra Fomenko resigned from the Audit and Risk Committee on 24 April 2020.

Management Report (continued)

53. The Committee is responsible for:
    - monitoring the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance, and reviewing significant financial reporting judgements contained in them;
    - providing advice (where requested by the board) on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy;
    - reviewing the company's internal financial controls and internal control and risk management systems;
    - monitoring and reviewing the effectiveness of the company's internal audit function;
    - making recommendations to the board, about the appointment, reappointment and removal of the external auditor, and giving the recommendations in relation to remuneration and terms of engagement of the external auditor for audit and non-audit services;
    - reviewing and monitoring the external auditor's independence and objectivity;
    - reviewing the effectiveness of the external audit process;
    - developing and implementing policy on the engagement of the external auditor to supply non-audit services; and
    - reporting to the Board on how it has discharged its responsibilities.
54. In 2020 the Audit and Risk Committee met 10 times (2019: 13 times) to review and discuss inter alia the following significant issues and matters in addition and on top of those listed above, among others:
    - Meetings with internal auditors to discuss the results of their audits and ad-hoc reviews, working plans and progress in execution of internal audit recommendations;
    - Meetings with external auditors to discuss the matters related to the audit work done by them and any issues arising from their audits reviews;
    - Discussion of the level of clarity and completeness of disclosures in financial statements with the management and external auditors and making the recommendations to the Board;
    - Assessment of efficiency of external auditor by discussing the audit approach and audit plan, monitoring of compliance with the plan, receiving the feedback from the members of the management team, involved in the audit process, assessing the internal resources allocated by the external auditor, the key risks to the audit process and their mitigation measures, review of the auditor`s management letter, consideration of the level and quality of communication between the external auditor and Committee during the audit process.
    - Consideration and approval of audit schedules and review of the impairment models and the impact of the new IFRS standards on the Company`s financial statements. The Committee`s task is to align the impairment models with the short-, mid- and long-term forecasts and to understand what impact the new standards would have on the financial statements and Group`s compliance with the covenants;
    - Consideration and approval of the engagement of external auditors for rendering of non-audit services. In each particular case the Committee was assessing the impact of non-audit services on the independence and objectivity of the external auditor. The Committee reviewed the scope of services on compliance with the list of permitted non-audit services, the potential impact of the services on the audit work and financial statements and discussed with the external auditor how their internal compliance procedures were performed and whether all internal compliance requirements were met. The Committee monitors the share of non-audit service in relation to its compliance with the standards;
    - Review of the public materials containing financial information in relation to compliance with the financial statements, the disclosure and transparency requirements and Board`s view on mid and long-term development of the Group;
    - Consideration of various reports from the management;
    - Review of the major risks. The Committee had meetings with Risk Management of GPM to discuss the Key Risks, Risk Management approach, Risk Appetite Statements and control matrices;
    - COVID-19 risks evaluation and management action plan;

Management Report (continued)

- Review of dangerous cargoes handling processes and procedures and management suggestions on improvements;
- Review of tax related matters;
- Review of Charity activity in 2020 and budget 2021;
- Review various other compliance related matters;
- Consideration and giving the recommendations to the Board of Director for the approval of the Conflicts of Interest Policy, Procurement standard of the Company, Related Parties Transaction Policy, amended and restated Charity Policy.

The Nomination and Remuneration Committee

55. The Nomination and Remuneration Committee was established in June 2019 following the merger of Nomination Committee and Remuneration Committee in order to simplify the work of the committees and Board members.
56. The Nomination and Remuneration Committee as of the date of this report comprises three Directors, one of whom is independent. The Committee meets at least once each year. Currently the Nomination and Remuneration Committee is chaired by Mrs. Inna Kuznetsova (an Independent Non-Executive Director appointed as the Chairwoman of the merged Nomination and Remuneration Committee as of 18 June 2019, Chairwoman of both former committees as of 14 May 2018, re-elected on 24 April 2020). The other members are Ms. Alexandra Fomenko (appointed as a member of the committee on 11 November 2019, re-elected on 24 April 2020) and Mr. Soren Jakobsen (appointed as a member of the committee on 24 April 2020). Mr. Morten Henrick Engelstoft resigned from the committee on 24 April 2020.
57. The Committee is a committee of the Board of Directors which assists the Board in discharging its corporate governance responsibilities in relation to nomination, appointment and remuneration of all Directors and the Chairman / Chairwoman of the Board of Directors and of the senior executive management of the Company and its subsidiaries and joint venture companies, and oversee the development of a diverse pipeline for succession as well as to evaluate the performance of the Board of Directors, its committees, the Chairman / Chairwoman of the Board of Directors and individual directors. The main objective of the Committee is to determine the framework and policy for the nomination and remuneration of Independent Non-Executive Directors, Executive Directors, the Chairman / Chairwoman of the Board of Directors, and senior company executives ensuring the consistency with the company talent strategy, remuneration policy and market trends.
58. In the year 2020 the key focus of Nomination and Remuneration Committee was on the transition of Chief Executive Officer of Global Ports Management LLC, talent management, new principles and guidelines for setting the targets and evaluation of the annual performance of the management team and Board performance evaluation.
59. In 2020 the Nomination and Remuneration Committee met 16 times (15 times in 2019):
    - to discuss and recommend the candidates to be elected to the Board;
    - to discuss and recommend the composition of the Board Committees;
    - to lead the process of transition of the Chief Executive Officer of Global Ports Management LLC;
    - to review and amend the Key Rules of Awarding and Payment of Performance Based Bonuses of GPI Group and terms of separation of the management from the Group;
    - to discuss and recommend to the Board the appointment of new Chief Operations Officer of Global Ports Management LLC, Chief Strategy and Development Officer of the Group, new Chief Executive Officer of Moby Dik LLC as well as remuneration of the Key Management team members of the Group companies. In determining the level of remuneration of the key senior management of the Group the Committee referred to the level of skills and expertise, the position and scope of work and responsibilities as well as to the market levels for similar positions.

The Strategy Committee

60. The Strategy Committee was established in June 2019. As per its terms of reference, the Committee meets at least once each year. The Strategy Committee as of the date of this report comprises five Directors, one of whom is independent. Currently the Strategy Committee is chaired by Mr. Sergey Shishkarev (appointed as of 18 June 2019 and re-elected on 24 April 2020). The other members are Mr. Mogens Petersen, Mr. Soren Jakobsen and Mr. Lambros Papadopoulos (an Independent Non-Executive Director), all appointed as of 18 June 2019 and re-elected on 24 April 2020, and Mr. Andrey Yashchenko (appointed as of 24 April 2020).

Management Report (continued)

61. The Committee is a committee of the Board of Directors which assists the Board of Directors in discharging its corporate governance responsibilities in relation to the setting and oversight of the strategy and strategic initiatives of the Company and its subsidiaries and joint venture companies (the Group) to be approved by the Board of Directors from time to time, and providing oversight over the implementation and development of those by executive management. The Committee has been formed to foster a cooperative, interactive strategic planning process between the Board and executive management.
62. In 2020 the Strategy Committee met 8 times (5 times in 2019) to consider and give recommendations for approval to the Board of:
    - Vision statement of the Group,
    - the new operating model of Moby Dik to be implemented in 2021;
    - Treasury policy principles,
    - various investment proposals,
    - optimization of Group structure,
    - Group refinancing plan, and
    - the Group Consolidated budget 2021.
63. In addition Strategy Committee reviewed and discussed he functional strategies, business model of the Group, strategic priorities, and corporate strategic targets and COVID-19 resilience plan.

Board Performance

64. The Board meets at least five times a year. Fixed meetings are scheduled at the start of each year. Ad hoc meetings are called when there are pressing matters requiring the Board's consideration and decision in between the scheduled meetings. In the year of COVID-19 and the transition of the Chief Executive Officer of Global Ports Managements LLC the Board had more reasons than usual for ad-hoc meetings.
65. In 2020 the Board met formally 13 times (2019: 18) to review current performance and to discuss and approve important business decisions.
66. In 2020 the Board met to discuss and approve important business decisions, which included among others:
    - FY2019 financial statements, 1H2020 interim financial statements and Annual Report;
    - Review of segments financial and operational performance;
    - Consideration of 2021 financial budget, major risks and uncertainties, commercial strategy, corporate social responsibility matters, internal control framework;
    - Changes in Group management and the Board of Directors;
    - Revision and adoption of various group wide policies and regulations, namely the Code of Corporate Ethics, Treasury Policy, the Charity and Sponsorship Policy of the Company, Conflicts of Interest Policy, Procurement Standard of the Company, Operational Efficiency Improvements Project Charter; Key Rules of Awarding and Payment of Performance based Bonuses of the Group.
    - Consideration of various compliance matters;
    - Consideration and approval of the revision of external and internal financing arrangements and organizational restructurings;
    - Consideration and approval of new financing arrangements, e.g., issue of VSC bonds, repurchase of additional Eurobonds in 2020 and cancellation of repurchased Eurobonds;
    - Consideration and approval of major capital expenditures and investment projects; and
    - Consideration and approval of various resolutions related to the operations of the Company`s subsidiaries and joint ventures.

Management Report (continued)

67. The number of Board and Board Committee meetings held in the year 2020 and the attendance of directors during these meetings was as follows:

	Board of Directors		*Nomination and Remuneration Committee*		*Strategy Committee*		*Audit and Risk Committee*	
	A	*B*	*A*	*B*	*A*	*B*	*A*	*B*
Britta Dalunde	13	13	-	-	-	-	10	10
Kristian Bai Hollund	8	8	-	-	-	-	-	-
Alexandra Fomenko	13	13	16	16	-	-	3	3
Soren Jakobsen	13	13	11	11	8	8	-	-
Demos Katsis	13	13	-	-	-	-	-	-
Inna Kuznetsova	13	13	16	16	-	-	10	10
Shavkat Kary Niyazov	13	13	-	-	-	-	-	-
Lambros Papadopoulos	13	13	-	-	8	8	10	10
Mogens Petersen	13	13	-	-	8	8	10	10
Sergey Shishkarev	13	13	-	-	8	8	-	-
Andrey Yashchenko	10	10	-	-	6	6	7	7
Ivan Besedin	3	3	-	-	-	-	-	-
Morten Henrick Engelstoft	5	5	5	5	-	-	-	-

A = Number of meetings attended

B = Number of meetings eligible to attend during the year

68. The operation of the Board, its Committees and individual Directors is subject to regular evaluation. The evaluation of the Board and individual Directors' performance can be conducted through self-assessment, cross-assessment or by an external third party. The Non-Executive Directors, led by the Senior Independent Director, are responsible for the performance evaluation of the Chairman of the Board. The Board did not engage any external advisors for evaluation of its performance in the years 2019 and 2020.
69. In 2020 the Board conducted the self-evaluation, which results were discussed in December 2020.

Board Diversity

70. The Company does not have a formal Board diversity policy with regards to matters such as age, gender or educational and professional backgrounds, but the Board has the full commitment to diversity within the Group. Following the best practice while making the new appointments and considering the current composition of the Board of Directors, these aspects are taken into account.
71. As of the date of publication of these financial statements the Board has 3 females representing 27% from the total number of directors. The average age of directors is 50 years ranging from 32 to 62 years. The Board has a necessary balance of skills and expertise to run the Company and the Group. The Board members have the following educational backgrounds: port and transportation industry, accounting and financial, banking sector and legal. There are 6 nationalities present in the Board. The Board members reside in 7 countries.

Management Report (continued)

Board and Management Remuneration

72. Non-Executive Directors serve on the Board pursuant to the letters of appointment. Such letters of appointment specify the terms of appointment and the remuneration of Non-Executive Directors. Only Independent Non-Executive Directors receive remuneration.
73. Levels of remuneration for the Independent Non-Executive Directors reflect the time commitment, responsibilities of the role and membership of the respective committees of the Board. Directors are also reimbursed for expenses associated with discharge of their duties. Directors are not eligible for bonuses, retirement benefits or to participate in any incentive plans operated by the Group. Additional remuneration is paid for membership and chairmanship of the committees by the Independent Non-Executive Directors.
74. The shareholders of the Company approved the remuneration of the members of the Board on 29 June 2018, 30 December 2019, 16 April 2020 and 29 May 2020.
75. Neither the Board members, nor the management have long-term incentive schemes. However, the performance-based part of remuneration of the senior management is aligned to the strategic goals and initiatives approved by the Board.
76. The performance-based part of the remuneration of the Key Management is based on the Key Rules of Awarding and Payment of Performance Based Bonuses of GPI Group adopted by the Board on 15 June 2016 and regularly updated with the last update on 29 October 2020. The Nomination and Remuneration Committee monitors the efficiency of the Rules and makes the recommendations to the Board on their amendment and revision.
77. Refer to Note 30(f) to the consolidated financial statements for details of the remuneration paid to the members of the Board and key management.

General Manager

78. Mr. Alexander Iodchin occupies the position of General Manager and the Board granted him the powers to carry out all business related to the Company`s operation up to a total value as established by the Authority Matrix. It has also granted him powers to discharge other managerial duties related to the ordinary course of business of the Company, including representing the Company before any government or government-backed authority.
79. The decisions for all other matters are reserved for the Board. The Authority Matrix contains the list of such reserved matters.
80. Mr. Iodchin is also acting as the Board Secretary since December 2008 and as the Chief Strategy and Business Development Officer at Global Ports Group pursuant to Board’s decision on 29 October 2020.

Company Secretary

81. The Group maintains a company secretary, who is responsible for safeguarding the rights and interests of shareholders, including the establishment of effective and transparent arrangements for securing the rights of shareholders.
82. Team Nominees Limited has been acting as the company secretary since the Group’s incorporation in February 2008.
83. The company secretary’s responsibilities include ensuring compliance by the Group, its management bodies and officers with the law and the Group’s charter and internal documents. The company secretary organises the communication process between the parties to corporate relations, including the preparation and holding of general meetings; storage, maintenance and dissemination of information about the Group; and review of communications from shareholders.

Management Report (continued)

Corporate Governance

84. The Group has a diverse set of stakeholders, from international institutions holding our shares and bonds and bank financial institutions which provided bank borrowings to the Group, to our customers, employees, regulators and communities. Made up of seasoned industry professionals, the Board of Directors is committed to acting in the best interest of all stakeholders. The Company is not subject to the provisions of UK Corporate Governance Code, but follows internationally recognised best practices customary to the public companies having GDRs with standard listing and admitted to trading at London Stock Exchange.
85. Improving its corporate governance structure in accordance with the internationally recognised best practices the Company adopted important policies and procedures. The Group is regularly reviewing and updating its policies and procedures.
86. On 18 June 2019 a new Terms of Reference of the Board of Directors were adopted. As of the same date the Board merged Nomination and Remuneration Committees and established Strategy Committee. Consequently, the terms of reference of the new committees were adopted in June 2019.
87. The Company's corporate governance policies and practices are designed to ensure that the Company is focused on upholding its responsibilities to the shareholders. They include, inter alia:
    - Appointment policy;
    - Terms of reference of the Board of Directors;
    - Terms of reference of the Audit and Risk, Nomination and Remuneration and Strategy Committees;
    - Code of Ethics and Conduct;
    - Antifraud policy;
    - Policy on Reporting of Improper Activities;
    - Investigation policy;
    - Anti-Corruption Policy;
    - Foreign Trade Controls Policy;
    - Insurance Standard;
    - Charity and Sponsorship Policy;
    - Group Securities Dealing Code;
    - Conflicts of Interest Policy adopted on 29 June 2020;
    - Treasury Policy adopted on 23 April 2020; and
    - Procurement Standard of the Company adopted on 18 August 2020.
88. In order to further strengthen the corporate governance and clearly set the management authority limits within the Group the Board of Directors approved the Authority Matrix framework at the end of the year 2016, which was revised in June 2019 providing extended authorities to the Group management in order to simplify the decision making process. The implementation of this revised framework in the operating units was finalised in 2020.

Whistle Blower function

89. In the course of the year ended 31 December 2017 in order to streamline the reporting of negligence, non-compliance or any other kind of wrongdoing, the Group established a hotline email and telephone line. It is an important mechanism enabling staff and other members of the Group as well as third parties to voice concerns in a responsible and effective manner. Throughout 2019 and 2020 the Board together with the management worked on raising the awareness about the hotline among the Group workforce and stakeholders.

Code of ethics and conduct

90. The new Code of Ethics was approved by the Board of Directors on 08 December 2016 and was introduced in the companies of the Group in the course of the year 2017. The 3rd revision of the Code of Ethics was adopted by the Board of Directors on 18 August 2020, aimed at simplifying and updating Group' mission, values and standards of corporate engagement.

Management Report (continued)

91. Global Ports' code of ethics and conduct outlines the general business ethics and acceptable standards of professional behaviour that we expect of all our directors, employees and contractors. This code, given to all new staff as part of their induction, means that everyone at Global Ports is accountable for their own decisions and conduct. As well as general standards of behaviour, the code covers fraud and corruption, ethics and conflicts of interest principles with reference to detailed policies. Employees and external parties are encouraged to report any suspected breaches, via various channels including the dedicated hotline.
92. The code is available to all staff on Global Ports' website (in the Corporate Governance section) and in the HR department at every operating facility. There are also other more detailed rules concerning our anti-fraud and whistleblowing policies.
93. The Board is updated on a regular basis on any breaches various policies with the specific focus on the fraud incidents and resulting actions, although significant breaches have to be reported to the Board immediately. A colourful booklet reflecting the provisions of Code of Ethics was prepared and the first testing on the knowledge of Code of Ethics was undertaken in November-December 2020 with the purpose of raising the awareness.

Dividends

94. Pursuant to the Articles of Association the Company may pay dividends out of its profits. To the extent that the Company declares and pays dividends, owners of Global Depositary Receipts (hereafter also referred as "GDRs") on the relevant record date will be entitled to receive dividends payable in respect of Ordinary Shares underlying the GDRs, subject to the terms of the Deposit Agreement. The Company expects to pay dividends in US dollars. If dividends are not paid in US dollars, they will be converted into US dollars by the Depositary and paid to holders of GDRs net of currency conversion expenses.
95. The Company is a holding company and thus its ability to pay dividends depends on the ability of its subsidiaries and joint ventures to pay dividends to the Company in accordance with the relevant legislation and contractual restrictions (shareholder agreements, bank borrowings covenants, and terms of the issuance of the public debt instruments). The payment of such dividends by its subsidiaries and joint ventures is contingent upon the sufficiency of their earnings, cash flows and distributable reserves. The maximum dividend payable by the Company's subsidiaries and joint ventures is restricted to the total accumulated retained earnings of the relevant subsidiary or joint venture, determined according to the law applicable to each entity.
96. The Company has a Dividend Policy in place which provides for the payment of not less than 30% of any imputed consolidated net profit for the relevant financial year of the Group. Imputed profit is calculated as the consolidated net profit for the period of the Group attributable to the owners of the Company as shown in the Company's consolidated financial statements for the relevant financial year prepared under EU IFRS and in accordance with the requirements of the Cyprus Companies Law, Cap. 113, less certain non-monetary consolidation adjustments. The Company's dividend policy is subject to modification from time to time as the Board of Directors may deem appropriate.
97. In 2015 following the revision of current market situation, market prospects and prioritising the deleveraging strategy over dividend distribution, which should ensure the long-term robustness of the Group's finances, the Board suspended the payment of the dividends in the mid-term. The Board continues to monitor the market for recovery as well as for levels of volatility in order to identify the appropriate timing for a resumption of the payment of a dividend, subject to maintaining conservative leverage ratios.
98. During the years 2019 and 2020 the Company did not declare or pay any dividends.
99. The Board of Directors of the Company does not recommend the payment of a final dividend for the year 2020.

Share Capital

Significant direct or indirect holdings (including indirect shareholding through structures or cross shareholdings)

100. The information on significant direct and indirect shareholders is available at http://www.globalports.com/globalports/investors/shareholder-information/major-shareholders.
101. There are no special titles that provide special control rights to any of the shareholders. There are restrictions in exercising of voting rights of shares (please refer to paragraph 103 below).

Management Report (continued)

Authorised share *capital*

102. The authorised share capital of the Company amounts to US$175,000,000.00 divided into 750,000,000 ordinary shares and 1,000,000,000 ordinary non-voting shares with a par value of US$0.10 each.

Issued share *capital*

103. The issued share capital of the Company amounts to US$57,317,073.10 divided into 422,713,415 ordinary shares and 150,457,316 ordinary non-voting shares with a par value of US$0.10 each.
104. The ordinary shares and the ordinary non-voting shares rank pari passu in all respects save that, the ordinary non-voting shares do not have the right to receive notice, attend or vote at any general meeting, nor to be taken into account for the purpose of determining the quorum of any general meeting.

Rules for Amending Articles

105. The Articles of association of the Company may be amended from time to time by the special resolution of the General Meeting of the shareholders.

Corporate Social Responsibility Report

106. The Corporate Social Responsibility Report is drawn up as a separate report and will be made public at the Company`s website (the address of which, at the date of publication of this report, is www.globalports.com) within six months from the balance sheet date.

Events after the balance sheet date

107. The events after the balance sheet date are disclosed in Note 31 to the consolidated financial statements.

Research and development activities

108. The Group is not engaged in research and development activities.

Branches

109. The Group did not have or operate through any branches during the year.

Treasury shares

110. The Company did not acquire either directly or through a person in his own name but on behalf of the Company any of its own shares.

Going Concern

111. Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the consolidated financial statements based on the fact that, after making enquiries and following a review of the Group’s principle risks and uncertainties, budget for 2021 financial perspectives in the mid-term and the latest forecasts over a period of 5-10 years reflecting its business and investment cycles, including cash flows and borrowing facilities, the Directors consider that the Group has adequate resources to meet its liabilities as they fall due and to continue in operation for the foreseeable future.

Management Report (continued)

Internal audit

112. The internal audit function is carried out by Group's Internal Audit Service (IAS). It is responsible for analysing the systems of risk management, internal control procedures and the corporate governance process for the Group with a view to obtaining a reasonable assurance that:
    - risks are appropriately identified, assessed, responded to and managed;
    - there is interaction with the various governance groups occurs as needed;
    - significant financial, managerial, and operating information is accurate, reliable, and timely;
    - employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
    - resources are acquired economically, used efficiently and adequately protected;
    - programs, plans and objectives are achieved;
    - quality and continuous improvement are fostered in the Group's control process; and
    - significant legislative or regulatory issues impacting the Group are recognised and addressed properly.
113. The Head of the IAS, Mr. Ilya Kotlov, reports directly to the Audit and Risk Committee.

External auditors

114. An external auditor is appointed at the Global Ports AGM on an annual basis to review the Group's financial and operating performance.
115. This follows proposals drafted by the Audit and Risk Committee for the Board of Directors regarding the reappointment of the external auditor of the Group.
116. In 2020, the shareholders of Global Ports re-appointed the Independent Auditors, PricewaterhouseCoopers as the external auditor for the purposes of auditing the Group's IFRS financial statements for 2020.
117. Starting from the year 2021, following the results of the external audit tender performed, KPMG Ltd will take over PricewaterhouseCoopers Limited. A resolution approving the appointment of KPMG as the external auditor for the purposes of auditing the Group's IFRS financial statements for 2021 and giving authority to the Board of Directors to fix their remuneration will be proposed at the next Annual General Meeting of the Shareholders of the Company, which will take place in 2021.

By Order of the Board

…………………………..	**…………………………..**
Soren Jakobsen	**Alexander Iodchin**
Chairman of the Board	**Secretary of the Board**

5 March 2021

DIRECTORS' RESPONSIBILITY STATEMENT

The Company's Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

This responsibility includes selecting appropriate accounting policies and applying them consistently; and making accounting estimates and judgements that are reasonable in the circumstances.

In preparing the consolidated financial statements, the Board of Directors is also responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

The Board of Directors' confirmations

The Board of Directors confirms that, to the best of its knowledge:

(a) the consolidated financial statements, which are presented on pages 28 to 94, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

(b) the management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that it faces/they face.

Further, the Board of Directors confirms that, to the best of its knowledge:

(i) adequate accounting records have been maintained which disclose with reasonable accuracy the financial position of the Group and explain its transactions;

(ii) all information of which it is aware that is relevant to the preparation of the consolidated financial statements, such as accounting records and all other relevant records and documentation, has been made available to the Company's auditors;

(iii) the consolidated financial statements disclose the information required by the Cyprus Companies Law, Cap.113 in the manner so required;

(iv) the Consolidated Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap.113, and the information given therein is consistent with the consolidated financial statements;

(v) the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the Consolidated Management Report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and is consistent with the consolidated financial statements; and

(vi) the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.

By Order of the Board

…………………………..	**…………………………..**
Soren Jakobsen	**Alexander Iodchin**
Chairman of the Board	**Secretary of the Board**

Limassol

5 March 2021

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

(in thousands of US dollars)

	Note	For the year ended 31 December 2020	2019
Revenue	5	384,436	361,873
Cost of sales	6	(200,329)	(151,819)
Gross profit		184,107	210,054
Administrative, selling and marketing expenses	6	(24,701)	(35,482)
Other income		1,300	1,773
Share of profit/(loss) of joint ventures accounted for using the equity method	27(a)	(2,973)	1,920
Other gains/(losses) – net	7	(339)	(33,426)
Operating profit/(loss)		157,394	144,839
Finance income	9	2,357	2,524
Finance costs	9	(71,751)	(85,234)
Change in fair value of derivatives	9	18,380	(9,340)
Net foreign exchange gains/(losses) on financial activities	9, 3(a)(i)	(41,763)	43,846
Finance income/(costs) – net	9	(92,777)	(48,204)
Profit/(loss) before income tax		64,617	96,635
Income tax expense	11	(14,631)	(28,963)
Profit/(loss) for the year		49,986	67,672
Attributable to:			
Owners of the Company		48,399	66,580
Non-controlling interest	27(b)	1,587	1,092
		49,986	67,672
Basic and diluted earnings per share for profit/(loss) attributable to the owners of the parent of the Company during the year (expressed in US$ per share)	12	0.08	0.12

The notes on pages 33 to 94 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

(in thousands of US dollars)

		For the year ended 31 December	
	Note	2020	2019
Profit/(loss) for the year		49,986	67,672
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to the income statement			
Currency translation differences		(79,811)	45,520
Share of currency translation differences of joint ventures accounted for using the equity method	27(a)	(2,061)	1,811
Reclassification to income statement of translation differences due to disposal of assets classified as held for sale	7	-	33,485
Cumulative other comprehensive income movement relating to assets classified as held for sale	7	-	(257)
Total items that can be reclassified subsequently to the income statement		(81,872)	80,559
Items that may not be subsequently reclassified to the income statement			
Share of currency translation differences attributable to non-controlling interest		(2,820)	1,787
Total items that cannot be reclassified subsequently to the income statement		(2,820)	1,787
Other comprehensive income/(loss) for the year, net of tax		(84,692)	82,346
Total comprehensive income/(loss) for the year		(34,706)	150,018
Total comprehensive income/(loss) attributable to:			
Owners of the Company		(33,473)	147,139
Non-controlling interest	27(b)	(1,233)	2,879
Total comprehensive income/(loss) for the year		(34,706)	150,018

Items in the statement above are disclosed net of tax. There is no income tax relating to the components of other comprehensive income above.

The notes on pages 33 to 94 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2020

(in thousands of US dollars)

	Note	As at 31 December 2020	As at 31 December 2019
ASSETS			
Non-current assets		1,059,995	1,265,191
Property, plant and equipment	14	417,481	499,335
Right-of-use assets	23	530,362	639,699
Intangible assets	15	12,060	13,964
Investments in joint ventures	27(a)	23,383	27,590
Prepayments for property, plant and equipment	14	2,842	5,843
Deferred tax assets	25	50,788	61,264
Derivative financial instruments	24	9,572	-
Trade and other receivables	19	13,507	17,496
Current assets		267,174	189,088
Inventories	18	7,127	8,306
Derivative financial instruments	24	627	-
Trade and other receivables	19	48,882	45,487
Income tax receivable		3,570	10,942
Cash and cash equivalents	20	206,968	124,353
TOTAL ASSETS		1,327,169	1,454,279
EQUITY AND LIABILITIES			
Total equity		361,378	396,084
Equity attributable to the owners of the Company		345,497	378,970
Share capital	21	57,317	57,317
Share premium	21	923,511	923,511
Capital contribution		101,300	101,300
Currency translation reserve		(830,686)	(748,814)
Transactions with non-controlling interest		(209,122)	(209,122)
Retained earnings		303,177	254,778
Non-controlling interest	27(b)	15,881	17,114
Total liabilities		965,791	1,058,195
Non-current liabilities		786,791	924,271
Borrowings	22	632,925	738,113
Lease liabilities	23	31,088	32,987
Derivative financial instruments	24	-	8,839
Deferred tax liabilities	25	122,778	144,332
Current liabilities		179,000	133,924
Borrowings	22	153,276	99,098
Lease liabilities	23	1,810	1,194
Derivative financial instruments	24	-	345
Trade and other payables	26	23,540	33,278
Current income tax liabilities		374	9
TOTAL EQUITY AND LIABILITIES		1,327,169	1,454,279

The Board of Directors of Global Ports Investments Plc authorised these consolidated financial statements for issue on 5 March 2021.

Soren Jakobsen, Chairman of the Board

Britta Dalunde, Director

The notes on pages 33 to 94 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

(in thousands of US dollars)		Attributable to the owners of the Company								
	Note	Share capital	Share premium	Capital contribution	Translation reserve	Transactions with non-controlling interest	Retained earnings*	Total	Non-controlling interest	Total
Balance at 31 December 2018		57,317	923,511	101,300	(829,373)	(209,122)	188,198	231,831	14,235	246,066
Total other comprehensive income/(loss)		-	-	-	80,559	-	-	80,559	1,787	82,346
Profit/(loss) for the year		-	-	-	-	-	66,580	66,580	1,092	67,672
Total comprehensive income/(loss) for the year ended 31 December 2019		-	-	-	80,559	-	66,580	147,139	2,879	150,018
Balance at 31 December 2019		57,317	923,511	101,300	(748,814)	(209,122)	254,778	378,970	17,114	396,084
Total other comprehensive income/(loss)		-	-	-	(81,872)	-	-	(81,872)	(2,820)	(84,692)
Profit/(loss) for the year		-	-	-	-	-	48,399	48,399	1,587	49,986
Total comprehensive income/(loss) for the year ended 31 December 2020		-	-	-	(81,872)	-	48,399	(33,473)	(1,233)	(34,706)
Balance at 31 December 2020		57,317	923,511	101,300	(830,686)	(209,122)	303,177	345,497	15,881	361,378

*Retained earnings in the separate financial statements of the Company is the only reserve that is available for distribution in the form of dividends to the Company's shareholders.

The notes on pages 33 to 94 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 December 2020

(in thousands of US dollars)	Note	For the year ended 31 December 2020	2019
Cash flows from operating activities			
Profit/(loss) before income tax		64,617	96,635
Adjustments for:			
Depreciation of property, plant and equipment	14	35,559	36,952
Depreciation of right-of-use assets	23	11,817	12,391
Loss on disposal of subsidiaries and assets held for sale	7	-	33,535
(Profit)/loss on sale of property, plant and equipment	14	(7)	(293)
Write off of property, plant and equipment	14	891	50
Amortisation of intangible assets	15	770	1,256
Interest income	9	(2,357)	(2,524)
Interest expense and other finance costs	9	71,224	77,710
Loss on extinguishment of financial liabilities	9,22	527	7,524
Share of (profit)/loss in jointly controlled entities including impairment	27(a)	2,973	(1,920)
Change in fair value of derivative financial instruments	9	(18,380)	9,340
Foreign exchange differences on non-operating activities		43,691	(45,956)
Other non-cash items		(81)	(484)
Operating cash flows before working capital changes		211,244	224,216
Changes in working capital			
Inventories		(171)	(910)
Trade and other receivables		(7,459)	2,103
Trade and other payables		(7,011)	(7,995)
Cash generated from operations		196,603	217,414
Income tax paid		(5,664)	(31,987)
Net cash from operating activities		190,939	185,427
Cash flows from investing activities			
Purchases of intangible assets		(890)	(963)
Purchases of property, plant and equipment		(33,888)	(26,625)
Proceeds from sale of property, plant and equipment	14	436	490
Proceeds from disposal of assets classified as held for sale	7	(2)	11,842
Loan and interest repayments received from related parties	30(g)	572	320
Interest received from third parties, bank balances and deposits		1,279	1,570
Net cash used in investing activities		(32,493)	(13,366)
Cash flows from financing activities			
Proceeds from borrowings	22	72,079	70,893
Repayments of borrowings	22	(72,981)	(131,382)
Principal elements of lease payments	23	(1,961)	(871)
Interest paid on borrowings	22	(66,385)	(74,407)
Interest paid on lease liabilities	23	(4,192)	(4,271)
Proceeds from/(settlement of) derivative financial instruments not used for hedging	22, 24	(849)	(211)
Net cash used in financing activities		(74,289)	(140,249)
Net increase/(decrease) in cash and cash equivalents		84,157	31,812
Cash and cash equivalents at beginning of the year		124,353	91,613
Exchange gains/(losses) on cash and cash equivalents		(1,542)	928
Cash and cash equivalents at end of the year	20	206,968	124,353

The notes on pages 33 to 94 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Country of incorporation

Global Ports Investments Plc (hereafter the “Company” or “GPI”) was incorporated on 29 February 2008 as a private limited liability company and is domiciled in Cyprus in accordance with the provisions of the Companies Law, Cap. 113. The address of the Company’s registered office is 20 Omirou Street, Ayios Nicolaos, CY-3095, Limassol, Cyprus.

On 18 August 2008, following a special resolution passed by the shareholder, the name of the Company was changed from “Global Ports Investments Ltd” to “Global Ports Investments Plc” and the Company was converted into a public limited liability company in accordance with the provisions of the Companies Law, Cap. 113.

During the first half of 2011, the Company successfully completed an initial public offering (“IPO”) of its shares in the form of global depositary receipts (“GDRs”). The Company’s GDRs (one GDR representing 3 ordinary shares) are listed on the Main Market of the London Stock Exchange under the symbol “GLPR”.

The Company is jointly controlled by LLC Management Company “Delo” (“Delo Group”), one of Russia's largest privately owned transportation companies, and APM Terminals B.V. (“APM Terminals”), a global port, terminal and inland services operator.

Approval of the consolidated financial statements

These consolidated financial statements were authorised for issue by the Board of Directors on 5 March 2021.

Principal activities

The principal activities of the Company, its subsidiaries and joint ventures (hereinafter collectively referred to as the “Group”) are the operation of container and general cargo terminals in Russia and Finland. The Group offers its customers a wide range of services for their import and export logistics operations.

Composition of the Group and its joint ventures

The Group’s terminals are located in the Baltic and Far East Basins, key regions for foreign trade cargo flows. The Group operates:

- five container terminals in Russia – Petrolesport (PLP), First Container Terminal (FCT), Ust-Luga Container Terminal (ULCT) and Moby Dik (MD) in the St. Petersburg and Ust-Luga port cluster, and Vostochnaya Stevedoring Company (VSC) in the Port of Vostochny;
- two container terminals in Finland – Multi-Link Terminals Helsinki and Multi-Link Terminals Kotka (Multi-Link Terminals or MLT Oy); and
- inland Yanino Logistics Park (YLP), located in the vicinity of St. Petersburg.

See also Note 5 for the description of segmental information of the Group. All entities above are fully consolidated, except for Moby Dik, Multi-Link Terminals and Yanino Logistics Park, which are joint ventures accounted for using the equity method of accounting.

The Company fully owns all of the above terminals except for as described below:

- MLT and CD Holding groups are joint ventures with CMA Terminals where the Company has 75% effective ownership interest (Note 27(a)). Moby Dik (a container terminal in the vicinity of St. Petersburg), Multi-Link Terminals and Multi-Link Terminals Ltd constitute the MLT group. Yanino Logistics Park (an inland container terminal in the vicinity of St. Petersburg) and CD Holding constitute the CD Holding group.
- Ust-Luga Container Terminal (located in Ust-Luga, North-West Russia) is an 80% subsidiary where Eurogate, one of the leading container terminal operators in Europe has a 20% non-controlling interest (Note 27(b)).

Notes to the consolidated financial statements (continued)

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented in these consolidated financial statements, unless otherwise stated.

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") and the requirements of the Cyprus Companies Law, Cap. 113.

As of the date of the authorisation of these consolidated financial statements all International Financial Reporting Standards issued by International Accounting Standards Board (IASB) that are effective as at 1 January 2020 have been adopted by the EU through the endorsement procedure established by the European Commission.

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of derivatives.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

New and amended standards adopted by the Group

The Group adopted all new and revised IFRSs, amendments and interpretations, as adopted by the EU that are relevant to its operations and are effective for accounting periods beginning on 1 January 2020. This adoption did not have any impact on the amounts recognised in prior periods and is not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted by the Group

At the date of approval of these financial statements a number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on these consolidated financial statements.

Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully included in the consolidated financial statements from the date on which control was transferred to the Group or to the extent that the subsidiaries were obtained through a transaction between entities under common control from the date which control was transferred to its shareholders. They are derecognised from the financial statements from the date that control ceases.

Business combinations involving entities under common control (ultimately controlled by the same party, before and after the business combination, and that control is not transitory) are accounted using the predecessor basis of accounting. Under this method, the financial statements of the acquiree are included in the consolidated financial statements using pre-acquisition IFRS carrying amounts using uniform accounting policies, on the assumption that the Group was in existence from the date where common control was established. For these transactions, the excess of the cost of acquisition over the carrying amount of the Group's share of identifiable net assets acquired, including goodwill, arising at the date of acquisition by the shareholders, is recorded in equity in retained earnings at the date of the legal restructuring.

Notes to the consolidated financial statements (continued)

2 Basis of preparation and summary of significant accounting policies (continued)

Basis of consolidation (continued)

The purchase method of accounting is used for acquisitions of subsidiaries that do not involve entities or businesses under common control with the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Goodwill is initially measured as the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated income statement.

All intra-company transactions, balances, income, expenses and unrealised gains and losses are eliminated on consolidation. Unrealised losses are also eliminated but considered as an impairment indicator of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into compliance with those used by the Group.

(b) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Joint arrangements

Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using equity method of accounting.

Under the equity method of accounting, interests in joint ventures are initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures. The Group applies the requirements of IFRS 9 to determine whether any additional impairment loss needs to be recognised in respect of loans given to joint ventures, before taking into account the effect (if any) of the Group's share of joint ventures' losses applied against long-term interests in the joint ventures as detailed below.

The Group's share of losses in a joint venture is first allocated against the Group's investment in the joint venture and then to any other long-term interests that in substance form part of the Group's net investment.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Investments in joint ventures are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised through profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is calculated by estimating the Group's share of the present value of the estimated future cash flows expected to be generated from the asset, including the cash flows from the operations of the asset and the proceeds from the ultimate disposal of the asset. An impairment loss recognised in prior years is reversed where appropriate if there has been a change in the estimates used to determine the recoverable amount.

Notes to the consolidated financial statements (continued)

2 Basis of preparation and summary of significant accounting policies (continued)

Revenue recognition

Revenue represents the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, value-added taxes).

The Group recognises revenue when the parties have approved the contract and are committed to perform their respective obligations, the Group can identify each party's rights and the payment terms for the goods or services to be transferred, the contract has commercial substance, it is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to customer and when specific criteria have been met for each of the Group's contracts with customers as described below.

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (the Group is a principal and it controls the specified good or service before that good or service is transferred to a customer) or to arrange for those goods or services to be provided by the other party (the Group is an agent). The Group determines whether it is a principal or an agent for each specified good or service promised to the customer.

When the Group that is a principal satisfies a performance obligation, the Group recognises revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred. When the Group that is an agent satisfies a performance obligation, the Group recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its specified goods or services to the customer.

The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In evaluating whether collectability of an amount of consideration is probable, the Group considers only the customer's ability and intention to pay the amount of consideration when it is due. Revenues earned by the Group are recognised on the following bases:

(a) Sales of services

The Group offers its customers a wide range of cargo handling services for its import and export logistics operations. These services are provided over time and usually do not exceed one month. Revenue from rendering of these services is recognised when the Group satisfies a performance obligation by transferring control over promised service to a customer over time in the accounting period in which the services are rendered. Revenue from the rendering of these services is recognised net of discounts and estimates for rebates that are in accordance with the contracts entered into with the customers. Revenue is recognised to the extent that is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty in relation to the rebates and discounts is resolved. Estimations for rebates and discounts are based on the Group's experience with similar contracts and forecasted sales to the customer.

(b) Sales of goods

The Group sells unused materials and goods. Sales of goods are recognised when the Group satisfies a performance obligation by transferring a control over promised goods to a customer at a point in time at which the customer obtains control of the goods, which is usually when the customer takes the goods out of the territory of the terminal.

(c) Financing component

The Group does not have any material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(d) Contract assets and contract liabilities

In case the services rendered by the Group as of the reporting date exceed the payments made by the customer as of that date and the Group does not have the unconditional right to charge the client for the services rendered, a contract asset is recognised. The Group assesses a contract asset for impairment in accordance with IFRS 9 using the simplified approach permitted by IFRS 9 which requires expected lifetime losses to be recognised from initial recognition of the contract asset. An impairment of a contract asset is measured, presented and disclosed on the same basis as a financial asset that is within the scope of IFRS 9. If the payments made by a customer exceed the services rendered under the relevant contract, a contract liability is recognised. The Group recognises any unconditional rights to consideration separately from contract assets as a trade receivable because only the passage of time is required before the payment is due.

Notes to the consolidated financial statements (continued)

2 Basis of preparation and summary of significant accounting policies (continued)

Other incomes

(a) Rental income

See accounting policy for leases below.

(b) Interest income

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit-impaired financial assets – Stage 3 the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance), for Stage 1 and Stage 2 – gross amount of financial assets.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

Transactions with equity holders

The Group may enter into financing transactions with its shareholders and other entities which are under the control of the ultimate shareholders. When consistent with the nature of the transaction, the Group's accounting policy is to recognise any gains or losses with its shareholders and other entities which are under the control of the ultimate shareholders, directly through equity and consider these transactions as the receipt of additional capital contribution or the distribution of dividends. Similar transactions with non-equity holders, or parties which are not under the control of the ultimate shareholders, are recognised in profit or loss in accordance with IFRS 9 "Financial Instruments".

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in United States dollars (US$), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to loans receivable, cash and cash equivalents and borrowings are presented net in the income statement within 'net foreign exchange losses on financing activities'. All other foreign exchange gains and losses are presented in the income statement within 'other gains/(losses) – net'.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate existing at the date of the balance sheet presented;
- Income and expense items at the exchange rates prevailing at the date of transaction or using average rates as a reasonable approximation;
- Share capital, share premium and all other reserves are translated using the historic rate; and
- All exchange differences resulting from the above translation are recognised in other comprehensive income.

Notes to the consolidated financial statements (continued)

2 Basis of preparation and summary of significant accounting policies (continued)

Foreign currency translation (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. On disposal of a foreign operation (including partial disposals which result in loss of control, significant influence or joint control of a subsidiary, associate or joint venture respectively, that include a foreign operation), the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss is recognised. In these cases, the cumulative amount of exchange differences relating to the foreign operation sold that have been attributed to the non-controlling interests are derecognised but are not reclassified to profit or loss.

On partial disposal of a subsidiary that includes a foreign operation, the Group re-attributes the proportionate share of the cumulative amount of the exchange differences recognised in other comprehensive income to the non-controlling interests in that foreign operation. In any other partial disposal of a foreign operation, the Group reclassifies to profit or loss only the proportionate share of the cumulative amount of the exchange differences recognised in other comprehensive income.

Impairment of non-financial assets

Non-financial assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable (refer to accounting policy for intangible assets in relation to the impairment of goodwill) An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

Property, plant and equipment ("PPE")

Property, plant and equipment are recorded at purchase or construction cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition or construction of the items.

Land is not depreciated.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost, less residual value, over their estimated useful lives, as follows:

	Number of years
Buildings and facilities	5 to 50
Loading equipment and machinery	3 to 25
Other production equipment	3 to 25
Office equipment	1 to 10

Assets under construction are not depreciated until they are completed and brought into use, at which time they are reclassified in the relevant class of property, plant and equipment and depreciated accordingly.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to the income statement of the year in which they are incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset 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.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for intended use or sale are capitalised and amortised over the useful life of the asset. Other borrowing costs are recognised as an expense in the reporting period incurred. Interest is capitalised at a rate based on the Group's weighted average cost of borrowing or at the rate on project specific debt, where applicable.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with carrying amount and these are included within operating income.

Notes to the consolidated financial statements (continued)

2 Basis of preparation and summary of significant accounting policies (continued)

Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill on acquisition of joint ventures is included in the carrying amount of the Group's investment in the joint venture (refer to Note 2, Basis of consolidation, (c)). Separately recognised goodwill is tested for impairment annually and whenever there is indication that goodwill may be impaired. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill related to the partial disposal of an entity is not derecognised unless there is loss of control.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised exceeds the cost of the business combination, the Group reassesses the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination and recognises immediately in profit or loss any excess remaining after that reassessment.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each CGU. When the Group reorganises its reporting structure in a way that changes the composition of one or more cash-generating units to which goodwill has been allocated, the goodwill is reallocated to the units affected.

(b) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. These costs are amortised using straight line method over their estimated useful lives (3 to 10 years). Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Leases

The Group is the lessor

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term. Assets leased out under operating leases include insignificant portions of some properties which are not used by the Group which cannot be sold or leased out separately under a finance lease. These properties are included in property, plant and equipment in the balance sheet based on the nature of the asset.

The Group is the lessee

The Group leases land, buildings and facilities, offices and loading and other production equipment. Land, buildings and facilities rental contracts are made for fixed periods of 5 to 53 years and have extension options. Other lease contracts are typically made for fixed periods of 3 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Notes to the consolidated financial statements (continued)

2 Basis of preparation and summary of significant accounting policies (continued)

Leases (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are to be discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

According to some lease contracts lease payment can be adjusted depending on changes in consumer price indexes of Russian Federation. When such change occurs the respective lease liability is remeasured with a corresponding adjustment to the right-of-use asset.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture with value less than US$5 thousands.

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

For business combinations where the acquiree is a lessee, the Group measures the lease liability at the present value of remaining lease payments as if the acquired lease were a new lease at the acquisition date. The Group measures the right-of-use asset at the same amount as the lease liability, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Sale and leaseback transactions

The accounting treatment followed by the Group for sale and leaseback transactions in which the Group, as the owner of an asset, sells the asset and leases it back from the buyer, depends on whether the transaction qualifies as a sale for which revenue is recognised, or whether the transaction is a collateralised borrowing. If the transfer of an asset owned by the Group does not qualify as a sale, for example, because the Group has an obligation or a right to repurchase the asset from the buyer, the Group as the seller-lessee does not de-recognise the transferred asset, and it accounts for the cash received as a financial liability.

Notes to the consolidated financial statements (continued)

2 Basis of preparation and summary of significant accounting policies (continued)

Financial instruments

Classification

The Group classifies its financial assets into the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are either recorded in profit or loss or OCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ('regular way' purchases and sales) are recorded at trade date, which is the date when the Group commits to deliver a financial instrument. All other purchases and sales are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in 'other gains/(losses)-net', together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss. Financial assets measured at amortised cost comprise cash and cash equivalents, loans receivable, trade receivables and other financial assets at amortised cost.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'other gains/(losses)-net'. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in 'other gains/(losses)-net' and impairment expenses are presented as separate line item in the statement of profit or loss. The Group does not hold any such instruments.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within 'other gains/(losses)-net' in the period in which it arises.

Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI and cash and cash equivalents. The Group measures expected credit losses ('ECL') and recognises credit loss allowance at each reporting date. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Notes to the consolidated financial statements (continued)

2 Basis of preparation and summary of significant accounting policies (continued)

Financial instruments (continued)

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within ‘net impairment losses on financial and contract assets’. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. For all other financial assets that are subject to impairment under IFRS 9 the Group applies a general approach – three-stage model for recognizing and measuring expected losses based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter (‘12 Months ECL’). If the Group identifies a significant increase in credit risk (‘SICR’) since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any (‘Lifetime ECL’). Refer to Note 3, Credit risk section for a description of how the Group determines when a SICR has occurred. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

Additionally, for debt instruments that qualify as low credit risk, the loss allowance is limited to 12 months expected credit losses. For a description of how the Group determines low credit risk financial assets refer to Note 3, Credit risk section below.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or a liability or highly probable forecast transaction (cash flow hedge).

Derivative financial instruments not designated as a hedging instrument

Derivative financial instruments not designated as a hedging instrument are included within financial assets at fair value through profit or loss when fair value is positive and within financial liabilities at fair value through profit or loss when fair value is negative. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period. Changes in the fair value of foreign currency derivatives (currency forward contracts and currency options) are presented in the income statement within ‘change in fair value of derivatives’ as part of ‘finance income/(costs) – net’.

Derivative financial instruments designated as a hedging instrument

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

Movements on the hedging reserve are shown in the statement of other comprehensive income. The full fair value of hedging derivatives is classified as a non-current asset or liability when the maturity of the hedging relationship is more than 12 months and as a current asset or liability when the remaining maturity of the hedging relationship is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion of cross-currency interest rate swap hedging variable rate borrowings is recognised immediately in the income statement within ‘finance costs’ and gain or loss relating to the hedging of currency risk in forecast sale is recognised in ‘other gains/(losses)-net’.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of cross-currency interest rate swap hedging variable rate borrowings is recognised in the income statement within ‘finance costs’ and gain or loss relating to the hedging of currency risk in forecast sale is recognised in ‘other gains/(losses)-net’.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. Gain or loss existing in equity is recognised immediately in the income statement if the forecast transaction is no longer expected to occur.

Notes to the consolidated financial statements (continued)

2 Basis of preparation and summary of significant accounting policies (continued)

Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Inventories

Group entities usually maintain a store of spare parts and servicing equipment for critical components. These are often carried as inventory and recognised in profit or loss as consumed. Major spare parts, stand-by equipment and servicing equipment can also qualify as property, plant and equipment when they meet the definition of property, plant and equipment. Spare parts in inventory or property, plant and equipment are carried at cost, unless there is evidence of damage or obsolescence.

Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Cash and cash equivalents

In the cash flow statement cash and cash equivalents include cash in hand and deposits held at call with original maturity up to 90 days with banks. Cash and cash equivalents are carried at amortised cost using the effective interest method. Deposits with original maturity over 90 days are included in the cash flow from investing activities.

Cash flow statement

The cash flow statement is prepared under the indirect method. Purchases of property, plant and equipment (including prepayments for PPE) are presented within cash flows from investing activities and finance lease repayments within cash flows from financing activities are shown net of VAT. Related input VAT is included in movement in changes of working capital, within trade and other receivables.

Share capital, share premium and capital contribution

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Any excess of the fair value of consideration received over the par value of shares issued is recognised as share premium. Share premium is subject to the provision of the Cyprus Companies Law on reduction of share capital.

Capital contribution represents contributions by the shareholders directly in the reserves of the Company. The Company does not have any contractual obligation to repay these amounts. However, these are distributable to the Company's shareholders at the discretion of the Board of Directors subject to the shareholders' approval.

Trade payables

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

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Notes to the consolidated financial statements (continued)

2 Basis of preparation and summary of significant accounting policies (continued)

Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Provisions are only used to cover those expenses which they had been set up for. Other possible or present obligations that arise from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability, are disclosed in the notes to the financial statements as contingent liabilities.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extend there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

Borrowing costs are interest and other costs that the Group incurs in connection with the borrowing of funds, including interest on borrowings, amortisation of discounts or premium relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised and amortised over the useful life of the asset. Other borrowing costs are recognised as an expense in the reporting period incurred. Interest is capitalised at a rate based on the Group’s weighted average cost of borrowing or at the rate on project specific debt, where applicable.

Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch-up method, with any gain or loss recognised in profit or loss.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss within ‘finance income/(costs) - net’.

Notes to the consolidated financial statements (continued)

2 Basis of preparation and summary of significant accounting policies (continued)

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved, appropriately authorised and are no longer at the discretion of the Company.

More specifically, interim dividends are recognised as liability in the period in which these are approved by the Board of Directors and in the case of final dividends, they are recognised in the period in which these are approved by the Company's shareholders.

Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised on profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the country where the entity operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group considers leases as a single transaction in which the assets and liabilities are integrally linked and recognises deferred tax on net temporary differences.

Value Added Tax ("VAT")

In the Russian Federation, output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice except for export sales related input VAT that is reclaimable upon confirmation of export. The tax authorities permit the settlement of VAT on a net basis. Where provision has been made for impairment of receivables, impairment loss is recognised for the gross amount of the debtor, including VAT. The lease liabilities are disclosed net of VAT. While the leasing payment includes VAT, the amount of VAT from the lease payment made is reclaimable against sales VAT. VAT related to sales and purchases is recognised in the balance sheet on a gross basis and disclosed separately as an asset and liability.

Employee benefits

Wages, salaries, contributions to state pension and social insurance funds, paid annual leave and sick leave, bonuses and other benefits (such as health services) are accrued in the year in which the associated services are rendered by the employees of the Group. These are included in staff costs and the Group has no further obligations once the contributions have been paid. Staff costs of the Group mainly consists of salaries.

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Notes to the consolidated financial statements (continued)

3 FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial results.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises on monetary items like cash in banks, short-term investments, trade and other receivables, borrowings and trade and other payables denominated in currency other than functional currency of each of the entities of the Group.

The analysis below demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are usually non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results. The sensitivity analysis does not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

Currently the long-term debt of the Group is denominated in US dollars and Russian roubles. The US dollar interest rates are relatively more attractive compared to the Russian rouble interest rate. The revenues of Russian operations are mainly priced in Russian roubles and most of expenses are denominated and settled in Russian roubles. The Group uses from time-to-time derivatives (foreign currency forwards and options) to manage its exposures to foreign exchange risk, for more details see Note 24. The analysis below does not cover borrowings of joint ventures as they are not included in the financial position of the Group.

The carrying amount of financial assets and liabilities of the Group's components that have Russian rouble as their functional currency, denominated in US dollars are as follows:

(in thousands of US dollars)

	As at 31 December	
	2020	2019
Assets	135,209	116,578
Liabilities	711	916
Intra-group financial assets	142,686	141,666
Intra-group financial liabilities	371,638	397,827

The carrying amount of financial assets and liabilities of the Group's components that have US Dollar as their functional currency, denominated in Russian roubles are as follows:

(in thousands of US dollars)	As at 31 December	
	2020	2019
Intra-group financial assets	107,329	124,367

Had US dollar exchange rate strengthened/weakened by 15% against the Russian rouble and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2020, would have (decreased)/increased by US$25,334 thousand (2019: US$33,082 thousand) and the equity would have (decreased)/increased by US$25,334 thousand (2019: US$33,082 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of cash and cash equivalents, accounts receivable, borrowings, leases and intra-group financial assets and liabilities denominated in US dollars and Russian roubles. The above sensitivity does not take into account the effect of foreign currency derivatives.

Notes to the consolidated financial statements (continued)

3 Financial risk management (continued)

Financial risk factors (continued)

(a) Market risk (continued)

The carrying amount of financial assets and liabilities in Russian operations denominated in Euros as at 31 December 2020 and 31 December 2019 are as follows:

(in thousands of US dollars)	As at 31 December	
	2020	2019
Assets	-	7
Liabilities	673	187
Capital commitments	874	5,470

Had Euro exchange rate strengthened/weakened by 20% against the Russian rouble and all other variables remained unchanged, the post-tax profit and the equity of the Group for the year ended 31 December 2020, would have (decreased)/increased by US$108 thousand (2019: 10% change, (decreased)/increased by US$14 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of accounts payable denominated in Euros.

(ii) Cash flow and fair value interest rate risk

The Group is not exposed to changes in market interest rates as its entire borrowings portfolio consists of fixed rate debt as of 31 December 2020 and 2019. However, the Group is exposed to fair value interest rate risk through market value fluctuations of loans receivable, borrowings and lease liabilities with fixed rates.

Management monitors changes in interest rates and takes steps to mitigate these risks as far as practicable and economically feasible.

(b) Credit risk

(i) Risk management

Financial assets, which potentially subject the Group to credit risk, consist principally of trade and other receivables, loans receivable (Note 19) and cash and cash equivalents (Note 20) and derivative financial instruments (Note 24). The Group has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history. These policies enable the Group to reduce its credit risk significantly. However, the Group's business is heavily dependent on several large key customers accounting for 51% of the Group's revenue for the year ended 31 December 2020 (year ended 31 December 2019: 59%).

(ii) Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:

- Trade receivables for sales of goods and from the provision of services;
- Debt instruments and other financial assets carried at amortised cost (loans to related parties and other receivables); and
- Cash and cash equivalents.

Cash and cash equivalents:

The Group's cash and cash equivalents which have investment grade credit ratings with at least one major rating agency are considered to have low credit risk, and the loss allowance to be recognised during the period was therefore limited to 12 months expected losses. The identified impairment loss for cash and cash equivalents was immaterial to be accounted for. For the split of cash and cash equivalents by credit rating refer to Note 17.

Trade receivables:

To measure the expected lifetime credit losses, the Group performed the assessment on an individual basis for its major customers based on days past due and the corresponding historical credit losses experienced by the Group with those customers.

For those customers who are independently rated, the Group monitors their credit quality based on the external credit ratings. Otherwise, if there is no independent rating, the Group monitors the credit quality of trade receivables on the basis of past experience, identifying customers with working history with the Group of over 12 months and no losses arising and others, and also by reference to the days past due.

Notes to the consolidated financial statements (continued)

3 Financial risk management (continued)

Financial risk factors (continued)

(b) Credit risk (continued)

Loans and other receivables:

With respect to other financial assets at amortised cost, the Group considers the probability of default upon initial recognition of the asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's/counterparty's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower/counterparty; and
- significant changes in the expected performance and behaviour of the borrower/counterparty, including changes in the payment status of counterparty and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk for loans and other receivables with a third party is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on loans and other receivables with a third party is when the counterparty fails to make contractual payments within 90 days of when they fall due and/or the counterparty is assessed as unlikely to pay its obligations in full without realisation of collateral, regardless of the existence of any past-due amount or the number of days past due.

Financial assets including trade and other receivables are written off when there is no reasonable expectation of recovery, such as a debtor/counterparty failing to engage in a repayment plan with the Group. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in consolidated income statement.

The Group's loans receivable from related parties are within Stage 3 of the IFRS 9 impairment model. No material lifetime expected credit losses were identified in relation to the Group's loans receivable from related parties.

For more information on the credit risk quality of trade and other receivables of the Group on 31 December 2020 refer to Notes 17 and 19.

(c) Liquidity risk

Management controls current liquidity based on expected cash flows and expected revenue receipts.

Cash flow forecasting is performed at the level of operating entities of the Group and at consolidated level by Group finance department. Group finance department monitors forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs as well as scheduled debt service while maintaining sufficient headroom to ensure that the Group does not breach covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration potential variations in operating cash flows due to market conditions, the Group's debt repayments and covenant compliance.

Taking into account expected levels of operating cash flows, availability of cash and cash equivalents amounting to US$206,968 thousand (31 December 2019: US$124,353 thousand) (Note 20) the Group has the ability to meet its liabilities as they fall due and mitigate risks of adverse changes in the financial markets environment.

Notes to the consolidated financial statements (continued)

3 Financial risk management (continued)

Financial risk factors (continued)

(c) Liquidity risk (continued)

The management of the Group believes that it is successfully managing the exposure of the Group to liquidity risk.

The table below summarises the analysis of financial liabilities by maturity as of 31 December 2020 and 2019. The amounts in the table are contractual undiscounted cash flows. Trade and other payables balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

(in thousands of US dollars)	Less than 1 month	1-3 months	3-6 months	6 months - 1 year	1-2 years	2-5 years	Over 5 years	Total
As at 31 December 2020								
Borrowings*	6,911	153,830	5,568	22,328	236,330	478,468	-	903,435
Lease liabilities	592	930	1,521	2,945	5,490	14,853	137,600	163,931
Trade and other payables	5,579	9,364	7	553	-	-	-	15,503
Derivative financial instruments:								
- payments	4,346	-	-	4,428	110,982	-	-	119,756
- receipts	(3,800)	-	-	(3,800)	(114,800)	-	-	(122,400)
Total	13,628	164,124	7,096	26,454	238,002	493,321	137,600	1,080,225
As at 31 December 2019								
Borrowings*	7,000	20,195	8,770	116,732	212,628	643,356	-	1,008,681
Lease liabilities	582	851	1,425	2,919	5,488	14,111	170,510	195,886
Trade and other payables	4,747	16,676	-	246	-	-	-	21,669
Derivative financial instruments:								
- payments	3,981	-	-	5,088	10,471	132,441	-	151,981
- receipts	(3,800)	-	-	(3,800)	(7,600)	(114,800)	-	(130,000)
Total	12,510	37,722	10,195	121,185	220,987	675,108	170,510	1,248,217

*The Group repurchased its own Eurobonds in 2019 and 2020 (Note 22). There are 29% repurchased as of 31 December 2020 (31 December 2019: 27%).The borrowings payments presented above exclude cash flows related to the repurchased part of Eurobonds (before cancellation in 2020).

Derivative financial instruments (currency forward and option contracts) are gross settled.

(d) Capital risk management

The Group's main objective when managing capital is to maintain the ability to continue as a going concern in order to ensure the profitability of the Group, maintain optimum equity structure and reduce its cost of capital.

Defining capital, the Group uses the amount of equity and the Group's borrowings.

The Group manages the capital based on borrowings to total capitalisation ratio. Borrowings include lease liabilities and loan liabilities.

Total capitalisation is calculated as the sum of the total Group borrowings and equity at the date of calculation. The management does not currently have any specific target for the rate of borrowings to total capitalisation.

The rate of borrowings to total capitalisation is as follows:

(in thousands of US dollars)	As at 31 December 2020	As at 31 December 2019
Total borrowings	819,099	871,392
Total capitalisation	1,180,477	1,267,476
Total borrowings to total capitalisation ratio (percentage)	69%	69%

Notes to the consolidated financial statements (continued)

3 Financial risk management (continued)

Financial risk factors (continued)

(e) Fair value estimation

Fair value is the amount at which a financial asset could be exchanged or a liability settled in a transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Group, using available market information, where it exists, and appropriate valuation methodologies and assistance of experts. However, judgment is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore do not always represent the fair values of financial instruments. The Group has used all available market information in estimating the fair value of financial instruments.

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received, discounted at current interest rates for instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Carrying amounts of trade and other receivables approximate their fair values.

The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows, discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Carrying amounts of trade and other payables which are due within twelve months approximate their fair values.

The disclosure of the fair value of financial instruments carried at amortised cost and the fair value of financial instruments carried at fair value is determined using the following valuation methods:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on Group's specific estimates.

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Group's financial instruments carried at fair value relate to derivative financial instruments in the form of currency option and forward contracts and are disclosed in Note 24. They are valued using Level 2 valuation techniques from the table above. There were no changes in the valuation techniques during the year.

Specific valuation techniques used to value derivative financial instruments include:

- for currency forwards – the present value of future cash flows based on the forward exchange rates at the balance sheet date
- for currency options – option pricing models (e.g. Black-Scholes model), and
- for other financial instruments – discounted cash flow analysis

Level 2 inputs include use of quoted market prices or dealer quotes for identical or similar instruments. Where significant adjustments to market based data are made, or where other significant inputs are unobservable, the valuation would be categorised as Level 3.

Changes in Level 2 and Level 3 fair values are analysed at the end of each reporting period.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and they are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Notes to the consolidated financial statements (continued)

4 Critical accounting estimates and judgements (continued)

Critical accounting estimates and assumptions (continued)

(i) Estimated impairment of goodwill, property, plant and equipment, right-of-use assets and investments in joint ventures

The Group follows its accounting policies to test goodwill, other non-financial assets and investments in joint ventures for possible impairment or reversal of impairment. Because of COVID-19 outbreak the Group performed updated tests of the estimated recoverable amount for all CGUs in the course of the preparation of the consolidated financial statements for the year ended 31 December 2020.

The Group performed a test of the estimated recoverable amount of the CGUs using the value-in-use method, compared to their carrying value, for all CGUs except for YLP and MD for which fair value less costs to sell method was used.

For YLP and MD valuation is based on market approach based on recent sales of similar assets (Level 2).

The value-in-use assessment requires making judgments about long-term forecasts related to the CGUs subject to review for which the recoverable amount was calculated based on estimated discounted future cash flows. These forecasts are uncertain as they require assumptions about volumes, prices for the products and services, discount rates, future market conditions and future technological developments. Significant and unanticipated changes in these assumptions could require a provision for impairment in a future period.

For all CGUs tested based on discounted future cash flows, cash flow projections cover a period of five years based on the assumptions of the next 12 months. Cash flows beyond that five-year period have been extrapolated using a steady terminal growth rate. The terminal growth rate used does not exceed the long-term average growth rate for the market in which entities operate. For projections prepared for CGUs in Russian ports segments as at 31 December 2020 a terminal growth rate of 3% (31 December 2019: 3%) and the discount rate 9.4% (31 December 2019: 8.8%) have been applied. For projections prepared for Finnish ports CGUs as at 31 December 2020 a terminal growth rate of 2% (31 December 2019: 2%) and the discount rate 9.7% (31 December 2019: 5.2%) have been applied.

Key assumptions for Russian ports and Finnish ports CGUs tested based on discounted future cash flows are throughput volume, price per unit, growth rates, and discount rates. The projected volumes reflect past experience adjusted by the management view on the prospective market developments. Volume growth is estimated to be in line with the long-term market development, position of each terminal on the market and its pricing power. For CGUs in the Russian ports segment, as supported by historical market performance and in view of relatively low containerisation level in Russia, the long-term average throughput growth rate for the Russian container market is higher than in developed markets.

Based on the results of the impairment tests for CGUs carried out on 31 December 2020, the Board of Directors did not identify any impairment losses and also believes that there are no indications for reversal of impairments recognised in previous periods for non-financial assets other than goodwill.

For all CGUs, except ULCT, management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause carrying amount to exceed the recoverable amount.

In ULCT, the recoverable amount calculated based on the value in use exceeded the carrying value by US$7.6 million. A decrease in the average coal tariffs by approximately 2% each year or average container tariffs by approximately 2.5% each year or container handling volumes by approximately 4% each year or coal handling volumes by approximately 3% each year or the discount rate of 10.9%, as opposed to those used in projections would remove the headroom. Reasonable changes in other key parameters do not result in the elimination of the existing headroom.

(ii) Russian legislation

Russian tax, currency and customs legislation is subject to varying interpretations (Note 28).

Notes to the consolidated financial statements (continued)

5 SEGMENTAL INFORMATION

The chief operating decision-maker (CODM) has been identified as the Board of Directors. They review the Group's internal reporting in order to assess performance and allocate resources. The operating segments were determined based on these reports.

Group operations consist of several major business units that are mainly organised as separate legal entities. Segment profit is obtained directly from the accounting records of each business unit and adjustments are made to bring their accounting records in line with IFRS as adopted by the EU; therefore, there are no arbitrary allocations between segments. Certain business units are operating with one major operating company and some supporting companies.

The Board of Directors considers the business from both a geographic (which is represented by different port locations managed by separate legal entities) and services perspective regularly monitoring the performance of each major business unit.

The Board of Directors assesses the performance of the operating segments based on revenue (both in monetary and quantity terms) major costs items and net profit after the accounting records of business units are converted to be in line with IFRS as adopted by the EU with the exclusion of joint ventures. For the purposes of the internal reporting, joint ventures are assessed on a 100% ownership basis.

Assets are allocated based on the operations of the segment and the physical location of the asset.

For segmental reporting purposes the Group's consolidated financial position and consolidated results are presented by using the proportionate consolidation in relation to interests in jointly controlled entities (MLT and CD Holding groups). There are additional disclosures to reconcile segmental information with the consolidated income statement and the consolidated balance sheet.

According to this method of accounting, the Group combined its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's consolidated financial statements. The Group recognised the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. Unrealised gains on transactions between the Group and its joint venturers were eliminated to the extent of the Group's interest in the joint venture. Unrealised losses were also eliminated unless the transaction provided evidence of an impairment of the asset transferred.

The brief description of segments is as follows:

Russian ports

The segment consists of the following operating units:

- First Container Terminal (FCT), Petrolesport and Farvater (PLP) and various other entities (including some intermediate holdings) that own and manage two container terminals in St. Petersburg port, North-West Russia. FCT and PLP are engaged in handling of containers, PLP is also engaged in handling of ro-ro, general cargo and scrap metal.
- Ust-Luga Container Terminal (ULCT), a container terminal in Ust-Luga, near St. Petersburg, North-West Russia.
- Vostochnaya Stevedoring Company (VSC) and various other entities (including some intermediate holdings) that own and manage a container terminal in Port of Vostochny near Nahodka, Far-East Russia.
- Moby Dik (MD) and various other entities (including some intermediate holdings) that own and manage a container terminal in Kronstadt near St. Petersburg, North-West Russia.
- Yanino Logistics Park (YLP) being an in-land container terminal in Yanino near St. Petersburg, North-West Russia.

All of the above terminals represent separate CGUs, with the exception of PLP and FCT which work as one unit from commercial and operational points of view and are considered as one CGU. The two terminals have a common managing director and common senior management team and the Group management and the Board of Directors of the Company look at PLP and FCT as one combined terminal and monitor its performance as a single unit, without being legally merged together and remaining two separate legal entities.

Finnish ports

The segment consists of container terminals in the ports of Vuosaari (Helsinki) and Kotka, Finland owned and operated by Multi-Link Terminals Ltd Oy (MLT Oy CGU).

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The following items do not represent operating segments, however, are provided to the CODM together with segment information:

Holding companies (all other)

The segment consists of Global Ports Investments Plc (GPI) and some intermediate managing, holding and service companies.

Reconciliation adjustments

Reconciliation adjustments consist of two major components:

- Effect of proportionate consolidation – demonstrates the effect of proportionate consolidation of MD, YLP and Finnish ports. In the segmental reporting the financial position and financial results of these segments are incorporated using the proportionate consolidation method with the 75% proportion. MD, YLP and Finnish ports information is presented on the 100% basis in the Russian ports and Finnish ports segments and then the 25% portion which is not consolidated is deducted as a 'Reconciliation Adjustment'.
- Other adjustments – all other consolidation adjustments including but not limited to:
  - elimination of intragroup transactions (mainly intragroup sales and dividends) and balances (mainly intragroup loans and investments in subsidiaries and joint ventures);
  - consolidation adjustments of results of sale or purchase of shares of subsidiaries;
  - other consolidation adjustments.

The Group does not have any material regular transactions between segments except for those which mainly relate to management and financing activities.

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The segment results for the year ended 31 December 2020 are as follows:

(in thousands of US dollars)

	Russian ports	Finnish ports	Total operating segments	Holdings	Reconciliation adjustments: Effect of proportionate consolidation	Reconciliation adjustments: Other adjustments	Group as per proportionate consolidation
Revenue from container operations	302,371	7,753	310,124	-	(2,380)	-	307,744
Non-containerized cargo	92,979	973	93,952	-	(2,744)	-	91,208
Inter-segment revenue	-	-	-	397	-	(397)	-
Total revenue	395,350	8,726	404,076	397	(5,124)	(397)	398,952
Cost of sales	(211,585)	(8,963)	(220,548)	(408)	5,367	6	(215,583)
Administrative, selling and marketing expenses	(7,974)	(802)	(8,776)	(18,744)	637	271	(26,612)
Other income	-	-	-	1,300	-	-	1,300
Other gains/(losses) – net	(435)	8	(427)	3,252	(30)	(3,037)	(242)
Operating profit/(loss)	175,356	(1,031)	174,325	(14,203)	850	(3,157)	157,815
Finance income/(costs) – net	(93,114)	(333)	(93,447)	(493)	291	-	(93,649)
incl. interest income	*2,683*	-	*2,683*	*117*	*(4)*	*(1,199)*	*1,597*
incl. interest expenses	*(72,298)*	*(306)*	*(72,604)*	*(1,269)*	*424*	*1,199*	*(72,250)*
incl. change in the fair value of derivative instruments	*18,380*	*34*	*18,414*	-	*(9)*	-	*18,405*
incl. net foreign exchange gains/(losses) on financing activities	*(41,879)*	*(61)*	*(41,940)*	*659*	*(120)*	-	*(41,401)*
Profit/(loss) before income tax	82,242	(1,364)	80,878	(14,696)	1,141	(3,157)	64,166
Income tax expense	(13,790)	268	(13,522)	(507)	(151)	-	(14,180)
Profit/(loss) after tax	68,452	(1,096)	67,356	(15,203)	990	(3,157)	49,986
CAPEX* on cash basis	34,919	8,340	43,259	127	(2,375)	-	41,011

*CAPEX represents purchases of property, plant and equipment

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The reconciliation of results for the year ended 31 December 2020 calculated with proportional consolidation to the results presented in consolidated income statement above is as follows:

(in thousands of US dollars)

	Group as per proportionate consolidation	Equity method and other adjustments	Group as per equity method consolidation of joint ventures
Revenue from container operations	307,744	(7,139)	300,605
Non-containerized cargo	91,208	(7,377)	83,831
Inter-segment revenue	-	-	-
Total revenue	398,952	(14,516)	384,436
Cost of sales	(215,583)	15,254	(200,329)
Administrative, selling and marketing expenses	(26,612)	1,911	(24,701)
Other income	1,300	-	1,300
Share of profit/(loss) of joint ventures accounted for using the equity method	-	(2,973)	(2,973)
Other gains/(losses) – net	(242)	(97)	(339)
Operating profit/(loss)	157,815	(421)	157,394
Finance income/(costs) – net	(93,649)	872	(92,777)
incl. interest income	*1,597*	*760*	*2,357*
incl. interest expenses	*(72,250)*	*499*	*(71,751)*
incl. change in the fair value of derivative instruments	*18,405*	*(25)*	*18,380*
incl. net foreign exchange gains/(losses) on financing activities	*(41,401)*	*(362)*	*(41,763)*
Profit/(loss) before income tax	64,166	451	64,617
Income tax expense	(14,180)	(451)	(14,631)
Profit/(loss) after tax	49,986	-	49,986
CAPEX on cash basis	41,011	(7,123)	33,888

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The segment items operating expenses for the year ended 31 December 2020 are as follows:

(in thousands of US dollars)

	Russian ports	Finnish ports	Total operating segments	Holdings	Reconciliation adjustments: Effect of proportionate consolidation	Reconciliation adjustments: Other adjustments	Group as per proportionate consolidation
Depreciation of property, plant and equipment	36,698	1,530	38,228	822	(873)	-	38,177
Depreciation of right-of-use assets	11,819	568	12,387	404	(244)	-	12,547
Amortisation of intangible assets	331	3	334	530	(24)	-	840
Staff costs	53,266	4,620	57,886	14,153	(2,534)	-	69,505
Transportation expenses	68,936	554	69,490	-	(457)	-	69,033
Fuel, electricity and gas	9,449	493	9,942	6	(311)	-	9,637
Repair and maintenance of property, plant and equipment	6,043	997	7,040	15	(404)	-	6,651
Total	186,542	8,765	195,307	15,930	(4,847)	-	206,390
Other operating expenses	33,017	1,000	34,017	3,222	(1,157)	(277)	35,805
Total cost of sales, administrative, selling and marketing expenses	219,559	9,765	229,324	19,152	(6,004)	(277)	242,195

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The reconciliation of operating expenses for the year ended 31 December 2020 calculated with proportional consolidation to the results presented in consolidated income statement above is as follows:

(in thousands of US dollars)	Group as per proportionate consolidation	Equity method and other adjustments	Group as per equity method consolidation of joint ventures
Depreciation of property, plant and equipment	38,177	(2,618)	35,559
Depreciation of right-of-use assets	12,547	(730)	11,817
Amortisation of intangible assets	840	(70)	770
Staff costs	69,505	(7,602)	61,903
Transportation expenses	69,033	(1,370)	67,663
Fuel, electricity and gas	9,637	(932)	8,705
Repair and maintenance of property, plant and equipment	6,651	(1,240)	5,411
Total	206,390	(14,562)	191,828
Other operating expenses	35,805	(2,603)	33,202
Total cost of sales, administrative, selling and marketing expenses	242,195	(17,165)	225,030

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The segment assets and liabilities as at 31 December 2020 are as follows:

(in thousands of US dollars)

	Russian ports	Finnish ports	Total operating segments	Holdings	Reconciliation adjustments: Effect of proportionate consolidation	Reconciliation adjustments: Other adjustments	Group as per proportionate consolidation
Property, plant and equipment (including prepayments for PPE)	442,864	15,082	457,946	868	(9,623)	-	449,191
Right-of-use assets	532,990	4,784	537,774	223	(1,909)	-	536,088
Investments in joint ventures	784	-	784	165,870	-	(166,654)	-
Intangible assets	13,257	11	13,268	3,119	(471)	-	15,916
Other non-current assets	88,589	126,711	215,300	1,071,622	(33,016)	(1,189,654)	64,252
Inventories	7,658	-	7,658	20	(138)	-	7,540
Trade and other receivables and other current assets	50,972	3,241	54,213	3,988	(1,126)	(866)	56,209
Cash and cash equivalents	207,822	1,241	209,063	2,979	(1,268)	-	210,774
Total assets	1,344,936	151,070	1,496,006	1,248,689	(47,551)	(1,357,174)	1,339,970
Long-term borrowings	636,897	3,964	640,861	19,099	(4,814)	(19,099)	636,047
Long-term lease liabilities	33,320	4,038	37,358	10	(1,570)	-	35,798
Other long-term liabilities	123,283	1,027	124,310	-	(275)	(573)	123,462
Trade and other payables	20,920	1,929	22,849	4,727	(817)	(664)	26,095
Short-term borrowings	153,479	855	154,334	-	(296)	-	154,038
Short-term lease liabilities	1,997	885	2,882	202	(318)	-	2,766
Other short-term liabilities	374	-	374	-	(2)	-	372
Total liabilities	970,270	12,698	982,968	24,038	(8,092)	(20,336)	978,578
Non-controlling interest	15,881	-	15,881	-	-	-	15,881

Included within ‘Russian ports’, ‘Finnish ports’ and ‘Holdings’ segments ‘Other non-current assets’ are investments in subsidiaries in the total amount of US$5,353 thousand, US$126,614 thousand and US$1,071,189 thousand respectively (fully eliminated on consolidation).

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The reconciliation of total segment assets and liabilities as at 31 December 2020 calculated with proportional consolidation to the results presented in consolidated balance sheet above is as follows:

(in thousands of US dollars)

	Group as per proportionate consolidation	Equity method and other adjustments	Group as per equity method consolidation of joint ventures
Property, plant and equipment (including prepayments for PPE)	449,191	(28,868)	420,323
Right-of-use assets	536,088	(5,726)	530,362
Investments in joint ventures	-	23,383	23,383
Intangible assets	15,916	(3,856)	12,060
Other non-current assets	64,252	9,615	73,867
Inventories	7,540	(413)	7,127
Trade and other receivables and other current assets	56,209	(3,130)	53,079
Cash and cash equivalents	210,774	(3,806)	206,968
Total assets	1,339,970	(12,801)	1,327,169
Long-term borrowings	636,047	(3,122)	632,925
Long-term lease liabilities	35,798	(4,710)	31,088
Other long-term liabilities	123,462	(684)	122,778
Trade and other payables	26,095	(2,555)	23,540
Short-term borrowings	154,038	(762)	153,276
Short-term lease liabilities	2,766	(956)	1,810
Other short-term liabilities	372	2	374
Total liabilities	978,578	(12,787)	965,791
Non-controlling interest	15,881	-	15,881

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The segment results for the year ended 31 December 2019 are as follows:

(in thousands of US dollars)	Russian ports	Finnish ports	Total operating segments	Holdings	Reconciliation adjustments: Effect of proportionate consolidation	Reconciliation adjustments: Other adjustments	Group as per proportionate consolidation
Revenue from container operations	274,504	8,796	283,300	-	(3,807)	-	279,493
Non-containerized cargo	102,248	12,178	114,426	-	(5,161)	-	109,265
Inter-segment revenue	-	-	-	168	-	(168)	-
Total revenue	376,752	20,974	397,726	168	(8,968)	(168)	388,758
Cost of sales	(165,475)	(15,839)	(181,314)	(349)	7,428	134	(174,101)
Administrative, selling and marketing expenses	(10,602)	(991)	(11,593)	(27,188)	771	218	(37,792)
Other income	-	-	-	1,773	-	-	1,773
Other gains/(losses) – net	154	177	331	(28,255)	(2)	(5,483)	(33,409)
Operating profit/(loss)	200,829	4,321	205,150	(53,851)	(771)	(5,299)	145,229
Finance income/(costs) – net	(46,624)	(297)	(46,921)	(1,489)	52	-	(48,358)
incl. interest income	*2,904*	-	*2,904*	*64*	*(29)*	*(1,040)*	*1,899*
incl. interest expenses	*(85,711)*	*(199)*	*(85,910)*	*(1,148)*	*374*	*1,040*	*(85,644)*
incl. change in the fair value of derivative instruments	*(9,340)*	*(45)*	*(9,385)*	-	*11*	-	*(9,374)*
incl. net foreign exchange gains/(losses) on financing activities	*45,523*	*(53)*	*45,470*	*(405)*	*(304)*	-	*44,761*
Profit/(loss) before income tax	154,205	4,024	158,229	(55,340)	(719)	(5,299)	96,871
Income tax expense	(28,410)	(760)	(29,170)	(107)	78	-	(29,199)
Profit/(loss) after tax	125,795	3,264	129,059	(55,447)	(641)	(5,299)	67,672
CAPEX* on cash basis	27,662	313	27,975	70	(355)	-	27,690

*CAPEX represents purchases of property, plant and equipment

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The reconciliation of results for the year ended 31 December 2019 calculated with proportional consolidation to the results presented in consolidated income statement above is as follows:

(in thousands of US dollars)	Group as per proportionate consolidation	Equity method and other adjustments	Group as per equity method consolidation of joint ventures
Revenue from container operations	279,493	(11,416)	268,077
Non-containerized cargo	109,265	(15,469)	93,796
Inter-segment revenue	-	-	-
Total revenue	388,758	(26,885)	361,873
Cost of sales	(174,101)	22,282	(151,819)
Administrative, selling and marketing expenses	(37,792)	2,310	(35,482)
Other income	1,773	-	1,773
Share of profit/(loss) of joint ventures accounted for using the equity method	-	1,920	1,920
Other gains/(losses) – net	(33,409)	(17)	(33,426)
Operating profit/(loss)	145,229	(390)	144,839
Finance income/(costs) – net	(48,358)	154	(48,204)
incl. interest income	*1,899*	*625*	*2,524*
incl. interest expenses	*(85,644)*	*410*	*(85,234)*
incl. change in the fair value of derivative instruments	*(9,374)*	*34*	*(9,340)*
incl. net foreign exchange gains/(losses) on financing activities	*44,761*	*(915)*	*43,846*
Profit/(loss) before income tax	96,871	(236)	96,635
Income tax expense	(29,199)	236	(28,963)
Profit/(loss) after tax	67,672	-	67,672
CAPEX on cash basis	27,690	(1,065)	26,625

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The segment items operating expenses for the year ended 31 December 2019 are as follows:

(in thousands of US dollars)

	Russian ports	Finnish ports	Total operating segments	Holdings	Reconciliation adjustments: Effect of proportionate consolidation	Reconciliation adjustments: Other adjustments	Group as per proportionate consolidation
Depreciation of property, plant and equipment	38,291	1,566	39,857	908	(953)	-	39,812
Depreciation of right-of-use assets	12,050	375	12,425	489	(131)	-	12,783
Amortisation of intangible assets	866	3	869	466	(20)	-	1,315
Staff costs	55,926	11,340	67,266	21,456	(4,341)	-	84,381
Transportation expenses	17,575	404	17,979	-	(579)	-	17,400
Fuel, electricity and gas	10,774	647	11,421	8	(404)	-	11,025
Repair and maintenance of property, plant and equipment	7,845	991	8,836	14	(583)	-	8,267
Total	143,327	15,326	158,653	23,341	(7,011)	-	174,983
Other operating expenses	32,750	1,504	34,254	4,196	(1,188)	(352)	36,910
Total cost of sales, administrative, selling and marketing expenses	176,077	16,830	192,907	27,537	(8,199)	(352)	211,893

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The reconciliation of operating expenses for the year ended 31 December 2019 calculated with proportional consolidation to the results presented in consolidated income statement above is as follows:

(in thousands of US dollars)	Group as per proportionate consolidation	Equity method and other adjustments	Group as per equity method consolidation of joint ventures
Depreciation of property, plant and equipment	39,812	(2,860)	36,952
Depreciation of right-of-use assets	12,783	(392)	12,391
Amortisation of intangible assets	1,315	(59)	1,256
Staff costs	84,381	(13,026)	71,355
Transportation expenses	17,400	(1,738)	15,662
Fuel, electricity and gas	11,025	(1,212)	9,813
Repair and maintenance of property, plant and equipment	8,267	(1,748)	6,519
Total	174,983	(21,035)	153,948
Other operating expenses	36,910	(3,557)	33,353
Total cost of sales, administrative, selling and marketing expenses	211,893	(24,592)	187,301

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The segment assets and liabilities as at 31 December 2019 are as follows:

(in thousands of US dollars)

					Reconciliation adjustments		
	Russian ports	Finnish ports	Total operating segments	Holdings	Effect of proportionate consolidation	Other adjustments	Group as per proportionate consolidation
Property, plant and equipment (including prepayments for PPE)	533,141	7,109	540,250	1,836	(9,227)	-	532,859
Right-of-use assets	641,689	2,510	644,199	829	(1,332)	-	643,696
Investments in joint ventures	784	-	784	165,870	-	(166,654)	-
Intangible assets	15,225	13	15,238	3,920	(570)	-	18,588
Other non-current assets	103,126	126,703	229,829	1,075,425	(33,014)	(1,205,633)	66,607
Inventories	8,915	-	8,915	-	(153)	-	8,762
Trade and other receivables (including income tax prepayment)	59,879	1,396	61,275	6,071	(1,634)	(4,547)	61,165
Cash and cash equivalents	122,879	7,106	129,985	3,757	(2,347)	-	131,395
Total assets	1,485,638	144,837	1,630,475	1,257,708	(48,277)	(1,376,834)	1,463,072
Long-term borrowings	743,607	603	744,210	16,914	(4,513)	(18,044)	738,567
Long-term lease liabilities	35,262	2,206	37,468	323	(1,201)	-	36,590
Other long-term liabilities	154,689	121	154,810	322	(148)	(1,231)	153,753
Trade and other payables	27,770	1,738	29,508	11,619	(962)	(4,143)	36,022
Short-term borrowings	99,098	712	99,810	-	(178)	-	99,632
Short-term lease liabilities	851	346	1,197	500	(126)	-	1,571
Other short-term liabilities	365	656	1,021	1	(169)	-	853
Total liabilities	1,061,642	6,382	1,068,024	29,679	(7,297)	(23,418)	1,066,988
Non-controlling interest	17,114	-	17,114	-	-	-	17,114

Included within ‘Russian ports’, ‘Finnish ports’ and ‘Holdings’ segments ‘Other non-current assets’ are investments in subsidiaries in the total amount of US19,665 thousand, US$126,614 thousand and US$1,073,463 thousand respectively (fully eliminated on consolidation).

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The reconciliation of total segment assets and liabilities as at 31 December 2019 calculated with proportional consolidation to the results presented in consolidated balance sheet above is as follows:

(in thousands of US dollars)

	Group as per proportionate consolidation	Equity method and other adjustments	Group as per equity method consolidation of joint ventures
Property, plant and equipment (including prepayments for PPE)	532,859	(27,681)	505,178
Right-of-use assets	643,696	(3,997)	639,699
Investments in joint ventures	-	27,590	27,590
Intangible assets	18,588	(4,624)	13,964
Other non-current assets	66,607	12,153	78,760
Inventories	8,762	(456)	8,306
Trade and other receivables (including income tax prepayment)	61,165	(4,736)	56,429
Cash and cash equivalents	131,395	(7,042)	124,353
Total assets	1,463,072	(8,793)	1,454,279
Long-term borrowings	738,567	(454)	738,113
Long-term lease liabilities	36,590	(3,603)	32,987
Other long-term liabilities	153,753	(582)	153,171
Trade and other payables	36,022	(2,744)	33,278
Short-term borrowings	99,632	(534)	99,098
Short-term lease liabilities	1,571	(377)	1,194
Other short-term liabilities	853	(499)	354
Total liabilities	1,066,988	(8,793)	1,058,195
Non-controlling interest	17,114	-	17,114

The revenue of the Group mainly comprises of stevedoring services, storage and ancillary port services for container and bulk cargoes. The subsidiaries and joint ventures of the Group also provide services that are of support nature in relation to the core services mentioned above.

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

Revenue attributable to domestic and foreign customers for the year ended 31 December 2020 is disclosed below in accordance with their registered address. Major clients of the Group are internationally operating companies and their Russian branches. Their registered addresses are usually not relevant to the location of their operations.

(in thousands of US dollars)

	For the year ended 31 December	
	2020	2019
Revenue from domestic customers - Cyprus	8,505	8,370
Revenue from foreign customers by countries:		
Russia	307,585	282,162
South Korea	22,675	18,754
Switzerland	14,674	11,180
UK	9,433	8,733
Denmark	5,899	7,173
Other	15,665	25,501
Revenue from foreign customers total	375,931	353,503
Total revenue	384,436	361,873

In both 2020 and 2019 there was one customer representing more than 10% of consolidated revenue. This customer originated from Russian ports segment and its registered address is in Russia.

The management also assesses the performance of the Group based on adjusted EBITDA that is defined as profit/(loss) for the year before income tax expense, finance income/(costs)-net, depreciation, write-off and impairment of property, plant and equipment, depreciation and impairment of right-of-use assets, amortisation, write-off and impairment of intangible assets, share of profit/(loss) of joint ventures accounted for using the equity method and other gains/(losses)-net.

The adjusted EBITDA of the Group is calculated as follows:

(in thousands of US dollars)

	Note	For the year ended 31 December	
		2020	2019
Profit/(loss) for the year		49,986	67,672
Adjusted for:			
Income tax expense	11	14,631	28,963
Finance (income)/costs-net	9	92,777	48,204
Amortisation of intangible assets	6	770	1,256
Depreciation of property, plant and equipment	6	35,559	36,952
Depreciation of right-of-use assets	6	11,817	12,391
Write-off of property, plant and equipment	14	891	-
Share of (profit)/loss of joint ventures accounted for using the equity method	27(a)	2,973	(1,920)
Other (gains)/losses - net	7	339	33,426
Adjusted EBITDA		209,743	226,944

Notes to the consolidated financial statements (continued)

6 EXPENSES BY NATURE

(in thousands of US dollars)

	For the year ended 31 December	
	2020	2019
Staff costs (Note 8)	61,903	71,355
Depreciation of property, plant and equipment (Note 14)	35,559	36,952
Depreciation of right-of-use assets (Note 23)	11,817	12,391
Amortisation of intangible assets (Note 15)	770	1,256
Write-off of property, plant and equipment (Note 14)	891	-
Transportation expenses*	67,663	15,662
Fuel, electricity and gas	8,705	9,813
Repair and maintenance of property, plant and equipment	5,411	6,519
Taxes other than on income	2,496	2,856
Legal, consulting and other professional services	2,191	2,762
Auditors' remuneration	993	1,031
Expense relating to short-term leases and/or leases of low-value assets	374	412
Purchased services	16,162	14,298
Insurance	936	713
Other expenses	9,159	11,281
Total cost of sales, administrative, selling and marketing expenses	225,030	187,301

*As a result of new terms of certain sales agreement, VSC acted as a principal in 2020 versus as an agent in the first half of 2019. In the first half of 2019 the net result of revenue from transportation services and associated cost was included in the consolidated revenue. Starting from the middle of the first half of 2019 full revenue and associated cost are recognised in consolidated revenue and transportation expenses accordingly. This change resulted in additional US$62.8 million (2019: 11.4 million) to both consolidated revenue and cost of sales, with no effect on adjusted EBITDA.

The total fees charged by the Company's statutory auditor for the statutory audit of the annual financial statements of the Company for the year ended 31 December 2020 amounted to US$266 thousand (2019: US$260 thousand) The total fees charged by the Company's statutory auditor for the year ended 31 December 2020 for other assurance services amounted to US$57 thousand (2019: US$56 thousand), for tax and VAT advisory services amounted to US$47 thousand (2019: US$43 thousand) and other non-audit services amounted to US$6 thousand (2019: nil).

The above expenses are analysed by function as follows:

Cost of sales

(in thousands of US dollars)

	For the year ended 31 December	
	2020	2019
Staff costs	45,083	45,255
Depreciation of property, plant and equipment	34,073	35,203
Depreciation of right-of-use assets	11,817	12,391
Amortisation of intangible assets	595	1,102
Write-off of property, plant and equipment (Note 14)	891	-
Transportation expenses	67,663	15,662
Fuel, electricity and gas	8,528	9,549
Repair and maintenance of property, plant and equipment	5,287	6,324
Taxes other than on income	2,376	2,455
Expense relating to short-term leases and/or leases of low-value assets	113	289
Purchased services	16,162	14,298
Insurance	712	537
Other expenses	7,029	8,754
Total cost of sales	200,329	151,819

Notes to the consolidated financial statements (continued)

6 Expenses by nature (continued)

Administrative, selling and marketing expenses

(in thousands of US dollars)

	For the year ended 31 December	
	2020	2019
Staff costs	16,820	26,100
Depreciation of property, plant and equipment	1,486	1,749
Amortisation of intangible assets	175	154
Fuel, electricity and gas	177	264
Repair and maintenance of property, plant and equipment	124	195
Taxes other than on income	120	401
Legal, consulting and other professional services	2,191	2,762
Auditors' remuneration	993	1,031
Expense relating to short-term leases and/or leases of low-value assets	261	123
Insurance	224	176
Other expenses	2,130	2,527
Total administrative, selling and marketing expenses	24,701	35,482

7 OTHER GAINS/(LOSSES) – NET

(in thousands of US dollars)

	For the year ended 31 December	
	2020	2019
Foreign exchange gains/(losses) on non-financing activities – net (Note 10)	209	2,064
Net loss on disposal of assets held for sale	-	(33,535)
Charity	(412)	(560)
Other gains/(losses) – net	(136)	(1,395)
Total other gains/(losses) – net	(339)	(33,426)

In April 2019 the Group completed the disposal of its 50% holding in VEOS, one of the Group's joint ventures and operating segments that was classified as held for sale at the end of 2018. The result of the disposal was a US$(50) thousand loss that is reflected within 'net loss on disposal of assets held for sale'. In addition, US$(33,485) thousand (negative) were recycled to 'net loss on disposal of assets held for sale' from the currency translation reserve. This was the amount related to VEOS that was recognised in other comprehensive income and accumulated in the equity.

8 EMPLOYEE BENEFIT EXPENSE

(in thousands of US dollars)

	For the year ended 31 December	
	2020	2019
Salaries	47,610	58,367
Social insurance costs	12,121	10,798
Other staff costs	2,172	2,190
Total	61,903	71,355
Average number of staff employed during the year	2,556	2,669

Included within 'Social insurance costs' for 2020 are contributions made to the state pension funds in the total amount of US$7,127 thousand (2019: US$7,547 thousand).

Notes to the consolidated financial statements (continued)

9 FINANCE INCOME/(COSTS) - NET

(in thousands of US dollars)

	For the year ended 31 December	
	2020	2019
Included in finance income:		
Interest income on bank balances	1,327	1,319
Interest income on short-term bank deposits	-	254
Interest income on loans to related parties (Note 30(g))	1,030	951
Total finance income calculated using effective interest rate method	2,357	2,524
Included in finance costs:		
Interest expenses on bank borrowings	(6,066)	(263)
Interest expenses on bonds	(61,059)	(72,425)
Interest expenses on lease liabilities	(4,099)	(4,375)
Other finance costs	-	(647)
Loss on extinguishment of financial liabilities (Note 22)	(527)	(7,524)
Total finance costs	(71,751)	(85,234)
Change in fair value of currency forwards and currency options (Notes 22 and 24)	18,380	(9,340)
Net foreign exchange gains/(losses) on financing activities	(41,763)	43,846
Finance income/(costs) – net	(92,777)	(48,204)

10 NET FOREIGN EXCHANGE GAINS/(LOSSES)

The exchange differences (charged)/credited to the income statement are as follows:

(in thousands of US dollars)

	For the year ended 31 December	
	2020	2019
Included in ‘finance income/(costs) - net’ (Note 9)	(41,763)	43,846
Included in ‘other gains/(losses) – net’ (Note 7)	209	2,064
Total	(41,554)	45,910

Notes to the consolidated financial statements (continued)

11 INCOME TAX EXPENSE

(in thousands of US dollars)	For the year ended 31 December	
	2020	2019
Current tax	12,261	24,048
Effect of change in withholding tax rate (Note 25)	3,230	-
Deferred tax (Note 25)	(860)	4,915
Total	14,631	28,963

The tax on the Group's profit/(loss) before tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

(in thousands of US dollars)	For the year ended 31 December	
	2020	2019
Profit/(loss) before tax	64,617	96,635
Tax calculated at the applicable tax rates – 20%*	12,924	19,327
Tax effect of expenses not deductible for tax purposes	2,645	1,881
Tax effect of a result of disposal of assets held for sale	-	6,707
Tax effect of reduced tax rates of entities in Russian ports segment	(2,907)	-
Tax effect of share of profit/(loss) in jointly controlled entities	595	(384)
Tax credit claimed by entities in Russian ports segment	(3,922)	-
Effect of change in withholding tax rate	3,230	-
Withholding tax on undistributed profits	2,066	1,432
Tax charge	14,631	28,963

*The applicable tax rate used for 2020 and 2019 is 20% as this is the income statutory tax rate applicable to the Russian ports segment, where a substantial part of the taxable income arises.

Deferred tax is provided on the undistributed profits of subsidiaries and joint ventures, except when it is probable that the Group will not distribute dividends from the specific investment in the foreseeable future and the Group can control the payment of dividends.

The Company is subject to corporation tax on taxable profits at the rate of 12.5%. Under certain conditions, interest may be exempt from income tax and only subject to defence contribution at the rate of 30%. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%. In certain cases, dividends received from other Cyprus tax resident Companies may also be subject to special contribution for defence.

12 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number in issue during the respective period.

	For the year ended 31 December	
	2020	2019
Profit/(loss) attributable to the owners of the parent of the Company - in thousands of US dollars	48,399	66,580
Weighted average of ordinary shares in issue (thousands)	573,171	573,171
Basic and diluted earnings per share for profit/(loss) attributable to the owners of the parent (expressed in US$ per share)	0.08	0.12

13 DIVIDEND DISTRIBUTION

During 2020 and 2019 the Company did not declare or pay dividends to the equity holders of the Company.

Notes to the consolidated financial statements (continued)

14 PROPERTY, PLANT AND EQUIPMENT

(in thousands of US dollars)

	Land	Buildings and facilities	Assets under construction	Loading equipment and machinery	Other production equipment	Office equipment	Total
At 1 January 2019							
Cost	134,693	305,711	24,486	174,456	38,184	2,534	680,432
Accumulated depreciation and impairment	-	(119,232)	-	(88,295)	(16,607)	(1,625)	(226,127)
Net book amount	134,693	186,479	24,486	86,161	21,577	909	454,305
Additions	-	5,520	-	19,678	1,488	83	26,769
Transfers	-	21,482	(13,110)	11,017	(19,332)	(57)	-
Disposals and write-offs	-	(48)	-	(162)	(29)	(8)	(247)
Depreciation charge (Note 6)	-	(20,307)	-	(15,580)	(765)	(300)	(36,952)
Translation reserve	16,456	23,437	2,722	12,362	390	93	55,460
Closing net book amount	151,149	216,563	14,098	113,476	3,329	720	499,335
At 31 December 2019							
Cost	151,149	371,764	14,098	229,133	10,308	2,166	778,618
Accumulated depreciation and impairment	-	(155,201)	-	(115,657)	(6,979)	(1,446)	(279,283)
Net book amount	151,149	216,563	14,098	113,476	3,329	720	499,335

Notes to the consolidated financial statements (continued)

14 Property, plant and equipment (continued)

(in thousands of US dollars)

	Land	Buildings and facilities	Assets under construction	Loading equipment and machinery	Other production equipment	Office equipment	Total
At 1 January 2020							
Cost	151,149	371,764	14,098	229,133	10,308	2,166	778,618
Accumulated depreciation and impairment	-	(155,201)	-	(115,657)	(6,979)	(1,446)	(279,283)
Net book amount	151,149	216,563	14,098	113,476	3,329	720	499,335
Additions	-	13,159	8,543	12,869	1,230	331	36,132
Transfers	-	701	(732)	143	(111)	(1)	-
Disposals	-	(186)	-	(231)	(9)	(3)	(429)
Write-offs	-	-	(891)	-	-	-	(891)
Depreciation charge (Note 6)	-	(19,118)	-	(15,401)	(759)	(281)	(35,559)
Translation reserve	(24,488)	(34,858)	(2,938)	(18,179)	(529)	(115)	(81,107)
Closing net book amount	126,661	176,261	18,080	92,677	3,151	651	417,481
At 31 December 2020							
Cost	126,664	323,066	18,080	197,989	9,527	2,155	677,481
Accumulated depreciation and impairment	(3)	(146,805)	-	(105,312)	(6,376)	(1,504)	(260,000)
Net book amount	126,661	176,261	18,080	92,677	3,151	651	417,481

Notes to the consolidated financial statements (continued)

14 Property, plant and equipment (continued)

In the cash flow statement proceeds from sale of property, plant and equipment comprise of:

(in thousands of US dollars)	For the year ended 31 December	
	2020	2019
Net book amount	1,320	247
Less: Non-cash items - write-offs of property, plant and equipment	(891)	(50)
	429	197
Profit on sale of property, plant and equipment [1]	7	293
Proceeds from sale of property, plant and equipment	436	490

(1) Profit on sale of property, plant and equipment is included in 'Cost of sales' in the consolidated income statement.

Depreciation expense amounting to US$34,073 thousand in 2020 (2019: US$35,203 thousand) has been charged to 'cost of sales' and US$1,486 thousand in 2020 (2019: US$1,749 thousand) has been charged to 'administrative, selling and marketing' expenses (Note 6).

There were no capitalised borrowing costs in 2020 and 2019.

Lease rentals relating to the lease of machinery and property amounting to US$113 thousand in 2020 (2019: US$289 thousand) have been charged to 'cost of sales' and US$261 thousand in 2020 (2019: US$123 thousand) has been charged to 'administrative, selling and marketing expenses'.

As at 31 December 2020 the amounts prepaid for equipment not delivered and prepayments for construction works not yet carried out were US$2,842 thousand (2019: US$5,893 thousand).

Notes to the consolidated financial statements (continued)

15 INTANGIBLE ASSETS

(in thousands of US dollars)

	Goodwill	Computer software	Total
At 1 January 2019			
Cost	8,415	6,820	15,235
Accumulated amortisation and impairment	-	(1,820)	(1,820)
Net book amount	8,415	5,000	13,415
Additions	-	255	255
Amortisation charge (Note 6)	-	(1,256)	(1,256)
Translation reserve	1,028	522	1,550
Closing net book amount	9,443	4,521	13,964
At 31 December 2019			
Cost	9,443	5,965	15,408
Accumulated amortisation and impairment	-	(1,444)	(1,444)
Net book amount	9,443	4,521	13,964
Additions	-	890	890
Amortisation charge (Note 6)	-	(770)	(770)
Translation reserve	(1,530)	(494)	(2,024)
Closing net book amount	7,913	4,147	12,060
At 31 December 2020			
Cost	7,913	6,087	14,000
Accumulated amortisation and impairment	-	(1,940)	(1,940)
Net book amount	7,913	4,147	12,060

Goodwill is allocated to the Group's cash generating units (CGUs) identified according to their operating segment. An operating segment-level summary of the goodwill allocation is presented below:

(in thousands of US dollars)

	As at 31 December	
	2020	2019
PLP/ FCT (Russian ports segment)	3,422	4,084
VSC (Russian ports segment)	4,491	5,359
Total	7,913	9,443

The recoverable amount of the above CGUs is determined based on value in use calculations. These calculations are based on post-tax cash flow projections and all the assumptions in relation to growth rates are determined by reference to management's past experience and industry forecasts. The discount rates used reflect the specific risks of each segment. See Note 4(i) for details of assumptions used.

Notes to the consolidated financial statements (continued)

16 FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied in the line items below:

(in thousands of US dollars)

	As at 31 December	
	2020	2019
Financial assets at amortised cost		
Trade and other receivables [(1)]	40,901	47,037
Cash and cash equivalents	206,968	124,353
Total	247,869	171,390
Financial liabilities measured at amortised cost		
Borrowings	786,201	837,211
Trade and other payables [(2)]	15,503	21,669
Total	801,704	858,880
Lease liabilities	29,319	34,181
Derivative financial instruments		
Derivative financial instruments not used for hedging at fair value through profit or loss - assets	10,199	-
Derivative financial instruments not used for hedging at fair value through profit or loss - liabilities	-	9,184
Total	10,199	9,184

(1) Trade and other receivables do not include taxes and prepayments.

(2) Trade and other payables do not include taxes and contract liabilities.

17 CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are fully performing (i.e. neither past due nor impaired) can be assessed by reference to external and internal sources of information like business reputation, financial position and performance, prior working history records. Customers with longer history of working with the Group are regarded by management as having lower risk of default.

The credit quality of financial assets that are neither past due nor impaired classified by reference to the working history of the counterparty with the Group is as follows:

(in thousands of US dollars)

	As at 31 December	
	2020	2019
Trade and other receivables		
Core customers - existing (more than one year of working history with the Group)	15,498	15,886
Trade and other receivables from other customers (third parties)	1,085	2,404
Other receivables from third parties with Aa1 credit rating by Moody's Investors Service	1,300	1,773
Trade and other receivables from related parties with Baa3 credit rating by Moody's Investors Service	7,077	6,515
Trade and other receivables from other related parties	911	-
Total	25,871	26,578

Trade and other receivables from other customers (third parties) are related to highly reputable counterparties with no external credit rating.

Notes to the consolidated financial statements (continued)

17 Credit quality of financial assets (continued)

Cash at bank and short-term bank deposits (Note 20):

(in thousands of US dollars)

Agency	Rating	As at 31 December 2020	As at 31 December 2019
International rating agency Moody's Investors Service	Aa2-Aa3	593	347
International rating agency Moody's Investors Service	A3	4,565	624
International rating agency Moody's Investors Service / Standard & Poor's / Fitch Ratings	Baa3 / BBB- / BBB	160,714	75,218
International rating agency Moody's Investors Service	Ba1-Ba3	40,905	47,738
International rating agency Moody's Investors Service	B3	137	265
* No rating		54	161
Total		206,968	124,353

* Cash in hand and cash and cash equivalents with banks for which there is no rating. These banks are highly reputable local banks in the country of operation of the respective Group entities.

18 INVENTORIES

(in thousands of US dollars)	As at 31 December 2020	As at 31 December 2019
Spare parts and consumables	7,127	8,306
Total	7,127	8,306

All inventories are stated at cost.

19 TRADE AND OTHER RECEIVABLES

(in thousands of US dollars)	As at 31 December 2020	As at 31 December 2019
Trade receivables - third parties	16,501	19,655
Trade receivables - related parties (Note 30(d))	7,988	6,515
Total trade receivables	24,489	26,170
Other receivables	2,739	4,177
Loans to related parties (Note 30(g))	13,673	16,690
VAT and other taxes recoverable	8,219	10,240
Total financial assets at amortised cost	24,631	31,107
Prepayments for goods and services	5,073	4,285
Prepayments for goods and services - related parties (Note 30(d))	8,196	1,421
Total trade and other receivables	62,389	62,983
Less non-current portion:		
Loans to related parties	(13,507)	(16,583)
Other receivables	-	(913)
Total non-current portion	(13,507)	(17,496)
Current portion	48,882	45,487

Notes to the consolidated financial statements (continued)

19 Trade and other receivables (continued)

According to management estimates the fair values of trade and other receivables do not materially differ from their carrying amounts.

The average effective interest rate on loans receivable from related parties were 6.4% (2019: 6.4%).

At 31 December 2020, trade and other receivables amounting to US$25,871 thousand were zero days past due (31 December 2019: US$26,577 thousand).

Trade and other receivables amounting to US$1,357 thousand (31 December 2019: US$3,770 thousand) were past due but not impaired. These relate to a number of independent customers for whom there is no history of either non repayment in the past or renegotiation of the repayment terms due to inability of the customer to repay the balance.

The analysis of past due trade and other receivables is as follows:

(in thousands of US dollars)

	As at 31 December	
	2020	2019
Less than 1 month overdue	1,107	2,716
From 1 to 3 months overdue	204	1,006
From 3 to 6 months overdue	9	20
Over 6 months overdue	37	28
Total	1,357	3,770

During 2020 no trade receivables (2019: nil) were impaired and written off in full.

Other classes within trade and other receivables do not contain impaired assets.

The fair value of receivables approximates their carrying value as the impact of the discounting is insignificant and is within Level 3 of the fair value hierarchy. The fair value is based on discounting of cash flows using 7% (2019: 7%) discount rate.

The carrying amounts of the Group’s trade and other receivables are denominated in the following currencies:

(in thousands of US dollars)

	As at 31 December	
	2020	2019
Currency:		
US dollar	5,010	8,234
Russian rouble	57,201	54,426
Euro	178	323
Total	62,389	62,983

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security for any receivables.

Notes to the consolidated financial statements (continued)

20 CASH AND CASH EQUIVALENTS

(in thousands of US dollars)

	As at 31 December	
	2020	2019
Cash at bank and in hand	53,952	48,908
Short-term bank deposits (less than 90 days)	153,016	75,445
Total	206,968	124,353

The effective average interest rate on short-term deposits was 1.5% in 2020 (2019: 1.25%) and these deposits have an average maturity of 19 days in 2020 (2019: 26 days).

Cash and cash equivalents include the following for the purposes of the cash flow statement:

(in thousands of US dollars)	As at 31 December	
	2020	2019
Cash and cash equivalents	206,968	124,353
Total	206,968	124,353

21 SHARE CAPITAL, SHARE PREMIUM

Authorised share capital

The authorised share capital of the Company amounts to US$175,000,000.00 divided into 750,000,000 ordinary shares and 1,000,000,000 ordinary non-voting shares with a par value of US$0.10 each.

Issued share capital

The issued share capital of the Company amounts to US$57,317,073.10 divided into 422,713,415 ordinary shares and 150,457,316 ordinary non-voting shares with a par value of US$0.10 each.

The ordinary shares and the ordinary non-voting shares rank pari passu in all respects save that, the ordinary non-voting shares do not have the right to receive notice, attend or vote at any general meeting, nor to be taken into account for the purpose of determining the quorum of any general meeting.

(in thousands of US dollars)

	Number of shares ‘000	Share capital	Share premium	Total
At 1 January/31 December 2019/ 31 December 2020	573,171	57,317	923,511	980,828

Notes to the consolidated financial statements (continued)

22 BORROWINGS

(in thousands of US dollars)

	As at 31 December	
	2020	2019
Non-current borrowings		
Bank loans	62,845	71,939
Non-convertible bonds	570,080	666,174
Total non-current borrowings	632,925	738,113
Current borrowings		
Bank loans	746	36
Interest payable on bank loans	96	115
Non-convertible bonds	135,363	80,768
Non-convertible bonds – interest payable	17,071	18,179
Total current borrowings	153,276	99,098
Total borrowings	786,201	837,211

The maturity of non-current borrowings is analysed as follows:

(in thousands of US dollars)

	As at 31 December	
	2020	2019
Between 1 and 2 years	198,745	161,523
Between 2 and 5 years	434,180	576,590
Total	632,925	738,113

Bank borrowings mature until 2025 (31 December 2019: 2024) and bonds mature until 2025 (31 December 2019: 2023).

Changes in liabilities and assets arising from borrowings and derivative financial instruments:

(in thousands of US dollars)

		For the year ended 31 December 2020		
	Note	Borrowings	Fair value of derivative financial instruments*	Total
At beginning of year		837,211	9,184	846,395
Non-cash transactions				
Interest charged	9	67,125	-	67,125
Loss on extinguishment of financial liabilities	9	527	-	527
Change in fair value of derivative financial instruments	24, 9	-	(18,380)	(18,380)
Foreign exchange differences		(51,375)	(154)	(51,529)
Cash transactions				
Borrowings received during the year		72,079	-	72,079
Borrowings repaid during the year		(72,981)	-	(72,981)
Interest repaid during the year and derivatives settlements		(66,385)	(849)	(67,234)
At end of year		786,201	(10,199)	776,002

* Represents net position (liabilities less assets) of derivative financial instruments

Notes to the consolidated financial statements (continued)

22 Borrowings (continued)

(in thousands of US dollars)

	Note	Borrowings	Fair value of derivative financial instruments*	Total
		For the year ended 31 December 2019		
At beginning of year		863,809	-	863,809
Non-cash transactions				
Interest charged	9	72,688	-	72,688
Loss on extinguishment of financial liabilities	9	7,524	-	7,524
Change in fair value of derivative financial instruments	24, 9	-	9,340	9,340
Foreign exchange differences		28,086	55	28,141
Cash transactions				
Borrowings received during the year		70,893	-	70,893
Borrowings repaid during the year		(131,382)	-	(131,382)
Interest repaid during the year and derivatives settlements		(74,407)	(211)	(74,618)
At end of year		837,211	9,184	846,395

* Represents net position (liabilities less assets) of derivative financial instruments

In December 2020 the Group repaid US$60,500 thousand (RUB4,415 million) RUB-denominated bonds using the proceeds from new RUB-denominated bonds in the amount of US$67,878 thousand (RUB5 billion) issued with maturity over 5 years and a lower interest rate.

In April and September 2016, the GPI group has successfully finalised issue of two tranches of Eurobonds on the Irish Stock Exchange in the total amount of US$700 million at a fixed coupon rate. Some companies within GPI group have unconditionally and irrevocably guaranteed these Eurobonds on a joint and several basis.

In 2018-2020 the Group has repurchased some part of Eurobonds and partly derecognised the liability. In 2020 the Group cancelled those Eurobonds that were previously purchased by the Group. The aggregate principal amount of the outstanding 2022 and 2023 Eurobonds as of 31 December 2020 is US$198,557 thousands and US$297,975 thousand respectively.

In 2019 the Group obtained RUB-denominated bank loan in amount US$70,843 thousand (RUB4,447 million) that bears fixed interest rate and matures in 2024. The proceeds from this loan were used to buy-back the Eurobonds for the total nominal amount of US$69,480 thousand.

Fair value of bank loans and non-convertible bonds was as follows:

(in thousands of US dollars)

	Fair value hierarchy	As at 31 December 2020	2019
Non-convertible bonds	Level 1	209,945	257,254
Non-convertible bonds	Level 2	536,645	552,958
Bank loans	Level 2	63,591	71,975
Total		810,181	882,187

Notes to the consolidated financial statements (continued)

22 Borrowings (continued)

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows (the table excludes interest payable):

(in thousands of US dollars)

	As at 31 December	
	2020	2019
6 months or less	135,332	-
6-12 months	-	80,676
1-5 years	138,977	233,554
Total	274,309	314,230

The carrying amounts of the Group's borrowings are denominated in the following currencies:

(in thousands of US dollars)

	As at 31 December	
	2020	2019
Russian rouble	280,330	321,021
US dollar	505,871	516,190
Total	786,201	837,211

As of 31 December 2020, from the above amount of borrowings denominated in US$114,400 thousand were covered by RUB/US$ currency forward contracts effectively converting the US$ denominated obligation into RUB denominated one and US$87,000 thousand were covered by RUB/US$ currency option contracts (Note 24) that limit foreign exchange risk exposure to a certain level that management considers appropriate in the current economic environment.

Agreements of the bank loans given to some of the subsidiaries of the Group include certain covenants which set forth certain financial ratios and other non-financial covenants that must be complied with. All of the Group's subsidiaries were in compliance with all covenants.

The weighted average effective interest rate on borrowings is 7.99% (2019: 8.98%).

Notes to the consolidated financial statements (continued)

23 LEASE LIABILITIES AND RIGHT-OF-USE ASSETS

Movements in lease liabilities are analysed as follows:

(in thousands of US dollars)

	For the year ended 31 December	
	2020	2019
At beginning of period	34,181	26,803
Non-cash transactions		
Adjustments related to changes in the index affecting lease payments	294	3,798
New leases	5,797	1,251
Leases termination	-	(180)
Interest charged (Note 9)	4,099	4,375
Exchange differences	(5,320)	3,276
Cash transactions		
Repayments of leases	(1,961)	(871)
Repayments of interest	(4,192)	(4,271)
At end of period	32,898	34,181
Of which are:		
Current lease liabilities	1,810	1,194
Non-current lease liabilities	31,088	32,987

The maturity of non-current lease liabilities is analysed as follows:

(in thousands of US dollars)

	As at 31 December	
	2020	2019
Between 1 and 2 years	1,416	936
Between 2 and 5 years	3,251	866
Over 5 years	26,421	31,185
Total	31,088	32,987

The carrying amounts of the Group’s lease liabilities are denominated in the following currencies:

(in thousands of US dollars)

	As at 31 December	
	2020	2019
Russian rouble	32,343	33,535
US dollar	555	646
Total	32,898	34,181

Total cash outflow for leases in 2020 is US$6,527 thousand (2019: US$5,553 thousand).

Major part of US$374 (2019: US$412 thousand) thousand lease expenses included in cost of sales and administrative, selling and marketing expenses is related to short-term leases.

Notes to the consolidated financial statements (continued)

23 Lease liabilities and right-of-use assets (continued)

Movements in right-of-use assets are analysed as follows:

(in thousands of US dollars)

	Land	Buildings and facilities	Loading equipment and machinery	Other production equipment	Office equipment	Total
Opening net book amount as at 1 January 2019	16,272	560,585	266	-	-	577,123
Additions	24	4	913	144	74	1,159
Adjustments related to changes in the index affecting lease payments	-	3,798	-	-	-	3,798
Leases termination	(231)	-	-	-	-	(231)
Depreciation (Note 6)	(402)	(11,870)	(112)	(6)	(1)	(12,391)
Exchange differences	1,962	68,202	68	6	3	70,241
Closing net book amount as at 31 December 2019	17,625	620,719	1,135	144	76	639,699
Additions	-	120	5,677	-	-	5,797
Adjustments related to changes in the index affecting lease payments	39	255	-	-	-	294
Leases termination	-	-	(17)	-	-	(17)
Transfers	-	-	66	-	(66)	-
Depreciation (Note 6)	(399)	(10,647)	(697)	(74)	-	(11,817)
Exchange differences	(2,856)	(100,420)	(286)	(22)	(10)	(103,594)
Closing net book amount as at 31 December 2020	14,409	510,027	5,878	48	-	530,362

24 DERIVATIVE FINANCIAL INSTRUMENTS

During 2019 the Group entered into several RUB/US$ currency options and forward contracts in order to hedge part of foreign exchange risk associated with its US$ denominated non-convertible bonds (which have been provided as loans to the Russian operating subsidiaries).

The Group decided not to apply hedge accounting to options and forward contracts. As a result, the change in fair value is presented in the consolidated income statement under ‘change in fair value of derivatives’ as part of ‘finance income/(costs) – net’ (see Note 9).

Cash collected/paid in relation to the options and forward arrangements not used for hedging is presented in the consolidated statement of cash flows as ‘proceeds from/(settlement of) derivative financial instruments not used for hedging’ as part of ‘financing activities’. During 2020 several forward contracts were settled and options premiums were paid with the resulting net cash outflow US$849 thousand (2019: net cash outflow US$211 thousand).

As of 31 December 2020, the net fair value of options contracts was positive US$753 thousand (31 December 2019: negative US$(1,316) thousand) and net fair value of forward contracts was positive US$9,446 thousand (31 December 2019: negative US$(7,868) thousand). As of 31 December 2020, there are outstanding forward contracts to acquire US$122,400 thousand (31 December 2019: US$130,000 thousand) and currency options contracts with possibility to acquire US$87,000 thousand (31 December 2019: US$87,000 thousand).

Notes to the consolidated financial statements (continued)

25 DEFERRED INCOME TAX LIABILITIES

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The offset amounts are as follows:

(in thousands of US dollars)

	As at 31 December	
	2020	2019
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	50,788	61,264
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	(122,778)	(144,332)
Deferred tax liabilities (net)	(71,990)	(83,068)

The gross movement on the deferred income tax account is as follows:

(in thousands of US dollars)

	For the year ended 31 December	
	2020	2019
At the beginning of the year	(83,068)	(69,937)
Income statement charge:		
Deferred tax charge (Note 11)	(2,370)	(4,915)
Other movements:		
Currency translation differences	13,448	(8,216)
At the end of the year	(71,990)	(83,068)

The movement on the deferred tax assets (+) and liabilities (-) during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

(in thousands of US dollars)

	Property, plant and equipment	Lease liabilities and right-of-use assets	Withholding tax provision	Intangible assets	Borrowings	Tax losses	Other assets and liabilities	Total
At 1 January 2019	(48,156)	-	(4,465)	(108,934)	(280)	90,913	985	(69,937)
Income statement (Note 11)	1,376	2,766	(1,297)	(109)	45	(8,329)	633	(4,915)
Reclassification following IFRS 16 adoption	(301)	(108,633)	-	108,934	-	-	-	-
Translation differences	(5,987)	(13,200)	(606)	5	-	11,457	115	(8,216)
At 31 December 2019	(53,068)	(119,067)	(6,368)	(104)	(235)	94,041	1,733	(83,068)
Income statement (Note 11)	1,383	1,472	(4,506)	28	(126)	(715)	94	(2,370)
Translation differences	8,631	19,271	1,062	13	1	(15,147)	(383)	13,448
At 31 December 2020	(43,054)	(98,324)	(9,812)	(63)	(360)	78,179	1,444	(71,990)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The amount of unremitted earnings of certain subsidiaries and joint ventures on which no withholding tax provision was recognised amounts to US$701,664 thousand (2019: US$844,515 thousand).

Notes to the consolidated financial statements (continued)

26 TRADE AND OTHER PAYABLES

(in thousands of US dollars)

	As at 31 December	
	2020	2019
Trade payables - third parties	3,011	4,108
Trade payables - related parties (Note 30(e))	237	22
Payables for property, plant and equipment	461	782
Other payables - third parties	1,328	416
Other payables - related parties (Note 30(e))	2,257	630
Payroll payable	1,700	2,281
Accrued expenses	6,509	13,430
Contract liabilities	5,174	7,504
Taxes payable (other than income tax)	2,863	4,105
Total trade and other payables	23,540	33,278
Less non-current portion	-	-
Current portion	23,540	33,278

During the year ended 31 December 2020, the Group recognised revenue in the amount of US$7,504 thousand (2019: US$3,987 thousand) that related to carried-forward contract liabilities at the beginning of the year.

The fair value of trade and other payables approximates their carrying amount at the balance sheet date.

27 JOINT VENTURES AND NON-CONTROLLING INTERESTS

(a) Joint ventures

The Group has the following investments in joint ventures – MLT group and CD Holding group. These entities are an integral part of operations of the Group. See Note 1 and Note 5 for more details.

There are no contingent liabilities relating to the Group's interest in the joint ventures.

At 31 December 2020 there is zero capital expenditure contracted for at the balance sheet date but not yet incurred by the joint ventures (31 December 2019: US$4,921 thousand).

The summarised investments in joint ventures accounted for using the equity method as at 31 December 2020 and 31 December 2019 are as follows:

(in thousands of US dollars)

	MLT	CD Holding	Total
At 1 January 2020	27,590	-	27,590
Recognised share of profit/(loss)	(1,980)	(993)	(2,973)
Share of losses of joint ventures applied against other long-term interests (Note 30(g))	-	827	827
Translation differences (through other comprehensive income/(loss))	(2,227)	166	(2,061)
At 31 December 2020	23,383	-	23,383

(in thousands of US dollars)

	MLT	CD Holding	Total
At 1 January 2019	24,795	-	24,795
Recognised share of profit/(loss)	767	1,153	1,920
Share of profits of joint ventures applied against other long-term interests (Note 30(g))	-	(936)	(936)
Translation differences (through other comprehensive income/(loss))	2,028	(217)	1,811
At 31 December 2019	27,590	-	27,590

Notes to the consolidated financial statements (continued)

27 Joint ventures and non-controlling interests (continued)

Set out below are the selected summarised financial information for joint ventures that are accounted for using the equity method.

Selected income statement items

(in thousands of US dollars)

	For the year ended 31 December 2020	
	MLT	CD Holding
Revenue	11,570	8,926
Depreciation, amortisation and impairment	(3,473)	(1,088)
Interest income	11	5
Interest expense	(604)	(1,092)
Profit/(loss) before income tax	(3,242)	(1,324)
Income tax expense	602	-
Profit/(loss) after tax	(2,640)	(1,324)
Other comprehensive income/(loss)	(2,339)	222
Total comprehensive income/(loss)	(4,979)	(1,102)

Selected balance sheet items

(in thousands of US dollars)

	As at 31 December 2020	
	MLT	CD Holding
Total non-current assets	34,263	13,845
Cash and cash equivalents (including current deposits with maturity over 90 days)	4,884	190
Other current assets	4,113	875
Total current assets	8,997	1,065
Total assets	43,260	14,910
Non-current financial liabilities	10,013	15,524
Other non-current liabilities	1,098	-
Total non-current liabilities	11,111	15,524
Current financial liabilities excluding trade and other payables	1,887	570
Other current liabilities including trade and other payables	2,342	932
Total current liabilities	4,229	1,502
Total liabilities	15,340	17,026
Net assets	27,920	(2,116)

Notes to the consolidated financial statements (continued)

27 Joint ventures and non-controlling interests (continued)

Selected income statement items

(in thousands of US dollars)

	For the year ended 31 December 2019	
	MLT	CD Holding
Revenue	25,073	10,798
Depreciation, amortisation and impairment	(3,496)	(918)
Interest income	98	18
Interest expense	(512)	(985)
Profit/(loss) before income tax	1,244	1,629
Income tax expense	(221)	(92)
Profit/(loss) after tax	1,023	1,537
Other comprehensive income/(loss)	2,279	(289)
Total comprehensive income/(loss)	3,302	1,248

Selected balance sheet items

(in thousands of US dollars)

	As at 31 December 2019	
	MLT	CD Holding
Total non-current assets	28,111	16,494
Cash and cash equivalents (including current deposits with maturity over 90 days)	12,546	573
Other current assets	2,380	969
Total current assets	14,926	1,542
Total assets	43,037	18,036
Non-current financial liabilities	5,259	17,599
Other non-current liabilities	589	-
Total non-current liabilities	5,848	17,599
Current financial liabilities excluding trade and other payables	1,105	111
Other current liabilities including trade and other payables	3,185	1,340
Total current liabilities	4,290	1,451
Total liabilities	10,138	19,050
Net assets	32,899	(1,014)

The information above reflects the amounts presented in the financial statements of the joint ventures adjusted for differences in accounting policies between the group and the joint ventures.

Notes to the consolidated financial statements (continued)

27 Joint ventures and non-controlling interests (continued)

Set out below is the reconciliation of the summarised financial information presented to the carrying amount of the Group interest in joint ventures.

(in thousands of US dollars)

	For the year ended 31 December 2020		
	MLT	CD Holding	Total
Opening net assets at the beginning of the year	32,899	(2,061)	30,838
Profit/(loss) for the period	(2,640)	(1,324)	(3,964)
Other comprehensive income/(loss)	(2,339)	222	(2,117)
Closing net assets at the end of the year	27,920	(3,163)	24,757
Ownership interest	75%	75%	
Interest in joint venture	20,940	(2,371)	18,569
Share of losses of joint ventures applied against other long-term interests (Note 30(g))	-	1,587	1,587
Other movements	-	784	784
Goodwill	15,558	-	15,558
Impairment of investment	(13,115)	-	(13,115)
Carrying value on 31 December 2020	23,383	-	23,383

(in thousands of US dollars)

	For the year ended 31 December 2019		
	MLT	CD Holding	Total
Opening net assets at the beginning of the year	29,597	(3,309)	26,288
Profit/(loss) for the period	1,023	1,537	2,560
Other comprehensive income/(loss)	2,279	(289)	1,990
Closing net assets at the end of the year	32,899	(2,061)	30,838
Ownership interest	75%	75%	
Interest in joint venture	24,673	(1,544)	23,129
Share of losses of joint ventures applied against other long-term interests (Note 30(g))	-	760	760
Other movements	-	784	784
Goodwill	18,567	-	18,567
Impairment of investment	(15,650)	-	(15,650)
Carrying value on 31 December 2019	27,590	-	27,590

Notes to the consolidated financial statements (continued)

27 Joint ventures and non-controlling interests (continued)

(b) Non-controlling interests

Ust-Luga Container Terminal (located in Ust-Luga, North-West Russia) is an 80% subsidiary where Eurogate, one of the leading container terminal operators in Europe, has a 20% non-controlling interest on 31 December 2020 and 31 December 2019.

During 2020 and 2019 Ust-Luga Container Terminal did not declare or pay dividends to the non-controlling interest.

Set out below are the selected summarised financial information for Ust-Luga Container Terminal. The amounts disclosed for the subsidiary are before inter-company eliminations.

Selected income statement items

(in thousands of US dollars)

	For the year ended 31 December	
	2020	2019
Revenue	20,493	27,018
Profit/(loss) for the year	8,044	5,462
Other comprehensive income/(loss) for the year	(13,994)	8,933
Total comprehensive income/(loss) for the year	(5,950)	14,395
Profit/(loss) for the year attributable to non-controlling interest	1,609	1,092
Total comprehensive income/(loss) for the year attributable to non-controlling interest	(1,189)	2,879

Selected balance sheet items

(in thousands of US dollars)

	As at 31 December	
	2020	2019
Total non-current assets	40,653	59,101
Total current assets	41,093	32,825
Total assets	81,746	91,926
Total non-current liabilities	548	5,615
Total current liabilities	1,575	741
Total liabilities	2,123	6,356
Net assets	79,623	85,570
Accumulated non-controlling interest	15,925	17,114

Selected cash flow items

(in thousands of US dollars)

	For the year ended 31 December	
	2020	2019
Net cash from operating activities	6,795	13,594
Net cash from/(used in) investing activities	3,100	(2,312)
Net cash used in financing activities	(743)	(765)
Net increase/(decrease) in cash and cash equivalents	9,152	10,517

Notes to the consolidated financial statements (continued)

28 CONTINGENCIES

Operating environment of the Group

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. Further, on 12 March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, the Russian authorities implemented numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, including closures. These measures have, among other things, severely restricted economic activity in Russia and have negatively impacted, and could continue to negatively impact businesses, market participants, clients of the Group, as well as the Russian and global economy for an unknown period of time.

Management is taking necessary measures to ensure sustainability of the Group's operations and support its customers and employees:

- Medical examinations have been reinforced at the terminals and offices. Restrictions on travelling and external/internal meetings, social distancing, additional disinfection according to the schedule, personal protective equipment provided for personnel, improved cleaning, purchasing protective masks, gloves and COVID-19 tests for the local hospital in Nakhodka, Far East
- Only critical employees stay at the terminals and in offices. The Group tried to establish the maximum comfort for its employees during remote work. The IT infrastructure was adapted to new challenges and was working without major failures
- A mobile application has been developed to monitor the health status of employees
- Unhindered operational performances 24/7 (quay, yard and gates), to support and protect customers' supply chains in Russia
- Improved commercial and operational flexibility to support customers
- Maximum digitalisation of documentation and customer integration continued. Further development of online solution to decrease necessity of client's presence at the terminal
- Discipline in spending: strict and careful management of funds, including pro-active management of costs, receivables and capacity for effective adaptation to crisis and its consequences, stress testing of financial performance and liquidity position, revisiting financial plans.

All these measures implemented ensured that the terminals of the Group (quay, yard and gates) remained 100% operational to service vessels/handle cargoes throughout the pandemic as well as the call and service centres of the Group were working without interruption.

The future effects of the current economic situation and the above measures are difficult to predict and management's current expectations and estimates could differ from actual results.

Finland represents established market economy with more stable political systems and developed legislation based on EU directives and regulations. The Finnish authorities implemented numerous measures attempting to contain the spreading and impact of COVID-19. Management is taking necessary measures to ensure the safety of employees and ensure sustainability operations. Recommendation to use face masks has been given to employees. Separation of shifts was reinstated from October 2020.

Tax legislation in Russia

Russian tax and customs legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by the tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when a decision about the review was made. Under certain circumstances reviews may cover longer periods.

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development although it has specific features. This legislation provides for the possibility of additional tax assessment in respect of controlled transactions (transactions between related parties and certain transactions with unrelated parties) if such transactions are not on an arm's length basis.

Notes to the consolidated financial statements (continued)

28 Contingencies (continued)

Tax legislation in Russia (continued)

Tax liabilities arising from controlled transactions are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. The Controlled Foreign Company (CFC) legislation introduced Russian taxation on the profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties). The CFC income is subject to a 20% tax rate. This interpretation of the relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that could reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the relevant authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

The Group's management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained. Accordingly, as of 31 December 2020 and as of 31 December 2019 management believes that no additional tax liability has to be accrued in the financial statements.

Legal proceedings and investigations

From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates and both internal and external professional advice, management is of the opinion that no provisions should be recognised in these consolidated financial statements.

Environmental matters

The Group is subject to laws, regulations and other legal requirements relating to the protection of the environment, including those governing the discharge of waste water and the clean-up of contaminated sites.

Issues related to protection of water resources in Russia are regulated primarily by the Environmental Protection Law, the Water Code and a number of other federal and regional normative acts.

Pursuant to the Water Code, discharging waste water into the sea is allowed, provided that the volume does not exceed the established standards of admissible impact on water resources. At the same time, the Environmental Protection Law establishes a "pay-to-pollute" regime, which implies that companies need to pay for discharging waste waters. However, the payments of such fees do not relieve a company from its responsibility to comply with environmental protection measures.

If the operations of a company violate environmental requirements or cause harm to the environment or any individual or legal entity, environmental authorities may suspend these operations or a court action may be brought to limit or ban these operations and require the company to remedy the effects of the violation. The limitation period for lawsuits for the compensation of damage caused to the environment is twenty years. Courts may also impose clean-up obligations on offenders in lieu of or in addition to imposing fines.

The enforcement of environmental regulation in the countries in which the Group operates is evolving and the enforcement posture of government authorities is continuously being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

Notes to the consolidated financial statements (continued)

29 COMMITMENTS

Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

(in thousands of US dollars)

	As at 31 December	
	2020	2019
Property, plant and equipment	9,207	14,998
Total	9,207	14,998

30 RELATED PARTY TRANSACTIONS

The Company is jointly controlled by LLC Management Company “Delo” (“Delo Group”), one of Russia's largest privately owned transportation companies, and APM Terminals B.V. (“APM Terminals”), a global port, terminal and inland services operator.

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions as defined by IAS 24 “Related Party Disclosures”. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The following transactions were carried out with related parties:

(a) Sale of services

(in thousands of US dollars)

	For the year ended 31 December	
	2020	2019
Entities under control of owners of controlling entities	92,912	103,270
Joint ventures in which GPI is a venturer	271	2
Other related parties	17	30
Total	93,200	103,302

(b) Purchases of services and incurred expenses

(in thousands of US dollars)

	For the year ended 31 December	
	2020	2019
Entities under control of owners of controlling entities*	52,065	334
Joint ventures in which GPI is a venturer	1,466	-
Other related parties	1,636	1,978
Total	55,167	2,312

*In the end of 2019 one of the previously existed counterparties became a related party as a result of investing activity of owners of controlling entities. Purchases from this new related party amounted to US$51,580 thousand in 2020.

(c) Interest income

(in thousands of US dollars)

	For the year ended 31 December	
	2020	2019
Joint ventures in which GPI is a venturer	1,030	951
Total	1,030	951

Notes to the consolidated financial statements (continued)

30 Related party transactions (continued)

(d) Trade and other receivables and prepayments

(in thousands of US dollars)

	As at 31 December	
	2020	2019
Entities under control of owners of controlling entities	16,048	7,926
Joint ventures in which GPI is a venturer	136	10
Total	16,184	7,936

(e) Trade and other payables

(in thousands of US dollars)

	As at 31 December	
	2020	2019
Entities under control of owners of controlling entities	2,310	652
Joint ventures in which GPI is a venturer	122	-
Other related parties	62	-
Payroll payable and accrued expenses related to key management	876	3,421
Total	3,370	4,073

(f) Key management compensation/directors' remuneration

(in thousands of US dollars)

	For the year ended 31 December	
	2020	2019
Key management compensation:		
Salaries, payroll taxes and other short-term employee benefits	3,743	8,311
Directors' remuneration (included also above):		
Fees	245	248
Emoluments in their executive capacity	-	570
Total	245	818

(g) Loans to related parties

The details of loans provided to joint ventures in which GPI is a venturer are presented below (see also Note 19):

(in thousands of US dollars)

	For the year ended 31 December	
	2020	2019
At the beginning of the year	16,690	14,942
Loans advanced during the year	-	-
Interest charged	1,030	951
Loan and interest repaid during the year	(572)	(320)
GPI's share of losses of joint ventures applied against other long-term interests (Note 27(a))	(827)	936
Foreign exchange differences	(2,648)	181
At the end of the year (Note 19)	13,673	16,690

The loans are not secured, bear effective interest at 6.4% (2019: 6.4%) and are repayable in 2021. However, the loans are classified as non-current because of the Group's intention to defer repayment for more than 12 months.

The fair value of loans to related parties approximates their carrying value, as the impact of discounting is not significant.

Notes to the consolidated financial statements (continued)

31 EVENTS AFTER THE BALANCE SHEET DATE

In February 2021, the Group repaid US$67,520 thousand (RUB5 billion) RUB-denominated bonds from its cash balances.

There were no other material post balance sheet events which have a bearing on the understanding of these consolidated financial statements.

Independent Auditor's Report

To the Members of Global Ports Investments Plc

Report on the Audit of the Consolidated Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of Global Ports Investments Plc (the "Company") and its subsidiaries and joint ventures (hereafter collectively referred to as the "Group" consistent with the consolidated financial statements) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

What we have audited

We have audited the consolidated financial statements which are presented in pages 28 to 94 and comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the consolidated financial statements is International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

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

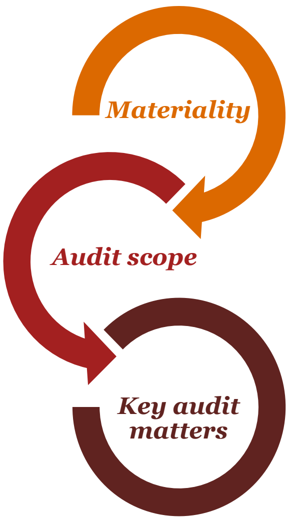
Independence

We remained independent of the Group throughout the period of our appointment in accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Board of Directors made subjective judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.



Overall group materiality: US$5 million, which represents approximately 2.5% of Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA").

We conducted full scope audit procedures for the parent entity, all the significant components, and the consolidation process.

For the remaining non-significant components, we performed a full scope audit, or analytical procedures, and/or audit of specific account balances.

We have identified the impairment assessment of goodwill and other non-financial assets and investments in joint ventures as the key audit matter.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall group materiality	US$5 million
How we determined it	Approximately 2.5% of EBITDA
Rationale for the materiality benchmark applied	We chose EBITDA as the benchmark, because, in our view: • It is the benchmark against which the performance of the Group is most commonly measured by the users, and • It is a generally accepted benchmark. We chose 2.5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above US$0,5 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill and other non-financial assets and investments in joint ventures Because of COVID-19 related uncertainties, the Company's Board of Directors considered that there are impairment indications and has performed an impairment test for all cash generating units ("CGUs"). We focused on this area due to: • the size of the goodwill and other non-financial assets, and investments in joint ventures, and • the assessment of the recoverable amount of the CGUs involves complex and	We evaluated the valuation inputs and assumptions, methodologies and calculations adopted by the Company's Board of Directors in determining the CGUs' recoverable amounts. In order to assist us in our audit we involved valuation experts that have the knowledge and experience in the industry and country of operation of the underlying CGUs to assist us in evaluating the methodology, models and assumptions used in value in use calculations, as well as evaluating the fair value less cost to sell calculations. For MD and YLP CGUs, we evaluated whether the fair value less costs to sell approach is more appropriate than value in use approach to determine the CGUs' recoverable amounts

Key Audit Matter	How our audit addressed the Key Audit Matter
subjective judgements about the future results of the business and the applicable discount rates where value in use models were used and about the estimation of the fair value less costs to sell of the CGUs. In particular, we focused our audit effort on the Board of Directors' assessment of impairment of the following CGUs: • Petrolesport and Farvater and First Container Terminal (PLP/FCT) CGU and Vostochnaya Stevedoring Company (VSC) CGU due to the fact that these two CGUs have allocated goodwill and therefore require an annual impairment assessment, and • Ust-Luga Container Terminal (ULCT) CGU, Yanino Logistics Park (YLP) CGU and Moby Dik (MD) and Multi-Link Terminals (MLT Oy) CGUs, both being components of the Company's joint venture Multi-Link Terminals Limited (MLT), due to the fact that for these CGUs, an impairment test was performed by the Board of Directors due to identified impairment indications as a result of the COVID-19 outbreak. The recoverable amounts of MD and YLP CGUs were determined by the Board of Directors based on the fair value less costs to sell approach. In determining the fair values of MD and YLP CGUs, the Board of Directors involved an independent appraiser (the management's expert). The recoverable amounts of PLP/FCT, VSC, ULCT and MLT Oy CGUs were determined based on value in use calculations. The expected cash flows (budgets) for the year 2021 and the remaining assumptions used for each CGU's value in use calculations have been approved by the Company's Board of Directors. Certain assumptions made by the Board of Directors in the determination of the CGUs'	given the specific circumstances of each CGU. We further evaluated the work of the management's expert involved for the valuation of MD and YLP CGUs' assets by assessing the competence, capabilities and objectivity of the independent appraiser and the methodology, models and inputs used by the management's expert. With respect to the value in use models used for PLP/FCT, VSC, ULCT and MLT Oy CGUs, we challenged and evaluated the composition of the future cash flow forecasts in the models including comparing them to the latest budgets approved by the Board of Directors. We have also challenged and evaluated: • the Board of Directors' key assumptions for the long term growth rates of key inputs, such as volume and price and compared them to historical results, economic and industry forecasts, • the discount rate applied to these cash flows, by assessing the weighted average cost of capital, and considering territory specific factors, and • the macroeconomic assumptions used by the Board of Directors, by comparing them to market benchmarks and publicly available information. We have also performed look-back procedures by comparing previous budgets used in value in use calculations to actual results. We further challenged and evaluated the adequacy of the Board of Directors' sensitivity calculations over ULCT CGU's recoverable amount and determined the assumptions that created the most variability, being assumptions for average tariffs, volumes and the discount rate. We lastly evaluated the adequacy of the disclosures made in Notes 4 and 15 of the consolidated financial statements, including those regarding the key assumptions and

Key Audit Matter	How our audit addressed the Key Audit Matter
value in use calculations were considered to be key assumptions (Note 4). Based on the results of the impairment tests, no impairment losses have been identified, that require recognition in the consolidated income statement of the Group. For ULCT CGU, it was determined that the impairment test is sensitive to reasonably possible changes in certain key assumptions for value in use calculations. Refer to Notes 4 and 15 to the consolidated financial statements for the related disclosures.	sensitivities to reasonably possible changes in such assumptions. Based on the evidence obtained, we found that the methodologies, assumptions and data used within the models and the related disclosures included in the consolidated financial statements, are appropriate.

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report, including the Corporate Governance Statement, and the Directors' Responsibility Statement which we obtained prior to the date of this auditor's report and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Group's complete Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and if not corrected, we will bring the matter to the attention of the members of the Company at the Company's Annual General Meeting and we will take such other action as may be required.

Responsibilities of the Board of Directors and those charged with governance for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Company in 2008 by shareholder resolution for the audit of the financial statements for the period ended 31 December 2008. Our appointment has been renewed annually, since then, by shareholder resolution. In 2011 the Company was listed in the Main Market of the London Stock Exchange and accordingly the first financial year after the Company qualified as an EU PIE was the year ended 31 December 2011. Since then, the total period of uninterrupted engagement appointment was 10 years.

Consistency of the Additional Report to the Audit and Risk Committee

We confirm that our audit opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Audit and Risk Committee of the Company, which we issued on 1 March 2021 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Group and which have not been disclosed in the consolidated financial statements or the Management Report.

Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.

- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management Report. We have nothing to report in this respect.

- In our opinion, based on the work undertaken in the course of our audit, the information included in the Corporate Governance Statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the Management Report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap.113, and is consistent with the consolidated financial statements.

- In our opinion, based on the work undertaken in the course of our audit, the Corporate Governance Statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.

- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Corporate Governance Statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Tasos Nolas.

Tasos Nolas
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

City House, 6 Karaiskakis Street,
CY-3032 Limassol, Cyprus

Limassol, 5 March 2021