Global Ports Investments Plc

Directors' report and consolidated financial statements
31 December 2015

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BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors

Mr. Tiemen Meester (appointed 23 January 2013)
(Mrs. Iana Boyd Penkova is the alternate to Mr. Tiemen Meester)
Chairman of the Board of Directors from 17 December 2014
Non-Executive Director
Member of Remuneration and Nomination Committees

Mr. Nikita Mishin (appointed 15 December 2008)
(Mr Mikhail Loganov is the alternate to Mr Nikita Mishin)
Vice-Chairman of the Board of Directors
Chairman of the Board of Directors until 16 December 2014
Non-Executive Director
Member of Remuneration and Nomination Committees

Mr. Kim Fejfer (appointed 23 January 2013)
(Mrs Iana Boyd Penkova is the alternate to Mr Kim Fejfer)
Non-Executive Director
Member of Remuneration, Nomination and Audit and Risk Committees

Capt. Bryan Smith (appointed 19 August 2008)
Senior Independent Non-Executive Director
Chairman of Remuneration and Nomination Committees

Mrs. Siobhan Walker (appointed 30 May 2011)
Independent Non-Executive Director
Chairman of Audit and Risk Committee

Dr. Alexander Nazarchuk (appointed 15 December 2008)
(Mr. Alexander Iodchin is the alternate to Dr. Alexander Nazarchuk)
Non-Executive Director
Member of Remuneration and Nomination Committees

Mr. Alexander Iodchin (appointed 15 August 2008)
Executive Director

Mr. Mikhail Loganov (appointed 15 December 2008)
Executive Director

Mr. Konstantin Shirokov (appointed 15 December 2008)
Non-Executive Director
Member of Audit and Risk Committee

Ms. Laura Michael (appointed 23 January 2013)
Non-Executive Director

Board of Directors and other officers (continued)

Board of Directors (continued)

Ms. Chrystalla Stylianou (appointed 23 January 2013)
Non-Executive Director

Mr. Constantinos Economides (appointed 27 September 2013)
(Mr. Gerard Jan van Spall is the alternate to Mr. Constantinos Economides since 14 January 2016)
Non-executive Director

Mr. Michalakis Christofides (appointed 30 July 2014)
Non-Executive Director

Mr. Vadim Kryukov (appointed 30 July 2014)
Non-Executive Director

Board support
The Company Secretary is available to advise all Directors to ensure compliance with the Board procedures. Also a procedure is in place to enable Directors, if they so wish, to seek independent professional advice at the Company's expense.

Company Secretary

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

Registered office

20 Omirou Street
Ayios Nicolaos
CY-3095 Limassol
Cyprus

REPORT OF THE BOARD OF DIRECTORS

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") and its subsidiaries and joint-ventures (hereafter collectively referred to as the "Group") for the year ended 31 December 2015. 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

2. The principal activities of the Group, which are unchanged from the previous year, are the operation of container and oil products terminals in Russia and the Baltics. The Group offers its customers a wide range of services for their import and export logistics operations.

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

3. The macro-economic backdrop in Russia remained challenging throughout 2015 affecting consumer demand. Against the backdrop of a macroeconomic slowdown and a sharp devaluation of the Russian rouble, Marine Container Throughput of Russian Ports (on a 100% basis) declined 35% year on year to 1,834 thousand TEU in 2015.
4. The net loss of the Group for the year ended 31 December 2015 was US$(33,679) thousand (2014: net loss US$(197,322) thousand). On 31 December 2015 the total assets of the Group were US$1,519,778 thousand (2014: US$1,913,562 thousand) and the net assets were US$171,932 thousand (2014: US$391,727 thousand). The financial position, development and performance of the Group as presented in these consolidated financial statements are considered satisfactory.

Principal Risks and Uncertainties

5. The Group's financial risk management and critical accounting estimates and judgments are disclosed in Notes 3 and 4 to the consolidated financial statements.
6. The Group's contingencies are disclosed in Note 27 to the consolidated financial statements.
7. The Board has adopted a formal process to identify, evaluate and manage significant risks faced by the Group.

Future Developments of the Group

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

Results

9. The Group's results for the year are set out on pages 14 and 15.

Dividends

10. 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.

Report of the Board of Directors (continued)

Dividends (continued)

11. 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. 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.
12. During the year 2015 the Company did not declare and pay any dividends.
13. The Board of Directors of the Company does not recommend the payment of a final dividend for the year 2015.
14. During the year 2014 the Company declared dividends in the total amount of US$34.39 million (US$0.06 per share). Dividends amounting to US$48.49 million were paid during 2014 including US$14.1 million dividends declared in 2013 and paid in 2014.

Share Capital

Authorised share capital

15. On 29 April 2015 the Company increased its authorised share capital from 431,128,048 ordinary shares and 150,457,316 ordinary non-voting shares to 750,000,000 ordinary shares and 1,000,000,000 ordinary non-voting shares with a par value of US$0.10 each
16. 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

17. 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.
18. 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.

The Role of the Board of Directors

19. GPI is governed by its Board of Directors (hereafter also referred as "the Board") which is collectively responsible to the shareholders for the short- and long-term successful performance of the Group.
20. The Board of Directors' role is to provide entrepreneurial leadership to the Group through setting the corporate strategic objectives, ensuring that the necessary financial and human resources are in place for the Group to meet its objectives and reviewing management performance. The Board sets the Group's values and standards and ensures all obligations to shareholders are understood and met. The Board maintains a sound system of internal control and enterprise risk management to safeguard the Group's assets and shareholders' investments in the Group.

Report of the Board of Directors (continued)

Members of the Board of Directors

21. 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 three years. 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.
22. The Board currently has 14 members and they were appointed as shown on pages 2 and 3.
23. All Directors were members of the Board throughout the year ended 31 December 2015.
24. There is no provision in the Company's Articles of Association for 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 Meetings held 29 April 2013 and 29 April 2015 Mr. Michalakis Christofides and Mr. Vadim Kryukov will continue in office and Mr. Tiemen Meester, Mr. Nikita Mishin, Mr. Kim Fejfer, Capt. Bryan Smith, Mrs. Siobhan Walker, Dr. Alexander Nazarchuk, Mr. Alexander Iodchin, Mr. Mikhail Loganov, Mr. Konstantin Shirokov, Ms. Laura Michael and Ms. Chrystalla Stylianou will be offered for re-election at the next Annual General Meeting of the Shareholders of the Company.
25. Mr. Constantinos Economides has tendered his resignation at the next Annual General Meeting. The Board recommends Mr. Gerard Jan van Spall to be elected as the new member of the Board.
26. Team Nominees Limited has been acting as the Company Secretary since its incorporation in February 2008. Mr. Alexander Iodchin has been acting as the Board Secretary since December 2008.
27. There were no significant changes in the responsibilities of the Directors during 2015 except for resignation of Dr. Alexander Nazarchuk from the position of the Chief Executive Officer and his appointment as a Non-Executive Member of Nominations and Remuneration Committee. Mr. Alexander Iodchin resigned from the Nominations Committee.

Directors' Interests

28. The interests in the share capital of Global Ports Investments Plc, both direct and indirect, of those who were Directors as at 31 December 2015 and 31 December 2014 are shown below:

<table>
<tr><th>Name</th><th>Type of holding</th><th>Shares held at
31 December 2015</th><th>Shares held at
31 December 2014</th></tr>
<tr><td rowspan="2">Nikita Mishin</td><td rowspan="2">Through shareholding in Transportation Investments Holding Limited and other related entities</td><td>39,731,086 ordinary shares</td><td>39,731,086 ordinary shares</td></tr>
<tr><td>15,488,390 ordinary non-voting shares</td><td>15,488,390 ordinary non-voting shares</td></tr>
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Report of the Board of Directors (continued)

Board Performance

29. The Board meets at least four 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.
30. In 2015 the Board met formally 19 (2014: 15) times to review current performance and to discuss and approve important business decisions.
31. In 2015 the Board met to discuss and approve important business decisions:
    a. FY2014 financial statements, 1H2015 interim financial statements and Annual Report;
    b. Changes in Group management;
    c. Management remuneration guidelines;
    d. Review of segments financial and operational performance;
    e. Consideration and approval of 2016 financial budget;
    f. Consideration and approval of major capital expenditures and operating expenditures;
    g. Consideration and approval of various resolutions related to the operations of the Company`s subsidiaries and joint-ventures.

32. The number of Board and Board Committee meetings held in the year 2015 and the attendance of directors during these meetings is as follows:

A = Number of meetings attended

B = Number of meetings eligible to attend during the year

	Board of Directors		*Nomination Committee*		*Remuneration Committee*		*Audit and Risk Committee*	
	A	*B*	*A*	*B*	*A*	*B*	*A*	*B*
Alexander Iodchin	19	19	3	3	-	-	-	-
Bryan Smith	18	19	3	3	7	7	-	-
Nikita Mishin	13	19	3	3	7	7	-	-
Alexander Nazarchuk	19	19	0	0	1	1	-	-
Mikhail Loganov	11	19	-	-	-	-	-	-
Konstantin Shirokov	19	19	-	-	-	-	7	7
Siobhan Walker	18	19	-	-	-	-	7	7
Kim Fejfer	15	19	3	3	6	7	7	7
Tiemen Meester	16	19	3	3	7	7	-	-
Laura Michael	19	19	-	-	-	-	-	-
Chrystalla Stylianou	18	19	-	-	-	-	-	-
Constantinos Economides	10	19	-	-	-	-	-	-
Vadim Kryukov	18	19	-	-	-	-	-	-
Michalakis Christofides	18	19	-	-	-	-	-	-

Report of the Board of Directors (continued)

Board Performance (continued)

33. The operation of the Board, its Committees and individual Directors is subject to regular evaluation. The evaluation of the Board and individual Directors' performance is 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 Committees

34. 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.
35. The Audit and Risk Committee comprises of three Non-Executive Directors, and meets at least four times a year. The Audit and Risk Committee is chaired by Mrs. Siobhan Walker (an Independent Non-Executive Director) and the other members are Mr. Konstantin Shirokov and Mr. Kim Fejfer. The Committee is responsible for considering, among other matters: (i) the integrity of the Company's financial information, including its annual and interim condensed consolidated financial information, and the effectiveness of the Company's internal controls, risk management systems and the work of the Internal Auditor; (ii) auditors' reports; and (iii) the terms of appointment and remuneration of the auditor. The Committee supervises and monitors, and advises the Board of Directors on risk management and control systems and the implementation of codes of conduct. In addition, the Committee supervises the submission of financial information by the Company. The Committee recommends the Board on appointment, re-appointment and removal of the external auditor, reviews its independence, objectivity and effectiveness of the audit process. In addition the Committee implements the policy on the engagement of the external auditors to perform non-audit services.
36. In the year 2015 the Audit and Risk Committee met 7 times to review and discuss inter alia:
    a. Review of the parent financial statements of Global Ports Investments Plc and consolidated financial statements of the Group for 2014 and recommendation for approval of the same to the Board;
    b. Review of the interim condensed consolidated financial statements for the six month period ended 30 June 2015 and recommendation for approval to the Board;
    c. Review of the press releases containing financial information;
    d. Review of the reports prepared by external auditors on significant matters arising from their audit and review procedures;
    e. Review of the fees and terms of engagement of external auditors and recommendation for their approval;
    f. Consideration and approval of non-audit services provided by the external auditors and their fees;
    g. Consideration of the independence of the external auditors and performance and recommendation to the Board to recommend to shareholders to reappoint the external auditor for the next year.
37. The Nomination Committee as of the date of this report comprises five Directors, one of whom is independent. The Committee meets at least once each year. Currently the Nomination Committee is chaired by Capt. Bryan Smith (an Independent Non-Executive Director) and the other members are Mr. Nikita Mishin, Dr. Alexander Nazarchuk (appointed on 11 September 2015), Mr. Kim Fejfer and Mr. Tiemen Meester. Mr. Alexander Iodchin resigned from the position of the member of the Nomination Committee in September 2015.The Committee's role is to prepare selection criteria and appointment procedures for members of the Board of Directors and to review on a regular basis the structure, size, diversity and composition of the Board. In undertaking this role, the Committee refers to the skills, knowledge and experience required of the Board given the Company's stage of development and makes recommendations to directors as to any changes. The Committee also considers future appointments in respect to the composition of the Board of Directors as well as making recommendations regarding the membership of the Audit and Risk Committee and the Remuneration Committee. In addition to it the Committee advises the Board on the appointment of the senior management of the Company.

Report of the Board of Directors (continued)

The Board Committees (continued)

38. In 2015 the Nomination Committee met three times to discuss and recommend to the Board the appointment of senior management of the Group companies.
39. The Remuneration Committee as of the date of this report comprises five Directors, one of whom is independent. The Committee meets at least once each year. Currently the Remuneration Committee is chaired by Capt. Bryan Smith (an Independent Non-Executive Director), and the other members are Mr. Nikita Mishin, Dr. Alexander Nazarchuk (appointed on 11 September 2015), Mr. Kim Fejfer and Mr. Tiemen Meester. The Committee is responsible for determining and reviewing the remuneration of the executive directors, Chairman and the executive management and the Company's remuneration policies. The remuneration of independent Directors is a matter for the chairman of the Board of Directors and the executive directors. No director or manager may be involved in any decisions as to his or her own remuneration.
40. In 2015 the Remuneration Committee met seven times to discuss and recommend to the Board the Group management remuneration guidelines and the remuneration for the executive management of the Group.

Corporate Governance

41. Improving its corporate governance structure in accordance with the internationally recognised best practices the Company adopted in 2008, 2012 and 2015 important policies and procedures.
42. 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 Committee;
    - Terms of reference of the Nomination Committee;
    - Terms of reference of the Remuneration Committee;
    - Code of Ethics and Conduct;
    - Antifraud policy;
    - Anti-Corruption Policy;
    - Foreign Trade Controls Policy;
    - Insurance Standard; and
    - Charity and Sponsorship Policy.

Board and Management Remuneration

43. 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.
44. Levels of remuneration for the 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.
45. The shareholders of the Company approved the remuneration of the members of the Board on 29 April 2013.
46. Refer to Note 30(g) to the consolidated financial statements for details of the remuneration paid to the members of the Board and key management.

Events after the balance sheet date

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

Report of the Board of Directors (continued)

Branches

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

Treasury shares

49. 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

50. 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 budget for 2016 and the latest forecasts, including cash flows and borrowing facilities, the Directors consider that the Group has adequate resources to continue in operation for the foreseeable future.

Auditors

51. The Independent Auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. A resolution approving their reappointment and giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

Tiemen Meester

Chairman of the Board of Directors

10 March 2016

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of Global Ports Investments Plc ("Company") is responsible for preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and the requirements of the Cyprus Companies Law, Cap. 113.

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

Each of the Directors confirms to the best of his or her knowledge that the consolidated financial statements which are presented on pages 14 to 79 have been prepared in accordance with IFRS as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113, and give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as whole.

By Order of the Board

Konstantin Shirokov
Director

Alexander Iodchin
Director

Limassol
10 March 2016

Independent Auditor's Report
To the Members of Global Ports Investments Plc

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Global Ports Investments Plc (the "Company"), its subsidiaries and joint ventures (together with the Company, the "Group"), which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The 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.

Auditor's responsibility

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

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

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

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Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap 113.

Report on other legal and regulatory requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the consolidated financial statements.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 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.

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

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Limassol, 10 March 2016

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

(in thousands of US dollars)

	Note	For the year ended 31 December 2015	2014
Revenue	5	405,692	562,382
Cost of sales	6	(176,367)	(231,476)
incl. impairment of property, plant and equipment		*(46,686)*	-
Gross profit		229,325	330,906
Administrative, selling and marketing expenses	6	(42,343)	(55,169)
Share of profit/(loss) of joint ventures accounted for using the equity method	26	3,812	(7,653)
Other (losses)/gains – net	7	(6,039)	10,539
Operating profit		184,755	278,623
Finance income	9	1,560	1,276
Finance costs	9	(60,146)	(90,481)
Change in fair value of derivative	9	(5,488)	-
Net foreign exchange losses on financial activities	9	(150,995)	(418,543)
Finance costs – net	9	(215,069)	(507,748)
Loss before income tax		(30,314)	(229,125)
Income tax (expense)/credit	10	(3,365)	31,803
Loss for the year		(33,679)	(197,322)
Attributable to:			
Owners of the Company		(25,138)	(193,140)
Non-controlling interest		(8,541)	(4,182)
		(33,679)	(197,322)
Basic and diluted earnings per share for profit attributable to the owners of the parent of the Company during the year (expressed in US$ per share)	12	(0.04)	(0.34)

The notes on pages 19 to 79 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

(in thousands of US dollars)	Note	For the year ended 31 December 2015	2014
Loss for the year		(33,679)	(197,322)
Other comprehensive loss			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		(123,463)	(478,746)
Share of currency translation differences of joint ventures accounted for using the equity method	26	(24,711)	(52,213)
Fair value losses on cash flow hedge		(20,577)	(84,088)
Reclassification to income statement of realised gains on cash flow hedge	23	(235)	(391)
Reclassification to income statement of a gain on cash flow hedge termination	23	(13,491)	-
Total items that can be reclassified subsequently to profit or loss		(182,477)	(615,438)
Items that may not be subsequently reclassified to profit or loss			
Share of currency translation differences attributable to non-controlling interest		(3,639)	(12,756)
Total items that cannot be reclassified subsequently to profit or loss		(3,639)	(12,756)
Other comprehensive loss for the year, net of tax		(186,116)	(628,194)
Total comprehensive loss for the year		(219,795)	(825,516)
Total comprehensive loss attributable to:			
Owners of the Company		(207,615)	(808,578)
Non-controlling interest		(12,180)	(16,938)
Total comprehensive loss for the year		(219,795)	(825,516)

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 19 to 79 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2015

(in thousands of US dollars)

	Note	As at 31 December 2015	2014
ASSETS			
Non-current assets		1,360,300	1,780,039
Property, plant and equipment	14	499,145	732,235
Intangible assets	15	622,686	822,247
Investments in joint ventures	26	167,815	188,340
Prepayments for property, plant and equipment	14	3,357	4,431
Deferred tax assets	24	66,021	30,701
Trade and other receivables	19	1,276	2,085
Current assets		159,478	133,523
Inventories	18	3,825	4,996
Trade and other receivables	19	29,800	41,258
Income tax receivable		2,718	8,461
Cash and cash equivalents	20	123,135	78,808
TOTAL ASSETS		1,519,778	1,913,562
EQUITY AND LIABILITIES			
Total equity		171,932	391,727
Equity attributable to the owners of the Company		158,701	366,316
Share capital	21	57,317	57,317
Share premium	21	923,511	923,511
Capital contribution		101,300	101,300
Currency translation reserve		(834,935)	(686,761)
Cash flow hedge reserve	23	(118,782)	(84,479)
Transactions with non-controlling interest		(209,122)	(209,122)
Retained earnings		239,412	264,550
Non-controlling interest		13,231	25,411
Total liabilities		1,347,846	1,521,835
Non-current liabilities		1,217,605	1,376,266
Borrowings	22	1,062,371	1,073,668
Derivative financial instruments	23	5,360	102,840
Deferred tax liabilities	24	149,874	199,758
Current liabilities		130,241	145,569
Borrowings	22	103,029	109,975
Trade and other payables	25	26,897	24,675
Current income tax liabilities		315	10,919
TOTAL EQUITY AND LIABILITIES		1,519,778	1,913,562

On 10 March 2016 the Board of Directors of Global Ports Investments Plc authorised these consolidated financial statements for issue.

Alexander Iodchin, Director

Konstantin Shirokov, Director

The notes on pages 19 to 79 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

(in thousands of US dollars)		Attributable to the owners of the Company									
	Note	Share capital	Share premium	Capital contribution	Translation reserve	Cash flow hedge reserve	Transactions with non-controlling interest	Retained earnings*	Total	Non-controlling interest	Total
Balance at 1 January 2014		57,317	923,511	101,300	(155,802)	-	(210,376)	492,080	1,208,030	(15,353)	1,192,677
Total other comprehensive loss		-	-	-	(530,959)	(84,479)	-	-	(615,438)	(12,756)	(628,194)
Loss for the year		-	-	-	-	-	-	(193,140)	(193,140)	(4,182)	(197,322)
Total comprehensive loss for the year ended 31 December 2014		-	-	-	(530,959)	(84,479)	-	(193,140)	(808,578)	(16,938)	(825,516)
Transactions with non-controlling interest	29	-	-	-	-	-	1,254	-	1,254	(1,257)	(3)
Conversion of borrowings to share capital in a subsidiary with non-controlling interest	29	-	-	-	-	-	-	-	-	58,959	58,959
Distributions to shareholders	13	-	-	-	-	-	-	(34,390)	(34,390)	-	(34,390)
Total transactions with owners for the year ended 31 December 2014		-	-	-	-	-	1,254	(34,390)	(33,136)	57,702	24,566
Balance at 31 December 2014		57,317	923,511	101,300	(686,761)	(84,479)	(209,122)	264,550	366,316	25,411	391,727
Total other comprehensive loss		-	-	-	(148,174)	(34,303)	-	-	(182,477)	(3,639)	(186,116)
Loss for the year		-	-	-	-	-	-	(25,138)	(25,138)	(8,541)	(33,679)
Total comprehensive loss for the year ended 31 December 2015		-	-	-	(148,174)	(34,303)	-	(25,138)	(207,615)	(12,180)	(219,795)
Balance at 31 December 2015		57,317	923,511	101,300	(834,935)	(118,782)	(209,122)	239,412	158,701	13,231	171,932

*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 19 to 79 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

(in thousands of US dollars)	Note	For the year ended 31 December 2015	2014
Cash flows from operating activities			
Loss before income tax		(30,314)	(229,125)
Adjustments for:			
Depreciation of property, plant and equipment	14	42,794	75,902
Impairment of property, plant and equipment	14	46,686	-
(Profit)/loss on sale of property, plant and equipment	14	(2,722)	323
Write off of property, plant and equipment	14	950	2,413
Amortisation of intangible assets	15	14,498	24,268
Interest income	9	(1,560)	(1,276)
Interest expense	9	60,146	90,481
Share of (profit)/loss in jointly controlled entities	26	(3,812)	7,653
Change in fair value of swap	9	5,488	
Foreign exchange differences on non-operating activities		160,354	438,029
Other non-cash items		(289)	1,170
Operating cash flows before working capital changes		292,219	409,838
Changes in working capital			
Inventories		38	(49)
Trade and other receivables		6,421	(2,924)
Trade and other payables		(1,362)	(18,495)
Cash generated from operations		297,316	388,370
Dividends received from joint ventures		10,406	9,535
Income tax paid		(59,699)	(62,690)
Net cash from operating activities		248,023	335,215
Cash flows from investing activities			
Contingent consideration paid		-	(61,603)
Purchase of shareholdings from non-controlling interests	29	-	(3)
Purchases of intangible assets	15	(100)	(211)
Purchases of property, plant and equipment	14	(11,733)	(23,568)
Proceeds from sale of property, plant and equipment	14	8,708	1,743
Loans granted to related parties	30(h)	(8,690)	(12,486)
Loan repayments received from related parties		477	504
Interest received		1,528	1,308
Cash from bank deposits with maturity over 90 days		-	989
Net cash used in investing activities		(9,810)	(93,327)
Cash flows from financing activities			
Proceeds from borrowings		285,061	367,308
Repayments of borrowings		(398,624)	(460,812)
incl. payment under interest rate and cross-currency exchange rate swap linked to the bank loan repaid		*(125,580)*	-
Interest paid		(74,406)	(92,151)
Proceeds from the issue of shares by a subsidiary to non-controlling interest	29	-	12,827
Finance lease principal payments (third parties)		(4,426)	(12,288)
Dividends paid to the owners of the Company	13	-	(48,490)
Net cash used in financing activities		(192,395)	(233,606)
Net increase in cash and cash equivalents		45,818	8,282
Cash and cash equivalents at beginning of the year		78,808	113,219
Exchange losses on cash and cash equivalents		(1,491)	(42,693)
Cash and cash equivalents at end of the year	20	123,135	78,808

The notes on pages 19 to 79 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".

On 27 December 2013, GPI completed the acquisition of 100% of the share capital of NCC Group Limited, (together with its subsidiaries, "NCC Group").

Approval of the consolidated financial statements

These consolidated financial statements were authorised for issue by the Board of Directors on 10 March 2016.

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 oil products terminals in Russia and the Baltics. 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, First Container Terminal (FCT, Ust-Luga Container Terminal (ULCT) and Moby Dik in the St. Petersburg and Ust-Luga port cluster, and Vostochnaya Stevedoring Company (VSC) in Port of Vostochny.
- two container terminals in Finland – Multi-Link Terminals Helsinki and Multi-Link Terminals Kotka.
- inland Yanino Logistics Park (YLP) and inland Logistika-Terminal, both located in the vicinity of St. Petersburg.
- oil product terminal AS Vopak E.O.S. that is located in Estonia.

See also Note 5 for the description of segmental information of the Group.

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

- MLT and CD Holding groups are joint ventures with Container Finance OY where the Company has 75% effective ownership interest (Note 26). Moby Dik (a container terminal in the vicinity of St. Petersburg) and Multi-Link Terminals (a container terminal in Vuosaari (near Helsinki, Finland) and a container terminal in Kotka, Finland) constitute the MLT group. Yanino Logistics Park (an inland container terminal in the vicinity of St. Petersburg), CD Holding and some other entities constitute the CD Holding group.
- AS Vopak E.O.S. and its subsidiaries (VEOS) is a joint venture with Royal Vopak, the world's largest independent tank storage provider, specialising in the storage and handling of liquid chemicals, gasses and oil products, where the Company has a 50% effective ownership interest (Note 26). VEOS facilities are located in Estonia.
- 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 29).

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 2015 have been adopted by the EU through the endorsement procedure established by the European Commission with the exception of certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting.

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 the new and revised IFRS as adopted by the EU that are relevant to its operations and are effective for accounting periods beginning on 1 January 2015. The adoption did not have a material effect on the accounting policies of the Group.

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 2015, 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, except the following set out below:

(a) Adopted by the European Union

- Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016; EU effective date 1 January 2016). This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The Group is currently assessing the impact of the new standard on its financial statements.
- Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016; EU effective date 1 January 2016). In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Group is currently assessing the impact of the new standard on its financial statements.

  Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016; EU effective date 1 January 2016). The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards. The Group is currently assessing the impact of the new standard on its financial statements.

Notes to the consolidated financial statements (continued)

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

New standards and interpretations not yet adopted by the Group (continued)

(a) Adopted by the European Union (continued)

- Annual Improvements to IFRSs 2012-2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016; EU effective date 1 February 2016). The amendments impact 4 standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale ore distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The Group is currently assessing the impact of these changes on its financial statements.
- Annual Improvements to IFRSs 2010-2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below; EU effective date 1 January 2016). The improvements consist of changes to seven standards. IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014. IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014. IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported. The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial. IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. The Group is currently assessing the impact of these changes on its financial statements.

Notes to the consolidated financial statements (continued)

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

New standards and interpretations not yet adopted (continued)

(b) Not yet adopted and not yet endorsed by the European Union

- IFRS 9 "Financial Instruments: Classification and Measurement" (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:
  - Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
  - Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
  - Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
  - Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
  - IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
  - Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.
- IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.

Notes to the consolidated financial statements (continued)

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

New standards and interpretations not yet adopted (continued)

(b) Not yet adopted and not yet endorsed by the European Union (continued)

- IFRS 16 "Leases" (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Board of Directors assesses the impact of new standards and interpretations at the point when these are endorsed by the European Union. As a result the impact of the above new standards and interpretations that have not been endorsed by the European Union has not been assessed.

There are no other IFRSs or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Group.

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.

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 as 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.

Notes to the consolidated financial statements (continued)

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

Basis of consolidation (continued)

(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. 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 IAS 39 to determine whether any additional impairment loss needs to be recognised in respect of loans given to joint ventures.

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.

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.

Transactions with equity holders

The Group enters into transactions with its shareholders. When consistent with the nature of the transaction (i.e. when these transactions are not at arm's length prices), the Group's accounting policy is to recognise any gains or losses with equity holders, 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 parent company, are recognised through the income statement.

Notes to the consolidated financial statements (continued)

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

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. 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.

Revenues earned by the Group are recognised on the following bases:

(a) Sales of services

The Group provides container handling, general cargoes handling, ro-ro cargoes handling, reefer cargoes handling, oil products handling and other related stevedoring services. Revenue from rendering of services is recognised based on the stage of completion determined by reference to services performed to date as a percentage of total services to be provided. If the income from rendering of services cannot be reliably measured, only the income up to the level of the expenses to be claimed is recognised.

(b) Sales of goods

The Group sells unused materials and goods. These sales are ex works from the sales of the terminals and with usual payment terms. Revenue from the sale of goods is recognised when the customer takes the goods out of the territory of the terminal (i.e. risks and rewards of ownership are transferred to the buyer).

(c) Rental income

See accounting policy for leases below.

(d) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method and is included within finance income.

(e) Dividend income

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

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'.

Notes to the consolidated financial statements (continued)

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

Foreign currency translation (continued)

(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.

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.

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.

Notes to the consolidated financial statements (continued)

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

Property, plant and equipment ("PPE") (continued)

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.

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 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.

(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 5 years). Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

(c) Client base

Client base (mainly customer relationships) acquired as a result of business combinations is at the cost of acquisition. Client base have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of client base over their estimated useful lives (11 years).

(d) Contractual rights

Contractual rights acquired as a result of business combinations are shown at the cost of acquisition. Contractual rights relate primarily to quay and land lease agreements. These contractual rights are renewable. Contractual rights have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of contractual rights over their estimated useful lives (being up to 57 years as of 31 December 2015) which are in accordance with the underlying agreements, including renewal periods whenever renewal is at no significant cost and the Group has evidence, based on past experience that the contract will be renewed.

Notes to the consolidated financial statements (continued)

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

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.

Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments, the right to use an asset for an agreed period of time.

The Group is the lessee

(a) Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

(b) 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. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

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.

Loans and receivables

The Group classifies its financial assets as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the balance sheet date.

These are classified as non-current assets. The Group's loans and receivables comprise cash and cash equivalents, bank deposits with maturity over 90 days, trade and other receivables and loans to related and third parties.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Notes to the consolidated financial statements (continued)

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

Loans and receivables (continued)

Loans and receivables are initially recognised at fair value plus transaction costs. Loans and receivables are derecognised when the rights to receive cash flows from the loans and receivables have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor/borrower, probability that the debtor/borrower will enter bankruptcy or financial difficulty, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the income statement against 'administrative, selling and marketing expenses'.

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 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 (cross currency swaps) are presented in the income statement within "change in fair value of derivative" as part of Finance costs - net.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 23. 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

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

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.

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.

Notes to the consolidated financial statements (continued)

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

Provisions and contingent liabilities (continued)

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 over the period of the borrowings using the effective interest method.

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.

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.

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.

Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned on a straight line basis over the life of the guarantee and the probability of realising the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of management. Any increase in the liability relating to guarantees is taken to the income statement in 'other gains/(losses) – net'.

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.

Notes to the consolidated financial statements (continued)

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

Income taxes (continued)

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.

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 which 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.

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.

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)

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 when future commercial transactions or recognised assets or liabilities are denominated in the currency different from the functional currency of each of the entities of the Group.

The Group uses from time to time interest and foreign currency swaps (derivatives) to manage its exposures to foreign exchange risk. The Group may designate such derivatives as hedges of probable forecasted sales.

The Group will continue to review its borrowing policy in order to maintain a balance between term and interest rate of available financing and its currency.

The below tables 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 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 and Euro interest rates are relatively more attractive compared to the Russian Rouble interest rate. The whole amount of the long-term debt of the Group originates from companies operating in Russia (Russian operations). The revenues of Russian operations are mainly priced in US Dollars and Russian Roubles, whereas most of expenses are denominated and settled in Russian Roubles.

The analysis below does not cover borrowings in joint ventures as they are not included in the financial position of the Group.

The carrying amount of financial assets and liabilities in Russian operations denominated in US dollars are as follows:

(in thousands of US dollars)

	As at 31 December	
	2015	2014
Assets	110,001	66,461
Liabilities	1,174,513	1,056,599
Capital commitments	-	-

Had US dollar exchange rate strengthened/weakened by 30% against the Russian Rouble and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2015, would have (decreased)/increased by US$255,483 thousand (2014: 30% change, effect US$237,633 thousand) and the equity would have (decreased)/increased by US$255,483 thousand (2014: 30% change, effect US$266,950 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of lease liabilities, loans, borrowings, cash and cash equivalents and accounts receivable denominated in US dollars.

(i) Foreign exchange risk (continued)

The carrying amount of financial assets and liabilities in Russian operations denominated in Euros as at 31 December 2015 and 31 December 2014 are as follows:

(in thousands of US dollars)	As at 31 December	
	2015	2014
Assets	3,654	372
Liabilities	-	-
Capital commitments	6,717	7,870

Notes to the consolidated financial statements (continued)

3 Financial risk management (continued)

Financial risk factors (continued)

(a) Market risk (continued)

Had Euro exchange rate strengthened/weakened by 30% 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 2015, would have (decreased)/increased by US$877 thousand (2014: 30% change, effect US$89 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of lease liabilities, loans, borrowings, cash and cash equivalents and accounts receivable denominated in Euros.

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are exposed to changes in market interest rates arising mainly from floating rate cash and cash equivalents and borrowings. In addition the Group is exposed to fair value interest rate risk through market value fluctuations of loans receivable, borrowings and lease liabilities with fixed rates.

Lease and long-term borrowing contracts of the Group are concluded to finance the purchase of property, plant and equipment. While analysing new investment projects and concluding credit facility agreements, loan agreements and lease contracts, various scenarios are developed taking into account terms of refinancing and alternative financing sources. Based on these scenarios the Group measures the impact of a definite change in interest rate on profit or loss and selects the financing model that allows maximizing the estimated future profit.

Had market interest rates on US dollars, Euro and Russian Rouble denominated floating interest bearing financial assets and liabilities shift by 100 basis points and all other variables remained unchanged, the post tax profit of the Group would have decreased by US$8,412 thousand for the year ended 31 December 2015 (2014: US$10,042 thousand).

The Group obtains borrowings at current market interest rates and usually does not hedge the interest rate risk. In the course of NCC Acquisition the Group has inherited a cross-currency interest rate swap (see Note 23(i)).

Management monitors changes in interest rates and takes steps to mitigate these risks as far as practicable and economically feasible by ensuring the Group has financial liabilities with both floating and fixed interest rates.

(b) Credit risk

Financial assets, which potentially subject the Group to credit risk, consist principally of trade receivables and loans receivable (Note 19) and cash and cash equivalents (Note 20). 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 62% and 56% of the Group's revenue for the year ended 31 December 2015 and 2014, respectively.

The table below summarises the analysis of trade and accounts receivables under contractual terms of settlement at the balance sheet date.

(in thousands of US dollars)

	Fully performing	Past due	Impaired	Impairment provision	Total
As at 31 December 2015					
Trade receivables	14,798	3,997	-	-	18,795
Loans receivable	1,638	174	-	-	1,812
Other receivables	4,559	-	-	-	4,559
Total	20,995	4,171	-	-	25,166
As at 31 December 2014					
Trade receivables	22,061	2,411	-	-	24,472
Loans receivable	2,464	-	-	-	2,464
Other receivables	7,366	-	-	-	7,366
Total	31,891	2,411	-	-	34,302

Notes to the consolidated financial statements (continued)

3 Financial risk management (continued)

Financial risk factors (continued)

(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. Group finance 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$123,135 thousand (31 December 2014: US$78,808 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.

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 2015 and 2014. 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 2015								
Borrowings	4,983	22,787	53,392	92,205	198,617	1,037,709	44,062	1,453,755
Trade and other payables	3,273	15,444	-	1,019	-	-	-	19,736
Derivative financial instruments	-	-	(1,982)	(1,792)	(3,116)	12,250	-	5,360
Total	8,256	38,231	51,410	91,432	195,501	1,049,959	44,062	1,478,851
As at 31 December 2014								
Borrowings	6,081	32,195	36,134	70,224	157,016	805,729	272,410	1,379,789
Trade and other payables	4,533	9,694	-	-	-	-	-	14,227
Derivative financial instruments	-	(5,248)	(3,756)	(6,074)	55,176	62,742	-	102,840
Total	10,614	36,641	32,378	64,150	212,192	868,471	272,410	1,496,856

(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	
	2015	2014
Total borrowings	1,165,400	1,183,643
Total capitalisation	1,337,332	1,575,370
Total borrowings to total capitalisation ratio (percentage)	87%	75%

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 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.

Financial instruments carried at fair value are valued by 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 only financial instrument carried at fair value is disclosed in Note 23. It is valued using Level 2 from the table above.

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.

(a) 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:

(i) Determination of useful lives and residual value of property, plant and equipment and intangible assets

The estimation of the useful lives and residual values of items of property, plant and equipment is a matter of judgement based on experience with similar assets. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives and residual values in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions. Reviews at each balance sheet date indicate whether there is a need for changes in estimations and assumptions as a result of which the useful lives and residual values need to be adjusted accordingly. The carrying amount of property, plant and equipment of the Group was US$499,145 thousand (31 December 2014: US$732,235 thousand). If depreciation rates were increased by 10%, the carrying amount of property, plant and equipment would decrease by around US$4,279 thousand (2014: US$7,590 thousand).

Notes to the consolidated financial statements (continued)

4 Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and assumptions (continued)

(ii) Estimated impairment of goodwill and property, plant and equipment and investments in joint ventures

The Group follows its accounting policies to test goodwill and other non-financial assets for possible impairment or reversal of impairment.

Estimating discounted future cash flows requires making judgments about long-term forecasts of future revenues and costs related to the assets subject to review. 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. Based on the current world-wide economic circumstances and also taking into account developments within the Russian Federation, the Group performed a test of the estimated recoverable amount of the cash-generating units (CGUs), compared to their carrying value.

In the course of the preparation of the interim condensed financial information for the six month period ended 30 June 2015 forecasts used for estimating discounted future cash flows for impairment testing purposes as of 31 December 2014 have been updated.

Based on the results of the impairment tests carried out an impairment charge of US$46,686 thousand for ULCT CGU was recognised resulting in the carrying amount of the CGU being written down to its recoverable amount. The impairment charge was fully allocated to property, plant and equipment (Note 14).

In the course of the preparation of the current consolidated financial statements the impairment test models have been revised.

For all CGUs, except for ULCT, cash flow projections cover a period of five years based on the assumptions of the next 12 months. In case of ULCT cash flow projections cover a nine year period reflecting the fact that this terminal started its operations recently and still remains in its ramp-up stage. Cash flows beyond that five-year (nine-year period in case of ULCT) 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 a terminal growth rate of 3 % has been applied (2014: 3%). For projections prepared for VEOS CGU as at 31 December 2015 a terminal growth rate of 2% was applied (2014: 2%). The discount rate applied for Russian ports CGUs in projections prepared as at 31 December 2015 is 12.1% (2014: 12.9%) and for VEOS the discount rate is 9.1% (2014: 10.1%).

Key assumptions for all CGUs 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. The growth rates for VEOS revenues are conservatively estimated to be very moderate in view of the competitive environment. For CGUs in the Russian ports segment 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. 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 carried out in 2015, the Board of Directors believes that there is no requirement for further impairments or indications for reversal of impairments recognised in previous periods for non-financial assets other than goodwill.

For all units except for ULCT management believes that any reasonably possible change in the key assumptions on which these units' recoverable amounts are based would not cause carrying amounts of these units to exceed their recoverable amounts. For ULCT CGU minor changes in any of the abovementioned parameters may lead to substantial changes in the recoverable amount of this CGU.

For ULCT CGU, if the estimated volumes handled each year are 20% lower, or the revenue per TEU each year 5% lower, then a further impairment of property, plant and equipment would arise amounting to US$4 million and US$19 million respectively. Reasonable changes in discounting rate and terminal rate do not lead to significant additional impairment.

Notes to the consolidated financial statements (continued)

4 Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and assumptions (continued)

(iii) Determination of useful lives of contractual rights

The estimation of the useful lives of lease contractual rights is a matter of judgement based on experience with similar occasions. The remaining useful lives of contractual rights is up to 57 years as at 31 December 2015. In determining the useful lives management takes into account several factors such as applicable laws and regulations, the ability of renewal of such contractual rights and the date of expiration of the contractual agreements. If the amortisation period was reduced by 10% the carrying amount would decrease by around US$1,450 thousand (2014: US$2,427 thousand).

(iv) Tax legislation

Russian tax, currency and customs legislation is subject to varying interpretations (Note 27).

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 which are usually and 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; the accounting records are all prepared using the same accounting policies as those used for the preparation of these consolidated financial statements 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 and the netting off of deferred tax assets and liabilities. For the purposes of the internal reporting, joint ventures are assessed on a 100% ownership basis. Therefore there are no changes in the basis of measurement of segment profit or loss compared to prior years.

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 (VEOS and MLT and CD 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 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.

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Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The brief description of segments is as follows:

Russian ports

The segment consists of the following operating units:

- Petrolesport, Farwater (PLP) and various other entities (including some intermediate holdings) that own and manage a container terminal in St. Petersburg port, North-West Russia. PLP is engaged in handling of containers, ro-ro, general cargo and scrap metal.
- First Container Terminal (FCT), the biggest container terminal in Russia, located in St. Petersburg port, North-West Russia.
- 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.
- Logistika-Terminal (LT), an in-land container terminal in Shushary near St. Petersburg, North-West Russia.
- Yanino Logistic Park (YLP) being an in-land container terminal in Yanino near St. Petersburg, North-West Russia.

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.

VEOS

The segment consists of AS Vopak E.O.S., various other entities and the intermediate holding company that own and manage an oil products terminal in Muuga port near Tallinn, Estonia.

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 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, Finnish ports and VEOS. In the financial statements the financial position and financial results of these segments are incorporated using the proportionate consolidation method (using respectively 75%, 75%, 75% and 50% proportion). In the current segment reporting the information is presented on the 100% basis and then the 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 regular transactions between segments except for transactions between MD, Finnish ports and YLP. In addition there are transactions between other segments 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 2015 are as follows:

(in thousands of US dollars)

	Russian ports	VEOS	Finnish ports	Total operating segments	Holdings	Reconciliation adjustments: Effect of proportionate consolidation	Reconciliation adjustments: Other adjustments	Group as per proportionate consolidation
Sales to third parties	439,095	86,285	19,546	544,926	-	(56,388)	-	488,538
Inter-segment revenue	65	-	45	110	-	(11)	(99)	-
Total revenue	439,160	86,285	19,591	545,036	-	(56,399)	(99)	488,538
Cost of sales	(190,721)	(66,949)	(17,223)	(274,893)	-	41,374	34	(233,485)
incl. impairment of property, plant and equipment	*(46,686)*	-	-	*(46,686)*	-	-	-	*(46,686)*
Administrative, selling and marketing expenses	(18,889)	(8,504)	(1,027)	(28,420)	(25,380)	4,961	65	(48,774)
Other (losses)/gains – net	(4,668)	73	(612)	(5,207)	8,816	125	(10,220)	(6,486)
Operating profit	224,882	10,905	729	236,516	(16,564)	(9,939)	(10,220)	199,793
Finance costs – net	(220,496)	(1,189)	(272)	(221,957)	970	2,011	71	(218,905)
incl. interest income	*2,317*	*31*	-	*2,348*	*4,198*	*(38)*	*(4,922)*	*1,586*
incl. interest expenses	*(65,861)*	*(1,208)*	*(261)*	*(67,330)*	*(1,772)*	*1,544*	*4,922*	*(62,636)*
incl. net foreign exchange losses on financing activities	*(151,464)*	*(11)*	*(11)*	*(151,486)*	*(1,457)*	*457*	*119*	*(152,367)*
Profit/(loss) before income tax	4,386	9,716	457	14,559	(15,594)	(7,928)	(10,149)	(19,112)
Income tax expense	(8,244)	(1,946)	(336)	(10,526)	(759)	2,469	-	(8,816)
Profit/(loss) after tax	(3,858)	7,770	121	4,033	(16,353)	(5,459)	(10,149)	(27,928)
CAPEX* on cash basis	12,073	2,073	3,483	17,629	66	(2,013)	-	15,682

*CAPEX represents purchases of property, plant and equipment

Included within 'Other adjustments' on the line 'Other gains - net' is the elimination of intragroup dividends.

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The reconciliation of results for the year ended 31 December 2015 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
Sales to third parties	488,538	(82,846)	405,692
Inter-segment revenue	-	-	-
Total revenue	488,538	(82,846)	405,692
Cost of sales	(233,485)	57,118	(176,367)
incl. impairment of property, plant and equipment	*(46,686)*	-	*(46,686)*
Administrative, selling and marketing expenses	(48,774)	6,431	(42,343)
Share of profit/(loss) of joint ventures accounted for using the equity method	-	3,812	3,812
Other (losses)/gains – net	(6,486)	447	(6,039)
Operating profit	199,793	(15,038)	184,755
Finance costs - net	(218,905)	3,836	(215,069)
incl. interest income	*1,586*	*(26)*	*1,560*
incl. interest expenses	*(62,636)*	*2,490*	*(60,146)*
incl. net foreign exchange losses on financing activities	*(152,367)*	*1,372*	*(150,995)*
Loss before income tax	(19,112)	(11,202)	(30,314)
Income tax (expense)/credit	(8,816)	5,451	(3,365)
Loss for the year	(27,928)	(5,751)	(33,679)
CAPEX on cash basis	15,682	(3,949)	11,733

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The segment items operating expenses for the year ended 31 December 2015 are as follows:

(in thousands of US dollars)

	Russian ports	VEOS	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	46,582	20,537	2,610	69,729	44	(11,878)	-	57,895
Amortisation of intangible assets	14,698	1,042	-	15,740	-	(570)	-	15,170
Impairment of property, plant and equipment	46,686	-	-	46,686	-	-	-	46,686
Staff costs	50,319	16,503	7,323	74,145	17,576	(11,377)	-	80,344
Transportation expenses	7,386	15,810	2,496	25,692	-	(8,801)	-	16,891
Fuel, electricity and gas	7,601	12,388	689	20,678	7	(6,643)	-	14,042
Repair and maintenance of property, plant and equipment	9,086	3,105	1,456	13,647	69	(2,379)	-	11,337
Total	182,358	69,385	14,574	266,317	17,696	(41,648)	-	242,365
Other operating expenses	27,252	6,068	3,676	36,996	7,684	(4,687)	(99)	39,894
Total cost of sales, administrative, selling and marketing expenses	209,610	75,453	18,250	303,313	25,380	(46,335)	(99)	282,259

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The reconciliation of operating expenses for the year ended 31 December 2015 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	57,895	(15,101)	42,794
Amortisation of intangible assets	15,170	(672)	14,498
Impairment of property, plant and equipment	46,686	-	46,686
Staff costs	80,344	(17,628)	62,716
Transportation expenses	16,891	(10,591)	6,300
Fuel, electricity and gas	14,042	(7,538)	6,504
Repair and maintenance of property, plant and equipment	11,337	(4,034)	7,303
Total	242,365	(55,564)	186,801
Other operating expenses	39,894	(7,985)	31,909
Total cost of sales, administrative, selling and marketing expenses	282,259	(63,549)	218,710

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The segment assets and liabilities as at 31 December 2015 are as follows:

(in thousands of US dollars)

						Reconciliation adjustments		
	Russian ports	VEOS	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)	535,067	171,912	8,913	715,892	92	(96,349)	-	619,635
Investments in joint ventures	-	-	-	-	165,844	-	(165,844)	-
Intangible assets	645,249	55,758	3,723	704,730	-	(8,981)	-	695,749
Other non-current assets	1,151,126	-	115,644	1,266,770	1,156,437	(30,893)	(2,390,471)	1,843
Inventories	4,430	2,304	-	6,734	-	(1,303)	-	5,431
Trade and other receivables (including income tax prepayment)	72,282	26,947	3,203	102,432	18,005	(14,083)	(58,861)	47,493
Cash and cash equivalents	117,883	4,248	2,934	125,065	9,944	(4,028)	-	130,981
Total assets	2,526,037	261,169	134,417	2,921,623	1,350,322	(155,637)	(2,615,176)	1,501,132
Long-term borrowings	1,145,352	12,052	4,178	1,161,582	144,852	(11,154)	(216,455)	1,078,825
Other long-term liabilities	93,634	1,957	327	95,918	-	(1,940)	(904)	93,074
Trade and other payables	21,403	21,051	2,436	44,890	18,899	(10,381)	(16,413)	36,995
Short-term borrowings	130,954	13,623	1,751	146,328	29,119	(10,632)	(43,829)	120,986
Other short-term liabilities	278	2,557	98	2,933	310	(1,373)	-	1,870
Total liabilities	1,391,621	51,240	8,790	1,451,651	193,180	(35,480)	(277,601)	1,331,750
Non-controlling interest	13,231	-	-	13,231	-	-	-	13,231

Included within 'Russian ports', 'Finnish ports' and 'Holdings' segments 'Other non-current assets' are investments in subsidiaries and joint ventures in the total amount of US$1,004,924 thousand, US$115,484 thousand and US$1,082,211 thousand respectively (fully eliminated on consolidation).

Included within 'Russian ports' and 'Holdings' segments there are intragroup 'Other non-current assets', 'Trade and other receivables' and 'Borrowings' in the total amount of US$175,240 thousand which are 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 2015 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)	619,635	(117,133)	502,502
Investments in joint ventures	-	167,815	167,815
Intangible assets	695,749	(73,063)	622,686
Other non-current assets	1,843	65,454	67,297
Inventories	5,431	(1,606)	3,825
Trade and other receivables (including income tax prepayment)	47,493	(14,975)	32,518
Cash and cash equivalents	130,981	(7,846)	123,135
Total assets	1,501,132	18,646	1,519,778
Long-term borrowings	1,078,825	(16,454)	1,062,371
Other long-term liabilities	93,074	62,160	155,234
Trade and other payables	36,995	(10,098)	26,897
Short-term borrowings	120,986	(17,957)	103,029
Other short-term liabilities	1,870	(1,555)	315
Total liabilities	1,331,750	16,096	1,347,846
Non-controlling interest	13,231	-	13,231

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The segment results for the year ended 31 December 2014 are as follows:

(in thousands of US dollars)

	Russian ports	VEOS	Finnish ports	Total operating segments	Holdings	Reconciliation adjustments: Effect of proportionate consolidation	Reconciliation adjustments: Other adjustments	Group as per proportionate consolidation
Sales to third parties	602,112	116,522	24,028	742,662	-	(74,210)	-	668,452
Inter-segment revenue	125	-	102	227	-	(25)	(202)	-
Total revenue	602,237	116,522	24,130	742,889	-	(74,235)	(202)	668,452
Cost of sales	(274,697)	(87,043)	(21,992)	(383,732)	-	59,834	77	(323,821)
Administrative, selling and marketing expenses	(30,615)	(9,864)	(1,115)	(41,594)	(29,156)	6,317	122	(64,311)
Other (losses)/gains – net	12,053	253	166	12,472	8,058	(388)	(8,692)	11,450
Operating profit	308,978	19,868	1,189	330,035	(21,098)	(8,472)	(8,695)	291,770
Finance costs – net	(572,133)	(2,352)	(4,926)	(579,411)	(5,961)	20,267	78	(565,027)
incl. interest income	*7,057*	*38*	*-*	*7,095*	*6,470*	*(63)*	*(12,158)*	*1,344*
incl. interest expenses	*(98,383)*	*(2,470)*	*(1,699)*	*(102,552)*	*(8,679)*	*3,605*	*12,158*	*(95,468)*
incl. net foreign exchange losses on financing activities	*(480,808)*	*80*	*(3,227)*	*(483,955)*	*(3,752)*	*16,781*	*21*	*(470,905)*
Profit/(loss) before income tax	(263,155)	17,516	(3,737)	(249,376)	(27,059)	11,795	(8,617)	(273,257)
Income tax expense	25,631	-	(172)	25,459	(1,391)	1,935	-	26,003
Profit/(loss) after tax	(237,524)	17,516	(3,909)	(223,917)	(28,450)	13,730	(8,617)	(247,254)
CAPEX* on cash basis	25,183	6,768	325	32,276	74	(3,888)	-	28,462

*CAPEX represents purchases of property, plant and equipment

Included within 'Other adjustments' on the line 'Other gains – net' is the elimination of intragroup dividends.

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The reconciliation of results for the year ended 31 December 2014 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
Sales to third parties	668,452	(106,070)	562,382
Inter-segment revenue	-	-	-
Total revenue	668,452	(106,070)	562,382
Cost of sales	(323,821)	92,345	(231,476)
Administrative, selling and marketing expenses	(64,311)	9,142	(55,169)
Share of profit/(loss) of joint ventures accounted for using the equity method	-	(7,653)	(7,653)
Other (losses)/gains – net	11,450	(911)	10,539
Operating profit	291,770	(13,147)	278,623
Finance costs - net	(565,027)	57,279	(507,748)
incl. interest income	1,344	(68)	1,276
incl. interest expenses	(95,468)	4,987	(90,481)
incl. net foreign exchange losses on financing activities	(470,905)	52,362	(418,543)
Loss before income tax	(273,257)	44,132	(229,125)
Income tax (expense)/credit	26,003	5,800	31,803
Loss for the year	(247,254)	49,932	(197,322)
CAPEX* on cash basis	28,462	(4,894)	23,568

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The segment items operating expenses for the year ended 31 December 2014 are as follows:

(in thousands of US dollars)

	Russian ports	VEOS	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	82,900	25,606	2,844	111,350	53	(15,277)	-	96,126
Amortisation of intangible assets	24,614	1,284	-	25,898	-	(729)	-	25,169
Impairment of property, plant and equipment	17,960	-	-	17,960	-	(4,490)	-	13,470
Staff costs	84,236	20,589	8,478	113,303	22,092	(14,426)	-	120,969
Transportation expenses	12,665	22,878	3,632	39,175	-	(12,807)	-	26,368
Fuel, electricity and gas	14,506	15,848	1,011	31,365	12	(8,677)	-	22,700
Repair and maintenance of property, plant and equipment	14,914	3,093	1,649	19,656	6	(2,536)	-	17,126
Total	251,795	89,298	17,614	358,707	22,163	(58,942)	-	321,928
Other operating expenses	53,517	7,609	5,493	66,619	6,993	(7,209)	(199)	66,204
Total cost of sales, administrative, selling and marketing expenses	305,312	96,907	23,107	425,326	29,156	(66,151)	(199)	388,132

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The reconciliation of operating expenses for the year ended 31 December 2014 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	96,126	(20,224)	75,902
Amortisation of intangible assets	25,169	(901)	24,268
Impairment of property, plant and equipment	13,470	(13,470)	-
Staff costs	120,969	(22,689)	98,280
Transportation expenses	26,368	(15,542)	10,826
Fuel, electricity and gas	22,700	(10,183)	12,517
Repair and maintenance of property, plant and equipment	17,126	(4,513)	12,613
Total	321,928	(87,522)	234,406
Other operating expenses	66,204	(13,965)	52,239
Total cost of sales, administrative, selling and marketing expenses	388,132	(101,487)	286,645

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The segment assets and liabilities as at 31 December 2014 are as follows:

(in thousands of US dollars)

	Russian ports	VEOS	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)	781,718	206,985	12,291	1,000,994	89	(117,851)	-	883,232
Investments in joint ventures	-	-	-	-	165,836	-	(165,836)	-
Intangible assets	851,618	63,144	4,152	918,914	-	(10,878)	-	908,036
Other non-current assets	1,097,253	-	16,656	1,113,909	1,157,975	(6,176)	(2,248,146)	17,562
Inventories	5,454	2,316	-	7,770	-	(1,272)	-	6,498
Trade and other receivables (including income tax prepayment)	71,868	40,826	3,841	116,535	7,979	(21,128)	(33,353)	70,033
Cash and cash equivalents	80,099	4,687	1,467	86,253	10,367	(5,624)	-	90,996
Total assets	2,888,010	317,958	38,407	3,244,375	1,342,246	(162,929)	(2,447,335)	1,976,357
Long-term borrowings	1,208,059	43,473	5,723	1,257,255	26,899	(53,441)	(94,514)	1,136,199
Other long-term liabilities	306,977	-	296	307,273	(808)	(966)	(30,704)	274,795
Trade and other payables	22,586	27,154	2,831	52,571	30,155	(14,221)	(30,346)	38,159
Short-term borrowings	137,369	19,457	1,985	158,811	16,200	(13,915)	(29,183)	131,913
Other short-term liabilities	11,502	2,365	1	13,868	53	(1,310)	(130)	12,481
Total liabilities	1,686,493	92,449	10,836	1,789,778	72,499	(83,853)	(184,877)	1,593,547
Non-controlling interest	25,411	-	-	25,411	-	-	-	25,411

Included within 'Russian ports', 'Finnish ports' and 'Holdings' segments 'Other non-current assets' are investments in subsidiaries and joint ventures in the total amount of US$1,004,924 thousand, US$16,550 thousand and US$1,247,285 thousand respectively (fully eliminated on consolidation).

Included within 'Russian ports' and 'Holdings' segments there are intragroup 'trade and other receivables' and 'borrowings' in the total amount of US$147,661 thousand which are 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 2014 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)	883,232	(146,566)	736,666
Investments in joint ventures	-	188,340	188,340
Intangible assets	908,036	(85,789)	822,247
Other non-current assets	17,562	15,224	32,786
Inventories	6,498	(1,502)	4,996
Trade and other receivables (including income tax prepayment)	70,033	(20,314)	49,719
Cash and cash equivalents	90,996	(12,188)	78,808
Total assets	1,976,357	(62,795)	1,913,562
Long-term borrowings	1,136,199	(62,531)	1,073,668
Other long-term liabilities	274,795	27,803	302,598
Trade and other payables	38,159	(13,484)	24,675
Short-term borrowings	131,913	(21,938)	109,975
Other short-term liabilities	12,481	(1,562)	10,919
Total liabilities	1,593,547	(71,712)	1,521,835
Non-controlling interest	25,411	-	25,411

The revenue of the Group mainly comprises of stevedoring services, storage and ancillary port services for container and bulk cargoes (Russian ports and Finnish ports segments) and oil products (VEOS segment). The subsidiaries and joint ventures of the Group also provide services which are of support nature in relation to the core services mentioned above.

The consolidated revenue comprises only from the services related to containers and bulk cargo since the operations of VEOS are equity accounted (Note 2, Basis of consolidation, (c)).

Revenue attributable to domestic and foreign customers for the year ended 31 December 2014 is disclosed below in accordance with their registered address. Major clients of the Group are internationally operating companies. Their registered addresses are usually not relevant to the location of their operations.

(in thousands of US dollars)

	For the year ended 31 December	
	2015	2014
Revenue from domestic customers - Cyprus	21,234	32,527
Revenue from foreign customers by countries:		
Russia	237,404	306,777
Denmark	45,970	49,643
UK	28,937	49,927
France	20,393	23,876
Other	51,754	96,632
Revenue from foreign customers total	384,458	529,855
Total revenue	405,692	562,382

In 2015 and 2014 there were two customers representing more than 10% of consolidated revenue. Both customers originated from Russian ports segment and were domiciled in Russia.

Notes to the consolidated financial statements (continued)

6 EXPENSES BY NATURE

(in thousands of US dollars)

	For the year ended 31 December	
	2015	2014
Staff costs (Note 8)	62,716	98,280
Depreciation of property, plant and equipment (Note 14)	42,794	75,902
Amortisation of intangible assets (Note 15)	14,498	24,268
Impairment of property, plant and equipment (Note 14)	46,686	-
Transportation expenses	6,300	10,826
Fuel, electricity and gas	6,504	12,517
Repair and maintenance of property, plant and equipment	7,303	12,613
Taxes other than on income	6,190	9,234
Legal, consulting and other professional services	3,126	3,615
Auditors' remuneration	1,848	1,763
Operating lease rentals	5,368	7,570
Purchased services	4,564	7,624
Insurance	1,389	2,249
Other expenses	9,424	20,184
Total cost of sales, administrative, selling and marketing expenses	218,710	286,645

The auditors' remuneration stated above includes fee of US$452 thousand (2014: US$666 thousand) for audit services charged by the Company's statutory audit firm.

The legal, consulting and other professional services stated above include fees of US$31 thousand (2014: US$30 thousand) for tax consultancy services charged by the Company's statutory audit firm.

The above expenses are analysed by function as follows:

Cost of sales

(in thousands of US dollars)

	For the year ended 31 December	
	2015	2014
Staff costs	36,779	63,109
Depreciation of property, plant and equipment	42,080	74,709
Amortisation of intangible assets	14,473	24,237
Impairment of property, plant and equipment	46,686	-
Transportation expenses	6,300	10,826
Fuel, electricity and gas	6,263	12,162
Repair and maintenance of property, plant and equipment	6,454	11,669
Taxes other than on income	4,829	8,522
Operating lease rentals	3,015	4,805
Purchased services	4,564	7,624
Insurance	973	1,583
Other expenses	3,951	12,230
Total cost of sales	176,367	231,476

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	
	2015	2014
Staff costs	25,937	35,171
Depreciation of property, plant and equipment	714	1,193
Amortisation of intangible assets	25	31
Fuel, electricity and gas	241	355
Repair and maintenance of property, plant and equipment	849	944
Taxes other than on income	1,361	712
Legal, consulting and other professional services	3,126	3,615
Auditors' remuneration	1,848	1,763
Operating lease rentals	2,353	2,765
Insurance	416	666
Other expenses	5,473	7,954
Total administrative, selling and marketing expenses	42,343	55,169

7 OTHER (LOSSES)/GAINS – NET

(in thousands of US dollars)

	For the year ended 31 December	
	2015	2014
Foreign exchange (losses)/gains on non-financing activities – net (Note 11)	(5,702)	12,450
Non-recurring donation to a charity which is a related party (Note 30(c), within "other related parties")	-	(1,410)
Non-recurring donation to a charity	-	(736)
Other (losses)/gains – net	(337)	235
Total	(6,039)	10,539

8 EMPLOYEE BENEFIT EXPENSE

(in thousands of US dollars)

	For the year ended 31 December	
	2015	2014
Wages and salaries	49,935	78,059
Social insurance costs	11,381	18,489
Other staff costs	1,400	1,732
Total	62,716	98,280

Included within 'Social insurance costs' for 2015 are contributions made to the state pension funds in the total amount of US$8,805 thousand (2014: US$15,141 thousand).

Notes to the consolidated financial statements (continued)

9 FINANCE COSTS - NET

(in thousands of US dollars)

	For the year ended 31 December	
	2015	2014
Included in finance income:		
Interest income on bank balances	451	502
Interest income on short-term bank deposits	1,036	668
Interest income on loans to related parties (Note 30(h))	73	106
Total finance income	1,560	1,276
Included in finance costs:		
Interest expenses on bank borrowings - including gains on derivatives used for hedging (see note 23)	(58,277)	(87,377)
Interest expenses on bonds	(245)	-
Interest expenses on finance lease	(1,577)	(1,805)
Interest expenses on loans from third parties	(47)	(1,299)
Total finance costs	(60,146)	(90,481)
Included in the change in fair value of derivatives:		
Interest component	121	-
Foreign currency exchange component	(5,609)	-
Total change in fair value of derivatives (Note 23)	(5,488)	-
Net foreign exchange losses on financing activities	(150,995)	(418,543)
Finance costs – net	(215,069)	(507,748)

Notes to the consolidated financial statements (continued)

10 INCOME TAX EXPENSE

(in thousands of US dollars)

	For the year ended 31 December	
	2015	2014
Current tax	52,109	68,365
Deferred tax credit – origination and reversal of temporary differences (Note 24)	(48,744)	(100,168)
Total	3,365	(31,803)

The tax on the Group's profit 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	
	2015	2014
Loss before tax	(30,314)	(229,125)
Tax calculated at the applicable tax rates – 20% (1)	(6,063)	(45,825)
Tax effect of expenses not deductible for tax purposes	14,299	14,497
Tax effect of share of profit in jointly controlled entities	(762)	1,531
Withholding tax on undistributed profits	(1,616)	(2,006)
Tax effect of reduced tax rates of an entity in Russian ports segment(2)	(2,493)	-
Tax charge/(credit)	3,365	(31,803)

(1) The applicable tax rate used for 2015 and 2014 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.

(2) In 2015 the statutory tax rate in an entity within Russian ports was 18.5% instead of normal tax rate of 20%.

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.

Notes to the consolidated financial statements (continued)

11 NET FOREIGN EXCHANGE (LOSSES)/GAINS

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

(in thousands of US dollars)

	For the year ended 31 December	
	2015	2014
Included in 'finance costs - net' (Note 9)	(150,995)	(418,543)
Included in 'other gains/(losses) – net' (Note 7)	(5,702)	12,450
Total	(156,697)	(406,093)

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	
	2015	2014
Profit attributable to the owners of the parent of the Company - in thousands of US dollars	(25,138)	(193,140)
Weighted average of ordinary shares in issue (thousands)	573,171	573,171
Basic and diluted earnings per share for profit attributable to the owners of the parent (expressed in US$ per share)	(0.04)	(0.34)

13 DIVIDEND DISTRIBUTION

During 2015 the Company did not declare or pay dividends to the equity holders of the Company. During 2015 there were no dividend payments from Group companies to non-controlling interests.

During 2014 the Company has declared dividends to the equity holders of the Company amounting to US$34,390 (US$0.06 per share) thousand and paid out of this dividends in the amount of US$48,490 thousand including US$14,100 thousand dividends declared in 2013 and paid in 2014.

During 2014 there were no dividend payments from Group companies to non-controlling interests.

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 2014							
Cost	334,850	676,098	72,061	365,353	67,065	3,128	1,518,555
Accumulated depreciation and impairment	-	(88,777)	-	(84,920)	(16,195)	(2,325)	(192,217)
Net book amount	334,850	587,321	72,061	280,433	50,870	803	1,326,338
Additions	-	7,579	(176)	9,260	5,563	539	22,765
Transfers	-	22,676	(30,333)	3,044	4,614	(1)	-
Disposals	-	(125)	(1,777)	(30)	(2,396)	(151)	(4,479)
Depreciation charge (Note 6)	-	(37,109)	-	(28,279)	(10,049)	(465)	(75,902)
Translation reserve	(140,044)	(243,893)	(18,736)	(112,948)	(20,570)	(296)	(536,487)
Closing net book amount	194,806	336,449	21,039	151,480	28,032	429	732,235
At 31 December 2014							
Cost	194,806	456,206	21,039	257,874	48,637	3,354	981,916
Accumulated depreciation and impairment	-	(119,757)	-	(106,394)	(20,605)	(2,925)	(249,681)
Net book amount	194,806	336,449	21,039	151,480	28,032	429	732,235

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 2015							
Cost	194,806	456,206	21,039	257,874	48,637	3,354	981,916
Accumulated depreciation and impairment	-	(119,757)	-	(106,394)	(20,605)	(2,925)	(249,681)
Net book amount	194,806	336,449	21,039	151,480	28,032	429	732,235
Additions	861	4,574	2,141	4,127	1,095	102	12,900
Transfers	-	139	(526)	82	283	22	-
Disposals	(465)	(9)	(68)	(6,184)	(209)	(1)	(6,936)
Depreciation charge (Note 6)	-	(21,918)	-	(15,945)	(4,684)	(247)	(42,794)
Impairment charge (Note 6)	-	(45,443)	(1,243)	-	-	-	(46,686)
Translation reserve	(44,449)	(62,975)	(4,714)	(31,514)	(5,847)	(75)	(149,574)
Closing net book amount	150,753	210,817	16,629	102,046	18,670	230	499,145
At 31 December 2015							
Cost	150,753	285,330	16,629	163,451	31,856	1,539	649,558
Accumulated depreciation and impairment	-	(74,513)	-	(61,405)	(13,186)	(1,309)	(150,413)
Net book amount	150,753	210,817	16,629	102,046	18,670	230	499,145

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	
	2015	2014
Net book amount	6,936	4,479
Less: Non-cash items - write-offs of property, plant and equipment	(950)	(2,413)
	5,986	2,066
Profit/(loss) on sale of property, plant and equipment (1)	2,722	(323)
Proceeds from sale of property, plant and equipment	8,708	1,743

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

Net carrying amount of property, plant and equipment (included above) that are held under finance leases are as follows:

(in thousands of US dollars)

	As at 31 December	
	2015	2014
Buildings and constructions	6,529	8,654
Loading equipment	8,588	20,423
Total	15,117	29,077

The total net book value of pledged property, plant and equipment (included above) which are held as collateral for borrowings and loans are as follows:

(in thousands of US dollars)

	As at 31 December	
	2015	2014
Buildings and constructions	11,150	30,288
Loading equipment and machinery	29,038	70,211
Other production equipment	4,307	5,825
Total	44,495	106,324

Depreciation expense amounting to US$42,080 thousand in 2015 (2014: US$74,709 thousand) has been charged to 'cost of sales' and US$714 thousand in 2015 (2014: US$1,193 thousand) has been charged to 'administrative, selling and marketing' expenses (Note 6).

The amount of the borrowing costs capitalised during the period was US$nil thousand (2014: US$88 thousand), the average capitalisation rate was nil (2014: 4.4%).

Lease rentals relating to the lease of machinery and property amounting to US$3,015 thousand in 2015 (2014: US$4,805 thousand) have been charged to 'cost of sales' and US$2,353 thousand in 2015 (2014: US$2,765 thousand) has been charged to 'administrative, selling and marketing expenses'.

As at 31 December 2015 the amounts prepaid for equipment not delivered and prepayments for construction works not yet carried out were US$3,357 thousand (2014: US$4,431 thousand).

Notes to the consolidated financial statements (continued)

15 INTANGIBLE ASSETS

(in thousands of US dollars)

	Goodwill	Contractual rights	Client base	Computer software	Total
At 1 January 2014					
Cost	17,861	1,434,031	27,953	1,418	1,481,263
Accumulated amortisation and impairment	-	(19,020)	(20,350)	(753)	(40,123)
Net book amount	17,861	1,415,011	7,603	665	1,441,140
Additions	-	-	-	211	211
Amortisation charge (Note 6)	-	(21,833)	(2,236)	(199)	(24,268)
Translation reserve	(7,470)	(584,665)	(2,418)	(283)	(594,836)
Closing net book amount	10,391	808,513	2,949	394	822,247
At 31 December 2014					
Cost	10,391	833,192	24,191	920	868,694
Accumulated amortisation and impairment	-	(24,679)	(21,242)	(526)	(46,447)
Net book amount	10,391	808,513	2,949	394	822,247
Additions	-	-	-	100	100
Amortisation charge (Note 6)	-	(13,001)	(1,364)	(133)	(14,498)
Translation reserve	(2,370)	(182,262)	(447)	(84)	(185,163)
Closing net book amount	8,021	613,250	1,138	277	622,686
At 31 December 2015					
Cost	8,021	636,441	11,949	643	657,054
Accumulated amortisation and impairment	-	(23,191)	(10,811)	(366)	(34,368)
Net book amount	8,021	613,250	1,138	277	622,686

As at 31 December 2015 the remaining useful lives for contractual rights and client base were up to 57 years and 1 year respectively (2014: up to 58 years and 2 years respectively).

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	
	2015	2014
PLP (Russian ports segment)	3,469	4,494
VSC (Russian ports segment)	4,552	5,897
Total	8,021	10,391

The recoverable amount of CGU is determined based on value in use calculations. These calculations are based on pre-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(a)(ii) 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	
	2015	2014
Loans and receivables		
Financial assets as per balance sheet:		
Trade and other receivables (1)	25,166	34,302
Cash and cash equivalents	123,135	78,808
Total	148,301	113,110
Financial liabilities measured at amortised cost		
Financial liabilities as per balance sheet:		
Borrowings	1,165,400	1,183,643
Trade and other payables (2)	19,736	14,227
Total	1,185,136	1,197,870
Derivatives		
Financial liabilities as per balance sheet:		
Derivatives used for hedging	-	102,840
Other derivative financial instruments	5,360	-
Total	5,360	102,840

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

(2) Trade and other payables do not include taxes, advances and deferred gains.

17 CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due or 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	
	2015	2014
Trade and other receivables		
Core customers – new (less than one year of working history with the Group)	787	165
Core customers - existing (more than one year of working history with the Group)	10,260	16,290
Related party loans	1,629	2,259
Loans to third parties	9	205
Trade and other receivables from other customers (third parties)	715	1,215
Trade and other receivables from related parties	7,595	11,757
Total	20,995	31,891

Loans granted to the third parties, trade and other receivables 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 2015	2014
International rating agency Moody's Investors Service	A1 - Aa3	164	1,431
International rating agency Moody's Investors Service	B1 - Baa2	105,484	74,964
International rating agency Moody's Investors Service	Caa2	75	183
Fitch Ratings	AAA	12,064	2,149
Standard & Poor's	A-	5,219	-
* No rating	No rating	129	81
Total		123,135	78,808

* 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 2015	2014
Spare parts	3,825	4,996
Total	3,825	4,996

All inventories are stated at cost.

19 TRADE AND OTHER RECEIVABLES

(in thousands of US dollars)

	As at 31 December 2015	2014
Trade receivables - third parties	14,032	19,189
Trade receivables - related parties (Note 30(e))	4,763	5,283
Total trade receivables	18,795	24,472
Other receivables	569	892
Other receivables - related parties (Note 30(e))	3,990	6,474
Prepayments for goods and services	4,251	6,404
Prepayments for goods and services - related parties (Note 30(e))	106	161
Loans to third parties	183	205
Loans to related parties (Note 30(h))	1,629	2,259
VAT and other taxes recoverable	1,553	2,476
Total trade and other receivables	31,076	43,343
Less non-current portion:		
Loans to related parties	(1,193)	(1,791)
Other receivables	(83)	(294)
Total non-current portion	(1,276)	(2,085)
Current portion	29,800	41,258

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 effective interest rate on loans receivable from third parties and related parties were 4.2% (2014: 3.8%).

Trade and other receivables amounting to US$19,357 thousand (31 December 2014: US$29,427 thousand), were fully performing.

Trade and other receivables amounting to US$3,997 thousand (31 December 2014: US$2,411 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	
	2015	2014
Less than 1 month overdue	3,736	2,254
From 1 to 3 months overdue	171	155
From 3 to 6 months overdue	80	2
Over 6 months overdue	10	-
Total	3,997	2,411

During 2015 trade receivables amounting to US$32 thousand (2014: US$895 thousand) were impaired and written off in full. These are individually impaired receivables mainly related to customers, which are in a difficult economic situation.

None of loans to third parties (31 December 2014: none) were past due or impaired.

The other classes within trade and other receivables do not contain impaired assets except as disclosed in Note 3(b).

The creation and release of allowance and write off of impaired receivables have been included in 'administrative, selling and marketing expenses' in the income statement. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The fair value of receivables approximates their carrying value as the impact of the discounting is insignificant and is within Level 2 of the fair value hierarchy. The fair value is based on discounting of cash flows using 8% (2014: 8%) 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	
	2015	2014
Currency:		
US dollar	8,513	13,514
Russian Rouble	16,406	20,867
Euro	6,157	8,962
Total	31,076	43,343

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	
	2015	2014
Cash at bank and in hand	15,844	19,219
Short term bank deposits (less than 90 days)	107,291	59,589
Total	123,135	78,808

The effective average interest rate on short-term deposits was 0.8% in 2015 (2014: 3.6%) and these deposits have an average maturity of 21 days in 2015 (2014: 8 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	
	2015	2014
Cash and cash equivalents	123,135	78,808
Total	123,135	78,808

In 2014 the principal non-cash transaction was the netting off of the amount held in escrow account within trade debtors amounting to US$61,100 thousand (Note 19) with the corresponding contingent consideration included in trade payables (Note 25).

21 SHARE CAPITAL, SHARE PREMIUM

Authorised share capital

In 2015 the Company increased its authorised share capital from 431,128,048 ordinary shares and 150,457,316 ordinary non-voting shares to 750,000,000 ordinary shares and 1,000,000,000 ordinary non-voting shares with a par value of US$0.10 each

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 31 December 2014/ 31 December 2015	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	
	2015	2014
Non-current borrowings		
Bank loans	981,489	1,056,296
Non-convertible unsecured bonds	68,497	-
Finance lease liabilities	11,058	15,789
Interest payable for finance lease liabilities	584	672
Loans from third parties	628	814
Interest payable on loans from third parties	115	97
Total non-current borrowings	1,062,371	1,073,668
Current borrowings		
Bank loans	98,343	102,369
Interest payable on bank loans	1,429	2,511
Finance lease liabilities	2,514	4,426
Interest payable on finance lease liabilities	521	664
Loans from third parties	-	2
Interest payable on loans from third parties	-	3
Interest payable on non-convertible unsecured bonds	222	-
Total current borrowings	103,029	109,975
Total borrowings	1,165,400	1,183,643

The maturity of non-current borrowings (excluding finance lease liabilities) is analysed as follows:

(in thousands of US dollars)

	As at 31 December	
	2015	2014
Between 1 and 2 years	129,546	120,379
Between 2 and 5 years	921,183	727,850
Over 5 years	-	208,978
Total	1,050,729	1,057,207

Bank borrowings mature until 2020 (31 December 2014: 2020) and loans from other third parties mature until 2018 (31 December 2014: 2018).

In the end of 2015 the Group partly restructured its debt portfolio with the aim of facilitating greater financial flexibility and diversification of the debt portfolio of the Group.

For this purposes the Group has repaid certain bank facilities before their maturity dates, terminated the exiting swap arrangement, issued RUR-denominated bonds and entered in to the new swap agreement (see Note 23). These non-convertible unsecured RUR- denominated bonds in the total amount of RUR 5,000 million were issued on the Moscow Exchange with maturity of 5 years and with fixed coupon rate of 13.1%. Proceeds from the bond issue were effectively swapped to a USD-denominated liability (see Note 23) and used for refinancing of the Group's debt subject to higher interest rates.

Notes to the consolidated financial statements (continued)

22 Borrowings (continued)

Finance lease liabilities - minimum lease payments:

(in thousands of US dollars)

	As at 31 December	
	2015	2014
Under 1 year	3,607	5,860
Between 1 and 2 years	3,513	3,843
Between 2 and 5 years	3,824	7,133
Over 5 years	44,060	57,535
Total	55,004	74,371
Future finance charges of finance leases	(40,327)	(52,820)
Present value of finance lease liabilities	14,677	21,551

The present value of finance lease liabilities is analysed as follows:

(in thousands of US dollars)

	As at 31 December	
	2015	2014
Under 1 year	3,035	5,090
Between 1 and 2 years	3,098	3,186
Between 2 and 5 years	1,055	3,568
Over 5 years	7,489	9,707
Total	14,677	21,551

According to the management's estimates the fair value of bank loans as at 31 December 2015 and as at 31 December 2014 amounts to US$1,088,939 thousand and US$1,126,657 thousand respectively. As at 31 December 2015 the fair value of bonds amounted to US$68,784 thousand and is within Level 1 of the fair value hierarchy. The fair value of other financial liabilities as at 31 December 2015 and as at 31 December 2014 approximates the carrying values. The fair values of bank loans and other financial liabilities are based on cash flows discounted using a rate based on the appropriate Libor and Euribor rates and are within Level 2 of the fair value hierarchy.

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	
	2015	2014
6 months or less	842,161	1,121,024
6-12 months	1,808	-
1-5 years	311,056	48,953
Over 5 years	7,504	9,719
Total	1,162,529	1,179,696

Notes to the consolidated financial statements (continued)

22 Borrowings (continued)

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

(in thousands of US dollars)

	As at 31 December	
	2015	2014
Russian Rouble	78,045	127,394
US Dollar	1,087,355	1,056,249
Total	1,165,400	1,183,643

From the above amount of borrowings denominated in RUR, US$68,719 thousand (2014: US$115,163 thousand) are covered by a swap arrangement effectively converting the RUR-denominated obligation into USD-denominated one (see Note 23).

The weighted average effective interest rate on borrowings is 6.5% (2014: 8.0%). The weighted average effective interest rate on borrowings which includes the effect of the swap would be 6.1% (2014: 6.0%).

The Group is leasing mainly container loading equipment, cars and terminal facilities.

The bank loans and overdrafts are secured as follows:

- by the pledge of the property, plant and equipment with carrying amount as at 31 December 2015 of US$44,495 thousand (31 December 2014: US$106,324 thousand) (see Note 14).
- some bank loans given to a group entities in Russian ports segment are secured also by the pledge of shares of certain group entities.

The finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Agreements of the bank loans given to some of the subsidiaries of the Group include certain covenants which set forth certain financial ratios that have to be complied with. There were no breaches of covenants as at 31 December 2015 and 2014.

23 DERIVATIVE FINANCIAL INSTRUMENTS

As of 31 December 2015 and as of 31 December 2014 the fair value of derivatives was negative - US$(5,360) thousand and US$(102,840) thousand.

The fair value of derivative is classified as a non-current asset or liability if the remaining maturity of the hedging relationship is more than 12 months and, as a current asset or liability, if the maturity of the hedging relationship is less than 12 months.

(i) Derivatives used for hedging

Upon acquisition of NCC at the end of 2013 the Group has designated an acquired derivative as a cash flow hedge instrument where it was hedging the variability of the interest rate on an external borrowing of a Group entity and the highly probable forecasted revenues of the same Group entity which were expected to occur in USD (due to USD/RUR exchange rate). According to this derivative, payments under a Rouble-denominated loan are swapped into US dollars and MosPrime based floating interest rate under this loan is swapped to a fixed rate (7%).

At the end of 2015 the Group partly restructured its debt portfolio (see Note 22). This resulted in the termination of cross-currency interest rate swap arrangement explained above.

The termination of the cross-currency interest rate swap arrangement together with the settlement of the related loan has lead to the cancellation of the related interest rate cash flow hedge; and therefore the amount of USD 13,491 thousand was recycled from other comprehensive income to the income statement within finance costs.

In addition in 2015 realised gains related to interest component of the terminated swap (included within interest costs under finance costs) amounted to US$10,810 thousand (2014: US$3,554 thousand) and realised losses related to currency component of the swap (included within currency exchange gains under other gains/losses (net)) amounted to US$10,575 thousand (2014: US$(3,163) thousand).

Notes to the consolidated financial statements (continued)

23 Derivative financial instruments (continued)

(i) Derivatives used for hedging (continued)

As at 31 December 2015 an amount of US$ 118,782 thousand of derivative losses recognised through other comprehensive income in relation to the cash flow hedge on forecasted sales remained in equity and will be recycled through profit and loss based on the forecasted sales expected to occur during 2016 and 2017.

There was no ineffectiveness to be recorded from cash flow hedges in 2014-2015.

(ii) Other derivatives

At the end of 2015 an entity of the Group entered into a cross-currency swap arrangement. According to this arrangement the Group exchanged it's RUR-denominated liabilities related to the newly issued bonds with fixed interest rate of 13.1% in the amount RUR 5,000 million (see Note 22) to USD-denominated debt. The Group decided not to apply hedge accounting rules to the new swap. As a result the change in fair value is presented in the income statement under "change in fair value of derivative" as part of "finance costs – net".

24 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	
	2015	2014
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	66,021	30,701
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	(149,874)	(199,758)
Deferred tax liabilities (net)	(83,853)	(169,057)

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

(in thousands of US dollars)

	For the year ended 31 December	
	2015	2014
At the beginning of the year	(169,057)	(421,761)
Income statement charge:		
Deferred tax credit	48,744	100,168
Other movements:		
Currency translation differences	36,460	152,536
At the end of the year	(83,853)	(169,057)

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	Withholding tax provision	Intangible assets	Borrowings	Tax losses	Subtotal	Other assets and liabilities	Grand total
At 1 January 2014	(130,639)	(13,384)	(280,713)	(1,970)	420	(426,286)	4,525	(421,761)
Income statement (Note 10)	1,909	3,223	4,816	(1,542)	93,072	101,478	(1,310)	100,168
Translation differences	54,013	2,107	116,038	2,105	(19,911)	154,352	(1,816)	152,536
At 31 December 2014	(74,717)	(8,054)	(159,859)	(1,407)	73,581	(170,456)	1,399	(169,057)
Income statement (Note 10)	2,503	2,318	2,485	(287)	39,844	46,863	1,881	48,744
Translation differences	16,682	26	36,074	352	(15,964)	37,170	(710)	36,460
At 31 December 2015	(55,532)	(5,710)	(121,300)	(1,342)	97,461	(86,423)	2,570	(83,853)

Notes to the consolidated financial statements (continued)

24 Deferred income tax liabilities (continued)

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. Such deferred income tax assets amounting to US$97,430 thousand at 31 December 2015 and US$73,581 thousand at 31 December 2014 and expire in 2025 and 2024 respectively. The amount of unremitted earnings of certain subsidiaries and joint ventures on which no withholding tax provision was recognised amounts to US$130,303 thousand (2014: US$108,106 thousand).

25 TRADE AND OTHER PAYABLES

(in thousands of US dollars)

	As at 31 December	
	2015	2014
Trade payables - third parties	3,296	2,984
Trade payables - related parties (Note 30(f))	69	232
Payables for property, plant and equipment	-	4
Other payables - third parties	361	692
Other payables - related parties (Note 30(f))	1,193	921
Payroll payable	1,091	2,245
Accrued expenses and deferred gains	13,726	7,149
Advances received	3,817	5,669
Taxes payable (other than income tax)	3,344	4,779
Total trade and other payables - current	26,897	24,675

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

26 JOINT VENTURES

The Group has the following investments in joint ventures – VEOS, 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 or commitments relating to the Group's interest in the joint ventures.

The summarised investments in joint ventures accounted for using the equity method as at 31 December 2015 and 31 December 2014 are as follows:

(in thousands of US dollars)

	VEOS	MLT	CD Holding	Total
At 1 January 2015	135,686	52,654	-	188,340
Recognised share of profit/(loss)	3,913	8,569	(8,670)	3,812
Translation differences (through other comprehensive income/(loss))	(14,035)	(10,676)	-	(24,711)
Dividends declared by joint venture	-	(8,296)	-	(8,296)
Share of losses of joint ventures applied against other long-term interests (Note 30(h))	-	-	8,670	8,670
At 31 December 2015	125,564	42,251	-	167,815

As of 31 December 2015 the cumulative unrecognised losses in relation CD Holding group amounted to US$(44,181) thousand (2014: US$(49,932) thousand) and the cumulative unrecognised other comprehensive income amounted to US$41,631 thousand (2014: US$41,015 thousand).

Notes to the consolidated financial statements (continued)

26 Joint ventures (continued)

(in thousands of US dollars)

	VEOS	MLT	CD Holding	Total
At 1 January 2014	144,876	86,143	-	231,019
Recognised share of profit/(loss)	8,786	7,292	(23,731)	(7,653)
Translation differences (through other comprehensive income/(loss))	(17,976)	(34,472)	235	(52,213)
Dividends declared by joint venture	-	(6,309)	-	(6,309)
Share of losses of joint ventures applied against other long-term interests (Note 30(h))	-	-	23,496	23,496
At 31 December 2014	135,686	52,654	-	188,340

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 2015		
	VEOS	MLT	CD Holding
Revenue	86,285	45,269	7,710
Depreciation and amortisation	(21,579)	(5,624)	(1,016)
Interest income	31	90	-
Interest expense	(1,208)	(687)	(3,266)
Profit before income tax	9,781	16,589	(4,432)
Income tax expense	(1,956)	(5,163)	(802)
Profit after tax	7,825	11,426	(5,234)
Other comprehensive income/(loss)	(18,740)	(7,450)	329
Total comprehensive income/(loss)	(10,915)	3,976	(4,905)
Dividends declared by joint venture	-	11,061	-

Selected balance sheet items

(in thousands of US dollars)

	As at 31 December 2015		
	VEOS	MLT	CD Holding
Total non-current assets	186,477	34,096	14,426
Cash and cash equivalents (including current deposits with maturity over 90 days)	17,644	6,991	642
Other current assets	13,855	6,214	806
Total current assets	31,499	13,205	1,448
Total assets	217,976	47,301	15,874
Non-current financial liabilities	12,052	5,371	15,145
Other non-current liabilities	1,957	3,168	675
Total non-current liabilities	14,009	8,539	15,820
Current financial liabilities excluding trade and other payables	13,623	5,018	10,263
Other current liabilities including trade and other payables	21,604	3,399	401
Total current liabilities	35,227	8,417	10,664
Total liabilities	49,236	16,956	26,484
Net assets	168,740	30,345	(10,610)

Notes to the consolidated financial statements (continued)

26 Joint ventures (continued)

Selected income statement items

(in thousands of US dollars)

	For the year ended 31 December 2014		
	VEOS	MLT	CD Holding
Revenue	116,522	54,065	9,730
Depreciation and amortisation	(26,890)	(7,562)	(2,680)
Interest income	38	177	-
Interest expense	(2,470)	(1,141)	(8,115)
Profit before income tax	17,571	13,811	(96,131)
Income tax expense	-	(4,088)	(3,647)
Profit after tax	17,571	9,723	(99,778)
Other comprehensive income/(loss)	(23,673)	(25,630)	54,920
Total comprehensive income/(loss)	(6,102)	(15,907)	(44,858)
Dividends declared by joint venture	-	8,407	-

Selected balance sheet items

(in thousands of US dollars)

	As at 31 December 2014		
	VEOS	MLT	CD Holding
Total non-current assets	224,271	47,060	19,546
Cash and cash equivalents (including current deposits with maturity over 90 days)	27,993	11,149	1,979
Other current assets	17,606	6,830	928
Total current assets	45,599	17,979	2,907
Total assets	269,870	65,039	22,453
Non-current financial liabilities	43,473	10,519	116,299
Other non-current liabilities	-	3,863	-
Total non-current liabilities	43,473	14,382	116,299
Current financial liabilities excluding trade and other payables	19,457	6,352	10,393
Other current liabilities including trade and other payables	27,285	6,875	670
Total current liabilities	46,742	13,227	11,063
Total liabilities	90,215	27,609	127,362
Net assets	179,655	37,430	(104,909)

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)

26 Joint ventures (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 2015			
	VEOS	MLT	CD Holding	Total
Opening net assets at the beginning of the year	179,655	37,430	(104,909)	112,176
Profit/(loss) for the period	7,825	11,426	(5,234)	14,017
Conversion of loans to equity	-	-	99,204	99,204
Dividends declared	-	(11,061)	-	(11,061)
Other comprehensive income/(loss)	(18,740)	(7,450)	329	(25,861)
Closing net assets at the end of the year	168,740	30,345	(10,610)	188,475
Ownership interest	50%	75%	75%	
Interest in joint venture	84,370	22,759	(7,958)	99,171
Goodwill	41,194	19,492	-	60,686
Share of losses of joint ventures applied against other long-term interests	-	-	7,958	7,958
Carrying value on 31 December 2015	125,564	42,251	-	167,815

(in thousands of USD)

	For the year ended 31 December 2014			
	VEOS	MLT	CD Holding	Total
Opening net assets at the beginning of the year	185,758	61,743	(72,697)	174,804
Profit/(loss) for the period	17,571	9,723	(99,778)	(72,484)
Conversion of loans to equity	-	-	12,646	12,646
Dividends declared	-	(8,412)	-	(8,412)
Other comprehensive income/(loss)	(23,674)	(25,624)	54,920	5,622
Closing net assets at the end of the year	179,655	37,430	(104,909)	112,176
Ownership interest	50%	75%	75%	
Interest in joint venture	89,828	28,072	(78,682)	39,218
Goodwill	45,858	24,582	-	70,440
Share of losses of joint ventures applied against other long-term interests	-	-	78,682	78,682
Carrying value on 31 December 2014	135,686	52,654	-	188,340

Notes to the consolidated financial statements (continued)

27 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 varying interpretations.

During 2015 the Russian economy was negatively impacted by a decline in oil prices and ongoing political tension in the region and international sanctions against certain Russian companies and individuals. As a result during 2015:

- the Central Bank of the Russian Federation ("CBRF") exchange rate fluctuated between RUB 49.1777 and RUB 72.8827 per USD and between RUB 52.9087 and RUB 81.1533 per EUR;
- Russia's credit rating was downgraded by Fitch Ratings in January 2015 to BBB-, whilst Standard & Poor's cut it to BB+ and in February 2015 Moody's Investors Service downgraded it to Ba1,
- putting it below investment grade for the first time in a decade. Fitch Ratings still have Russia as investment grade. However, all these rating agencies indicated a negative outlook, meaning further downgrades are possible;
- the RTS stock exchange index fluctuated between 708 points and 1,092 points;
- capital outflows increased compared to prior years;
- bank lending activity decreased as banks are reassessing the business models of their borrowers and their ability to withstand the increased interest and exchange rates; and
- the CBRF key interest rate decreased from 17% p.a. to 11% p.a.

These events may have a further significant impact on the Group's future operations and financial position, the effect of which is difficult to predict. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

Estonia and Finland represent established market economies with the more stable political systems and developed legislation based on EU directives and regulations.

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 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 decision about review was made. Under certain circumstances reviews may cover longer periods.

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not on an arm's length basis.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer 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 transfer pricing legislation that is applicable to transactions on or prior to 31 December 2011, also provided the possibility for tax authorities to make transfer pricing adjustments and to impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%. Controllable transactions included transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective of whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differed by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. Significant difficulties exist in interpreting and applying that transfer pricing legislation in practice.

Notes to the consolidated financial statements (continued)

27 Contingencies (continued)

Tax legislation in Russia (continued)

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. This interpretation of 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 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 2015 and as of 31 December 2014 management believes that no additional tax liability has to be accrued in the 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 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 continually 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.

Legal proceedings

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 material losses will be incurred in respect of claims in excess of provisions that have been made in these consolidated financial statements.

Notes to the consolidated financial statements (continued)

28 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	
	2015	2014
Property, plant and equipment	7,046	8,661
Total	7,046	8,661

Operating lease commitments – Group as lessee

The future minimum lease payments payable under non-cancellable operating leases (mainly port infrastructure) are as follows:

(in thousands of US dollars)

	As at 31 December	
	2015	2014
Not later than 1 year	2,225	2,935
Later than 1 year and not later than 5 years	8,833	10,856
Later than 5 years	45,150	59,080
Total	56,208	72,871

29 TRANSACTIONS WITH NON-CONTROLLING INTEREST

Pursuant to the provisions of NCC Acquisition in 2013, the Group has agreed, subject to Eurogate's consent and assistance, to procure that, during the period beginning on the closing of the NCC Acquisition and ending on 1 January 2015, the shareholder loans payable by ULCT to Eurogate International Gmbh ("Eurogate"), a 20% shareholder in ULCT, will be converted into the equity of ULCT.

In the course of 2014 the loans mentioned above were converted into the equity of ULCT. In 2014 Eurogate loans in the amount of US$58,959 thousand have been converted to ULCT equity (from that amount, US$12,827 thousand has been repaid by ULCT to Eurogate and then paid in by the later into the equity and US$46,132 thousand have been paid in as a non-monetary contribution).

The GPI Group's effective 80% ownership interest in ULCT has not been affected by the actions described above.

At the end of 2014 the Group acquired the remaining 25% stake in a company whose only assets were several land plots, for cash consideration of US$ 3 thousand. After the acquisition the Group's stake in this company is 100%. The transaction have been accounted for as an acquisition of assets. The difference of US$1,254 thousand between the consideration paid and the carrying value of non-controlling interest was accounted through the 'transactions with non-controlling interest' reserve in equity.

Notes to the consolidated financial statements (continued)

30 RELATED PARTY TRANSACTIONS

The Group is jointly controlled by Transportation Investments Holding Limited ("TIHL"), and APM Terminals B.V. ("APM Terminals").

For the purposes of these 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	
	2015	2014
Entities under control of owners of TIHL or APM Terminals	107,363	116,916
Joint ventures in which GPI is a venture	48	50
Other related parties	57	91
Total	107,468	117,057

(b) Notes to the consolidated financial statements (continued) Sales of property, plant and equipment

Net book amount of sold property, plant and equipment

(in thousands of US dollars)

	For the year ended 31 December	
	2015	2014
Joint ventures in which GPI is a venturer	561	-
Total	561	-

Profit on sales of property, plant and equipment

(in thousands of US dollars)

	For the year ended 31 December	
	2015	2014
Joint ventures in which GPI is a venturer	40	-
Total	40	-

Notes to the consolidated financial statements (continued)

30 Related party transactions (continued)

(c) Purchases of services and incurred expenses

(in thousands of US dollars)

	For the year ended 31 December	
	2015	2014
Entities under control of owners of TIHL or APM Terminals	2,630	1,910
Other related parties	2,237	5,115
Total	4,867	7,025

(d) Interest income

(in thousands of US dollars)

	For the year ended 31 December	
	2015	2014
Joint ventures in which GPI is a venturer	73	106
Total	73	106

(e) Trade and other receivables and prepayments

(in thousands of US dollars)

	As at 31 December	
	2015	2014
Entities under control of owners of TIHL or APM Terminals	4,867	5,437
Joint ventures in which GPI is a venturer	3,992	6,480
Other related parties	-	1
Total	8,859	11,918

(f) Trade and other payables

(in thousands of US dollars)

	As at 31 December	
	2015	2014
Entities under control of owners of TIHL or APM Terminals	1,193	921
Other related parties	69	232
Total	1,262	1,153

Notes to the consolidated financial statements (continued)

30 Related party transactions (continued)

(g) Key management compensation/directors' remuneration

(in thousands of US dollars)

	For the year ended 31 December	
	2015	2014
Key management compensation:		
Salaries, payroll taxes and other short term employee benefits	12,022	15,513
Directors' remuneration (included also above):		
Fees	384	391
Emoluments in their executive capacity	343	456
Total	727	847

(h) Loans to related parties

The details of loans provided mainly 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	
	2015	2014
At the beginning of the year	2,259	14,705
Loans advanced during the year	8,690	12,486
Interest charged	73	106
Loan and interest repaid during the year	(550)	(622)
GPI's share of losses of joint ventures applied against other long-term interests (Note 26)	(8,670)	(23,496)
Foreign exchange differences	(173)	(920)
At the end of the year (Note 19)	1,629	2,259

The loans are not secured, bear average interest at 4.6% (2014: 3.8%) and are repayable in 2017.

Notes to the consolidated financial statements (continued)

31 EVENTS AFTER THE BALANCE SHEET DATE

From the end of 2015 there has been increased volatility in currency markets and the Russian Rouble has depreciated significantly against some major currencies. As of the middle of the March 2016 the Russian Rouble has depreciated against the US Dollar from 72.88 as of 31 December 2015 to approximately 72.38 Russian Roubles (0.7% devaluation). For the period from January 2016 to the middle of March 2016 the lowest values of Russian Rouble to US Dollar and the Euro were 85.59 and 91.18 respectively.

In February 2016 First Container Terminal ("FCT"), the Company's 100% Russian subsidiary, issued another 5-year Russian rouble denominated non-convertible bond for a total amount of RUB 5 billion at a fixed coupon rate of 13.1% per annum. Proceeds from the bond issuance were swapped using cross currency swap instrument into USD and used for the refinancing of the Group's existing debt.

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

Independent Auditor's Report is on pages 12-13.