Global Ports Investments Plc

Management report and consolidated financial statements
31 December 2019

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BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors

Mr. Morten Henrick Engelstoft (appointed 31 October 2016)
(Mr. Soren Jakobsen and Mr. Mogens Petersen are the alternates to Morten Henrick Engelstoft)
Chairman of the Board of Directors, Non-Executive Director, Member of Remuneration and Nomination Committee

Mr. Ivan Besedin (appointed 16 December 2019)
(Ms. Alexandra Fomenko is the alternate to Mr. Ivan Besedin)
Non-Executive Director

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

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

Mr. Soren Jakobsen (appointed 02 March 2018)
(Mr. Mogens Petersen and Mrs. Olga Gorbarenko are the alternates to Mr. Soren Jakobsen)
Non-Executive Director, Member of Strategy Committee

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

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

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

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

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

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

Mrs. Iana Penkova Boyd (resigned on 19 April 2019)

Mr. Michalakis Christofides (resigned on 18 June 2019)

Mr. Alexander Iodchin (resigned on 18 June 2019)

Mrs. Laura Michael (resigned on 18 June 2019)

Mr. Stavros Pavlou (resigned on 18 June 2019)

Mr. Nicholas Charles Terry (resigned on 18 June 2019)

Mr. George Yiallourides (resigned on 18 June 2019)

Mr. Anton Chertkov (resigned on 11 November 2019)

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

MANAGEMENT REPORT

1. The Board of Directors presents its report together with the audited consolidated financial statements of Global Ports Investments Plc (hereafter also referred to as “GPI” or the “Company”) and its subsidiaries and joint ventures (hereafter collectively referred to as the “Group”) for the year ended 31 December 2019. The Group’s financial statements have been prepared in accordance with International Financial Reporting Standards (hereafter also referred as “IFRS”) as adopted by the European Union (“EU”) and the requirements of Cyprus Companies Law, Cap. 113.

Principal activities and nature of operations of the Group

2. The principal activities of the Group are the operation of container and general cargo terminals in Russia and Finland. The Group offers its customers a wide range of services for their import and export logistics operations. There was a change in principal activities of the Group in current year as a result of sale of oil products terminal in Estonia.

Results

3. The Group’s results for the year are set out on pages 26 and 27.

Changes in group structure

4. In April 2019 the Group completed the sale of its holding in 50% of AS Vopak E.O.S. and its subsidiaries, the Group’s oil products terminal in Estonia.
5. In May 2019 the Group established "Atmosphere" charitable fund to support social and environmental initiatives in Nakhodka area in the Russian Far East.
6. There were no other material changes in the group structure. However the Board of Directors is regularly reviewing the Group structure and the possibilities to optimize it, i.e. in the second quarter of 2019 following the merger of the management teams of JSC Petrolesport and First Container Terminal Inc both terminals started to work as one unit from commercial and operational points of view, without being legally merged together and remaining the two separate legal entities.

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

7. The Russian container market grew 4.5% in 2019 driven by the 6% growth of full container export and supported by 3.9% growth in full container import, resulting in total Russian container market throughput of 5.1 million TEU.
8. Outperforming the market, the Group’s Consolidated Marine Container Throughput increased 6.5% to 1,439 thousand TEU.
9. Consolidated Marine Bulk Throughput increased by 17.1% to 3.7 million tonnes driven by the growth in bulk cargoes at ULCT, which was partially offset by a decline in scrap metal at PLP following the introduction of state export quotas in the third quarter of 2019.
10. Consolidated revenue increased by 5.3% to USD 361.9 million; excluding the impact of LT and VSC transportation services, like-for-like revenue grew by 4.0% driven by an increase in both container and non-container revenue.
11. Like-for-like Revenue per TEU decreased by 4.0% to USD 178.4*.
12. Gross profit increased 1.2% to USD 210.1 million.
13. Adjusted EBITDA increased by 4.4% to USD 226.9 million* mainly due to the growth in throughput and strict cost control.

Management Report (continued)

14. Profit before income tax for the twelve-month period was USD 96.6 million compared to a Loss before income tax of USD 53.6 million in 2018. This was mainly driven by the depreciation of the Russian rouble in 2018, which resulted in a loss on revaluation of US dollar-denominated borrowings (from Group and non-Group entities) due to the Group's Russian subsidiaries having the Russian rouble as their functional currency.
15. The Group's capital expenditure in 2019 was USD 26.6 million. It was focused on planned maintenance projects, scheduled upgrades of existing container handling equipment and customer service improvement initiatives.
16. The Group generated USD 158.8 million* of Free Cash Flow, an increase of 18.9% compared to 2018.
17. The Group reduced Net Debt by USD 33.3 million* over the twelve-month period despite IFRS16 impact of USD 24.9 million* and FX impact of USD 28.9 million*. If to adjust for this IFRS 16 effect, Net Debt decreased by USD 58.2 million* to USD 722.1 million*. The Group continues to prioritise deleveraging over dividend distribution.
18. Net Debt to Adjusted EBITDA decreased from 3.6x* in 2018 to 3.3x* in 2019. Net Debt to Adjusted EBITDA adjusted for IFRS 16 was 3.2x* as of 31 December 2019.

Certain non-IFRS financial measures and operational information above which is derived from the management accounts is marked with an asterisk {*}. Terms used above are defined as follows:

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

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

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

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

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

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

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

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

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

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

Management Report (continued)

Future Developments of the Group

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

Risk Management Process, Principal Risks and Uncertainties

20. GPI is exposed to a variety of risks and opportunities that can have commercial, financial, operational and compliance impacts on its business performance, reputation and licence to operate. The Board recognises that creating shareholder value involves the acceptance of risk. Effective management of risk is therefore critical to achieving the corporate objective of delivering long-term growth and added value to our shareholders.
21. Global Ports bases its risk management activities on a series of well-defined risk management principles, derived from experience, best practice, and corporate governance regimes. The Group's enterprise risk management processes (ERM) is designed to identify, assess, respond, monitor and, where possible, mitigate or eliminate threats to the business caused by changes in the business, financial, regulatory and operating environment.
22. The Board has overall oversight responsibility for GPI's risk management and for the establishment of the framework of prudent and effective controls. As such it systematically monitors and assesses the risks attributable to the Group's performance and delivery of the GPI's strategy. Where a risk has been identified and assessed, the Group selects the most appropriate risk measure available in order to reduce the likelihood of its occurrence and mitigate any potential adverse impact.
23. The Board delegates to the Chief Executive Officer of LLC Global Ports Management responsibility for the effective implementation and maintenance of the risk management system. Day-to-day responsibility for risk management lies with the management team. The Audit and Risk Committee is authorized by the Board to monitor, review and report on the organization, functionality and effectiveness of the Group's ERM system.
24. Global Ports is exposed to a variety of risks which are listed below. The order in which these risks are presented is not intended to be an indication of the probability of their occurrence or the magnitude of their potential effects.
25. Not all of these risks are within the Group's control, and the list cannot be considered to be exhaustive, as other risks and uncertainties may emerge in a changing external and internal environment that could have a material adverse effect on the Group's ability to achieve its business objectives and deliver its overall strategy.
26. Further information on our risk management system, including a detailed description of identified risk factors is contained in the notes to the Financial Statements attached to this report.
27. The Group's financial risk management and critical accounting estimates and judgments are disclosed in Notes 3 and 4 to the consolidated financial statements.
28. The Group's contingencies are disclosed in Note 29 to the consolidated financial statements.

Management Report (continued)

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

Management Report (continued)

Risk factor	**Risk management approach**
Political, economic and social stability: Instability in the Russian economy as well as social and political instability could create an uncertain operating environment and affect the Group's ability to sell its services due to significant economic, political, legal and legislative risks. Certain government policies or the selective and arbitrary enforcement of such policies could make it more difficult for the Group to compete effectively and/or impact its profitability. The Group may also be adversely affected by US, EU and other jurisdictions sanctions against Russian business/companies whose measures have had and may continue to have an adverse effect on the Russian economy and demand for commodities. Ongoing sanctions could also adversely impact the Group's ability to obtain financing on favourable terms and to deal with certain persons and entities in Russia or in other countries.	In light of the macroeconomic challenges faced by the ports industry in recent years, the Group has focused on improving its resilience, in particular its ability to withstand short-term economic fluctuations in Russia, as well as the wider regional and global environment. This has included a strong focus on cost containment measures, and on strengthening its financial position by refinancing all its debt switching to longer maturities at fixed rates. In addition, the Group has developed its growth strategy to embrace exports and new revenue streams to counteract the impact of any fall in consumer sentiment or any macro-economic downturn. The Group has strengthened its system to monitor compliance with restrictions posed by international sanctions and fend off the risk of secondary sanctions. The Group continues to maintain an international base of shareholders, bondholders and business partners. The Group is not aware of any specific sanctions' risks related to its ownership or operations.
Coronavirus (COVID-19): The company's outlook for 2020 may be impacted by the Coronavirus (COVID-19) outbreak in China, which has significantly lowered visibility on what to expect in 2020.	The Management is closely monitoring the situation with the outbreak of Coronavirus (COVID-19) and is ready to act depending on the development of the situation.
Operational risks	
Leases of terminal land: The Group leases a significant amount of the land and quays required to operate its terminals from government agencies and to a lesser extent from private entities. Any revision or alteration to the terms of these leases or the termination of these leases, or changes to the underlying property rights under these leases, could adversely affect the Group's business.	The Group believes it has a stable situation at present regarding its land leases and its terminals have been in operation for a number of years. The Group owns the freehold on 66% of the total land of its terminals and 70% of the land of its container and inland terminals in Russia. The remainder is held under short and long-term leases routinely renewable at immaterial costs.
Customer Profile and Concentration: The Group is dependent on a relatively limited number of major customers (shipping lines, freight forwarders etc.) for a significant portion of its business. These customers are affected by conditions in their market sector which can result in contract changes and renegotiations as well as spending constraints, and this is further exacerbated by carrier consolidation.	The Group conducts extensive and regular dialogue with key customers and actively monitors changes that might affect our customers' demand for our services. The Group has a clear strategy to reduce its dependence on its major customers, by targeting new customers, increasing the share of business from other existing global customers, and new cargo segments. The Group is also relying on the contribution from non-container revenues through building its presence in marine bulk cargoes like coal and scrap metal (share of non-container revenue was 26% and 26% in 2018 and 2019 respectively).

Management Report (continued)

Risk factor	Risk management approach
Reliance on third parties: The Group is dependent on the performance of services by third parties outside its control, including all those other participants in the logistics chain, such as customs inspectors, supervisory authorities, railway and others, and the performance of security procedures carried out at other port facilities and by its shipping line customers.	The Group strives to maintain a continuous dialogue with third parties across the supply chain. In addition, its geographic diversification provides it with some flexibility in its logistics, should bottlenecks develop in one area.
Tariff regulation: Tariffs for certain services at certain of the Group's terminals have,in the past, been regulated by the Russian Federal Antimonopoly Service (FAS). As a result, the tariffs charged for such services were, and may potentially in the future be, subject to a maximum tariff rate and/or fixed in Russian roubles as PLP, VSC, and FCT, like many other Russian seaport operators, are classified as natural monopolies under Russian law.	Changes to tariff legislation (as of 14 August 2018) now require all tariffs in the new contracts to be entered into after this date to be set in Russian roubles. To the best of the knowledge of the Group's management, the Group is in full compliance with the new legislation. The Group continues to monitor for any legislative proposals and regulatory actions that could lead to changes to the existing tariff regulations. It seeks a proactive dialogue with the relevant Russian federal authorities. It believes it is as well placed as any market participant to adapt to any future changes in tariff regulation.
Human resources management: The Group's competitive position and prospects depend on the expertise and experience of its key management team and its ability to continue to attract, retain and motivate qualified personnel. Industrial action or adverse labour relations could disrupt the Group's operating activities and have an adverse effect on performance results.	The Group annually reviews labour market and aligns salaries and benefits to employees at all levels to foster and retain skilled labour. The Group invests in the professional development of its staff, including international best practices implementation and internal development/ training programmes. The Group engages in socially responsible business practices and support of local communities. The Group strives to maintain a positive working relationship with labour unions at its facilities. Moreover, it pursues overall labour policies designed to provide a salary and benefit package in line with the expectations of our employees.

Management Report (continued)

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

Management Report (continued)

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

Management Report (continued)

Risk factor	**Risk management approach**
Financial risks	
FOREX risks: The Group is subject to foreign-exchange risk arising from various currency exposures, primarily the Russian rouble and the US dollar. Foreign-exchange risk is the risk to profits and cash flows of the Group arising from movement of foreign-exchange rates due to inability to timely plan for and appropriately react to fluctuations in foreign-exchange rates. Risk also arises from revaluation of assets and liabilities denominated in foreign currency.	As of 2019, the biggest proportion of the Group's revenue is denominated in Russian roubles as the Group has switched the currency of its tariffs to RUB, and part of the Group's debt is denominated in USD. Most of the Group's operating expenses, on the other hand are and will continue to be denominated and settled in Russian roubles. In order to mitigate the possibility of foreign exchange risks arising from a significant mismatch between the currency of revenue and the currency of debt ('open FX position'), the Group began converting its existing USD debt into RUB, the currency of revenue. In 2018, the Group cancelled cross-currency swaps on the RUB denominated bonds issued by the First Container Terminal Inc. These swaps were converting RUB debt into USD. In order to further mitigate FOREX risk between June and September 2019 the Group put in place forward hedges and currency options totalling USD231.4 million to convert part of USD denominated debt into RUB. During 2018-2019 the Group also repurchased its Eurobonds, including USD69.5 million of Eurobonds due to mature in 2022 which were replaced at the end of 2019 with a new 5 year/60 months RUB bank loan. This action has further reduced FOREX risk converting USD debt into RUB debt. Currently the Group owns ~27% of the total issued Eurobonds. In addition the Group has negotiated with some of its customers the right to change its Russian rouble tariffs should the exchange rate move by 5, 10 or 15%, however the risk above the levels of these currency moves remains.
Credit risk: The Group may be subject to credit risk due to its dependence on key customers and suppliers.	The Group closely tracks its accounts receivables overall and the creditworthiness of key customers and suppliers.
Debt, leverage and liquidity: The Group's indebtedness or the enforcement of certain provisions of its financing arrangements could affect its business or growth prospects. Failure to promptly monitor and forecast compliance with loan covenants both at the Group and individual terminal levels may result in covenant breaches and technical defaults. If the Group is unable to access funds (liquidity) it may be unable to meet financial obligations when they fall due, or on an ongoing basis, to borrow funds in the market at an acceptable price to fund its commitments.	The Group has been able to reduce its total debt level, as planned. In 2018 and 2019 the Group repurchased USD192.5 million nominal value of 2022 and 2023 Eurobonds of which USD69.5 million were refinanced via a new 5 year/60 month RUB bank loan. Debt reduction beyond minimum repayment requirements remains a management priority in 2020. Liquidity risk is carefully monitored, with regular forecasts prepared for the Group and its operating entities. The risk of liquidity shortfalls within the following 18-24 months has been significantly reduced via extensions of debt maturities through public debt issuances in 2016. The liquidity position is carefully monitored in case of further deterioration of financial performance. The Group regularly stress tests scenarios when different negative trends that could affect cash flows are identified.

Management Report (continued)

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

29. The internal control and risk management systems relating to financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and to ensure compliance with applicable laws and regulations.
30. Financial reporting and supervision are based on approved budgets and on monthly performance reporting.
31. The Audit and Risk Committee of the Board of directors of the Company reviews certain high-risk areas at least once a year, including the following:
    - Significant accounting estimates;
    - Material changes to the accounting policies;
32. Reporting from various Group entities to the centralised unit is supervised on an ongoing basis and procedures have been established for control and checking of such reporting. Procedures have also been set up to ensure that any errors are communicated to, and corrected by, the reporting entities. The internal controls are subject to ongoing reviews, including in connection with the regular control inspections at subsidiaries conducted by the central unit. The results from these reviews are submitted to the executive management, the Audit and Risk Committee and Board of Directors. The internal financial reporting ensures an effective process to monitor the Company's financial results, making it possible to identify and correct any errors or omissions. The monthly financial reporting from the respective entities is analysed and monitored by the centralised department in order to assess the financial and operating performance as well as to identify any weaknesses in the internal reporting, failures to comply with procedures and the Group accounting policies. The Audit and Risk Committee follows up to ensure that any internal control weaknesses are mitigated and that any errors or omissions in the financial statements identified and reported by the auditors are corrected, including controls or procedures implemented to prevent such errors or omissions.

Management Report (continued)

Use of financial instruments by the Group

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

The Role of the Board of Directors

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

Members of the Board of Directors

37. The Board of Directors leads the process in making new Board member appointments and makes recommendations on appointments to shareholders. In accordance with the Terms of Reference of the Board, all Directors are subject to election by shareholders at the first Annual General Meeting after their appointment, and to re-election at intervals of no more than one year. Any term beyond six years for a Non-Executive Director is subject to particularly rigorous review, and takes into account the need to refresh the Board on a regular basis.
38. The Board currently has 11 members and they were appointed as shown on pages 2 and 3.
39. On 19 April 2019 Ms. Iana Penkova Boyd resigned from the Board. On 18 June 2019 Mr. Michalakis Christofides, Mr. Alexander Iodchin, Ms. Laoura Michael, Mr. Stavros Pavlou, Mr. Nicholas Charles Terry and Mr. George Yiallourides resigned from the Board. Mr. Mogens Petersen, Ms. Alexandra Fomenko and Mr. Shavkat Kary Niyazov were appointed on the same day. Mr. Anton Chertkov resigned from the Board on 11 November 2019 and Mr. Ivan Besedin replaced him on 16 December 2019. All new Board members were reviewed and recommended for appointment by Nomination and Remuneration Committee.
40. All other Directors were members of the Board throughout the year ended 31 December 2019, including the independent directors: Mrs. Britta Dalunde, Mrs. Inna Kuznetsova and Mr. Lambros Papadopoulos.
41. Mr. Morten Henrick Engelstoft was elected the Chairman of the Board of Directors on 26 February 2018 and Mrs. Britta Dalunde was elected the Senior Independent Director on 31 May 2018, both re-elected on 18 June 2019. There were no significant changes in the responsibilities of the Directors during 2019 except for establishment and membership in the committees as described below.
42. 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 Meeting held on 18 June 2019 and Extraordinary General Meeting held on 16 December 2019 all present directors are subject to re-election at the next Annual General Meeting of the Shareholders of the Company, which will take place in 2020.

Management Report (continued)

Directors' Interests

43. The interests in the share capital of Global Ports Investments Plc, both direct and indirect, of those who were Directors as at 31 December 2019 and 31 December 2018 are shown below:

Name	Type of holding	Shares held at 31 December 2019	Shares held at 31 December 2018
Britta Dalunde	Through holding of the GDRs	7,000 GDRs representing 21,000 ordinary shares	7,000 GDRs representing 21,000 ordinary shares
Sergey Shishkarev	Through shareholding in LLC Management Company "Delo" and other related entities	88,769,817 ordinary shares	126,814,024 ordinary shares
		34,605,183 ordinary non-voting shares	49,435,976 ordinary non-voting shares

Chairman of the Board of Directors

44. Mr. Morten Engelstoft was the Chairman of the Board throughout the year 2019.
45. The role of the Chairman of the Board of Directors is to ensure that Board meetings are held as and when necessary, lead the directors, ensure their effectiveness and review the agenda of Board meetings. The Chairman together with the Secretary of the Board review Board materials before they are presented to the Board and ensure that Board members are provided with accurate, timely and clear information. The members of the management team who have prepared the papers, or who can provide additional insights into the issues being discussed, are invited to present papers or attend the Board meeting at the relevant time. Board members regularly hold meetings with the Group's management to discuss their work and evaluate their performance.
46. The Chairman monitors communications and relations between the Group and its shareholders, the Board and management, and independent and non-independent directors, with a view to encouraging dialogue and constructive relations. The Chairman should demonstrate objective judgement and promote a culture of openness and debate. In addition, the Chairman facilitates constructive board relations and the effective contribution of all non-executive directors.
47. The Group separates the positions of the chairman and CEO to ensure an appropriate segregation of roles and duties.

Non-executive and Independent Directors

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

Management Report (continued)

The Board Committees

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

The Audit and Risk Committee

53. The Audit and Risk Committee comprises of five Non-Executive Directors, three of whom are independent, and meets at least four times a year. The Audit and Risk Committee is chaired by Mrs. Britta Dalunde (an Independent Non-Executive Director) and its other members are Mrs. Inna Kuznetsova (an Independent Non-Executive Director appointed as of 01 January 2018), Mr. Lambros Papadopoulos (an Independent Non-Executive Director appointed as of 01 January 2018), Ms. Alexandra Fomenko (appointed as of 18 June 2019) and Mr. Mogens Petersen (appointed as of 18 June 2019). Mr. Soren Jakobsen and Mr. George Yiallourides resigned from the Audit and Risk Committee on 18 June 2019.
54. The Committee is responsible for:
    - monitoring the integrity of the financial statements of the company and any formal announcements relating to the company’s financial performance, and reviewing significant financial reporting judgements contained in them;
    - providing advice (where requested by the board) on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the company’s position and performance, business model and strategy;
    - reviewing the company’s internal financial controls and internal control and risk management systems;
    - monitoring and reviewing the effectiveness of the company’s internal audit function;
    - making recommendations to the board, about the appointment, reappointment and removal of the external auditor, and giving the recommendations in relation to remuneration and terms of engagement of the external auditor for audit and non-audit services;
    - reviewing and monitoring the external auditor’s independence and objectivity;
    - reviewing the effectiveness of the external audit process;
    - developing and implementing policy on the engagement of the external auditor to supply non-audit services; and
    - reporting to the Board on how it has discharged its responsibilities.
55. In 2019 the Audit and Risk Committee met 13 times (2018: 17) to review and discuss inter alia the following significant issues and matters in addition and on top of those listed above:
    a. Consideration and approval of Policy on assessment of independence and objectivity of the external auditor;
    b. Review of the public materials containing financial information in relation to compliance with the financial statements, the disclosure and transparency requirements and Board`s view on mid and long-term development of the Group;
    c. Discussion of the level of clarity and completeness of disclosures in financial statements with the management and external auditors and making the recommendations;
    d. Consideration and approval of audit schedules and review of the impairment models and the impact of the new IFRS standards on the Company`s financial statements. The Committee`s task was to align the impairment models with the short-, mid- and long-term forecasts and to understand what impact the new standards would have on the financial statements and Group`s compliance with the covenants;
    e. Review of the major risks. The Committee discussed the approach to establishment and monitoring of the risk appetite of the Group and recommended the risk appetite statement to be approved by the Board in 2020;

Management Report (continued)

f. Review of internal control framework and its deficiencies, consideration of management proposals on its further development and improvement. The Committee concentrated on the integration of automatic controls into the ERP system and on further development and integration of authority matrix framework into day-to-day processes;

g. Consideration of various reports from the management;

h. Meetings with external auditors to discuss the matters related to the audit work done by them and any issues arising from their audits;

i. Meetings with internal auditors to discuss the results of their audits and ad-hoc reviews, working plans and progress in execution of internal audit recommendations;

j. Consideration and approval of the engagement of external auditors for rendering of non-audit services. In each particular case the Committee was assessing the impact of non-audit services on the independence and objectivity of the external auditor. The Committee reviewed the scope of services on compliance with the list of permitted non-audit services, the potential impact of the services on the audit work and financial statements and discussed with the external auditor how their internal compliance procedures were performed and whether all internal compliance requirements were met. The Committee monitors the share of non-audit service in relation to its compliance with the standards.

k. Assessment of efficiency of external auditor by discussing the audit approach and audit plan, monitoring of compliance with the plan, receiving the feedback from the members of the management team, involved in the audit process, assessing the internal resources allocated by the external auditor, the key risks to the audit process and their mitigation measures, review of the auditor`s management letter, consideration of the level and quality of communication between the external auditor and Committee during the audit process;

l. Conducting a tender for external audit services for the reporting period ending 31 December 2021 and onwards. The Committee members performed a tender and made their recommendations to the Board, which approved the results of the tender. The winner of the tender, KPMG Ltd, will be offered for appointment by the shareholders;

m. Discussion of the term of tenure of the current audit partner – Mr. Tasos Nolas and making the recommendations to extend it from six to seven years;

n. Review of IT security setup, corporate social responsibility report, legal matters report, differences between Russian GAAP and IFRS, site visits to the Group terminals located in Saint-Petersburg area and Finland, discussion with the Board of the results of these site-visits;

o. Discussion of the training requirements of the Committee members and conducting Corporate Governance Masterclass for the Board members and senior management.

The Nomination and Remuneration Committee

56. The Nomination and Remuneration Committee was established in June 2019 following the merger of Nomination Committee and Remuneration Committee in order to simplify the work of the committees and Board members.

57. The Nomination and Remuneration Committee as of the date of this report comprises three Directors, one of whom is independent. The Committee meets at least once each year. Currently the Nomination and Remuneration Committee is chaired by Mrs. Inna Kuznetsova (an Independent Non-Executive Director appointed as the Chairwoman of the merged Nomination and Remuneration Committee as of 18 June 2019, Chairwoman of both former committees as of 14 May 2018). The other members are Mr. Morten Henrick Engelstoft (appointed on 18 June 2019 to the new Committee and member of the former committees since 2016) and Ms. Alexandra Fomenko (appointed as a member of the committee on 11 November 2019). Mr. Soren Jakobsen and Mr. Stavros Pavlou resigned from their positions as members of the former committees on 18 June 2019. Mr. Anton Chertkov stepped down from the Board and the merged committee on 11 November 2019.

Management Report (continued)

58. The Committee is a committee of the Board of Directors which assists the Board in discharging its corporate governance responsibilities in relation to nomination, appointment and remuneration of all Directors and the Chairman / Chairwoman of the Board of Directors and of the senior executive management of the Company and its subsidiaries and joint venture companies, and oversee the development of a diverse pipeline for succession as well as to evaluate the performance of the Board of Directors, its committees, the Chairman / Chairwoman of the Board of Directors and individual directors. The main objective of the Committee is to determine the framework and policy for the nomination and remuneration of Independent Non-Executive Directors, Executive Directors, the Chairman / Chairwoman of the Board of Directors, and senior company executives ensuring the consistency with the company talent strategy, remuneration policy and market trends.
59. In 2019 the Nomination and Remuneration Committee met 15 times (11 times for Nomination and 13 times for Remuneration in 2018) to discuss and recommend to the Board the appointment of Key Management of the Group companies, to recommend the Directors the candidates to the Board, to discuss and recommend the composition of the Board Committees and to review and amend annual bonus regulations for the management. The Nomination and Remuneration Committee met also to discuss and recommend to the Board the Group the remuneration of the new Board members and the Key Management of the Group. In determining the level of remuneration of the key senior management of the Group the Committee referred to the level of skills and expertise, the position and scope of work and responsibilities as well as to the market levels for similar positions. The recommendations were approved by the Board in full. The Committee did not engage any external remuneration consultants. In the year 2019 one of the key focuses of the work of Nomination and Remuneration Committee was the succession planning and refreshment of the composition of the Board and the Key Management and Board performance evaluation. In the year 2020 one of the focus areas will be the talent management.

The Strategy Committee

60. The Strategy Committee was established in June 2019. As per its terms of reference, the Committee meets at least once each year. The Strategy Committee as of the date of this report comprises four Directors, one of whom is independent. Currently the Strategy Committee is chaired by Mr. Sergey Shishkarev (appointed as of 18 June 2019). The other members are Mr. Mogens Petersen, Mr. Soren Jakobsen and Mr. Lambros Papadopoulos (an Independent Non-Executive Director) and Mr Anton Chertkov, all appointed as of 18 June 2019. Mr. Anton Chertkov stepped down from the Board and resigned from his position as a member of the Strategy Committee in November 2019.
61. The Committee is a committee of the Board of Directors which assists the Board of Directors in discharging its corporate governance responsibilities in relation to the setting and oversight of the strategy and strategic initiatives of the Company and its subsidiaries and joint venture companies (the Group) to be approved by the Board of Directors from time to time, and providing oversight over the implementation and development of those by executive management. The Committee has been formed to foster a cooperative, interactive strategic planning process between the Board and executive management.
62. In 2019 the Strategy Committee met 5 times to discuss the schedule and agenda of the meetings of the Committee, to recommend to the Board of Directors different investment proposals, to consider and to give the recommendations to the Board regarding the functional strategies, the revised targets of the Corporate Strategy, and also to consider and to give the confirmation to the Board of Directors that the Group Consolidated budget 2020 corresponds to the Corporate Strategy.

Board Performance

63. The Board meets at least five times a year. Fixed meetings are scheduled at the start of each year. Ad hoc meetings are called when there are pressing matters requiring the Board’s consideration and decision in between the scheduled meetings. Starting from 2020 the Board agreed the schedule of ad-hoc meetings on a monthly basis.
64. In 2019 the Board met formally 18 (2018: 21) times to review current performance and to discuss and approve important business decisions.

Management Report (continued)

65. In 2019 the Board met to discuss and approve important business decisions:
    a. FY2018 financial statements, 1H2019 interim financial statements and Annual Report;
    b. Review of segments financial and operational performance;
    c. Consideration of 2020 financial budget, major risks and uncertainties, commercial strategy, corporate social responsibility matters, internal control framework;
    d. Changes in Group management and the Board of Directors;
    e. Revision of various group wide policies and regulations, namely Authority Matrix and Terms of Reference of the Board and Committees;
    f. Consideration of various compliance matters;
    g. Consideration and approval of the revision of external and internal financing arrangements and organizational restructurings;
    h. Consideration and approval of major capital expenditures and investment projects; and
    i. Consideration and approval of various resolutions related to the operations of the Company`s subsidiaries and joint ventures.
66. The number of Board and Board Committee meetings held in the year 2019 and the attendance of directors during these meetings was as follows:

	Board of Directors		*Nomination and Remuneration Committee**		*Strategy Committee*		*Audit and Risk Committee*	
	A	*B*	*A*	*B*	*A*	*B*	*A*	*B*
Iana Boyd	4	5	-	-	-	-	-	-
Anton Chertkov	15	15	13	13	3	3	-	-
Michalakis Christofides	9	9	-	-	-	-	-	-
Britta Dalunde	17	18	-	-	-	-	13	13
Morten Henrick Engelstoft	17	18	15	15	-	-	-	-
Alexander Iodchin	9	9	-	-	-	-	-	-
Soren Jakobsen	18	18	10	10	5	5	5	5
Demos Katsis	18	18	-	-	-	-	-	-
Inna Kuznetsova	18	18	15	15	-	-	12	13
Laura Michael	9	9	-	-	-	-	-	-
Lambros Papadopoulos	18	18	-	-	5	5	13	13
Stavros Pavlou	4	9	9	10	-	-	-	-
Sergey Shishkarev	18	18	-	-	5	5	-	-
Nicholas Charles Terry	9	9	-	-	-	-	-	-
George Yiallourides	9	9	-	-	-	-	5	5
Alexandra Fomenko	9	9	2	2	-	-	8	8
Shavkat Kary Niyazov	9	9	-	-	-	-	-	-
Mogens Petersen	9	9	-	-	5	5	8	8
Ivan Besedin	-	-	-	-	-	-	-	-

A = Number of meetings attended

B = Number of meetings eligible to attend during the year

* These meetings relate to the meetings of former separate Nomination and former Remuneration committees and also to the meetings of the new merged Nomination and Remuneration Committee.

Management Report (continued)

67. The operation of the Board, its Committees and individual Directors is subject to regular evaluation. The evaluation of the Board and individual Directors' performance can be conducted through self-assessment, cross-assessment or by an external third party. The Non-Executive Directors, led by the Senior Independent Director, are responsible for the performance evaluation of the Chairman of the Board. The Board did not engage any external advisors for evaluation of its performance in the years 2018 and 2019.
68. In 2019 the Board conducted the self-evaluation.

Board Diversity

69. The Company does not have a formal Board diversity policy with regard to matters such as age, gender or educational and professional backgrounds, but following the best practice while making the new appointments and considering the current composition of the Board of Directors, these aspects are taken into account.
70. As of the date of publication of these financial statements the Board has 3 females representing 27% from the total number of directors. The average age of directors is 52 years ranging from 31 to 66 years. The Board has a necessary balance of skills and expertise to run the Company and the Group. The Board members have the following educational backgrounds: port and transportation industry, accounting and financial, banking sector and legal. There are 6 nationalities present in the Board. The Board members reside in 7 countries.

Board and Management Remuneration

71. 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.
72. 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. Non-executive Directors are not eligible for bonuses, retirement benefits or to participate in any incentive plans operated by the Group. The Chairwomen of the Audit and Risk and Nomination and Remuneration Committees receive additional remuneration.
73. The shareholders of the Company approved the remuneration of the members of the Board on 12 May 2017, 11 December 2017, 29 January 2018, 2 March 2018, 14 May 2018, 29 June 2018, 18 June 2019, 16 December 2019 and 30 December 2019.
74. The Directors did not waive or agreed to waive any emoluments from the company or any company of the Group during the period under review or future emoluments.
75. Neither the Board members, nor the management have long-term incentive schemes. However, the performance based part of remuneration of the senior management is aligned to the strategic goals and initiatives approved by the Board.
76. The performance based part of the remuneration of the Key Management is based on the Key Rules of Awarding and Payment of Performance Based Bonuses of GPI Group adopted by the Board on 15 June 2016 and regularly updated with the last update on 17 June 2019. The Nomination and Remuneration Committee monitors the efficiency of the Rules and makes the recommendations to the Board on their amendment and revision.
77. Refer to Note 31(f) to the consolidated financial statements for details of the remuneration paid to the members of the Board and key management.

General Manager

78. Mr. Alexander Iodchin occupies the position of General Manager and the Board granted him the powers to carry out all business related to the Company`s operation up to a total value as established by the Authority Matrix. It has also granted him powers to discharge other managerial duties related to the ordinary course of business of the Company, including representing the Company before any government or government-backed authority.
79. The decisions for all other matters are reserved for the Board. The Authority Matrix contains the list of such reserved matters.
80. Mr. Iodchin is also acting as the Board Secretary since December 2008 and as the Head of Technical Analysis and Strategic Projects of the Group.

Management Report (continued)

Company Secretary

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

Corporate Governance

84. The Group has a diverse set of stakeholders, from international institutions holding our shares and bonds, to our customers, employees, regulators and communities. Made up of seasoned industry professionals, the Board of Directors is committed to acting in the best interest of all stakeholders. The Company is not subject to the provisions of UK Corporate Governance Code, but follows internationally recognised best practices customary to the public companies having GDRs with standard listing and admitted to trading at London Stock Exchange.
85. Improving its corporate governance structure in accordance with the internationally recognised best practices the Company adopted important policies and procedures. The Group is regularly reviewing and updating its policies and procedures.
86. On 18 June 2019 a new Terms of Reference of the Board of Directors were adopted. As of the same date the Board merged Nomination and Remuneration Committees and established Strategy Committee. Consequently, the terms of reference of the new committees were adopted in June 2019.
87. The Company's corporate governance policies and practices are designed to ensure that the Company is focused on upholding its responsibilities to the shareholders. They include, inter alia:
    - Appointment policy;
    - Terms of reference of the Board of Directors;
    - Terms of reference of the Audit and Risk, Nomination and Remuneration and Strategy Committees;
    - Code of Ethics and Conduct;
    - Antifraud policy;
    - Policy on Reporting of Improper Activities;
    - Investigation policy;
    - Anti-Corruption Policy;
    - Foreign Trade Controls Policy;
    - Insurance Standard;
    - Charity and Sponsorship Policy; and
    - Group Securities Dealing Code.
88. In order to further strengthen the corporate governance and clearly set the management authority limits within the Group the Board of Directors approved the Authority Matrix framework at the end of the year 2016, which was revised in June 2019 providing extended authorities to the Group management in order to simplify the decision making process. The implementation of this revised framework in the operating units started in 2019 and will be finalised in 2020.
89. In the course of the year ended 31 December 2017 in order to streamline the reporting of negligence, non-compliance or any other kind of wrongdoing the Group established a hotline mail-box and telephone line. It is an important mechanism enabling staff and other members of the Group as well as third parties to voice concerns in a responsible and effective manner. Throughout 2018 and 2019 the Board together with the management worked on raising the awareness about the hotline among the Group workforce and stakeholders.

Management Report (continued)

Code of ethics and conduct

90. The new Code of Ethics was approved by the Board of Directors on 08 December 2016 and was introduced in the companies of the Group in the course of the year 2017.
91. Global Ports' code of ethics and conduct outlines the general business ethics and acceptable standards of professional behaviour that we expect of all our directors, employees and contractors. This code, given to all new staff as part of their induction, means that everyone at Global Ports is accountable for their own decisions and conduct. As well as general standards of behaviour, the code covers fraud and corruption (including approaches on acceptance of gifts and benefits), ethics and conflicts of interest. Employees and external parties are encouraged to report any suspected breaches, via various channels including the dedicated hotline.
92. The code is available to all staff on Global Ports' website (in the Corporate Governance section) and in the HR department at every operating facility. There are also other more detailed rules concerning our anti-fraud and whistleblowing policies.
93. The Board is updated on a regular basis on any breaches various policies with the specific focus on the fraud incidents and resulting actions, although significant breaches have to be reported to the Board immediately.

Dividends

94. Pursuant to the Articles of Association the Company may pay dividends out of its profits. To the extent that the Company declares and pays dividends, owners of Global Depositary Receipts (hereafter also referred as "GDRs") on the relevant record date will be entitled to receive dividends payable in respect of Ordinary Shares underlying the GDRs, subject to the terms of the Deposit Agreement. The Company expects to pay dividends in US dollars. If dividends are not paid in US dollars, they will be converted into US dollars by the Depositary and paid to holders of GDRs net of currency conversion expenses.
95. The Company is a holding company and thus its ability to pay dividends depends on the ability of its subsidiaries and joint ventures to pay dividends to the Company in accordance with the relevant legislation and contractual restrictions (shareholder agreements, bank borrowings covenants, and terms of the issuance of the public debt instruments). The payment of such dividends by its subsidiaries and joint ventures is contingent upon the sufficiency of their earnings, cash flows and distributable reserves. The maximum dividend payable by the Company's subsidiaries and joint ventures is restricted to the total accumulated retained earnings of the relevant subsidiary or joint venture, determined according to the law applicable to each entity.
96. The Company has a Dividend Policy in place which provides for the payment of not less than 30% of any imputed consolidated net profit for the relevant financial year of the Group. Imputed profit is calculated as the consolidated net profit for the period of the Group attributable to the owners of the Company as shown in the Company's consolidated financial statements for the relevant financial year prepared under EU IFRS and in accordance with the requirements of the Cyprus Companies Law, Cap. 113, less certain non-monetary consolidation adjustments. The Company's dividend policy is subject to modification from time to time as the Board of Directors may deem appropriate.
97. In 2015 following the revision of current market situation, market prospects and prioritising the deleveraging strategy over dividend distribution, which should ensure the long-term robustness of the Group's finances, the Board suspended the payment of the dividends in the mid-term. The Board continues to monitor the market for recovery as well as for levels of volatility in order to identify the appropriate timing for a resumption of the payment of a dividend, subject to maintaining conservative leverage ratios.
98. During the years 2018 and 2019 the Company did not declare or pay any dividends.
99. The Board of Directors of the Company does not recommend the payment of a final dividend for the year 2019.

Management Report (continued)

Share Capital

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

100. The information on significant direct and indirect shareholders is available at http://www.globalports.com/globalports/investors/shareholder-information/major-shareholders.
101. There are no special titles that provide special control rights to any of the shareholders. There are restrictions in exercising of voting rights of shares (please refer to paragraph 104 below).

Authorised share *capital*

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

Issued share *capital*

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

Rules for Amending Articles

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

Corporate Social Responsibility Report

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

Events after the balance sheet date

107. The events after the balance sheet date are disclosed in Note 32 to the consolidated financial statements.

Research and development activities

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

Branches

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

Treasury shares

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

Going Concern

111. Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the consolidated financial statements based on the fact that, after making enquiries and following a review of the Group's principle risks and uncertainties, budget for 2020, financial perspectives in the mid-term and the latest forecasts over a period of 5-7 years reflecting its business and investment cycles, including cash flows and borrowing facilities, the Directors consider that the Group has adequate resources to meet its liabilities as they fall due and to continue in operation for the foreseeable future.

Management Report (continued)

Internal audit

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

External auditors

114. An external auditor is appointed at the Global Ports AGM on an annual basis to review the Group's financial and operating performance.
115. This follows proposals drafted by the Audit and Risk Committee for the Board of Directors regarding the reappointment of the external auditor of the Group.
116. In 2019, the shareholders of Global Ports re-appointed the Independent Auditors, PricewaterhouseCoopers as the external auditor for the purposes of auditing the Group's IFRS financial statements for 2019.
117. PricewaterhouseCoopers Limited, have expressed their willingness to continue in office in 2020. 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.
118. Starting from the year 2021 following the results of the external audit tender performed KPMG Ltd will take over PricewaterhouseCoopers Limited position subject to approval of the shareholders.

By Order of the Board

....
Morten Engelstoft
Chairman of the Board

....
Alexander Iodchin
Secretary of the Board

5 March 2020

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 26 to 97 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

....	....
Morten Engelstoft	**Alexander Iodchin**
Chairman of the Board	**Secretary of the Board**

Limassol

5 March 2020

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

(in thousands of US dollars)

	Note	For the year ended 31 December 2019	2018
Revenue	5	361,873	343,575
Cost of sales	6	(151,819)	(136,020)
Gross profit		210,054	207,555
Administrative, selling and marketing expenses	6	(35,482)	(38,925)
Other income		1,773	-
Share of profit/(loss) of joint ventures accounted for using the equity method including impairment	28(a)	1,920	(12,425)
Other gains/(losses) – net	7	(33,426)	(24,561)
Operating profit/(loss)		144,839	131,644
Finance income	9	2,524	2,561
Finance costs	9	(85,234)	(85,148)
Change in fair value of derivatives	9	(9,340)	(27,509)
Net foreign exchange gains/(losses) on financial activities	9, 3(a)(i)	43,846	(75,185)
Finance income/(costs) – net	9	(48,204)	(185,281)
Profit/(loss) before income tax		96,635	(53,637)
Income tax expense	11	(28,963)	(4,692)
Profit/(loss) for the year		67,672	(58,329)
Attributable to:			
Owners of the Company		66,580	(59,279)
Non-controlling interest	28(b)	1,092	950
		67,672	(58,329)
Basic and diluted earnings per share for profit/(loss) attributable to the owners of the parent of the Company during the year (expressed in US$ per share)	12	0.12	(0.10)

The notes on pages 31 to 97 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

(in thousands of US dollars)

	Note	For the year ended 31 December 2019	2018
Profit/(loss) for the year		67,672	(58,329)
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to the income statement			
Currency translation differences		45,520	(85,628)
Share of currency translation differences of joint ventures accounted for using the equity method	28(a)	1,811	(8,003)
Reclassification to income statement of translation differences due to disposal of assets classified as held for sale (2018: subsidiary and assets held for sale)	7,27	33,485	27,106
Cumulative other comprehensive income movement relating to assets classified as held for sale	27	(257)	(3,472)
Total items that can be reclassified subsequently to the income statement		80,559	(69,997)
Items that may not be subsequently reclassified to the income statement			
Share of currency translation differences attributable to non-controlling interest		1,787	(2,846)
Total items that cannot be reclassified subsequently to the income statement		1,787	(2,846)
Other comprehensive income/(loss) for the year, net of tax		82,346	(72,843)
Total comprehensive income/(loss) for the year		150,018	(131,172)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		147,139	(129,276)
Non-controlling interest	28(b)	2,879	(1,896)
Total comprehensive income/(loss) for the year		150,018	(131,172)

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 31 to 97 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2019

(in thousands of US dollars)

	Note	As at 31 December 2019	As at 31 December 2018
ASSETS			
Non-current assets		1,265,191	1,133,885
Property, plant and equipment	14	499,335	460,942
Right-of-use assets	23, 2	639,699	-
Intangible assets	15	13,964	565,238
Investments in joint ventures	28(a)	27,590	24,795
Prepayments for property, plant and equipment	14	5,843	7,513
Deferred tax assets	25	61,264	60,499
Trade and other receivables	19	17,496	14,898
Current assets		189,088	154,453
Inventories	18	8,306	6,555
Trade and other receivables	19	45,487	40,901
Income tax receivable		10,942	3,611
Cash and cash equivalents	20	124,353	91,613
Assets classified as held for sale	27	-	11,773
TOTAL ASSETS		1,454,279	1,288,338
EQUITY AND LIABILITIES			
Total equity		396,084	246,066
Equity attributable to the owners of the Company		378,970	231,831
Share capital	21	57,317	57,317
Share premium	21	923,511	923,511
Capital contribution		101,300	101,300
Currency translation reserve		(748,814)	(829,373)
Transactions with non-controlling interest		(209,122)	(209,122)
Retained earnings		254,778	188,198
Non-controlling interest	28(b)	17,114	14,235
Total liabilities		1,058,195	1,042,272
Non-current liabilities		924,271	981,202
Borrowings	22	738,113	850,766
Lease liabilities	23, 2	32,987	-
Derivative financial instruments	24	8,839	-
Deferred tax liabilities	25	144,332	130,436
Current liabilities		133,924	61,070
Borrowings	22	99,098	21,183
Lease liabilities	23, 2	1,194	-
Derivative financial instruments	24	345	-
Trade and other payables	26	33,278	38,776
Current income tax liabilities		9	1,111
TOTAL EQUITY AND LIABILITIES		1,454,279	1,288,338

On 5 March 2020 the Board of Directors of Global Ports Investments Plc authorised these consolidated financial statements for issue.

Morten Engelstoft, Director

Britta Dalunde, Director

The notes on pages 31 to 97 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

(in thousands of US dollars)		Attributable to the owners of the Company								
	Note	Share capital	Share premium	Capital contribution	Translation reserve	Transactions with non-controlling interest	Retained earnings*	Total	Non-controlling interest	Total
Balance at 31 December 2017		57,317	923,511	101,300	(759,376)	(209,122)	247,477	361,107	16,131	377,238
Total other comprehensive income/(loss)		-	-	-	(69,997)	-	-	(69,997)	(2,846)	(72,843)
Profit/(loss) for the year		-	-	-	-	-	(59,279)	(59,279)	950	(58,329)
Total comprehensive income/(loss) for the year ended 31 December 2018		-	-	-	(69,997)	-	(59,279)	(129,276)	(1,896)	(131,172)
Balance at 31 December 2018		57,317	923,511	101,300	(829,373)	(209,122)	188,198	231,831	14,235	246,066
Total other comprehensive income/(loss)		-	-	-	80,559	-	-	80,559	1,787	82,346
Profit/(loss) for the year		-	-	-	-	-	66,580	66,580	1,092	67,672
Total comprehensive income/(loss) for the year ended 31 December 2019		-	-	-	80,559	-	66,580	147,139	2,879	150,018
Balance at 31 December 2019		57,317	923,511	101,300	(748,814)	(209,122)	254,778	378,970	17,114	396,084

*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 31 to 97 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

(in thousands of US dollars)		For the year ended 31 December	
	Note	2019	2018
Cash flows from operating activities			
Profit/(loss) before income tax		96,635	(53,637)
Adjustments for:			
Depreciation of property, plant and equipment	14	36,952	35,764
Depreciation of right-of-use assets	23	12,391	-
Loss on disposal of subsidiaries and assets held for sale	7	33,535	24,689
(Profit)/loss on sale of property, plant and equipment	14	(293)	(129)
Write off of property, plant and equipment	14	50	3
Amortisation of intangible assets	15	1,256	12,909
Interest income	9	(2,524)	(2,561)
Interest expense and other finance costs	9	77,710	83,383
Loss on extinguishment of financial liabilities	9,22	7,524	1,765
Share of (profit)/loss in jointly controlled entities including impairment	28(a)	(1,920)	12,425
Change in fair value of derivative financial instruments	9	9,340	27,509
Foreign exchange differences on non-operating activities		(45,956)	76,345
Other non-cash items		(484)	663
Operating cash flows before working capital changes		224,216	219,128
Changes in working capital			
Inventories		(910)	(1,956)
Trade and other receivables		2,103	(9,895)
Trade and other payables		(7,995)	758
Cash generated from operations		217,414	208,035
Dividends received from joint ventures		-	1,725
Income tax paid		(31,987)	(35,418)
Net cash from operating activities		185,427	174,342
Cash flows from investing activities			
Purchases of intangible assets		(963)	(2,554)
Purchases of property, plant and equipment		(26,625)	(40,752)
Proceeds from sale of property, plant and equipment	14	490	463
Proceeds from disposal of assets classified as held for sale (2018: subsidiary and assets held for sale)	27,7	11,842	28,909
Loans granted to related parties	31(g)	-	(1,400)
Loan and interest repayments received from related parties	31(g)	320	260
Interest received from third parties, bank balances and deposits		1,570	1,619
Net cash used in investing activities		(13,366)	(13,455)
Cash flows from financing activities			
Proceeds from borrowings	22	70,893	100
Repayments of borrowings	22	(131,382)	(155,567)
Principal elements of lease payments (2018: Finance lease principal payments (third parties))	23	(871)	(774)
Interest paid on borrowings (2018: Interest paid on borrowings and finance leases)	22	(74,407)	(82,994)
Interest paid on lease liabilities	23	(4,271)	-
Proceeds from/(settlement of) derivative financial instruments not used for hedging	22, 24	(211)	43,064
Net cash used in financing activities		(140,249)	(196,171)
Net increase/(decrease) in cash and cash equivalents		31,812	(35,284)
Cash and cash equivalents at beginning of the year		91,613	130,434
Exchange gains/(losses) on cash and cash equivalents		928	(3,537)
Cash and cash equivalents at end of the year	20	124,353	91,613

The notes on pages 31 to 97 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Country of incorporation

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

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

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

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

Approval of the consolidated financial statements

These consolidated financial statements were authorised for issue by the Board of Directors on 5 March 2020.

Principal activities

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

Composition of the Group and its joint ventures

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

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

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

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

- MLT and CD Holding groups are joint ventures with CMA Terminals where the Company has 75% effective ownership interest (Note 28(a)). Moby Dik (a container terminal in the vicinity of St. Petersburg), Multi-Link Terminals and Multi-Link Terminals Ltd constitute the MLT group. Yanino Logistics Park (an inland container terminal in the vicinity of St. Petersburg) and CD Holding constitute the CD Holding group.
- Ust-Luga Container Terminal (located in Ust-Luga, North-West Russia) is an 80% subsidiary where Eurogate, one of the leading container terminal operators in Europe has a 20% non-controlling interest (Note 28(b)).

During the current period, the Group completed the sale of its joint venture AS Vopak E.O.S and its subsidiaries (VEOS) where the Group had a 50% effective ownership interest (Notes 27(a) and 28(a)). VEOS was involved in the ownership and management of an oil products terminal in Estonia.

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. Apart from the accounting policy changes resulting from the adoption of IFRS 16 effective from 1 January 2019, 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 2019 have been adopted by the EU through the endorsement procedure established by the European Commission.

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of derivatives and measurement of assets held for sale at fair value less cost of disposal.

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

New and amended standards adopted by the Group

The Group adopted all new and revised IFRSs as adopted by the EU that are relevant to its operations and are effective for accounting periods beginning on 1 January 2019. The Group had to change its accounting policy on leases as a result of adopting IFRS 16 Leases.

The impact of the adoption of IFRS 16 and the new accounting policies are disclosed below. Other new standards, amendments and interpretations did not have any significant impact on the Group's accounting policies and did not require retrospective adjustments.

The Group has adopted IFRS 16 Leases retrospectively from 1 January 2019 (with the cumulative effect of initially applying the standard recognised at 1 January 2019) using the simplified transition approach, with no restatement of comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases that had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of the date of initial application 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 14.09%.

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

Reconciliation of lease liability recognised according to IFRS 16 as at 1 January 2019 to finance lease liabilities and operating lease commitments previously disclosed as at 31 December 2018:

Notes to the consolidated financial statements (continued)

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

New and amended standards adopted by the Group (continued)

(in thousands of US dollars)

Operating lease commitments disclosed as at 31 December 2018 (Note 30)	56,808
Operating lease commitments discounted using the lessee's incremental borrowing rate at the date of initial application	14,184
Leases previously not included in operating lease commitments - discounted	1,253
Operating leases classified as short-term and/or low-value and recognised on a straight-line basis as expense	(179)
Adjustments as a result of a different treatment of extension and termination options of operating leases	3,405
Finance lease liabilities already recognised as at 31 December 2018 according to IAS 17 (Note 22)	8,140
Lease liability recognised as at 1 January 2019 (Note 23)	26,803
Of which are:	
Current lease liabilities	875
Non-current lease liabilities	25,928

The associated right-of-use assets were measured at the amount equal to the lease liability and adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

On adoption of IFRS 16, the Group reclassified its Contractual rights with net book amount US$551,823 thousand from intangible assets to right-of-use assets (Note 23). These contractual rights were acquired as a result of business combinations and relate primarily to quay and land lease agreements.

The recognised right-of-use assets relate to the following types of assets:

(in thousands of US dollars)	31 December 2019	1 January 2019
Land	17,625	16,272
Buildings and facilities	620,719	560,585
Loading equipment	1,135	266
Other production equipment	144	-
Office equipment	76	-
Total right-of-use assets (Note 23)	639,699	577,123

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

(in thousands of US dollars)	1 January 2019	Operating leases recognised on balance sheet	Reclassifications	31 December 2018
Property, plant and equipment	454,305	-	(6,637)	460,942
Right-of-use assets	577,123	18,663	558,460	-
Intangible assets	13,415	-	(551,823)	565,238
Total assets	1,307,001	18,663	-	1,288,338
Non-current borrowings	842,764	-	(8,002)	850,766
Non-current lease liabilities	25,928	17,926	8,002	-
Current borrowings	21,045	-	(138)	21,183
Current lease liabilities	875	737	138	-
Total liabilities	1,060,935	18,663	-	1,042,272
Retained earnings	-	-	-	-

Notes to the consolidated financial statements (continued)

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

New and amended standards adopted by the Group (continued)

The new treatment of leases results in an increase in non-current assets and financial liabilities as these leases are capitalised as well as a decrease in lease expenses, offset by an increase in depreciation and an increase in finance charges. This results in a higher operating profit. In general, the depreciation charge is constant over the lease period, but finance charges decrease as the remaining lease liability decreases.

Cash generated from operations increased due to certain lease expenses no longer being recognised as operating cash outflows, but this is offset by a corresponding increase in cash used in financing activities due to repayments of the principal on lease liabilities. Net cash flow remains unchanged.

In applying IFRS 16 for the first time, the Group has used the following practical expedients:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the new lessee accounting model is not applied to leases of low value assets which are not individually material;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- The Group has also elected to adopt the transitional practical expedient such that the IFRS 16 definition of a lease would only be applied to assess whether contracts entered into on or after the date of initial application (1 January 2019) are, or contain leases. All contracts previously assessed not to contain leases are not revisited.

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 2019, 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.

Notes to the consolidated financial statements (continued)

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

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 at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Goodwill is initially measured as the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated income statement.

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

(b) Transactions with non-controlling interests

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

(c) Joint arrangements

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

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

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

Notes to the consolidated financial statements (continued)

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

Basis of consolidation (continued)

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.

Revenue recognition

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

The Group recognises revenue when the parties have approved the contract and are committed to perform their respective obligations, the Group can identify each party's rights and the payment terms for the goods or services to be transferred, the contract has commercial substance, it is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to customer and when specific criteria have been met for each of the Group's contracts with customers as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In evaluating whether collectability of an amount of consideration is probable, the Group considers only the customer's ability and intention to pay the amount of consideration when it is due. Revenues earned by the Group are recognised on the following bases:

(a) Sales of services

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

(b) Sales of goods

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

(c) Financing component

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

Notes to the consolidated financial statements (continued)

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

Revenue recognition (continued)

(d) Contract assets and contract liabilities

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

Other incomes

(a) Rental income

See accounting policy for leases below.

(b) Interest income

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

Interest income on derivative financial instruments (cross-currency interest rate swap arrangements) at fair value through profit or loss is calculated on nominal basis based on the difference between interest expenses on RUR-denominated bonds and lower interest rates embodied in the swap arrangements.

(c) Dividend income

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

Notes to the consolidated financial statements (continued)

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

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.

Segment reporting

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

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

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

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.

Notes to the consolidated financial statements (continued)

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

Foreign currency translation (continued)

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

Impairment of non-financial assets

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

Property, plant and equipment ("PPE")

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

Land is not depreciated.

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

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

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

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

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

Expenditure for repairs and maintenance of property, plant and equipment is charged to the income statement of the year in which they are incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

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

Notes to the consolidated financial statements (continued)

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

Intangible assets

(a) Goodwill

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

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

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

(b) Computer software

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

(c) Contractual rights

Accounting policy applied until 31 December 2018:

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 54 years as of 31 December 2018) 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.

Leases

The Group is the lessor

Operating leases

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

The Group is the lessee

Accounting policies applied from 1 January 2019:

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

Notes to the consolidated financial statements (continued)

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

Leases (continued)

The Group is the lessee (continued)

Due to implementation of new accounting policy contractual rights acquired as part of business combination and previously classified as intangible assets were reclassified to right-of-use assets on 1 January 2019 (Note 23). Their remaining useful lives are up to 53 years on 31 December 2019. After the reclassification they continue to be depreciated on a straight-line basis.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements (continued)

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

Leases (continued)

The Group is the lessee (continued)

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

Accounting policies applied until 31 December 2018:

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.

(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 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 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.

Financial instruments

Classification

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

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

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

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

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

Recognition and derecognition

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

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

Notes to the consolidated financial statements (continued)

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

Financial instruments (continued)

Measurement

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

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

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

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI and cash and cash equivalents. The Group measures expected credit losses ('ECL') and recognises credit loss allowance at each reporting date. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

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

Notes to the consolidated financial statements (continued)

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

Derivative financial instruments and hedging activities

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

Derivative financial instruments not designated as a hedging instrument

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

Derivative financial instruments designated as a hedging instrument

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

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

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

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

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

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.

Notes to the consolidated financial statements (continued)

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

Inventories

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

Non-current assets held for sale

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

Cash and cash equivalents

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

Cash flow statement

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

Share capital, share premium and capital contribution

Ordinary shares are classified as equity.

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

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

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

Trade payables

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

Offsetting financial instruments

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

Notes to the consolidated financial statements (continued)

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

Provisions and contingent liabilities

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

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

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

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised 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.

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

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.

Notes to the consolidated financial statements (continued)

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

Income taxes

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

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

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

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

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

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

Value Added Tax (“VAT”)

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

Employee benefits

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

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

Notes to the consolidated financial statements (continued)

3 FINANCIAL RISK MANAGEMENT

Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

Currently the long-term debt of the Group is denominated in US dollars and Russian roubles. The US dollar interest rates are relatively more attractive compared to the Russian rouble interest rate. The revenues of Russian operations are mainly priced in Russian roubles and most of expenses are denominated and settled in Russian roubles. The Group uses from time to time derivatives (foreign currency swaps, forwards and options) to manage its exposures to foreign exchange risk, for more details see Note 24. 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 of the Group's components that have Russian rouble as their functional currency, denominated in US dollars are as follows:

(in thousands of US dollars)

	As at 31 December	
	2019	2018
Assets	116,578	84,842
Liabilities	916	584
Intra-group financial assets	141,666	156,958
Intra-group financial liabilities	397,827	637,858
Capital commitments	-	575

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

(in thousands of US dollars)	As at 31 December	
	2019	2018
Intra-group financial assets	124,367	-

Had US dollar exchange rate strengthened/weakened by 15% against the Russian rouble and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2019, would have (decreased)/increased by US$33,082 thousand (2018: US$47,597 thousand) and the equity would have (decreased)/increased by US$33,082 thousand (2018: US$47,597 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of cash and cash equivalents, accounts receivable, borrowings, leases and intra-group financial assets and liabilities denominated in US dollars and Russian roubles.

Notes to the consolidated financial statements (continued)

3 Financial risk management (continued)

Financial risk factors (continued)

(a) Market risk (continued)

The carrying amount of financial assets and liabilities in Russian operations denominated in Euros as at 31 December 2019 and 31 December 2018 are as follows:

(in thousands of US dollars)	As at 31 December	
	2019	2018
Assets	7	50
Liabilities	187	-
Capital commitments	5,470	1,227

Had Euro exchange rate strengthened/weakened by 10% 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 2019, would have (decreased)/increased by US$14 thousand (2018: 15% change, increased/(decreased) US$6 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of accounts payable denominated in Euros.

(ii) Cash flow and fair value interest rate risk

The Group is not exposed to changes in market interest rates as its entire borrowings portfolio consists of fixed rate debt as of 31 December 2019 and 2018. However, the Group is exposed to fair value interest rate risk through market value fluctuations of loans receivable, borrowings and lease liabilities with fixed rates.

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

(b) Credit risk

(i) Risk management

Financial assets, which potentially subject the Group to credit risk, consist principally of trade and other receivables, loans receivable (Note 19) and cash and cash equivalents (Note 20). 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 59% of the Group's revenue for the year ended 31 December 2019 (year ended 31 December 2018: 60%).

(ii) Impairment of financial assets

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

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

Cash and cash equivalents:

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

Trade receivables:

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

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

Notes to the consolidated financial statements (continued)

3 Financial risk management (continued)

Financial risk factors (continued)

(b) Credit risk (continued)

Loans and other receivables:

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

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

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

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

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

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

For more information on the credit risk quality of trade and other receivables of the Group at 31 December 2019 refer to Notes 17 and 19.

(c) Liquidity risk

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

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

Taking into account expected levels of operating cash flows, availability of cash and cash equivalents amounting to US$124,353 thousand (31 December 2018: US$91,613 thousand) (Note 20) the Group has the ability to meet its liabilities as they fall due and mitigate risks of adverse changes in the financial markets environment.

Notes to the consolidated financial statements (continued)

3 Financial risk management (continued)

Financial risk factors (continued)

(c) Liquidity risk (continued)

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

The table below summarises the analysis of financial liabilities by maturity as of 31 December 2019 and 2018. 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 2019								
Borrowings*	7,000	20,195	8,770	116,732	212,628	643,356	-	1,008,681
Lease liabilities	582	851	1,425	2,919	5,488	14,111	170,510	195,886
Trade and other payables	4,747	16,676	-	246	-	-	-	21,669
Derivative financial instruments:								
- payments	3,981	-	-	5,088	10,471	132,441	-	151,981
- receipts	(3,800)	-	-	(3,800)	(7,600)	(114,800)	-	(130,000)
Total	12,510	37,722	10,195	121,185	220,987	675,108	170,510	1,248,217
As at 31 December 2018								
Borrowings*	11,315	19,390	5,079	35,783	143,613	882,565	50,150	1,147,895
Trade and other payables	5,074	13,271	4,405	9,030	-	-	-	31,780
Total	16,389	32,661	9,484	44,813	143,613	882,565	50,150	1,179,675

*The Group repurchased its own Eurobonds in 2018 and 2019 (Note 22). There are 27% repurchased as of 31 December 2019 and 10% as of 31 December 2018.The borrowings payments presented above exclude cash flows related to the repurchased part of Eurobonds.

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

(d) Capital risk management

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

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

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

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

The rate of borrowings to total capitalisation is as follows:

(in thousands of US dollars)

	As at 31 December	
	2019	2018
Total borrowings	871,392	871,949
Total capitalisation	1,267,476	1,118,015
Total borrowings to total capitalisation ratio (percentage)	69%	78%

Notes to the consolidated financial statements (continued)

3 Financial risk management (continued)

Financial risk factors (continued)

(e) Fair value estimation

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

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

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

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

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

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

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

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

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

Specific valuation techniques used to value derivative financial instruments include:

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

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

Notes to the consolidated financial statements (continued)

4 Critical accounting estimates and judgements (continued)

Critical accounting estimates and assumptions (continued)

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

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

In 2019 PLP and FCT started to work as one unit from commercial and operational points of view. The two terminals have a common managing director and common senior management team. The process of unification of two facilities in terms of operations, infrastructure and equipment maintenance and development, technical matters etc. has started in 2019 and will continue in 2020. Nevertheless the Group management and the Board of Directors of the Company look at PLP and FCT as one combined terminal and monitor its performance as a single unit, without being legally merged together and remaining two separate legal entities. As a result of these processes PLP and FCT are now considered as one CGU and the goodwill has been reallocated accordingly (Note 15).

Even though no impairment or impairment reversal indications were identified for any of the Group's cash-generating units (CGUs), an impairment test was carried out by management for all CGUs, in addition to those CGUs with allocated goodwill for which an annual impairment assessment is required to be performed, as described below.

For the purposes of the preparation of the current year consolidated financial statements the Group performed a test of the estimated recoverable amount of the CGUs using the value-in-use method, compared to their carrying value, for all CGUs except for YLP and MD for which fair value less costs to sell method was used. The value-in-use assessment requires making judgments about long-term forecasts related to the CGUs subject to review for which the recoverable amount was calculated based on estimated discounted future cash flows. These forecasts are uncertain as they require assumptions about volumes, prices for the products and services, discount rates, future market conditions and future technological developments. Significant and unanticipated changes in these assumptions could require a provision for impairment in a future period.

For all CGUs tested based on discounted future cash flows, cash flow projections cover a period of five years based on the assumptions of the next 12 months. Cash flows beyond that five-year period have been extrapolated using a steady terminal growth rate. The terminal growth rate used does not exceed the long-term average growth rate for the market in which entities operate. For projections prepared for CGUs in Russian ports segments a terminal growth rate of 3% has been applied (2018: 3%). The discount rate applied for Russian ports CGUs in projections prepared as at 31 December 2019 is 8.8% (2018: 10.6%).

Key assumptions for Russian ports CGUs tested based on discounted future cash flows are throughput volume, price per unit, growth rates, and discount rates. The projected volumes reflect past experience adjusted by the management view on the prospective market developments. 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 for CGUs carried out in 2019, the Board of Directors did not identify any impairment losses and also believes that there are no indications for reversal of impairments recognised in previous periods for non-financial assets other than goodwill.

For all CGU units except for ULCT CGU 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.

In ULCT, the recoverable amount calculated based on the value in use exceeded the carrying value by US$16.2 million. A decrease in the average tariffs by approximately 4% and container handling volumes by approximately 5% each year as opposed to those used in projections would remove the headroom. Reasonable changes in other key parameters do not result in the elimination of the existing headroom.

(ii) Russian legislation

Russian tax, currency and customs legislation is subject to varying interpretations (Note 29).

Notes to the consolidated financial statements (continued)

5 SEGMENTAL INFORMATION

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

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

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

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

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

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

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

The brief description of segments is as follows:

Russian ports

The segment consists of the following operating units:

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

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.

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

VEOS

The segment consisted 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.

VEOS is no longer reported as a separate segment in the Group's consolidated financial statements because it was classified as assets held for sale at the end of 2018 and the Group completed the sale of VEOS in 2019, see Note 27(a) and Note 28(a).

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

Holding companies (all other)

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

Reconciliation adjustments

Reconciliation adjustments consist of two major components:

- Effect of proportionate consolidation – demonstrates the effect of proportionate consolidation of MD, YLP, Finnish ports and VEOS (in 2018 only). In the consolidated 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 material regular transactions between segments except for those which mainly relate to management and financing activities.

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

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

(in thousands of US dollars)

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

*CAPEX represents purchases of property, plant and equipment

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

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

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

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

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

(in thousands of US dollars)

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

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

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

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

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

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

(in thousands of US dollars)

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

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

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

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

(in thousands of US dollars)

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

Comparative segmental information for 2018 has not been restated for the adoption of IFRS 16 on 1 January 2019. Therefore, the segmental information disclosed above for right-of-use assets, their depreciation and lease liabilities is not entirely comparable to the information disclosed below for prior year.

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The segment results for the year ended 31 December 2018 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	365,190	30,939	15,009	411,138	-	(24,641)	-	386,497
Inter-segment revenue	-	-	-	-	488	-	(488)	-
Total revenue	365,190	30,939	15,009	411,138	488	(24,641)	(488)	386,497
Cost of sales	(171,806)	(12,815)	(13,039)	(197,660)	-	15,057	285	(182,318)
Administrative, selling and marketing expenses	(15,798)	(7,666)	(1,111)	(24,575)	(25,663)	4,654	269	(45,315)
Other gains/(losses) – net	(24,477)	(247)	150	(24,574)	3,838	90	(3,917)	(24,563)
Operating profit/(loss)	153,109	10,211	1,009	164,329	(21,337)	(4,840)	(3,851)	134,301
Finance costs – net	(187,614)	(265)	(314)	(188,193)	(787)	991	-	(187,989)
incl. interest income	*3,171*	*7*	*-*	*3,178*	*303*	*(30)*	*(1,508)*	*1,943*
incl. interest expenses	*(85,851)*	*(244)*	*(63)*	*(86,158)*	*(1,238)*	*421*	*1,508*	*(85,467)*
incl. change in the fair value of derivative instruments	*(27,509)*	*-*	*(189)*	*(27,698)*	*-*	*47*	*-*	*(27,651)*
incl. net foreign exchange gains/(losses) on financing activities	*(77,425)*	*(28)*	*(62)*	*(77,515)*	*148*	*553*	*-*	*(76,814)*
Profit/(loss) before income tax	(34,505)	9,946	695	(23,864)	(22,124)	(3,849)	(3,851)	(53,688)
Income tax expense	(4,210)	-	(149)	(4,359)	(265)	(17)	-	(4,641)
Profit/(loss) after tax	(38,715)	9,946	546	(28,223)	(22,389)	(3,866)	(3,851)	(58,329)
CAPEX* on cash basis	41,618	1,405	4,587	47,610	296	(2,140)	-	45,766

*CAPEX represents purchases of property, plant and equipment

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The reconciliation of results for the year ended 31 December 2018 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	386,497	(42,922)	343,575
Inter-segment revenue	-	-	-
Total revenue	386,497	(42,922)	343,575
Cost of sales	(182,318)	46,298	(136,020)
Administrative, selling and marketing expenses	(45,315)	6,390	(38,925)
Share of profit/(loss) of joint ventures accounted for using the equity method	-	(12,425)	(12,425)
Other gains/(losses) – net	(24,563)	2	(24,561)
Operating profit/(loss)	134,301	(2,657)	131,644
Finance costs - net	(187,989)	2,708	(185,281)
incl. interest income	*1,943*	*618*	*2,561*
incl. interest expenses	*(85,467)*	*319*	*(85,148)*
incl. change in the fair value of derivative instruments	*(27,651)*	*142*	*(27,509)*
incl. net foreign exchange gains/(losses) on financing activities	*(76,814)*	*1,629*	*(75,185)*
Profit/(loss) before income tax	(53,688)	51	(53,637)
Income tax expense	(4,641)	(51)	(4,692)
Profit/(loss) for the year	(58,329)	-	(58,329)
CAPEX on cash basis	45,766	(5,014)	40,752

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The segment items operating expenses for the year ended 31 December 2018 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
Depreciation of property, plant and equipment	37,621	1,033	1,863	40,517	837	(1,655)	-	39,699
Amortisation of intangible assets	13,126	108	-	13,234	7	(110)	-	13,131
Reversal of impairment of property, plant and equipment	-	(10,422)	-	(10,422)	-	5,211	-	(5,211)
Impairment of intangible assets and goodwill	18,488	-	-	18,488	-	(1,136)	-	17,352
Staff costs	55,466	14,593	8,516	78,575	18,630	(11,040)	-	86,165
Transportation expenses	9,198	2,542	422	12,162	-	(1,962)	-	10,200
Fuel, electricity and gas	10,182	7,188	640	18,010	12	(4,034)	-	13,988
Repair and maintenance of property, plant and equipment	9,892	2,971	1,064	13,927	12	(2,135)	-	11,804
Total	153,973	18,013	12,505	184,491	19,498	(16,861)	-	187,128
Other operating expenses	33,631	2,468	1,645	37,744	6,165	(2,850)	(554)	40,505
Total cost of sales, administrative, selling and marketing expenses	187,604	20,481	14,150	222,235	25,663	(19,711)	(554)	227,633

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The reconciliation of operating expenses for the year ended 31 December 2018 calculated with proportional consolidation to the results presented in consolidated income statement above is as follows:

(in thousands of US dollars)	Group as per proportionate consolidation	Equity method and other adjustments	Group as per equity method consolidation of joint ventures
Depreciation of property, plant and equipment	39,699	(3,935)	35,764
Amortisation of intangible assets	13,131	(222)	12,909
Reversal of impairment of property, plant and equipment	(5,211)	5,211	-
Impairment of intangible assets and goodwill	17,352	(17,352)	-
Staff costs	86,165	(18,597)	67,568
Transportation expenses	10,200	(3,344)	6,856
Fuel, electricity and gas	13,988	(4,914)	9,074
Repair and maintenance of property, plant and equipment	11,804	(3,433)	8,371
Total	187,128	(46,586)	140,542
Other operating expenses	40,505	(6,102)	34,403
Total cost of sales, administrative, selling and marketing expenses	227,633	(52,688)	174,945

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The segment assets and liabilities as at 31 December 2018 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)	494,794	18,958	8,492	522,244	2,433	(18,795)	-	505,882
Investments in joint ventures	784	-	-	784	165,861	-	(166,645)	-
Intangible assets	566,045	115	17	566,177	3,773	(557)	-	569,393
Other non-current assets	106,976	-	126,708	233,684	1,076,084	(33,016)	(1,272,515)	4,237
Inventories	7,193	1,967	-	9,160	-	(1,143)	-	8,017
Trade and other receivables (including income tax prepayment)	43,752	10,527	3,900	58,179	3,600	(6,636)	(1,288)	53,855
Cash and cash equivalents	95,758	2,398	1,465	99,621	2,182	(3,135)	-	98,668
Total assets	1,315,302	33,965	140,582	1,489,849	1,253,933	(63,282)	(1,440,448)	1,240,052
Long-term borrowings	857,258	2,575	1,340	861,173	22,810	(6,095)	(23,893)	853,995
Other long-term liabilities	132,072	-	217	132,289	38	(279)	(61,382)	70,666
Trade and other payables	32,547	5,624	2,669	40,840	8,220	(3,961)	73	45,172
Short-term borrowings	21,184	2,175	818	24,177	-	(1,292)	-	22,885
Other short-term liabilities	592	-	217	809	515	(56)	-	1,268
Total liabilities	1,043,653	10,374	5,261	1,059,288	31,583	(11,683)	(85,202)	993,986
Non-controlling interest	14,235	-	-	14,235	-	-	-	14,235

Included within ‘Russian ports’, ‘Finnish ports’ and ‘Holdings’ segments ‘Other non-current assets’ are investments in subsidiaries in the total amount of US19,665 thousand, US$126,614 thousand and US$1,075,338 thousand respectively (fully eliminated on consolidation).

From 2019 the Group no longer offsets deferred tax assets against deferred tax liabilities in the segmental information. Therefore, the segmental information in 2019 is not entirely comparable to segmental information in 2018.

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The reconciliation of total segment assets and liabilities as at 31 December 2018 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)	505,882	(37,427)	468,455
Investments in joint ventures	-	24,795	24,795
Intangible assets	569,393	(4,155)	565,238
Other non-current assets	4,237	71,160	75,397
Inventories	8,017	(1,462)	6,555
Trade and other receivables (including income tax prepayment)	53,855	(9,343)	44,512
Cash and cash equivalents	98,668	(7,055)	91,613
Assets classified as held for sale	-	11,773	11,773
Total assets	1,240,052	48,286	1,288,338
Long-term borrowings	853,995	(3,229)	850,766
Other long-term liabilities	70,666	59,770	130,436
Trade and other payables	45,172	(6,396)	38,776
Short-term borrowings	22,885	(1,702)	21,183
Other short-term liabilities	1,268	(157)	1,111
Total liabilities	993,986	48,286	1,042,272
Non-controlling interest	14,235	-	14,235

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 before reclassification to assets held for sale in the end of 2018, see Note 27(a)). The subsidiaries and joint ventures of the Group also provide services that 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 were equity accounted during 2018 up to the date of reclassification of VEOS to assets held for sale (Note 2, Basis of consolidation, (c)).

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

Revenue attributable to domestic and foreign customers for the year ended 31 December 2019 is disclosed below in accordance with their registered address. Major clients of the Group are internationally operating companies and their Russian branches. Their registered addresses are usually not relevant to the location of their operations.

(in thousands of US dollars)

	For the year ended 31 December	
	2019	2018
Revenue from domestic customers - Cyprus	8,370	14,970
Revenue from foreign customers by countries:		
Russia	282,162	224,818
South Korea	18,754	15,793
Switzerland	11,180	7,646
UK	8,733	20,344
Denmark	7,173	26,537
Other	25,501	33,467
Revenue from foreign customers total	353,503	328,605
Total revenue	361,873	343,575

In both 2019 and 2018 there was one customer representing more than 10% of consolidated revenue. This customer originated from Russian ports segment and its registered address is in Russia.

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

The adjusted EBITDA of the Group is calculated as follows:

(in thousands of US dollars)

	Note	For the year ended 31 December	
		2019	2018
Profit/(loss) for the year		67,672	(58,329)
Adjusted for:			
Income tax expense	11	28,963	4,692
Finance costs - net	9	48,204	185,281
Amortisation of intangible assets	6	1,256	12,909
Depreciation of property, plant and equipment	6	36,952	35,764
Depreciation of right-of-use assets	6	12,391	-
Share of (profit)/loss of joint ventures accounted for using the equity method	28(a)	(1,920)	12,425
Other (gains)/losses - net	7	33,426	24,561
Adjusted EBITDA		226,944	217,303

Notes to the consolidated financial statements (continued)

6 EXPENSES BY NATURE

(in thousands of US dollars)

	For the year ended 31 December	
	2019	2018
Staff costs (Note 8)	71,355	67,568
Depreciation of property, plant and equipment (Note 14)	36,952	35,764
Depreciation of right-of-use assets (Note 23)	12,391	-
Amortisation of intangible assets (Note 15)	1,256	12,909
Transportation expenses	15,662	6,856
Fuel, electricity and gas	9,813	9,074
Repair and maintenance of property, plant and equipment	6,519	8,371
Taxes other than on income	2,856	5,417
Legal, consulting and other professional services	2,762	2,867
Auditors' remuneration	1,031	1,379
Expense relating to short-term leases and/or leases of low-value assets (2018: Operating lease rentals)	412	4,122
Purchased services	14,298	8,310
Insurance	713	900
Other expenses	11,281	11,408
Total cost of sales, administrative, selling and marketing expenses	187,301	174,945

The total fees charged by the Company’s statutory auditor for the statutory audit of the annual financial statements of the Company for the year ended 31 December 2019 amounted to US$260 thousand (2018: US$295 thousand) The total fees charged by the Company’s statutory auditor for the year ended 31 December 2019 for other assurance services amounted to US$56 thousand (2018: US$63 thousand), for tax and VAT advisory services amounted to US$43 thousand (2018: US$1 thousand).

The above expenses are analysed by function as follows:

Cost of sales

(in thousands of US dollars)

	For the year ended 31 December	
	2019	2018
Staff costs	45,255	42,133
Depreciation of property, plant and equipment	35,203	34,310
Depreciation of right-of-use assets	12,391	-
Amortisation of intangible assets	1,102	12,855
Transportation expenses	15,662	6,856
Fuel, electricity and gas	9,549	8,780
Repair and maintenance of property, plant and equipment	6,324	7,400
Taxes other than on income	2,455	4,952
Expense relating to short-term leases and/or leases of low-value assets (2018: Operating lease rentals)	289	2,827
Purchased services	14,298	8,310
Insurance	537	549
Other expenses	8,754	7,048
Total cost of sales	151,819	136,020

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	
	2019	2018
Staff costs	26,100	25,435
Depreciation of property, plant and equipment	1,749	1,454
Amortisation of intangible assets	154	54
Fuel, electricity and gas	264	294
Repair and maintenance of property, plant and equipment	195	971
Taxes other than on income	401	465
Legal, consulting and other professional services	2,762	2,867
Auditors' remuneration	1,031	1,379
Expense relating to short-term leases and/or leases of low-value assets (2018: Operating lease rentals)	123	1,295
Insurance	176	351
Other expenses	2,527	4,360
Total administrative, selling and marketing expenses	35,482	38,925

7 OTHER GAINS/(LOSSES) – NET

(in thousands of US dollars)

	For the year ended 31 December	
	2019	2018
Foreign exchange gains/(losses) on non-financing activities – net (Note 10)	2,064	453
Settlement of commercial claims	-	(1,261)
Gain on a disposal of a subsidiary	-	4,558
Net loss on disposal of assets held for sale (Note 27)	(33,535)	(29,247)
Charity	(560)	-
Other gains/(losses) – net	(1,395)	936
Total	(33,426)	(24,561)

In 2018 the Group disposed a subsidiary with net liabilities of US$940 thousand for a cash consideration of US$862 thousand. The main asset of the subsidiary was loading equipment. The transaction did not have any adverse effect on the operations of the Group. The transaction resulted in the overall gain of US$4,558 thousand booked within 'Other gains/(losses) – net', comprising of US$1,802 thousand gain from sale of the subsidiary and US$2,756 thousand foreign translation differences which were reclassified from the translation reserve to the income statement.

8 EMPLOYEE BENEFIT EXPENSE

(in thousands of US dollars)

	For the year ended 31 December	
	2019	2018
Salaries	58,367	52,923
Social insurance costs	10,798	12,531
Other staff costs	2,190	2,114
Total	71,355	67,568
Average number of staff employed during the year	2,669	2,464

Included within 'Social insurance costs' for 2019 are contributions made to the state pension funds in the total amount of US$7,547 thousand (2018: US$8,727 thousand).

Notes to the consolidated financial statements (continued)

9 FINANCE INCOME/(COSTS) - NET

(in thousands of US dollars)

	For the year ended 31 December	
	2019	2018
Included in finance income:		
Interest income on bank balances	1,319	562
Interest income on short-term bank deposits	254	1,060
Interest income on loans to related parties (Note 31(g))	951	939
Total finance income calculated using effective interest rate method	2,524	2,561
Included in finance costs:		
Interest expenses on bank borrowings	(263)	(3,125)
Interest expenses on bonds	(72,425)	(78,253)
Interest expenses on lease liabilities (2018: finance leases)	(4,375)	(1,340)
Other finance costs	(647)	(665)
Loss on extinguishment of financial liabilities (Note 22)	(7,524)	(1,765)
Total finance costs	(85,234)	(85,148)
Included in the change in fair value of derivatives:		
Interest component*	-	16,013
Foreign currency exchange component	-	(43,522)
Change in fair value of currency forwards and currency options	(9,340)	-
Total change in fair value of derivatives (Note 24)	(9,340)	(27,509)
Net foreign exchange gains/(losses) on financing activities	43,846	(75,185)
Finance income/(costs) – net	(48,204)	(185,281)

*Interest component represents the difference between interest expenses on RUR-denominated bonds and lower interest rates embodied in swap agreements (see Note 24).

10 NET FOREIGN EXCHANGE GAINS/(LOSSES)

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

(in thousands of US dollars)

	For the year ended 31 December	
	2019	2018
Included in 'finance income/(costs) - net' (Note 9)	43,846	(75,185)
Included in 'other gains/(losses) – net' (Note 7)	2,064	453
Total	45,910	(74,732)

Notes to the consolidated financial statements (continued)

11 INCOME TAX EXPENSE

(in thousands of US dollars)

	For the year ended 31 December	
	2019	2018
Current tax	24,048	33,243
Deferred tax (Note 25)	4,915	(28,551)
Total	28,963	4,692

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

(in thousands of US dollars)

	For the year ended 31 December	
	2019	2018
Profit/(loss) before tax	96,635	(53,637)
Tax calculated at the applicable tax rates – 20% (1)	19,327	(10,727)
Tax effect of expenses not deductible for tax purposes	1,881	4,109
Tax effect of a result of disposal of assets held for sale (2018: assets held for sale and subsidiary)	6,707	4,938
Tax effect of share of profit/(loss) in jointly controlled entities	(384)	2,485
Withholding tax on undistributed profits	1,432	3,887
Tax charge	28,963	4,692

(1) The applicable tax rate used for 2019 and 2018 is 20% as this is the income statutory tax rate applicable to the Russian ports segment, where a substantial part of the taxable income arises.

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

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

12 BASIC AND DILUTED EARNINGS PER SHARE

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

	For the year ended 31 December	
	2019	2018
Profit/(loss) attributable to the owners of the parent of the Company - in thousands of US dollars	66,580	(59,279)
Weighted average of ordinary shares in issue (thousands)	573,171	573,171
Basic and diluted earnings per share for profit/(loss) attributable to the owners of the parent (expressed in US$ per share)	0.12	(0.10)

13 DIVIDEND DISTRIBUTION

During 2019 and 2018 the Company did not declare or pay dividends to the equity holders of the Company.

Notes to the consolidated financial statements (continued)

14 PROPERTY, PLANT AND EQUIPMENT

(in thousands of US dollars)

	Land	Buildings and facilities	Assets under construction	Loading equipment and machinery	Other production equipment	Office equipment	Total
At 1 January 2018							
Cost	162,451	364,718	28,263	203,161	40,240	2,914	801,747
Accumulated depreciation and impairment	-	(127,938)	(1,243)	(98,800)	(18,595)	(1,867)	(248,443)
Net book amount	162,451	236,780	27,020	104,361	21,645	1,047	553,304
Additions	-	11,756	5,573	14,649	6,603	307	38,888
Transfers	-	4,696	(2,868)	(1,832)	3	1	-
Disposals	-	(161)	-	(97)	(79)	-	(337)
Depreciation charge (Note 6)	-	(20,128)	-	(12,831)	(2,543)	(262)	(35,764)
Translation reserve	(27,758)	(40,093)	(5,239)	(17,823)	(4,052)	(184)	(95,149)
Closing net book amount	134,693	192,850	24,486	86,427	21,577	909	460,942
At 31 December 2018							
Cost	134,693	310,970	24,486	174,489	38,184	2,534	685,356
Accumulated depreciation and impairment	-	(118,120)	-	(88,062)	(16,607)	(1,625)	(224,414)
Net book amount	134,693	192,850	24,486	86,427	21,577	909	460,942

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 2019							
Cost	134,693	310,970	24,486	174,489	38,184	2,534	685,356
Accumulated depreciation and impairment	-	(118,120)	-	(88,062)	(16,607)	(1,625)	(224,414)
Net book amount	134,693	192,850	24,486	86,427	21,577	909	460,942
Adjustment for change in accounting policy for leases (Note 2)							
Reclassification to right-of-use assets (Note 23)	-	(6,371)	-	(266)	-	-	(6,637)
Restated opening net book amount	134,693	186,479	24,486	86,161	21,577	909	454,305
Additions	-	5,520	-	19,678	1,488	83	26,769
Transfers	-	21,482	(13,110)	11,017	(19,332)	(57)	-
Disposals	-	(48)	-	(162)	(29)	(8)	(247)
Depreciation charge (Note 6)	-	(20,307)	-	(15,580)	(765)	(300)	(36,952)
Translation reserve	16,456	23,437	2,722	12,362	390	93	55,460
Closing net book amount	151,149	216,563	14,098	113,476	3,329	720	499,335
At 31 December 2019							
Cost	151,149	371,764	14,098	229,133	10,308	2,166	778,618
Accumulated depreciation and impairment	-	(155,201)	-	(115,657)	(6,979)	(1,446)	(279,283)
Net book amount	151,149	216,563	14,098	113,476	3,329	720	499,335

Notes to the consolidated financial statements (continued)

14 Property, plant and equipment (continued)

In 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	
	2019	2018
Net book amount	247	337
Less: Non-cash items - write-offs of property, plant and equipment	(50)	(3)
	197	334
Profit on sale of property, plant and equipment (1)	293	129
Proceeds from sale of property, plant and equipment	490	463

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

From 1 January 2019 leased assets are presented as a separate line item in the balance sheet, see Note 23. Refer to Note 2 for details about the changes in accounting policy.

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 2018
Buildings and constructions	6,371
Loading equipment	266
Total	6,637

Depreciation expense amounting to US$35,203 thousand in 2019 (2018: US$34,310 thousand) has been charged to 'cost of sales' and US$1,749 thousand in 2019 (2018: US$1,454 thousand) has been charged to 'administrative, selling and marketing' expenses (Note 6).

There were no capitalised borrowing costs in 2019 and 2018.

Lease rentals relating to the lease of machinery and property amounting to US$289 thousand in 2019 (2018: US$2,827 thousand) have been charged to 'cost of sales' and US$123 thousand in 2019 (2018: US$1,295 thousand) has been charged to 'administrative, selling and marketing expenses'.

As at 31 December 2019 the amounts prepaid for equipment not delivered and prepayments for construction works not yet carried out were US$5,893 thousand (2018: US$7,513 thousand).

Notes to the consolidated financial statements (continued)

15 INTANGIBLE ASSETS

(in thousands of US dollars)

	Goodwill	Contractual rights	Computer software	Total
At 1 January 2018				
Cost	10,149	804,740	3,118	818,007
Accumulated amortisation and impairment	-	(126,071)	(1,078)	(127,149)
Net book amount	10,149	678,669	2,040	690,858
Additions	-	-	4,390	4,390
Amortisation charge (Note 6)	-	(12,013)	(896)	(12,909)
Translation reserve	(1,734)	(114,833)	(534)	(117,101)
Closing net book amount	8,415	551,823	5,000	565,238
At 31 December 2018				
Cost	8,415	667,742	6,820	682,977
Accumulated amortisation and impairment	-	(115,919)	(1,820)	(117,739)
Net book amount	8,415	551,823	5,000	565,238
Adjustment for change in accounting policy for leases (Note 2)				
Reclassification to right-of-use assets (Note 23)	-	(551,823)	-	(551,823)
Restated opening net book amount	8,415	-	5,000	13,415
Additions	-	-	255	255
Amortisation charge (Note 6)	-	-	(1,256)	(1,256)
Translation reserve	1,028	-	522	1,550
Closing net book amount	9,443	-	4,521	13,964
At 31 December 2019				
Cost	9,443	-	5,965	15,408
Accumulated amortisation and impairment	-	-	(1,444)	(1,444)
Net book amount	9,443	-	4,521	13,964

As at 31 December 2018 the remaining useful lives for contractual rights were up to 54 years.

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	
	2019	2018
PLP and FCT (Russian ports segment)/(2018: PLP (Russian ports segment))	4,084	3,640
VSC (Russian ports segment)	5,359	4,775
Total	9,443	8,415

Following the changes in management structure and operations of PLP and FCT in 2019 (Note 4(i)) these are considered by management as one single CGU. Therefore, the goodwill previously allocated to PLP CGU is now allocated to the merged CGU that includes FCT.

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

Notes to the consolidated financial statements (continued)

16 FINANCIAL INSTRUMENTS BY CATEGORY

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

(in thousands of US dollars)

	As at 31 December	
	2019	2018
Financial assets at amortised cost		
Trade and other receivables (1)	47,037	43,144
Cash and cash equivalents	124,353	91,613
Total	171,390	134,757
Financial liabilities measured at amortised cost		
Borrowings	837,211	871,949
Trade and other payables (2)	21,669	43,735
Total	858,880	915,684
Lease liabilities	34,181	-
Derivative financial instruments		
Derivative financial instruments not used for hedging at fair value through profit or loss	9,184	-
Total	9,184	-

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

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

17 CREDIT QUALITY OF FINANCIAL ASSETS

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

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

(in thousands of US dollars)

	As at 31 December	
	2019	2018
Trade and other receivables		
Core customers - existing (more than one year of working history with the Group)	15,886	12,520
Trade and other receivables from other customers (third parties)	2,404	3,196
Other receivables from third parties with Aa1 credit rating by Moody's Investors Service	1,773	-
Trade and other receivables from related parties with Baa3 credit rating by Moody's Investors Service as at 31 December 2019 and 2018*	6,515	7,809
Total	26,578	23,525

* The total gross carrying amount of trade and other receivables from related parties (including past due but not impaired portion) with Baa3 credit rating as of 31 December 2018 was US$8,414 thousand (Note 19).

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

Notes to the consolidated financial statements (continued)

17 Credit quality of financial assets (continued)

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

(in thousands of US dollars)

Agency	Rating	As at 31 December 2019	2018
International rating agency Moody's Investors Service	A1 - Aa3	971	3,669
International rating agency Moody's Investors Service	B1 - Baa3	87,505	52,609
International rating agency Moody's Investors Service	Caa1 - Caa2	-	156
Fitch Ratings	BBB	35,716	35,008
* No rating	No rating	161	171
Total		124,353	91,613

* 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 2019	2018
Spare parts and consumables	8,306	6,555
Total	8,306	6,555

All inventories are stated at cost.

19 TRADE AND OTHER RECEIVABLES

(in thousands of US dollars)	As at 31 December 2019	2018
Trade receivables - third parties	19,655	16,127
Trade receivables - related parties (Note 31(d))	6,515	8,414
Total trade receivables	26,170	24,541
Other receivables	4,177	3,661
Loans to related parties (Note 31(g))	16,690	14,942
VAT and other taxes recoverable	10,240	7,404
Total financial assets at amortised cost	31,107	26,007
Prepayments for goods and services	4,285	5,249
Prepayments for goods and services - related parties (Note 31(d))	1,421	2
Total trade and other receivables	62,983	55,799
Less non-current portion:		
Loans to related parties	(16,583)	(14,898)
Other receivables	(913)	-
Total non-current portion	(17,496)	(14,898)
Current portion	45,487	40,901

Notes to the consolidated financial statements (continued)

19 Trade and other receivables (continued)

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

The average effective interest rate on loans receivable from related parties were 6.4% (2018: 6.4%).

At 31 December 2019, trade and other receivables amounting to US$26,577 thousand were zero days past due (31 December 2018: US$23,525 thousand).

Trade and other receivables amounting to US$3,770 thousand (31 December 2018: US$4,677 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	
	2019	2018
Less than 1 month overdue	2,716	2,842
From 1 to 3 months overdue	1,006	1,781
From 3 to 6 months overdue	20	54
Over 6 months overdue	28	-
Total	3,770	4,677

During 2019 no trade receivables (2018: US$549 thousand) were impaired and written off in full. In 2018 these were individually impaired trade receivables mainly related to customers, which were in a difficult economic situation.

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

The fair value of receivables approximates their carrying value as the impact of the discounting is insignificant and is within Level 3 of the fair value hierarchy. The fair value is based on discounting of cash flows using 7% (2018: 7%) discount rate.

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

(in thousands of US dollars)

	As at 31 December	
	2019	2018
Currency:		
US dollar	8,234	24,535
Russian rouble	54,426	31,111
Euro	323	153
Total	62,983	55,799

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	
	2019	2018
Cash at bank and in hand	48,908	35,155
Short-term bank deposits (less than 90 days)	75,445	56,458
Total	124,353	91,613

The effective average interest rate on short-term deposits was 1.25% in 2019 (2018: 1.93%) and these deposits have an average maturity of 26 days in 2019 (2018: 22 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	
	2019	2018
Cash and cash equivalents	124,353	91,613
Total	124,353	91,613

21 SHARE CAPITAL, SHARE PREMIUM

Authorised share capital

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

Issued share capital

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

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

(in thousands of US dollars)

	Number of shares ‘000	Share capital	Share premium	Total
At 1 January/31 December 2018/ 31 December 2019	573,171	57,317	923,511	980,828

Notes to the consolidated financial statements (continued)

22 BORROWINGS

Borrowings include finance lease liabilities in the figures related to 2018. Starting 1 January 2019, after the adoption of new accounting policies for leases (Note 2), lease liabilities are disclosed separately in Note 23.

(in thousands of US dollars)

	As at 31 December	
	2019	2018
Non-current borrowings		
Bank loans	71,939	97
Non-convertible unsecured bonds	666,174	842,664
Finance lease liabilities	-	8,005
Total non-current borrowings	738,113	850,766
Current borrowings		
Bank loans	36	3
Interest payable on bank loans	115	-
Interest payable on finance lease liabilities	-	135
Non-convertible unsecured bonds	80,768	-
Non-convertible unsecured bonds – interest payable	18,179	21,045
Total current borrowings	99,098	21,183
Total borrowings	837,211	871,949

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

(in thousands of US dollars)

	As at 31 December	
	2019	2018
Between 1 and 2 years	161,523	71,746
Between 2 and 5 years	576,590	771,015
Total	738,113	842,761

Bank borrowings mature until 2024 (31 December 2018: 2024) and bonds mature until 2023 (31 December 2018: 2023).

Changes in liabilities and assets arising from borrowings and derivative financial instruments (refer to Note 23 for changes in lease liabilities):

(in thousands of US dollars)

	For the year ended 31 December 2019			
	Note	Borrowings	Fair value of derivative financial instruments*	Total
At beginning of year		871,949	-	871,949
Leases disclosed separately in Note 23 after adoption of new accounting policy for leases (Note 2)		(8,140)	-	(8,140)
Restated opening balance		863,809	-	863,809
Non-cash transactions				
Interest charged	9	72,688	-	72,688
Loss on extinguishment of financial liabilities	9	7,524	-	7,524
Change in fair value of derivative financial instruments	24, 9	-	9,340	9,340
Foreign exchange differences		28,086	55	28,141
Cash transactions				
Bank loans taken		70,893	-	70,893
Borrowings repaid during the year		(131,382)	-	(131,382)
Interest repaid during the year and derivatives settlements		(74,407)	(211)	(74,618)
At end of year		837,211	9,184	846,395

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

Notes to the consolidated financial statements (continued)

22 Borrowings (continued)

(in thousands of US dollars)

		For the year ended 31 December 2018		
	Note	Borrowings and finance leases	Fair value of derivative financial instruments*	Total
At beginning of year		1,074,753	(78,386)	996,367
Non-cash transactions				
Interest charged	9	82,718	-	82,718
Loss on extinguishment of financial liabilities	9	1,765	-	1,765
Change in fair value of derivative financial instruments	9	-	27,509	27,509
Foreign exchange differences		(48,328)	7,813	(40,515)
Leases taken		276	-	276
Cash transactions				
Bank loans taken		100	-	100
Borrowings and leases repaid during the year		(156,341)	-	(156,341)
Interest repaid during the year and swap cash settlements	24(ii)	(82,994)	15,350	(67,644)
Net proceeds received upon termination of derivative financial instruments	24(ii)	-	27,714	27,714
At end of year		871,949	-	871,949

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

In 2015-2016 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 purpose the Group has repaid certain bank facilities before their maturity dates, terminated the exiting swap arrangement, placed 3 issues RUR-denominated bonds of RUR 5 billion each in the total amount of RUR 15 billion and entered in swap agreements. These swap agreements were terminated in the second half of 2018 (see Note 24(ii)).

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

In 2018 and 2019 the Group has repurchased some part of Eurobonds and partly derecognised the liability.

In 2019 the Group obtained RUR-denominated bank loan in amount RUR 4,447 million (US$70,843 thousand) that bears fixed interest rate and matures in 2024. The proceeds from this loan were used to buy-back the Eurobonds for the total nominal amount of US$69,480.

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

(in thousands of US dollars)

		As at 31 December	
	Fair value hierarchy	2019	2018
Non-convertible unsecured bonds	Level 1	257,254	873,577
Non-convertible unsecured bonds	Level 2	552,958	-
Bank loans	Level 2	71,975	100
Total		882,187	873,677

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 2018
Under 1 year	1,506
Between 1 and 2 years	1,576
Between 2 and 5 years	4,296
Over 5 years	50,150
Total	57,528
Future finance charges of finance leases	(49,388)
Present value of finance lease liabilities	8,140

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

(in thousands of US dollars)

	As at 31 December 2018
Under 1 year	138
Between 1 and 2 years	73
Between 2 and 5 years	190
Over 5 years	7,739
Total	8,140

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	
	2019	2018
6-12 months	80,676	-
1-5 years	233,554	215,738
Over 5 years	-	7,807
Total	314,230	223,545

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

(in thousands of US dollars)

	As at 31 December	
	2019	2018
Russian rouble	321,021	229,543
US dollar	516,190	642,406
Total	837,211	871,949

As of 31 December 2019 from the above amount of borrowings denominated in US$114,357 thousand were covered by RUR/US$ currency forward contracts effectively converting the US$-denominated obligation into RUR denominated one (Note 24) and US$87,000 thousand were covered by RUR/US$ currency option contracts that limit foreign exchange risk exposure to a certain level that management considers appropriate in the current economic environment.

Agreements of the bank loans given to some of the subsidiaries of the Group include certain covenants which set forth certain financial ratios and other non-financial covenants that have to be complied with. The Group was in compliance with all covenants.

The weighted average effective interest rate on borrowings (excluding lease liabilities – see Note 23) is 8.98% (2018: 8.5%, including finance leases).

23 LEASE LIABILITIES AND RIGHT-OF-USE ASSETS

Movements in lease liabilities are analysed as follows:

(in thousands of US dollars)	For the year ended 31 December 2019
At beginning of period	-
Adjustments for change in accounting policy for leases (Note 2)	
Reclassification from borrowings (Note 22)	8,140
Operating leases recognised on balance sheet following IFRS 16 adoption	18,663
Lease liability recognised as at 1 January 2019	26,803
Non-cash transactions	
Adjustments related to changes in the index affecting lease payments	3,798
New leases	1,251
Lease termination	(180)
Interest charged (Note 9)	4,375
Exchange differences	3,276
Cash transactions	
Repayments of leases	(871)
Repayments of interest	(4,271)
At end of period	34,181
Of which are:	
Current lease liabilities	1,194
Non-current lease liabilities	32,987

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

(in thousands of US dollars)	As at 31 December 2019
Between 1 and 2 years	936
Between 2 and 5 years	866
Over 5 years	31,185
Total	32,987

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

(in thousands of US dollars)	As at 31 December 2019
Russian rouble	33,535
US dollar	646
Total	34,181

Total cash outflow for leases in 2019 is US$5,553 thousand.

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

Notes to the consolidated financial statements (continued)

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

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

(in thousands of US dollars)	Land	Buildings and facilities	Loading equipment and machinery	Other production equipment	Office equipment	Total
Opening net book amount as at 1 January 2019	-	-	-	-	-	-
Adjustment for change in accounting policy for leases (Note 2)						
Reclassification from intangible assets and property, plant and equipment (Note 2)	7,156	551,038	266	-	-	558,460
Operating leases recognised on balance sheet following IFRS 16 adoption	9,116	9,547	-			18,663
Restated opening net book amount	16,272	560,585	266	-	-	577,123
Additions	24	4	913	144	74	1,159
Adjustments related to changes in the index affecting lease payments	-	3,798	-	-	-	3,798
Lease termination	(231)	-	-	-	-	(231)
Depreciation (Note 6)	(402)	(11,870)	(112)	(6)	(1)	(12,391)
Exchange differences	1,962	68,202	68	6	3	70,241
Closing net book amount as at 31 December 2019	17,625	620,719	1,135	144	76	639,699

24 DERIVATIVE FINANCIAL INSTRUMENTS

(i) *2019:*

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

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

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

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

(ii) *2018:*

During 2015 and 2016 the Group entered into three cross-currency swap arrangements to exchange its RUR-denominated liabilities related to the newly issued bonds (3 issues of RUR 5,000 million each) with fixed interest rate of approximately 13% in the amount RUR 15,000 million (see Note 22) to US$-denominated debt with a lower fixed interest rate. The Group decided not to apply hedge accounting rules to the new swaps. As a result the change in fair value is presented in the income statement under “change in fair value of derivatives” as part of “finance income/(costs) – net” (see Note 9).

Cash collected/paid in relation to the swap arrangements not used for hedging that relate to the swap of fixed RUR denominated interest to fixed US$ denominated interest is presented in the consolidated statement of cash flows as "proceeds from/(settlement of) derivative financial instruments not used for hedging" as part of ‘financing activities’.

At the end of 2018 the Group terminated the cross-currency interest rate swap arrangements. The net proceeds received on termination of swaps amounted to US$27,714 thousand.

Notes to the consolidated financial statements (continued)

25 DEFERRED INCOME TAX LIABILITIES

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

(in thousands of US dollars)

	As at 31 December	
	2019	2018
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	61,264	60,499
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	(144,332)	(130,436)
Deferred tax liabilities (net)	(83,068)	(69,937)

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

(in thousands of US dollars)

	For the year ended 31 December	
	2019	2018
At the beginning of the year	(69,937)	(118,413)
Income statement charge:		
Deferred tax credit (Note 11)	(4,915)	28,551
Other movements:		
Currency translation differences	(8,216)	19,925
At the end of the year	(83,068)	(69,937)

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

(in thousands of US dollars)

	Property, plant and equipment	Lease liabilities and right-of-use assets	Withholding tax provision	Intangible assets	Borrowings	Tax losses	Other assets and liabilities	Total
At 1 January 2018	(60,138)	-	(1,898)	(133,838)	(329)	82,991	(5,201)	(118,413)
Income statement (Note 11)	1,777	-	(3,197)	2,245	49	21,930	5,747	28,551
Translation differences	10,205	-	630	22,659	-	(14,008)	439	19,925
At 31 December 2018	(48,156)	-	(4,465)	(108,934)	(280)	90,913	985	(69,937)
Income statement (Note 11)	1,376	2,766	(1,297)	(109)	45	(8,329)	633	(4,915)
Reclassification following IFRS 16 adoption	(301)	(108,633)	-	108,934	-	-	-	-
Translation differences	(5,987)	(13,200)	(606)	5	-	11,457	115	(8,216)
At 31 December 2019	(53,068)	(119,067)	(6,368)	(104)	(235)	94,041	1,733	(83,068)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The amount of unremitted earnings of certain subsidiaries and joint ventures on which no withholding tax provision was recognised amounts to US$844,515 thousand (2018: US$659,619 thousand).

Notes to the consolidated financial statements (continued)

26 TRADE AND OTHER PAYABLES

(in thousands of US dollars)

	As at 31 December	
	2019	2018
Trade payables - third parties	4,108	3,351
Trade payables - related parties (Note 31(e))	22	109
Payables for property, plant and equipment	782	1,339
Other payables - third parties	416	4,777
Other payables - related parties (Note 31(e))	630	831
Payroll payable	2,281	1,858
Accrued expenses	13,430	18,867
Contract liabilities	7,504	3,987
Taxes payable (other than income tax)	4,105	3,657
Total trade and other payables	33,278	38,776
Less non-current portion	-	-
Current portion	33,278	38,776

The increase in contract liabilities in 2019 compared to 2018 is explained by a number of contracts with customers renewed by the end of 2019 that required increased trade prepayments to be paid to the Group.

During the year ended 31 December 2019, the Group recognised revenue in the amount of US$3,987 thousand (2018: US$5,007 thousand) that related to carried-forward contract liabilities at 1 January 2019.

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

27 ASSETS HELD FOR SALE

(a) Disposal of VEOS

In April 2019 the Group completed the disposal of its 50% holding in VEOS, one of the Group’s joint ventures and operating segments, to Liwathon. As previously announced, the proceeds from the sale went towards the further deleveraging.

The result of the disposal is a US$(50) thousand loss that is reflected within ‘other gains/(losses) – net’. In addition, US$(33,485) thousand (negative) are recycled to ‘other gains/(losses) – net’ from the currency translation reserve. This is the amount related to VEOS that was recognised in other comprehensive income and accumulated in the equity.

The investment in VEOS was reclassified to assets held for sale in the end of 2018. The movement in currency translation reserve related to VEOS since reclassification to assets held for sale until the disposal was US$(257) thousand (negative).

(b) Disposal of Logistika-Terminal

In September 2018, upon obtaining approval of relevant regulatory authorities, the Group completed the sale of its 100% holding in JSC Logistika-Terminal (LT), one of the Group’s two inland terminals located near St. Petersburg that was included in the Russian ports segment, to PJSC TransContainer for a cash consideration of RUR 1.9 billion. As previously announced, the proceeds from the sale went towards the further deleveraging.

The result of the disposal is a US$615 thousand gain that is reflected within ‘other gains/(losses) – net’. In addition, US$(29,862) thousand (negative) are recycled to ‘other gains/(losses) – net’ from the currency translation reserve. This is the amount related to LT that was recognised in other comprehensive income and accumulated in the equity.

LT assets and liabilities were reclassified to assets and liabilities held for sale in August 2017 when the sales agreement was signed. The property, plant and equipment of LT was tested for impairment based on fair value less costs of disposal using comparative market method taking into account the sales agreement. As a result, an impairment of US$11,400 thousand was recognised in 2017.

The movement in currency translation reserve related to LT since reclassification to assets held for sale until the disposal was US$(3,472) thousand (negative).

Notes to the consolidated financial statements (continued)

27 Assets held for sale (continued)

The following assets and liabilities were classified as held for sale in relation to LT:

(in thousands of US dollars)	As at	
	Time of sale	31 December 2017
Property, plant and equipment	28,549	33,713
Trade and other receivables and other current assets	759	865
Cash and cash equivalents	426	835
Assets classified as held for sale	29,734	35,413
Deferred tax liabilities	1,631	1,867
Trade and other payables	671	560
Liabilities directly associated with assets classified as held for sale	2,302	2,427
Net carrying amount classified as held for sale	27,432	32,986

28 JOINT VENTURES AND NON-CONTROLLING INTERESTS

(a) Joint ventures

The Group has the following investments in joint ventures – VEOS (disposed in April 2019, see Note 27(a)), MLT group and CD Holding group. These entities are an integral part of operations of the Group. See Note 1 and Note 5 for more details.

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

The Group's share of capital expenditure contracted for at the balance sheet date but not yet incurred by the joint ventures amounted to US$4,921 thousand at 31 December 2019.

The summarised investments in joint ventures accounted for using the equity method as at 31 December 2019 and 31 December 2018 are as follows:

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

(in thousands of US dollars)	VEOS*	MLT	CD Holding	Total
At 1 January 2018	7,341	48,315	1,262	56,918
Recognised share of profit/(loss)	5,020	(14,305)	(3,140)	(12,425)
Dividends declared by joint venture	-	(1,618)	-	(1,618)
Share of losses of joint ventures applied against other long-term interests (Note 31(g))	-	-	1,696	1,696
Reclassified to assets held for sale (Note 27(a))	(11,773)	-	-	(11,773)
Translation differences (through other comprehensive income/(loss))	(588)	(7,597)	182	(8,003)
At 31 December 2018	-	24,795	-	24,795

* In April 2019 the Group completed the disposal of its 50% shareholding in VEOS (Note 27(a)).

For MD following the substantial reduction of cargo volumes in 2018 the recoverable amount was determined based on the expected fair value less costs of disposal of those assets which have active market and their value could be reliably determined. As a result the investment in Multi-Link Terminals Ltd (MLT, being the parent of MD) was impaired by US$13,946 thousand in 2018.

"Recognised share of profit/(loss)" for the year ended 31 December 2018 includes the impairment of MLT as described above and the Group's share of reversal of previously recognised impairment related to VEOS in the amount of US$5,211 thousand based on its fair value less costs of disposal at 31 December 2018.

Notes to the consolidated financial statements (continued)

28 Joint ventures and non-controlling interests (continued)

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

Selected income statement items

(in thousands of US dollars)

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

Selected balance sheet items

(in thousands of US dollars)

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

Notes to the consolidated financial statements (continued)

28 Joint ventures and non-controlling interests (continued)

Selected income statement items

(in thousands of US dollars)

	For the year ended 31 December 2018		
	VEOS	MLT	CD Holding
Revenue	30,939	25,834	10,851
Depreciation, amortisation and impairment	(1,141)	(8,533)	(789)
Reversal of impairment of property, plant and equipment	10,422	-	-
Interest income	7	108	-
Interest expense	(244)	(261)	(936)
Profit/(loss) before income tax	10,040	(548)	(4,187)
Income tax expense	-	68	-
Profit/(loss) after tax	10,040	(480)	(4,187)
Other comprehensive income/(loss)	(1,175)	(5,579)	240
Total comprehensive income/(loss)	8,865	(6,059)	(3,947)
Dividends declared by joint venture	-	2,157	-

Selected balance sheet items

(in thousands of US dollars)

	As at 31 December 2018		
	VEOS	MLT	CD Holding
Total non-current assets	19,073	25,085	14,272
Cash and cash equivalents (including current deposits with maturity over 90 days)	2,352	7,498	339
Other current assets	12,495	5,134	992
Total current assets	14,847	12,632	1,331
Total assets	33,920	37,717	15,603
Non-current financial liabilities	2,575	2,590	16,639
Other non-current liabilities	-	1,116	-
Total non-current liabilities	2,575	3,706	16,639
Current financial liabilities excluding trade and other payables	2,175	819	-
Other current liabilities including trade and other payables	5,624	3,595	1,226
Total current liabilities	7,799	4,414	1,226
Total liabilities	10,374	8,120	17,865
Net assets	23,546	29,597	(2,262)

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.

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

Notes to the consolidated financial statements (continued)

28 Joint ventures and non-controlling interests (continued)

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

(in thousands of US dollars)	For the year ended 31 December 2018			
	VEOS	MLT	CD Holding	Total
Opening net assets at the beginning of the year	14,681	37,813	638	53,132
Profit/(loss) for the period	10,040	(480)	(4,187)	5,373
Dividends declared	-	(2,157)	-	(2,157)
Other comprehensive income/(loss)	(1,175)	(5,579)	240	(6,514)
Closing net assets at the end of the year	23,546	29,597	(3,309)	49,834
Ownership interest	50%	75%	75%	
Interest in joint venture	11,773	22,197	(2,480)	31,490
Reclassification to assets held for sale (Note 27(a))	(11,773)	-	-	(11,773)
Share of losses of joint ventures applied against other long-term interests (Note 31(g))	-	-	1,696	1,696
Other movements	-	-	784	784
Goodwill	-	16,544	-	16,544
Impairment of investment*	-	(13,946)	-	(13,946)
Carrying value on 31 December 2018	-	24,795	-	24,795

Notes to the consolidated financial statements (continued)

28 Joint ventures and non-controlling interests (continued)

(b) Non-controlling interests

Ust-Luga Container Terminal (located in Ust-Luga, North-West Russia) is an 80% subsidiary where Eurogate, one of the leading container terminal operators in Europe, has a 20% non-controlling interest on 31 December 2019 and 31 December 2018.

During 2019 and 2018 Ust-Luga Container Terminal did not declare or pay dividends to the non-controlling interest.

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

Selected income statement items

(in thousands of US dollars)

	For the year ended 31 December	
	2019	2018
Revenue	27,018	13,541
Profit/(loss) for the year	5,462	4,749
Other comprehensive income/(loss) for the year	8,933	(14,230)
Total comprehensive income/(loss) for the year	14,395	(9,481)
Profit/(loss) for the year attributable to non-controlling interest	1,092	950
Total comprehensive income/(loss) for the year attributable to non-controlling interest	2,879	(1,896)

Selected balance sheet items

(in thousands of US dollars)

	As at 31 December 2019	
	2019	2018
Total non-current assets	59,101	47,481
Total current assets	32,825	24,731
Total assets	91,926	72,212
Total non-current liabilities	5,615	-
Total current liabilities	741	1,037
Total liabilities	6,356	1,037
Net assets	85,570	71,175
Accumulated non-controlling interest	17,114	14,235

Selected cash flow items

(in thousands of US dollars)

	For the year ended 31 December	
	2019	2018
Net cash from operating activities	13,594	4,111
Net cash used in investing activities	(2,312)	(5,986)
Net cash used in financing activities	(765)	-
Net increase/(decrease) in cash and cash equivalents	10,517	(1,875)

Notes to the consolidated financial statements (continued)

29 CONTINGENCIES

Operating environment of the Group

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. Firm oil prices, low unemployment and rising wages supported a modest growth of the economy in 2019. The operating environment has a significant impact on the Group's operations and financial position. 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.

The tariff legislation has changed as of 14 August 2018 and requires all tariffs to be set in Russian roubles. To the best of the knowledge of the Group's management, the Group is in full compliance with the new legislation.

The Group continues to monitor for any legislative proposals and regulatory actions that could lead to changes to the existing tariff regulations. It seeks a proactive dialog with the relevant Russian federal authorities. It believes it is as well placed as any market participant to adapt to any future changes in tariff regulation.

Finland represents established market economy with 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 by the tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when a decision about the review was made. Under certain circumstances reviews may cover longer periods.

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

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

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

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

Notes to the consolidated financial statements (continued)

29 Contingencies (continued)

Tax legislation in Russia (continued)

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 2019 and as of 31 December 2018 management believes that no additional tax liability has to be accrued in the financial statements.

Legal proceedings and investigations

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

Environmental matters

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

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

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

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

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

30 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	
	2019	2018
Property, plant and equipment	14,998	6,540
Total	14,998	6,540

Notes to the consolidated financial statements (continued)

30 Commitments (continued)

Operating lease commitments – Group as lessee

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

(in thousands of US dollars)

	As at 31 December 2018
Not later than 1 year	2,598
Later than 1 year and not later than 5 years	10,005
Later than 5 years	44,205
Total	56,808

31 RELATED PARTY TRANSACTIONS

The Group is jointly controlled by Delo Group and 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	
	2019	2018
Entities under control of owners of controlling entities	103,270	94,757
Joint ventures in which GPI is a venturer	2	3
Other related parties	30	45
Total	103,302	94,805

(b) Purchases of services and incurred expenses

(in thousands of US dollars)

	For the year ended 31 December	
	2019	2018
Entities under control of owners of controlling entities	334	330
Other related parties	1,978	2,334
Total	2,312	2,664

Notes to the consolidated financial statements (continued)

31 Related party transactions (continued)

(c) Interest income

(in thousands of US dollars)

	For the year ended 31 December	
	2019	2018
Joint ventures in which GPI is a venturer	951	939
Total	951	939

(d) Trade and other receivables and prepayments

(in thousands of US dollars)

	As at 31 December	
	2019	2018
Entities under control of owners of controlling entities	7,926	8,414
Joint ventures in which GPI is a venturer	10	2
Total	7,936	8,416

(e) Trade and other payables

(in thousands of US dollars)

	As at 31 December	
	2019	2018
Entities under control of owners of controlling entities	652	853
Other related parties	-	87
Payroll payable and accrued expenses related to key management	3,421	2,566
Total	4,073	3,506

(f) Key management compensation/directors' remuneration

(in thousands of US dollars)

	For the year ended 31 December	
	2019	2018
Key management compensation:		
Salaries, payroll taxes and other short-term employee benefits	8,311	10,041
Directors' remuneration (included also above):		
Fees	248	375
Emoluments in their executive capacity	570	813
Total	818	1,188

(g) 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	
	2019	2018
At the beginning of the year	14,942	14,559
Loans advanced during the year	-	1,400
Interest charged	951	939
Loan and interest repaid during the year	(320)	(260)
GPI's share of losses of joint ventures applied against other long-term interests (Note 28(a))	936	(1,696)
Foreign exchange differences	181	-
At the end of the year (Note 19)	16,690	14,942

The loans are not secured, bear effective interest at 6.4% (2018: 6.4%) and are repayable in 2020. However, the loans are classified as non-current because of the Group's intention to defer repayment for more than 12 months.

Notes to the consolidated financial statements (continued)

32 EVENTS AFTER THE BALANCE SHEET DATE

The Group's outlook for 2020 may be impacted by the Coronavirus (COVID-19) outbreak in China, which has significantly lowered visibility on what to expect in 2020. The Management is closely monitoring the situation with the outbreak of Coronavirus (COVID-19) and is ready to act depending on the development of the situation.

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

Independent Auditor's Report

To the Members of Global Ports Investments Plc

Report on the Audit of the Consolidated Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of Global Ports Investments Plc (the "Company") and its subsidiaries and joint ventures (hereafter collectively referred to as the "Group" consistent with the consolidated financial statements) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

What we have audited

We have audited the consolidated financial statements which are presented in pages 26 to 97 and comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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

Basis for opinion

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

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

Independence

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

Our audit approach

Overview

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

Overall group materiality: US$5,6 million, which represents approximately 2.5% of Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA").

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

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

We have identified the impairment assessment of goodwill and other non-financial assets including individual assets and cash generating units as the key audit matter.

Materiality

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

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

Overall group materiality	US$5,6 million
How we determined it	Approximately 2.5% of EBITDA
Rationale for the materiality benchmark applied	We chose EBITDA as the benchmark, because, in our view: • It is the benchmark against which the performance of the Group is most commonly measured by the users, and • It is a generally accepted benchmark. We chose 2.5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above US$0,57 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill and other non-financial assets We focused on this area due to: • the size of the goodwill and other non-financial assets, • the assessment of whether there is an indication for impairment/reversal of impairment involves subjective judgements, and • the assessment of the recoverable amount of the cash generating units ("CGUs") involves complex and subjective judgements about the future results of the business and the applicable discount rates to be used.	We evaluated the Board of Directors' conclusions on their assessment of non-existence of indications for impairment or reversal of impairment which was based on external and internal sources of information. We evaluated the valuation inputs and assumptions, methodologies and calculations adopted by the Company's Board of Directors in determining the CGUs' recoverable amounts. In order to assist us in our audit we involved PwC valuation experts that have the knowledge and experience in the industry and country of operation to assist us in evaluating methodology, models and assumptions used in value in use calculations.

Key Audit Matter	How our audit addressed the Key Audit Matter
In particular, we focused our audit effort on the Board of Directors' assessment of impairment of the following CGUs: • Petrolesport and Farwater and First Container Terminal (PLP/FCT) CGU and Vostochnaya Stevedoring Company (VSC) CGU due to the fact that these two CGUs have allocated goodwill and therefore require an annual impairment assessment, and • Ust-Luga Container Terminal (ULCT) CGU due to the fact that for this CGU, an impairment test was carried by management although no impairment indications were identified, and a reasonably possible change in the key assumptions in the impairment model would cause the carrying amount of the CGU to exceed its recoverable amount. The recoverable amounts of PLP/FCT, VSC and ULCT CGUs were determined based on value in use calculations. The expected cash flows (budgets) for the year 2020 and the remaining assumptions used for the CGUs' value in use calculations have been approved by the Company's Board of Directors. Certain assumptions made by the Board of Directors in the determination of the CGUs' value in use calculations were considered to be key estimates. Based on the results of the impairment tests no impairment losses have been identified, that require recognition in the consolidated income statement of the Group. For PLP/FCT and ULCT CGUs, it was determined that despite the fact that the impairment test has shown a recoverable amount higher than the carrying amount of each CGU, there are no indications for reversal of previously recognised impairment (no observable external or internal information to support reversal as required by IAS 36 "Impairment of Assets"). In addition, it was determined that the impairment test for ULCT CGU is still sensitive	With respect to the value in use models used for PLP/FCT, VSC and ULCT we challenged and evaluated the composition of the future cash flow forecasts in the model including comparing them to the latest budgets approved by the Board of Directors. We have also challenged and evaluated: • the Board of Directors' key assumptions for the long term growth rates of key inputs, such as volume and price and compared them to historical results, economic and industry forecasts, • the discount rate applied to these cash flows, by assessing the weighted average cost of capital, and considering territory specific factors, and • the macroeconomic assumptions used by the Board of Directors, by comparing them to market benchmarks and publicly available information. We have also performed look-back procedures by comparing previous budgets used in value in use calculations to actual results. We further challenged and evaluated the Board of Directors on the adequacy of their sensitivity calculations over ULCT CGU's recoverable amount and determined the assumptions that created the most variability, being assumptions for average tariffs and container handling volumes. For PLP/FCT and ULCT CGUs, we have further challenged and evaluated the Board of Directors conclusion that there is no reversal of previously recognised impairment despite that certain assets (other than goodwill) of both PLP/FCT and ULCT CGUs were impaired in prior years and the current year impairment tests performed for these two CGUs have shown a recoverable amount higher than the carrying amount of each of these CGUs. We lastly evaluated the adequacy of the disclosures made in Notes 4 and 15 of the

Key Audit Matter	How our audit addressed the Key Audit Matter
to the change of certain key parameters for value in use calculations. Refer to Notes 4 and 15 to the consolidated financial statements for the related disclosures.	consolidated financial statements, including those regarding the Board of Directors' conclusions on their assessment of non-existence of indications for impairment or reversal of impairment, the key assumptions and sensitivities to changes in such assumptions. Based on the evidence obtained, we found that the methodologies, assumptions and data used within the models and the disclosures included in the consolidated financial statements, including disclosures on the non-existence of indications for impairment/reversal of impairment of the Group's CGUs, are appropriate.

Reporting on other information

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Company in 2008 by shareholder resolution for the audit of the financial statements for the year ended 31 December 2008. Our appointment has been renewed annually, since then, by shareholder resolution. In 2011 the Company was listed in the Main Market of the London Stock Exchange and accordingly the first financial year after the Company qualified as an EU PIE was the year ended 31 December 2012. Since then, the total period of uninterrupted engagement appointment was 8 years.

Consistency of the Additional Report to the Audit and Risk Committee

We confirm that our audit opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Audit and Risk Committee of the Company, which we issued on 3 March 2020 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

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

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

- In our opinion, based on the work undertaken in the course of our audit, the management report in the consolidated financial statements has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the management report in the consolidated financial statements. We have nothing to report in this respect.
- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the management report in the consolidated financial statements, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap, 113, and is consistent with the consolidated financial statements.
- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

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

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

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

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

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

Limassol, 5 March 2020