Global Ports Investments Plc

Directors' report and consolidated financial statements
31 December 2018

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BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors

Mr. Morten Henrick Engelstoft (appointed 31 October 2016)
(Mrs. Olga Gorbarenko is the alternate to Morten Henrick Engelstoft)
Chairman of the Board of Directors
Non-Executive Director
Member of Remuneration and Nomination Committees

Mrs. Iana Penkova Boyd (appointed 29 January 2018)
Non-Executive Director

Mr. Anton Chertkov (appointed 14 May 2018)
(Mr. Alexander Iodchin is the alternate to Mr. Anton Chertkov)
Non-Executive Director
Member of Remuneration and Nomination Committees

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

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

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

Mr. Soren Jakobsen (appointed 02 March 2018)
(Mrs. Olga Gorbarenko is the alternate to Mr. Soren Jakobsen)
Non-Executive Director
Member of Remuneration, Nomination and Audit and Risk Committees

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

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

Mrs. Laura Michael (appointed 23 January 2013)
(Mr. Nicholas Charles Terry is the alternate to Mrs. Laura Michael)
Non-Executive Director

Mr. Lampros Papadopoulos (appointed 01 January 2018)
Independent Non-Executive Director
Member of Audit and Risk Committee

Mr. Stavros Pavlou (appointed 14 May 2018)
Non-Executive Director
Member of Remuneration and Nomination Committees

Board of Directors and other officers (continued)

Board of Directors (continued)

Mr. Sergey Shishkarev (appointed 14 May 2018)
(Mr. Anton Chertkov and Mr. Stavros Pavlou are the alternates to Mr. Sergey Shishkarev)
Non-executive Director

Mr. Nicholas Charles Terry (appointed 31 October 2016)
(Mrs. Laoura Michael is the alternate to Mr. Nicholas Charles Terry)
Non-executive Director

Mr. George Yiallourides (appointed 14 May 2018)
Non-Executive Director
Member of Audit and Risk Committee

Mr. Gerard Jan van Spall (resigned on 29 January 2018)

Mr. Peder Sondergaard (resigned on 01 February 2018)

Mr. Mikhail Loganov (resigned on 12 April 2018)

Mr. Nikita Mishin (resigned on 12 April 2018)

Mrs. Elia Nicolaou (resigned on 12 April 2018)

Mr. Konstantin Shirokov (resigned on 12 April 2018)

Mr. Vadim Kryukov (resigned on 14 May 2018)

Capt. Bryan Smith (resigned on 14 May 2018)

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 2018. 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, which are unchanged from the previous year, are the operation of container, general cargo and oil products terminals in Russia and the Baltics. The Group offers its customers a wide range of services for their import and export logistics operations.

Changes in group structure

3. During the year ended 31 December 2018 the management of the Group continued its efforts in optimisation of the Group structure. LLC ZASM was merged with LLC Farwater. The management finalised the liquidation of LLC Container-Depot East and LLC Cargo Connexion East.
4. In September 2018 the Group completed the sale of its holding in JSC Logistika-Terminal (LT), one of the Group's two inland terminals, to PJSC TransContainer for a consideration of 1.9 billion Russian roubles. As previously announced, the proceeds from the sale went towards the further deleveraging of the Group.
5. During the year ended 31 December 2018 the Group disposed its two subsidiaries – LLC PLP Mineral (owner of handling equipment) and LLC Porttransservis (freight forwarding services in Saint-Petersburg). The Group acquired a 100% stake in LLC Transportmecanisation, a company rendering equipment repair and maintenance services in Saint-Petersburg.
6. There were no other material changes in the group structure.

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

7. The Russian container market grew 10.0% in 2018 driven by the continued recovery in laden import of 8.2% and supported by strong growth in laden export containers of 13.9%, resulting in total Russian container market throughput of 4.87 million TEU.
8. The Group's Consolidated Marine Container Throughput increased 12.2% to 1,352 thousand TEU in 2018 compared to 1,205 thousand TEU in 2017. The growth rate of the Group's Consolidated Marine Container Throughput therefore outpaced that of the Russian container market.
9. The Group focused on increasing bulk cargo volumes to improve the utilisation of its terminals. As a result, Consolidated Marine Bulk Throughput increased by 15.9% to 3.12 million tonnes in 2018, a record level for the Group, driven by growth in bulk cargoes at PLP and ULCT.
10. As a part of its strategy to focus on developing additional revenue streams and optimising its existing terminal infrastructure, the Group commissioned a new coal handling facility at Ust-Luga Container Terminal in December 2018. ULCT has excellent rail connectivity and the capability to support up to 1.0 million tonnes of coal shipments per year.
11. Revenue in 2018 increased by 4.0% to USD 343.6 million compared to USD 330.5 million in 2017. This was mainly driven by 16.8% growth in Consolidated Non-Container Revenue. Consolidated Container Revenue was broadly flat in 2018 at USD 255.2 million, growth of 0.1% compared to 2017, as 12.2% growth in Consolidated Marine Container Throughput was partially offset by an 10.1% decline in Revenue per TEU. Only a low single digit percentage of the reduction in Revenue per TEU was attributable to change in tariffs, with the majority of the decline largely attributable to lower share of imports and the change in customer and service mix.
12. The Group continued to exert strict control over costs. Total Operating Cash Costs decreased by 2.0% during the reporting period despite double digit growth in throughput of both container and non-container cargoes. FX adjusted Total Operating Cash Costs1 increased by around 5.8%.

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[1] Management estimate calculated as if effective USD/RUB exchange rate in 2018 was the same as in 2017.

Management Report (continued)

13. Gross profit in 2018 increased 14.0% to USD 207.6 million or by 7.3% adjusted for impairments that took place in 2017.
14. Adjusted EBITDA in 2018 increased 7.8% to USD 217.3 million* mainly due to the growth in throughput and strict control over costs.
15. Adjusted EBITDA margin expanded by 224 basis points from 61.0% in 2017 to 63.2%* in 2018.
16. Operating profit in 2018 was USD 131.6 million compared to USD 5.3 million Operating loss in 2017. This substantial increase was driven both by the growth in Gross profit and the fact that 2017 was negatively impacted by non-monetary items such as impairment, loss from the Group's share of the result in joint ventures, and recycling of derivative losses previously recognised through other comprehensive income. Loss before income tax increased from USD 24.1 million in 2017 to USD 53.6 million in 2018. This change was predominantly driven by the depreciation of the Russian rouble which resulted in mainly unrealised loss on revaluation of US dollar-denominated borrowings (from Group and non Group entities) in the Group's Russian subsidiaries using Russian rouble as their functional currency.
17. The Group's capital expenditure on a cash basis was USD 40.8 million in 2018. Maintenance capital expenditure focused on planned maintenance projects, scheduled upgrades of existing container handling equipment and coal handling equipment at VSC as well as the implementation of environmental protection measures related to coal handling. Maintenance capex remained in line with the Group's mid-term guidance of USD 25-35 million per annum with the remainder accounting for development of a new coal handling facility at ULCT.
18. Net cash from operating activities increased by USD 0.4 million, or 0.2%, from USD 173.9 million in 2017 to USD 174.3 million in 2018.
19. In August 2018, an amendment to the Law on Seaports came into force which prescribes that all handling tariffs in Russian ports are set in Russian roubles. While the law stipulates the mandatory currency of tariffs, it does not restrict port operators' ability to change actual tariff levels. Tariffs for stevedoring services in Russian ports remain unregulated and are market-driven. Since the law came into force, the Group has retained its legal ability to revise tariff policy in response to substantial changes in the industry, currency fluctuations or macroeconomic environment. Although the share of Russian rouble nominated revenues is expected to increase in 2019, the group believes that its FX exposure is adequately balanced by the currency composition of its debt portfolio, the currency of its cash and deposits and the use of hedging instruments in relation to both revenue and debt.
20. The Group continued to deleverage and reduced Net Debt by a further USD 85.6 million* in 2018. The Group decreased its Total Debt by USD 124.4 million* in 2018.
21. Net Debt to Adjusted EBITDA decreased from 4.3x* to 3.6x* during 2018.

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, 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.

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.

Net Debt (a non-IFRS financial measure) is defined as a sum of current borrowings and non-current borrowings, derivative financial instruments less cash and cash equivalents and bank deposits with maturity over 90 days.

Management Report (continued)

Revenue per TEU is defined as the Global Ports Group's Consolidated Container Revenue divided by total container marine throughput.

Total Debt (a non-IFRS financial measure) is defined as a sum of current borrowings, non-current borrowings and derivative financial instruments.

Total Operating Cash Costs (a non-IFRS financial measure) is defined as Global Ports Group's cost of sales, administrative, selling and marketing expenses, less depreciation and impairment of property, plant and equipment, less amortisation and impairment of intangible assets.

Risk Management Process, Principal Risks and Uncertainties

22. 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.
23. Global Ports bases its risk management activities on a series of well-defined risk management principles, derived from experience, leading practice, and corporate governance regimes. Global Ports has an enterprise risk management system (the ERM) that is designed to identify, assess, respond, monitor and, where possible, mitigate or eliminate threats to the business caused by changes in the external and internal business, financial, regulatory and operating environment.
24. The Board has overall oversight responsibility for the GPI's risk management and the establishment of the framework of prudent and effective controls and it systematically monitors and assesses the risks attributable to the Group's performance and delivery of the GPI strategy. After identifying and assessing a risk, the Group selects and deploys the appropriate risk response aimed at reducing the likelihood of its occurrence and/or potential adverse impact.
25. The Board delegates to the Chief Executive Officer of LLC Global Ports Management responsibility for effective and efficient implementation and maintenance of the risk management system. Day-to-day responsibility for the 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
26. Global Ports is exposed to a variety of risks which are listed below. The order in which the risks are presented is not intended to be an indication of the probability of their occurrence or the magnitude of their potential effects.
27. 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.
28. 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.
29. The Group's financial risk management and critical accounting estimates and judgments are disclosed in Notes 3 and 4 to the consolidated financial statements.
30. The Group's contingencies are disclosed in Note 28 to the consolidated financial statements.

Management Report (continued)

<table>
<tr><th>Risk factor</th><th>Risk management approach</th></tr>
<tr><td>Strategic risks</td><td></td></tr>
<tr><td><u>Market conditions:</u>

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 predominantly imported goods, which in turn is driven by domestic consumer demand, combined with volatility of the Russian rouble against USD/Euro.

The Group remains exposed to the risk of contraction in the Russian 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.</td><td>The Group has reacted 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 export container flows;
Offering operational flexibility to all clients;
Effective cost containment;
Adopting new revenue streams and attracting new cargo.</td></tr>
<tr><td><u>Competition:</u>

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, introduction of new/upgraded capacity and carrier consolidation could result in greater price competition, lower utilisation, and a potential deterioration in profitability.

In recent years, the Russian market has witnessed the introduction of significant new container handling capacity, an example being the new terminal at Bronka, which competes with the Group's ports in the Baltic Sea Basin.

Additionally, 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.</td><td>The Group actively monitors the competitive landscape and adjusts its commercial strategy accordingly, i.e. the Group prioritises building close long-term relationships with 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 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 well-invested facilities with available berth capacity and sufficient land plots it has flexibility to balance minimal capital expenditure to maintain capacity at the existing level and its efficient development should market require it.</td></tr>
</table>

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 authorities 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 shocks/fluctuations in Russia, as well as the wider regional and global environment. This has included a strong focus on cost containment measures, and strengthening its financial position through a series of measures designed to derisk the Group's balance sheet, including refinancing all its debt switching to longer maturities at fixed rates. In addition, the Group has broadened its growth strategy to include exports as well as new revenue streams to counteract any lows in consumer sentiment and any macro-economic downturn. The Group has developed a 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.
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. Any revision or alteration of 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 long-term leases (up-to 54 years and usually renewable at immaterial costs).
Customer Profile and Concentration: The Group is dependent on a relatively limited number of major customers (shipping lines, 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 potential customers, increasing the share of business from other existing global customers, and new cargo segments. The Group is also steadily growing its share of non-container revenues through building its presence in marine bulk cargo like coal (share of non-container revenue was 26% and 23% in 2018 and 2017 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 the performance by all other participants in the logistics chain, such as customs inspectors, supervisory authorities 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.
Oil products: The Group's oil products business was significantly affected in the past and could be affected by changes in Russia's exports of oil products and the handling of such exports at its oil products terminal in Estonia; a decline in global demand for oil products or in Russian oil product export volumes or; any change in trade relationships with Estonia.	The Group recognises, that global demand for oil products is cyclical in nature and might grow again over the medium term. Focus on storage and accumulation of large shipments, utilising the unique features of the tank farm consisting of 78 tanks of different sizes. This allows the Group's oil product business to decrease its dependency on changes in Russia's exports of oil products
Tariff regulation: Tariffs for certain services at certain of the Group's terminals have been in the past 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 to be set in Russian roubles. The Group believes it 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 offers competitive salaries and benefits to employees at all levels to foster and retain skilled labour and provide yearly indications or revision of salaries. The Group invests in the professional development of its staff, including international best practices implementation and internal «learning effect» programmes realization. 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 and oil products 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.
Regulatory 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.
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.

Management Report (continued)

Risk factor	**Risk management approach**
Compliance and shareholder risk	
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 has highly experienced members, 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.
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.	Starting from 2019, a significant part of the Group's revenue will be denominated in Russian rouble as the Group has switched the currency of its tariffs to RUR, and a major part of the Group's debt is denominated in U.S. dollars, whereas most of the Group's operating expenses are and will continue to be denominated and settled in Russian roubles. In order to mitigate the risk of FX mismatch between the currency of revenue and the currency of debt, the Group has begun to convert its existing US$ debt into the currency of revenue to avoid significant foreign exchange risks arising from such a mismatch, i.e. in 2018 the Group cancelled cross-currency swaps on the RUB denominated bonds issued by the First Container Terminal Inc. The Group also plans to employ various different instruments and strategies to minimise future risks that may arise from volatility in the value of the Russian rouble and US dollar. Although the Group has negotiated with its customers the right to change its Russian rouble tariffs should the exchange rate move by 5, 10 or 15%, the risk above the levels of these currency moves remains.

Management Report (continued)

Risk factor	Risk management approach
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 continued reduction of the debt above and beyond minimum repayment requirements remains a management priority in 2019. Liquidity risk is carefully monitored, with regular forecasts prepared for the Group and its operating entities. Although 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.
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 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 breech 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 and believes this is an important step in ensuring both the efficiency and consistency of the Group’s security protocols implementation. We are in the process of alignment of 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 have minimised our 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.

Management Report (continued)

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

31. 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.
32. Financial reporting and supervision are based on approved budgets and on monthly performance reporting.
33. 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;
34. 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.

Use of financial instruments by the Group

35. 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.

Future Developments of the Group

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

Results

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

Dividends

38. 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.
39. 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.

Management Report (continued)

40. 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.
41. 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.
42. During the years 2017 and 2018 the Company did not declare or pay any dividends.
43. The Board of Directors of the Company does not recommend the payment of a final dividend for the year 2018.

Share Capital

Authorised share capital

44. 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

45. 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.
46. 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

47. 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 Governance

48. 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.
49. Improving its corporate governance structure in accordance with the internationally recognised best practices the Company adopted in 2008, 2012, 2015, 2016 and 2018 important policies and procedures. The Group is regularly reviewing and updating its policies and procedures. 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. On 03 October 2017 the Board of Directors approved the revised Terms of reference of the Audit and Risk Committee and Charity and Sponsorship Policy. On 18 September 2018 the Board approved the amended and restated versions of the policies marked with (*) below. On the same day the Board adopted a new Investigation policy.
50. 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 Committees;

Management Report (continued)

- 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.

51. 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. This framework is based on the Board of Directors reserved matters, which are set in the Terms of reference of the Board of Directors and Shareholder`s reserved matters as set out in Company`s Charter. All other matters are reserved for the management. The implementation of this framework within the Group started in the year 2017, continued in 2018 and will finalise in the year 2019. Currently the key operating assets of the Group have implemented this framework.

52. In the course of the year ended 31 December 2017 in order to further strengthen the corporate governance procedures and 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 the Board together with the management worked on raising the awareness about the hotline among the Group workforce.

Code of ethics and conduct

53. 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.

54. 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.

55. 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.

The Role of the Board of Directors

56. 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.

57. 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.

Management Report (continued)

58. 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 16 October 2012 and came into force on 28 November 2012. It is available on the Company`s website.

Members of the Board of Directors

59. The Board of Directors leads the process in making new Board member appointments and makes recommendations on appointments to shareholders. In accordance with the Terms of Reference of the Board, all Directors are subject to election by shareholders at the first Annual General Meeting after their appointment, and to re-election at intervals of no more than three years. Following the best practice guidance, the members of the Board of Directors are re-elected on an annual basis. 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.
60. The Board currently has 15 members and they were appointed as shown on pages 2 and 3.
61. On 29 January 2018 Mr. Gerard Jan Van Spall resigned from the Board and Mrs. Iana Boyd replaced him on the same day. On 01 February 2018 Mr. Peder Sondergaard resigned from the Board and Mr. Soren Jakobsen replaced him on 02 March 2018. On 12 April 2018 Mr. Mikhail Loganov, Mr. Nikita Mishin, Mrs. Elia Nicolaou and Mr. Konstantin Shirokov resigned from the Board. They were replaced by Mr. Anton Chertkov, Mr. Stavros Pavlou, Mr. Sergey Shishkarev and Mr. George Yiallourides on 14 May 2018. On 14 May 2018 Mr. Vadim Kryukov resigned from the Board and Mr. Demos Katsis replaced him on the same day. Capt. Bryan Smith resigned from the Board on 14 May 2018. All new Board members were reviewed and recommended for appointment by Nominations Committee.
62. All other Directors were members of the Board throughout the year ended 31 December 2018.
63. 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 14 May 2018 all present directors are subject to re-election at the next Annual General Meeting of the Shareholders of the Company. An EGM was called for 19 April 2019 to consider the resignation of Mrs. Iana Boyd and appointment of Mr. Tom Hyldelund to the Board.
64. The changes in the composition of the committees of the Board of Directors are described below.
65. Mr. Peder Sondergaard was the Chairman of the Board until 01 February 2018. Mr. Morten Henrick Engelstoft was elected the Chairman of the Board of Directors on 26 February 2018. Mrs. Britta Dalunde was elected the Senior Independent Director on 31 May 2018 following the resignation of Capt. Bryan Smith. There were no other significant changes in the responsibilities of the Directors during 2018 except for membership in the committees as described below.

Management Report (continued)

Directors' Interests

66. The interests in the share capital of Global Ports Investments Plc, both direct and indirect, of those who were Directors as at 31 December 2018 and 31 December 2017 are shown below:

Name	Type of holding	Shares held at 31 December 2018	Shares held at 31 December 2017
Nikita Mishin	Through shareholding in Transportation Investments Holding Limited and other related entities	NOT APPLICABLE	42,267,114 ordinary shares 16,477,011 ordinary non-voting shares
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	126,814,024 ordinary shares 49,435,976 ordinary non-voting shares	NOT APPLICABLE

Chairman of the Board of Directors

67. Mr. Morten Engelstoft was appointed Chairman of the Board in February 2018.
68. 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.
69. 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.
70. The Group separates the positions of the chairman and CEO to ensure an appropriate segregation of roles and duties.

Non-executive and Independent Directors

71. There are fourteen non-executive directors (including the chairman).
72. Mrs. Britta Dalunde, Mrs. Inna Kuznetsova and Mr. Lampros 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.
73. 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.

Management Report (continued)

74. Mrs. Britta Dalunde was appointed as the Senior Independent Director on 31 May 2018 replacing Capt. Bryan Smith, who stepped down from the Board. The role of Senior Independent Director is to provide a sounding board for the Chairman and serve as an intermediary for the other directors and shareholders. Led by the senior independent director, the non-executive directors should meet without the Chairman present at least annually to appraise the Chairman's performance, and on other occasions as necessary.

The Board Committees

75. 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 Audit and Risk Committee

76. 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. Lampros Papadopoulos (an Independent Non-Executive Director appointed as of 01 January 2018), Mr. Soren Jakobsen (appointed as of 02 March 2018) and Mr. George Yiallourides (appointed as of 14 May 2018). Mr. Morten Henrick Engelstoft and Mr. Konstantin Shirokov resigned from the Audit and Risk Committee on 26 February 2018 and 12 April 2018 respectively.
77. 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.
78. In 2018 the Audit and Risk Committee met 17 times to review and discuss inter alia the following significant issues and matters in addition and on top of those listed above:
    a. Review of the press releases containing financial information and rating agencies` presentations 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;
    b. Discussion of the level of clarity and completeness of disclosures in financial statements with the management and external auditors and making the recommendations;
    c. 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. The Committee also discussed, how to incorporate the new requirements of the standards into the budgeting process;

Management Report (continued)

d. Review of the major risks, including but not limited to strategic, fraud and compliance, commercial, operational, financial, human resources, environmental and other risks. The Committee discussed the approach to establishment and monitoring of the risk appetite of the Group;

e. 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;

f. Discussing the level of Corporate governance in the Group and making the recommendations to the Board and the management on how further to improve it;

g. Consideration of various reports from the management;

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

i. Consideration of various updated and restated Group Policies and making the recommendations to the Board on their approval. In particular, the Committee reviewed the Policy on Assessment of Independence and Objectivity of External Auditor and the Accounting Policy of the Group;

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. During the year 2018 the share of fees for non-audit services was significantly below the 70% of the last three years average audit fees;

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

m. Conducting the executive search for the new Head of Internal Audit function and discussing and giving the recommendations on the strengthening of Internal Audit function and extending its scope to joint-venture companies of the Group;

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 Far-East of Russia, discussion with the Board of the results of these site-visits;

o. Discussion of the training requirements of the Committee members.

The Nomination Committee

79. The Nomination Committee as of the date of this report comprises five Directors, one of whom is independent. The Committee meets at least once each year. Currently the Nomination Committee is chaired by Mrs. Inna Kuznetsova (an Independent Non-Executive Director appointed as a member of Committee as of 01.01.2018 and as a Chairman as of 14 May 2018). Mrs. Inna Kuznetsova replaced Capt. Bryan Smith who stepped down from the Board. The other members are Mr. Anton Chertkov (appointed on 14 May 2018), Mr. Morten Henrick Engelstoft, Mr. Soren Jakobsen (appointed on 02 March 2018) and Mr. Stavros Pavlou (appointed on 14 May 2018). Mr. Peder Sondergaard resigned from his position as a member of the Nomination Committee in February 2018 and Mr. Nikita Mishin and Mrs. Elia Nicolaou resigned from their positions as members in April 2018.

Management Report (continued)

80. The Committee's role is to prepare selection criteria and appointment procedures for members of the Board of Directors as well as the Key Management of the companies of the Group and to review on a regular basis the structure, size, diversity and composition of the Board of Directors of the Company. In undertaking this role, the Committee refers to the skills, knowledge and experience required of the Board and Key Management given the Company's and Group's stage of development and makes recommendations to directors as to any changes. The Committee also considers future appointments in respect to the composition of the Board of Directors and Key Management as well as making recommendations regarding the membership of the Audit and Risk Committee and the Remuneration Committee. The Committee monitors the compliance of the appointment procedures with the corporate governance standards and makes the recommendations to the Board and the management on changes to these procedures. The Committee develops plans for orderly succession to both the Board and Key Management positions and oversees the development of a diverse pipeline for succession. The Committee relies on both independent search consultancy and internal sources in making the proposals for the Board and Key Management appointments.
81. In 2018 the Nomination Committee met eleven times to discuss and recommend to the Board the appointment of Key Management of the Group companies, including the change of the CEO of LLC Global Ports Management and also to recommend the Directors the candidates to the Board and the position of the Chairman of the Board and to discuss and recommend the composition of the Board Committees. In the year 2019 one of the key focuses of the work of Nomination Committee will be the succession planning for the Board and the Key Management and talent management.

The Remuneration Committee

82. The Remuneration Committee as of the date of this report comprises five Directors, one of whom is independent. The Committee meets at least once each year. Currently the Remuneration Committee is chaired by Mrs. Inna Kuznetsova (an Independent Non-Executive Director appointed as a member of Committee as of 01 January 2018 and as a Chairman as of 14 May 2018). Mrs. Inna Kuznetsova replaced Capt. Bryan Smith who stepped down from the Board. The other members are Mr. Anton Chertkov (appointed on 14 May 2018), Mr. Morten Henrick Engelstoft, Mr. Soren Jakobsen (appointed on 02 March 2018) and Mr. Stavros Pavlou (appointed on 14 May 2018) Mr. Peder Sondergaard resigned from his position as a member of the Remuneration Committee in February 2018 and Mr. Nikita Mishin and Mrs. Elia Nicolaou resigned from their positions as members in April 2018.
83. The Committee is responsible for determining and reviewing the remuneration of the executive directors, Chairman and the Key Management and the Company's remuneration policies. The Committee also reviews the policy on payment of performance based bonuses and the alignment of incentives and rewards with culture. The remuneration of independent Directors is a matter for the Chairman of the Board of Directors and is subject to approval of the shareholders. Remuneration of the executive directors in their executive capacity is subject to the Board approval. No director or manager may be involved in any decisions and discussions as to his or her own remuneration.
84. In 2018 the Remuneration Committee met 13 times to discuss and recommend to the Board the Group management remuneration guidelines and 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 Committee did not engage any external remuneration consultants. In addition the Committee considered and recommended to the Board to approve the changes to the principles of payment of performance based bonuses to the management. The recommendations were approved by the Board in full.

Board Performance

85. 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.
86. In 2018 the Board met formally 21 (2017: 25) times to review current performance and to discuss and approve important business decisions.
87. In 2018 the Board met to discuss and approve important business decisions:
    a. FY2017 financial statements, 1H2018 interim financial statements and Annual Report;

Management Report (continued)

b. Review of segments financial and operational performance;

c. Consideration of 2019 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, election of the new Chairman and Senior Independent Director;

e. Revision of various group wide policies and regulations;

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.

88. The number of Board and Board Committee meetings held in the year 2018 and the attendance of directors during these meetings was as follows:

	Board of Directors		*Nomination Committee*		*Remuneration Committee*		*Audit and Risk Committee*	
	A	*B*	*A*	*B*	*A*	*B*	*A*	*B*
Iana Boyd	18	21	-	-	-	-	-	-
Anton Chertkov	12	14	6	6	8	9	-	-
Michalakis Christofides	21	21	-	-	-	-	-	-
Britta Dalunde	20	21	-	-	-	-	17	17
Morten Henrick Engelstoft	20	21	11	11	13	13	1	1
Alexander Iodchin	19	21	-	-	-	-	-	-
Soren Jakobsen	18	18	8	8	12	12	16	16
Demos Katsis	14	14	-	-	-	-	-	-
Vadim Kryukov	7	7	-	-	-	-	-	-
Inna Kuznetsova	21	21	11	11	13	13	16	17
Mikhail Loganov	3	6	-	-	-	-	-	-
Laura Michael	20	21	-	-	-	-	-	-
Nikita Mishin	4	6	2	4	3	3	-	-
Elia Nicolaou	6	6	4	4	3	3	-	-
Lampros Papadopoulos	21	21	-	-	-	-	17	17
Stavros Pavlou	12	14	6	6	9	9	-	-
Konstantin Shirokov	6	6	-	-	-	-	3	3
Sergey Shishkarev	12	14	-	-	-	-	-	-
Bryan Smith	7	7	5	5	4	4	-	-
Peder Sondergaard	2	2	1	1	-	-	-	-
Nicholas Charles Terry	20	21	-	-	-	-	-	-
George Yiallourides	12	14	-	-	-	-	12	12

A = Number of meetings attended

B = Number of meetings eligible to attend during the year

Management Report (continued)

89. 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 2017 and 2018.

Board Diversity

90. 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.
91. As of the date of publication of these financial statements the Board has 3 females representing 20% from the total number of directors. The average age of directors is 49 years ranging from 33 to 71 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 6 countries with the majority of the Board members being the tax residents of Cyprus.

Board and Management Remuneration

92. 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.
93. 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 Chairmen of the committees receive additional remuneration.
94. 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 and 29 June 2018.
95. 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.
96. 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 18 October 2018. The Remuneration Committee monitors the efficiency of the Rules and makes the recommendations to the Board on their amendment and revision.
97. Neither the Board members, nor the management have long-term incentive schemes.
98. Refer to Note 30(f) to the consolidated financial statements for details of the remuneration paid to the members of the Board and key management.

Managing director

99. Mr. Alexander Iodchin occupies the position of managing director and the Board granted him the powers to carry out all business related to the Group's business up to a total value per transaction of US$500,000. It has also granted him powers to discharge other managerial duties related to the ordinary course of business of the Group, including representing the Group before any government or government-backed authority.
100. The decisions for all other matters are reserved for the Board. The terms of reference of the Board of Directors contains the list of such reserved matters.
101. Mr Iodchin is also acting as the Board Secretary since December 2008.

Management Report (continued)

Company Secretary

102. 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.
103. Team Nominees Limited has been acting as the company secretary since the Group's incorporation in February 2008.
104. 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 Social Responsibility Report

105. 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

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

Research and development activities

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

Branches

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

Treasury shares

109. 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

110. 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 2019 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.

Internal audit

111. 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;

Management Report (continued)

- 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.

112. The Head of the IAS, Mr. Ilya Kotlov, reports directly to the Audit and Risk Committee.

External auditors

113. At the Global Ports AGM, an external auditor is appointed on an annual basis to review the Group's financial and operating performance.
114. 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.
115. In 2018, 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 2018.
116. PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. A resolution approving their reappointment and giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

....	....
Morten Engelstoft	**Alexander Iodchin**
Chairman of the Board	**Secretary of the Board**
27 March 2019	

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 93 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

27 March 2019

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

(in thousands of US dollars)

	Note	For the year ended 31 December 2018	2017
Revenue	5	343,575	330,505
Cost of sales	6	(136,020)	(148,511)
Gross profit		207,555	181,994
Administrative, selling and marketing expenses	6	(38,925)	(42,731)
Share of profit/(loss) of joint ventures accounted for using the equity method including impairment	27	(12,425)	(73,267)
Other gains/(losses) – net	7	(24,561)	(71,329)
Operating profit/(loss)		131,644	(5,333)
Finance income	9	2,561	2,048
Finance costs	9	(85,148)	(90,879)
Change in fair value of derivatives	9	(27,509)	42,089
Net foreign exchange gains/(losses) on financial activities	9	(75,185)	27,944
Finance income/(costs) – net	9	(185,281)	(18,798)
Profit/(loss) before income tax		(53,637)	(24,131)
Income tax expense	11	(4,692)	(28,816)
Profit/(loss) for the year		(58,329)	(52,947)
Attributable to:			
Owners of the Company		(59,279)	(52,973)
Non-controlling interest		950	26
		(58,329)	(52,947)
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	(0.10)	(0.09)

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 December 2018

(in thousands of US dollars)

		For the year ended 31 December	
	Note	2018	2017
Profit/(loss) for the year		(58,329)	(52,947)
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to the income statement			
Currency translation differences		(85,628)	32,356
Share of currency translation differences of joint ventures accounted for using the equity method	27	(8,003)	13,115
Reclassification to income statement of translation differences due to disposal of subsidiaries	7,26	27,106	-
Cumulative other comprehensive income movement relating to assets classified as held for sale	26	(3,472)	1,560
Reclassification to income statement of a loss/(gain) on cash flow hedge termination	23	-	69,566
Reclassification to currency translation reserve of gain on cash flow hedge termination	23	-	(12,140)
Total items that can be reclassified subsequently to the income statement		(69,997)	104,457
Items that may not be subsequently reclassified to the income statement			
Share of currency translation differences attributable to non-controlling interest		(2,846)	812
Total items that cannot be reclassified subsequently to the income statement		(2,846)	812
Other comprehensive income/(loss) for the year, net of tax		(72,843)	105,269
Total comprehensive income/(loss) for the year		(131,172)	52,322
Total comprehensive income/(loss) attributable to:			
Owners of the Company		(129,276)	51,484
Non-controlling interest		(1,896)	838
Total comprehensive income/(loss) for the year		(131,172)	52,322

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 93 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2018

(in thousands of US dollars)

	Note	As at 31 December 2018	As at 31 December 2017
ASSETS			
Non-current assets		1,133,885	1,428,401
Property, plant and equipment	14	460,942	553,304
Intangible assets	15	565,238	690,858
Investments in joint ventures	27	24,795	56,918
Prepayments for property, plant and equipment	14	7,513	8,393
Deferred tax assets	24	60,499	45,529
Derivative financial instruments	23	-	58,840
Trade and other receivables	19	14,898	14,559
Current assets		154,453	227,158
Inventories	18	6,555	5,769
Derivative financial instruments	23	-	19,546
Trade and other receivables	19	40,901	33,630
Income tax receivable		3,611	2,366
Cash and cash equivalents	20	91,613	130,434
Assets classified as held for sale	26	11,773	35,413
TOTAL ASSETS		1,288,338	1,655,559
EQUITY AND LIABILITIES			
Total equity		246,066	377,238
Equity attributable to the owners of the Company		231,831	361,107
Share capital	21	57,317	57,317
Share premium	21	923,511	923,511
Capital contribution		101,300	101,300
Currency translation reserve		(829,373)	(759,376)
Transactions with non-controlling interest		(209,122)	(209,122)
Retained earnings		188,198	247,477
Non-controlling interest		14,235	16,131
Total liabilities		1,042,272	1,278,321
Non-current liabilities		981,202	1,178,872
Borrowings	22	850,766	1,005,664
Trade and other payables	25	-	9,266
Deferred tax liabilities	24	130,436	163,942
Current liabilities		61,070	99,449
Borrowings	22	21,183	69,089
Trade and other payables	25	38,776	26,420
Current income tax liabilities		1,111	1,513
Liabilities directly associated with assets classified as held for sale	26	-	2,427
TOTAL EQUITY AND LIABILITIES		1,288,338	1,655,559

On 27 March 2019 the Board of Directors of Global Ports Investments Plc authorised these consolidated financial statements for issue.

Morten Engelstoft, Director

Alexander Iodchin, Director

The notes on pages 31 to 93 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

(in thousands of US dollars)		Attributable to the owners of the Company									
	Note	Share capital	Share premium	Capital contribution	Translation reserve	Cash flow hedge reserve	Transactions with non-controlling interest	Retained earnings*	Total	Non-controlling interest	Total
Balance at 31 December 2016		57,317	923,511	101,300	(806,407)	(57,426)	(209,122)	300,450	309,623	15,293	324,916
Total other comprehensive income/(loss)		-	-	-	47,031	57,426	-	-	104,457	812	105,269
Profit/(loss) for the year		-	-	-	-	-	-	(52,973)	(52,973)	26	(52,947)
Total comprehensive income/(loss) for the year ended 31 December 2017		-	-	-	47,031	57,426	-	(52,973)	51,484	838	52,322
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

*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 93 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 December 2018

(in thousands of US dollars)	Note	For the year ended 31 December 2018	2017
Cash flows from operating activities			
Profit/(loss) before income tax		(53,637)	(24,131)
Adjustments for:			
Depreciation of property, plant and equipment	14	35,764	38,007
Impairment of property, plant and equipment	14	-	11,400
Loss on disposal of subsidiaries and assets held for sale	7	24,689	-
(Profit)/loss on sale of property, plant and equipment	14	(129)	(162)
Write off of property, plant and equipment	14	3	80
Amortisation of intangible assets	15	12,909	12,966
Interest income	9	(2,561)	(2,048)
Interest expense	9	83,383	90,879
Loss on extinguishment of financial liabilities	9,22	1,765	-
Share of (profit)/loss in jointly controlled entities including impairment	27	12,425	73,267
Change in fair value of swap	9	27,509	(42,089)
Foreign exchange differences on non-operating activities		76,345	41,570
Other non-cash items		663	(930)
Operating cash flows before working capital changes		219,128	198,809
Changes in working capital			
Inventories		(1,956)	(637)
Trade and other receivables		(9,895)	(1,810)
Trade and other payables		758	366
Cash generated from operations		208,035	196,728
Dividends received from joint ventures		1,725	10,765
Income tax paid		(35,418)	(33,549)
Net cash from operating activities		174,342	173,944
Cash flows from investing activities			
Purchases of intangible assets		(2,554)	(1,846)
Purchases of property, plant and equipment		(40,752)	(28,041)
Proceeds from sale of property, plant and equipment	14	463	291
Proceeds from sale of subsidiary, net of cash held by the subsidiary	26,7	28,909	-
Loans granted to related parties	30(g)	(1,400)	(7,500)
Loan repayments received from related parties		260	1,183
Interest received		1,619	1,274
Net cash used in investing activities		(13,455)	(34,639)
Cash flows from financing activities			
Proceeds from borrowings	22	100	-
Repayments of borrowings	22	(155,567)	(57,533)
Interest paid	22	(82,994)	(89,094)
Proceeds from derivative financial instruments not used for hedging	22,23	43,064	20,254
Finance lease principal payments (third parties)	22	(774)	(2,741)
Net cash used in financing activities		(196,171)	(129,114)
Net increase/(decrease) in cash and cash equivalents		(35,284)	10,191
Cash and cash equivalents at beginning of the year		130,434	119,279
Exchange gains/(losses) on cash and cash equivalents		(3,537)	964
Cash and cash equivalents at end of the year	20	91,613	130,434

The notes on pages 31 to 93 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".

Until April 2018 the Group was jointly controlled by Transportation Investments Holding Limited ("TIHL") and APM Terminals B.V. ("APM Terminals"). In April 2018 TIHL has completed the sale of its 30.75% stake in GPI to LLC Management Company "Delo" ("Delo Group"). The Group has been informed that in connection with the transaction, Delo Group has acceded to the shareholder agreement with APM Terminals B.V. and that TIHL has been released from its obligations under such agreement. Since April 2018 the Group is jointly controlled by Delo Group and APM Terminals.

Approval of the consolidated financial statements

These consolidated financial statements were authorised for issue by the Board of Directors on 27 March 2019.

Principal activities

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

Composition of the Group and its joint ventures

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

- five container terminals in Russia – Petrolesport, First Container Terminal (FCT, Ust-Luga Container Terminal (ULCT) and Moby Dik in the St. Petersburg and Ust-Luga port cluster, and Vostochnaya Stevedoring Company (VSC) in the Port of Vostochny;
- two container terminals in Finland – Multi-Link Terminals Helsinki and Multi-Link Terminals Kotka (Multi-Link Terminals);
- inland Yanino Logistics Park (YLP), located in the vicinity of St. Petersburg;
- oil product terminal AS Vopak E.O.S. that is located in Estonia (see Note 26(b) and Note 27).

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

- MLT and CD Holding groups are joint ventures where the Company has 75% effective ownership interest (Note 27). 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.
- AS Vopak E.O.S. and its subsidiaries (VEOS) is a joint venture with Royal Vopak, the world's largest independent tank storage provider, specialising in the storage and handling of liquid chemicals, gasses and oil products, where the Company has a 50% effective ownership interest (Note 26(b) and Note 27). VEOS facilities are located in Estonia.
- Ust-Luga Container Terminal (located in Ust-Luga, North-West Russia) is an 80% subsidiary where Eurogate, one of the leading container terminal operators in Europe has a 20% non-controlling interest.

Notes to the consolidated financial statements (continued)

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

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

As of the date of the authorisation of these consolidated financial statements all International Financial Reporting Standards issued by International Accounting Standards Board (IASB) that are effective as at 1 January 2018 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 the new and revised IFRS as adopted by the EU that are relevant to its operations and are effective for accounting periods beginning on 1 January 2018:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers;
- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2;
- Annual Improvements 2014-2016 cycle;
- Transfers to Investment Property – Amendments to IAS 40;
- Interpretation 22 Foreign Currency Transactions and Advance Consideration;

Apart from the accounting policy changes resulting from the adoption of IFRS 9 and IFRS 15 that are effective from 1 January 2018, the adoption of the remaining amendments listed above did not have a material effect on the accounting policies of the Group. IFRS 9 and IFRS 15 were adopted using the simplified transition method without restating the comparative information, with the impact of adoption to be recognised in the opening retained earnings and other components of equity as appropriate. The comparatives are stated based on the previous accounting policies of the Group for financial instruments and revenue recognition which are also presented below to the extent that these are different from the new accounting policies. The adoption of all of the above standards and amendments did not result in any material adjustment to the opening reserves or the comparative figures presented in these consolidated financial statements.

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 2018, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on these consolidated financial statements, except the following set out below:

Notes to the consolidated financial statements (continued)

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

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

(a) Adopted by the European Union

IFRS 16 Leases

The Group will adopt the Standard in 2019 using the simplified transition approach (see below) and the practical expedients detailed below. IFRS 16 introduces a single lessee accounting model, requiring a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset, and a lease liability representing its obligation to make lease payments. Thus, most leases classified as operating leases with lease payments recorded in the income statement under the existing policy will be included in the consolidated balance sheet.

The new treatment of leases will result 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 will result 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.

Net debt is expected to increase due to the recognition of lease liabilities which are considered financial liabilities, whilst working capital will remain unaffected.

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

Some lease agreements of the Group are short-term in nature and not individually material in value. The Group has elected to apply the practical expedient which excludes lease agreements which are short-term in nature and not individually material in value from being recognised as leases in terms of IFRS 16.

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 after the date of initial application (1 January 2019) are, or contain leases. All contracts previously assessed not to contain leases are not revisited.

The Group has elected to apply IFRS 16 using the simplified transition approach with the cumulative effect of initially applying the Standard recognised at the date of initial application (1 January 2019). The comparative amounts for the year prior to the first adoption will not be restated.

The Group's assessment of the impact of adopting this Standard is in the process of being finalised, but the estimated range of potential impact on the Group's key metrics as at 31 December 2018 is as follows:

- Total assets: increase 1–2%;
- Total liabilities: increase 1–2%;
- Net debt: increase 2–3%;
- Operating profit: increase 2–3%;
- Profit for the year: increase 1-2%.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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

Accounting policies applied from 1 January 2018:

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.

The Group has changed the presentation of certain amounts in the consolidated balance sheet to reflect the terminology of IFRS 15. Specifically, contract liabilities recognised in relation to stevedoring services that were previously included in trade and other payables as advances are now disclosed as contract liabilities.

Accounting policies applied until 31 December 2017:

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenues earned by the Group are recognised on the following bases:

(a) Sales of services

Revenue from rendering of services is recognised based on the stage of completion determined by reference to services performed to date as a percentage of total services to be provided. If the income from rendering of services cannot be reliably measured, only the income up to the level of the expenses to be claimed is recognised.

(b) Sales of goods

Revenue from the sale of goods is recognised when the customer takes the goods out of the territory of the terminal (i.e risks and rewards of ownership are transferred to the buyer).

Other incomes

(a) Rental income

See accounting policy for leases below.

(b) Interest income

Accounting policies applied from 1 January 2018:

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.

Notes to the consolidated financial statements (continued)

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

Other incomes (continued)

Accounting policies applied until 31 December 2017:

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

(c) Dividend income

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

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 for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each CGU.

(b) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. These costs are amortised using straight line method over their estimated useful lives (3 to 5 years). Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

(c) Contractual rights

Contractual rights acquired as a result of business combinations are shown at the cost of acquisition. Contractual rights relate primarily to quay and land lease agreements. These contractual rights are renewable. Contractual rights have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of contractual rights over their estimated useful lives (being up to 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

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

The Group is the lessee

(a) Finance leases

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

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

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)

(b) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group is the lessor

Operating leases

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

Financial instruments

Accounting policies applied from 1 January 2018:

On 1 January 2018, the date of initial application of IFRS 9, the Group has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. Based on the analysis performed, the financial assets previously classified into 'loans and receivables' category were reclassified into those measured subsequently at amortised cost, with no impact on their measurement. The Group did not have any financial assets in other than the 'loans and receivables' and 'derivatives' categories as at the date of transition. The accounting treatment and presentation of derivatives remain the same (see accounting policy below). The changes in classification categories did not result in changes of presentation in the consolidated balance sheet. Classification and measurement of the Group's financial liabilities under IFRS 9 remained consistent with IAS 39, since the new requirements only affect the accounting for financial liabilities measured at fair value through profit or loss and the Group does not have any such financial liabilities. No adjustments to the opening retained earnings were required in relation to the Group's loans and borrowings, as none of the loans and borrowings outstanding on 1 January 2018 had been refinanced in prior periods. The amount of expected credit losses on the Group's financial assets as at 1 January 2018 assessed under the new impairment rules set out in IFRS 9 did not significantly differ from the allowance recognised in the Group's consolidated financial statements as at 31 December 2017 and therefore there is no quantitative effect of the change as of 1 January 2018.

The adoption of IFRS 9 "Financial Instruments" does not have a material impact on the amounts recognised in these consolidated financial statements, however the policies have been amended to be consistent to the requirements of the standard as follows:

Notes to the consolidated financial statements (continued)

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

Financial instruments (continued)

(i) Investments and other financial assets

Classification.

From 1 January 2018, the Group classifies its financial assets into the following measurement categories:

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

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

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

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

Recognition and derecognition:

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

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

Measurement.

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

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

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

Notes to the consolidated financial statements (continued)

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

Financial instruments (continued)

(ii) 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.

Accounting policies applied until 31 December 2017:

Loans and receivables

The Group classifies its financial assets as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise cash and cash equivalents, bank deposits with maturity over 90 days, trade and other receivables and loans to related and third parties.

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

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

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A provision for impairment of loans and trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of loans or trade receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial difficulty, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount of and the recoverable amount, being the present value of estimated future cash flows, discounted at the original effective interest rate. For trade receivables the amount of the provision is recognised in the income statement within 'administrative, selling and marketing expenses'. For loans receivable the amount of the provision is recognised in the income statement within 'other gains/(losses) - net'. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

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 are included within financial assets at fair value through profit or loss when fair value is positive and within financial liabilities at fair value through profit or loss when fair value is negative. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period. Changes in the fair value of foreign currency derivatives (cross-currency swaps) are presented in the income statement within 'change in fair value of derivatives' as part of 'finance income/(costs) – net'.

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.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 23. Movements on the hedging reserve are shown in the statement of other comprehensive income. The full fair value of hedging derivatives is classified as a non-current asset or liability when the maturity of the hedging relationship is more than 12 months and as a current asset or liability when the remaining maturity of the hedging relationship is less than 12 months.

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

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

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

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

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

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.

Value Added Tax (“VAT”)

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

Employee benefits

Wages, salaries, contributions to state pension and social insurance funds, paid annual leave and sick leave, bonuses and other benefits (such as health services) are accrued in the year in which the associated services are rendered by the employees of the Group. These are included in staff costs and the Group has no further obligations once the contributions have been paid. 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 US dollars and Russian roubles, whereas most of expenses are denominated and settled in Russian roubles. The Group uses from time to time foreign currency swaps (derivatives) to manage its exposures to foreign exchange risk. The analysis below does not cover borrowings in joint ventures as they are not included in the financial position of the Group.

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

(in thousands of US dollars)	As at 31 December	
	2018	2017
Assets	84,842	118,257
Liabilities	584	323,848
Capital commitments	575	-

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 2018, would have (decreased)/increased by US$10,111 thousand (2017: 15% change, effect US$24,671 thousand) and the equity would have (decreased)/increased by US$10,111 thousand (2017: 15% change, effect US$24,671 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of lease liabilities, loans, borrowings, cash and cash equivalents and accounts receivable denominated in US dollars.

The carrying amount of financial assets and liabilities in Russian operations denominated in Euros as at 31 December 2018 and 31 December 2017 are as follows:

(in thousands of US dollars)	As at 31 December	
	2018	2017
Assets	50	102
Liabilities	-	40
Capital commitments	1,227	18,916

Notes to the consolidated financial statements (continued)

3 Financial risk management (continued)

Financial risk factors (continued)

(a) Market risk (continued)

Had Euro exchange rate strengthened/weakened by 15% 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 2018, would have increased/(decreased) by US$6 thousand (2017: 15% change, effect US$7 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of lease liabilities, loans, borrowings, cash and cash equivalents and accounts receivable denominated in Euros.

(ii) Cash flow and fair value interest rate risk

The Group is not exposed to changes in market interest rates as all of its borrowings portfolio consists of fixed rate debt as of 31 December 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.

For the year ended 31 December 2017, had market interest rates on US dollars, Euro and Russian rouble denominated floating interest bearing financial assets and liabilities shift by 100 basis points and all other variables remained unchanged, the post-tax profit of the Group would have decreased by US$8 thousand.

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 receivables and loans receivable (Note 19) and cash and cash equivalents (Note 20). The Group has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history. These policies enable the Group to reduce its credit risk significantly. However, the Group's business is heavily dependent on several large key customers accounting for 60% and 57% of the Group's revenue for the year ended 31 December 2018 and 31 December 2017, respectively.

(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 2018 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$91,613 thousand (31 December 2017: US$130,434 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 2018 and 2017. 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 2018								
Borrowings	12,144	20,822	17,105	26,018	194,936	894,294	50,150	1,215,469
Trade and other payables	5,074	13,271	4,405	9,030	-	-	-	31,780
Total	17,218	34,093	21,510	35,048	194,936	894,294	50,150	1,247,249
As at 31 December 2017								
Borrowings	12,145	24,393	30,315	64,306	126,678	787,784	436,543	1,482,164
Trade and other payables	4,407	11,538	361	1,572	-	10,609	-	28,487
Derivative financial instruments:								
- payments	-	4,152	2,324	6,476	12,952	225,799	-	251,703
- receipts	-	(11,081)	(5,670)	(16,751)	(33,502)	(304,998)	-	(372,002)
Total	16,552	29,002	27,330	55,603	106,128	719,194	436,543	1,390,352

(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 2018	2017
Total borrowings	871,949	1,074,753
Total capitalisation	1,118,015	1,451,992
Total borrowings to total capitalisation ratio (percentage)	78%	74%

Notes to the consolidated financial statements (continued)

3 Financial risk management (continued)

Financial risk factors (continued)

(e) Fair value estimation

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

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

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

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

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 only financial instrument carried at fair value is disclosed in Note 23. It was valued using Level 2 valuation technique from the table above. At 31 December 2018 the Group did not hold any financial instruments carried at fair value.

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:

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

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

For the purposes of the preparation of the current financial statements the Group performed a test of the estimated recoverable amount of the cash-generating units (CGUs) using the value-in-use method, compared to their carrying value, for all CGUs except for VEOS and MD for which fair value less costs to sell method was used (see below). 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.

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 and property, plant and equipment and investments in joint ventures (continued)

For VEOS see Note 26(b) and Note 27.

For MD following the substantial reduction of cargo volumes the recoverable amount was determined based on the expected fair value less cost to sell of those assets which have active market and their value could be reliably determined. As a result the investment in Multi-Link Terminals Ltd (being the parent of MD) was impaired by US$13,946 thousand (see Note 5 and Note 27).

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 (2017: 3%). The discount rate applied for Russian ports CGUs in projections prepared as at 31 December 2018 is 10.6% (2017: 10.4%).

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 other CGUs carried out in 2018, the Board of Directors 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 and FCT CGUs 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$6.5 million. A decrease of handling volumes by approximately 3% each year as opposed to volume projections used by the management or a decrease in the average tariffs by approximately 2% each year as opposed to those used in projections would remove the remaining headroom. Reasonable changes in other key parameters do not result in the elimination of the existing remaining headroom.

In FCT, the recoverable amount calculated based on value in use exceeded the carrying value by US$172.7 million. A decrease of handling volumes by approximately 4% each year as opposed to volume projections used by the management or a decrease in the average revenue per TEU by approximately 4% each year as opposed to those used in projections would remove the remaining headroom. Reasonable changes in other key parameters do not result in the elimination of the existing remaining headroom.

(ii) Russian legislation

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

Notes to the consolidated financial statements (continued)

5 SEGMENTAL INFORMATION

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

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

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

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

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

For segmental reporting purposes the Group's consolidated financial position and consolidated results are presented by using the proportionate consolidation in relation to interests in jointly controlled entities (VEOS and MLT and 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 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:

- Petrolesport, Farwater (PLP) and various other entities (including some intermediate holdings) that own and manage a container terminal in St. Petersburg port, North-West Russia. PLP is engaged in handling of containers, ro-ro, general cargo and scrap metal.
- First Container Terminal (FCT), the biggest container terminal in Russia, located in St. Petersburg port, North-West Russia.
- Ust-Luga Container Terminal (ULCT), a container terminal in Ust-Luga, near St. Petersburg, North-West Russia.
- Vostochnaya Stevedoring Company (VSC) and various other entities (including some intermediate holdings) that own and manage a container terminal in Port of Vostochny near Nahodka, Far-East Russia.
- Moby Dik (MD) and various other entities (including some intermediate holdings) that own and manage a container terminal in Kronstadt near St. Petersburg, North-West Russia.
- 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 consists of AS Vopak E.O.S., various other entities and the intermediate holding company that own and manage an oil products terminal in Muuga port near Tallinn, Estonia. See Note 26(b) and Note 27.

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 the financial statements the financial position and financial results of these segments are incorporated using the proportionate consolidation method (using respectively 75%, 75%, 75% and 50% proportion). In the current segment reporting the information is presented on the 100% basis and then the portion which is not consolidated is deducted as a 'Reconciliation Adjustment'.
- Other adjustments – all other consolidation adjustments including but not limited to:
  - elimination of intragroup transactions (mainly intragroup sales and dividends) and balances (mainly intragroup loans and investments in subsidiaries and joint ventures);
  - consolidation adjustments of results of sale or purchase of shares of subsidiaries;
  - other consolidation adjustments.

The Group does not have any 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 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 income/(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 income/(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) after tax	(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).

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

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The segment results for the year ended 31 December 2017 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
Sales to third parties	360,470	51,348	10,916	422,734	-	(35,906)	-	386,828
Inter-segment revenue	-	-	11	11	-	(3)	(8)	-
Total revenue	360,470	51,348	10,927	422,745	-	(35,909)	(8)	386,828
Cost of sales	(166,245)	(197,102)	(10,160)	(373,507)	-	105,514	44	(267,949)
Administrative, selling and marketing expenses	(17,953)	(8,703)	(729)	(27,385)	(27,669)	5,221	85	(49,748)
Other gains/(losses) – net	(71,195)	196	20	(70,979)	7,212	(45)	(7,488)	(71,300)
Operating profit/(loss)	105,077	(154,261)	58	(49,126)	(20,457)	74,781	(7,367)	(2,169)
Finance costs – net	(18,842)	(721)	(70)	(19,633)	(530)	521	(31)	(19,675)
incl. interest income	*2,968*	*18*	*-*	*2,986*	*872*	*(40)*	*(2,248)*	*1,570*
incl. interest expenses	*(92,228)*	*(481)*	*(85)*	*(92,794)*	*(1,476)*	*549*	*2,248*	*(91,473)*
incl. change in the fair value of derivative instruments	*42,089*	*-*	*-*	*42,089*	*-*	*-*	*-*	*42,089*
incl. net foreign exchange gains/(losses) on financing activities	*28,329*	*(258)*	*15*	*28,086*	*74*	*11*	*(31)*	*28,140*
Profit/(loss) before income tax	86,235	(154,982)	(12)	(68,759)	(20,987)	75,302	(7,398)	(21,844)
Income tax expense	(31,923)	-	(1)	(31,924)	59	762	-	(31,103)
Profit/(loss) after tax	54,312	(154,982)	(13)	(100,683)	(20,928)	76,064	(7,398)	(52,947)
CAPEX* on cash basis	28,477	1,716	-	30,193	3,445	(1,828)	-	31,810

*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 2017 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	386,828	(56,323)	330,505
Inter-segment revenue	-	-	-
Total revenue	386,828	(56,323)	330,505
Cost of sales	(267,949)	119,438	(148,511)
Administrative, selling and marketing expenses	(49,748)	7,017	(42,731)
Share of profit/(loss) of joint ventures accounted for using the equity method	-	(73,267)	(73,267)
Other gains/(losses) – net	(71,300)	(29)	(71,329)
Operating profit/(loss)	(2,169)	(3,164)	(5,333)
Finance costs - net	(19,674)	876	(18,798)
incl. interest income	*1,570*	*478*	*2,048*
incl. interest expenses	*(91,473)*	*594*	*(90,879)*
incl. change in the fair value of derivative instruments	*42,089*	*-*	*42,089*
incl. net foreign exchange gains/(losses) on financing activities	*28,140*	*(196)*	*27,944*
Profit/(loss) before income tax	(21,844)	(2,287)	(24,131)
Income tax expense	(31,103)	2,287	(28,816)
Profit/(loss) for the year	(52,947)	-	(52,947)
CAPEX on cash basis	31,810	(3,769)	28,041

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The segment items operating expenses for the year ended 31 December 2017 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	41,051	18,826	1,744	61,621	73	(10,624)	-	51,070
Amortisation of intangible assets	13,211	103	-	13,314	-	(113)	-	13,201
Impairment of property, plant and equipment and intangible assets	11,400	143,155	-	154,555	-	(71,578)	-	82,977
Staff costs	56,061	15,331	5,612	77,004	18,426	(10,652)	-	84,778
Transportation expenses	10,814	11,452	367	22,633	-	(6,435)	-	16,198
Fuel, electricity and gas	9,237	8,561	514	18,312	6	(4,747)	-	13,571
Repair and maintenance of property, plant and equipment	10,123	2,937	1,194	14,254	4	(2,269)	-	11,989
Total	151,897	200,365	9,431	361,693	18,509	(106,418)	-	273,784
Other operating expenses	32,301	5,440	1,458	39,199	9,160	(4,317)	(129)	43,913
Total cost of sales, administrative, selling and marketing expenses	184,198	205,805	10,889	400,892	27,669	(110,735)	(129)	317,697

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The reconciliation of operating expenses for the year ended 31 December 2017 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	51,070	(13,063)	38,007
Amortisation of intangible assets	13,201	(235)	12,966
Impairment of property, plant and equipment and intangible assets	82,977	(71,577)	11,400
Staff costs	84,778	(16,625)	68,153
Transportation expenses	16,198	(7,852)	8,346
Fuel, electricity and gas	13,571	(5,679)	7,892
Repair and maintenance of property, plant and equipment	11,989	(3,871)	8,118
Total	273,784	(118,902)	154,882
Other operating expenses	43,913	(7,553)	36,360
Total cost of sales, administrative, selling and marketing expenses	317,697	(126,455)	191,242

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The segment assets and liabilities as at 31 December 2017 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)	627,910	10,517	6,125	644,552	4,792	(16,112)	(33,713)	599,519
Investments in joint ventures	784	-	-	784	165,853	-	(166,637)	-
Intangible assets	718,925	219	-	719,144	-	(2,138)	-	717,006
Other non-current assets	148,023	-	126,713	274,736	1,062,679	(33,017)	(1,241,837)	62,561
Inventories	6,725	1,928	-	8,653	-	(1,165)	(154)	7,334
Trade and other receivables (including income tax prepayment)	59,247	15,417	2,313	76,977	15,232	(9,253)	20,341	103,297
Cash and cash equivalents	135,371	3,487	4,139	142,997	3,097	(4,539)	(835)	140,720
Total assets	1,696,985	31,568	139,290	1,867,843	1,251,653	(66,224)	(1,422,835)	1,630,437
Long-term borrowings	1,012,589	5,648	1,307	1,019,544	21,000	(7,601)	(21,000)	1,011,943
Other long-term liabilities	180,542	-	84	180,626	41	(1,405)	(47,366)	131,896
Trade and other payables	21,736	7,209	1,883	30,828	8,165	(4,618)	(1,304)	33,071
Short-term borrowings	83,590	3,884	756	88,230	-	(2,352)	(13,661)	72,217
Other short-term liabilities	1,615	-	55	1,670	-	(41)	2,427	4,056
Total liabilities	1,300,072	16,741	4,085	1,320,898	29,206	(16,017)	(80,904)	1,253,183
Non-controlling interest	16,131	-	-	16,131	-	-	-	16,131

Included within 'Russian ports', 'Finnish ports' and 'Holdings' segments 'Other non-current assets' are investments in subsidiaries in the total amount of US$19,665 thousand, US$126,614 thousand and US$1,062,015 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 2017 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)	599,519	(37,822)	561,697
Investments in joint ventures	-	56,918	56,918
Intangible assets	717,006	(26,148)	690,858
Other non-current assets	62,561	56,367	118,928
Inventories	7,334	(1,565)	5,769
Trade and other receivables (including income tax prepayment)	103,297	(47,755)	55,542
Cash and cash equivalents	140,720	(10,286)	130,434
Assets classified as held for sale	-	35,413	35,413
Total assets	1,630,437	25,122	1,655,559
Long-term borrowings	1,011,943	(6,279)	1,005,664
Other long-term liabilities	131,896	41,312	173,208
Trade and other payables	33,071	(6,651)	26,420
Short-term borrowings	72,217	(3,128)	69,089
Other short-term liabilities	4,056	(2,544)	1,513
Liabilities directly associated with assets classified as held for sale	-	2,427	2,427
Total liabilities	1,253,183	25,137	1,278,321
Non-controlling interest	16,131	-	16,131

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

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

Revenue attributable to domestic and foreign customers for the year ended 31 December 2018 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	
	2018	2017
Revenue from domestic customers - Cyprus	14,970	17,971
Revenue from foreign customers by countries:		
Russia	224,818	199,317
Denmark	26,537	46,700
UK	20,344	19,609
Other	56,906	46,908
Revenue from foreign customers total	328,605	312,534
Total revenue	343,575	330,505

In both 2018 and 2017 there was one customer representing more than 10% of consolidated revenue. This customer originated from Russian ports segment and was domiciled in Russia.

Notes to the consolidated financial statements (continued)

6 EXPENSES BY NATURE

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Staff costs (Note 8)	67,568	68,153
Depreciation of property, plant and equipment (Note 14)	35,764	38,007
Amortisation of intangible assets (Note 15)	12,909	12,966
Impairment of property, plant and equipment (Note 14)	-	11,400
Transportation expenses	6,856	8,346
Fuel, electricity and gas	9,074	7,892
Repair and maintenance of property, plant and equipment	8,371	8,118
Taxes other than on income	5,417	5,680
Legal, consulting and other professional services	2,867	3,518
Auditors' remuneration	1,379	1,397
Operating lease rentals	4,122	5,976
Purchased services	8,310	6,849
Insurance	900	1,025
Other expenses	11,408	11,915
Total cost of sales, administrative, selling and marketing expenses	174,945	191,242

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 2018 amounted to US$295 thousand (2017: US$280 thousand) The total fees charged by the Company's statutory auditor for the year ended 31 December 2018 for other assurance services amounted to US$63 thousand (2017: US$60 thousand), for tax advisory services amounted to US$1 thousand (2017: US$14 thousand).

The above expenses are analysed by function as follows:

Cost of sales

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Staff costs	42,133	41,893
Depreciation of property, plant and equipment	34,310	37,037
Amortisation of intangible assets	12,855	12,938
Impairment of property, plant and equipment (Note 14)	-	11,400
Transportation expenses	6,856	8,346
Fuel, electricity and gas	8,780	7,573
Repair and maintenance of property, plant and equipment	7,400	7,085
Taxes other than on income	4,952	5,183
Operating lease rentals	2,827	2,958
Purchased services	8,310	6,849
Insurance	549	642
Other expenses	7,048	6,607
Total cost of sales	136,020	148,511

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	
	2018	2017
Staff costs	25,435	26,260
Depreciation of property, plant and equipment	1,454	970
Amortisation of intangible assets	54	28
Fuel, electricity and gas	294	319
Repair and maintenance of property, plant and equipment	971	1,033
Taxes other than on income	465	497
Legal, consulting and other professional services	2,867	3,518
Auditors' remuneration	1,379	1,397
Operating lease rentals	1,295	3,018
Insurance	351	383
Other expenses	4,360	5,308
Total administrative, selling and marketing expenses	38,925	42,731

7 OTHER GAINS/(LOSSES) – NET

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Foreign exchange gains/(losses) on non-financing activities – net (Note 10)	453	(1,176)
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 26(a))	(29,247)	-
Recycling of derivative losses previously recognised through other comprehensive income (Note 23(ii))	-	(69,566)
Other gains/(losses) – net	936	(587)
Total	(24,561)	(71,329)

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	
	2018	2017
Salaries	52,923	52,877
Social insurance costs	12,531	12,242
Other staff costs	2,114	3,034
Total	67,568	68,153
Average number of staff employed during the year	2,464	2,726

Included within 'Social insurance costs' for 2018 are contributions made to the state pension funds in the total amount of US$8,727 thousand (2017: US$9,080 thousand).

Notes to the consolidated financial statements (continued)

9 FINANCE INCOME/(COSTS) - NET

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Included in finance income:		
Interest income on bank balances	562	612
Interest income on short-term bank deposits	1,060	644
Interest income on loans to related parties (Note 30(g))	939	792
Total finance income calculated using effective interest rate method	2,561	2,048
Included in finance costs:		
Interest expenses on bank borrowings	(3,125)	(7,178)
Interest expenses on bonds	(78,253)	(81,611)
Interest expenses on finance leases	(1,340)	(1,530)
Interest expenses on loans from third parties	(665)	(560)
Loss on extinguishment of financial liabilities (Note 22)	(1,765)	-
Total finance costs	(85,148)	(90,879)
Included in the change in fair value of derivatives:		
Interest component*	16,013	20,214
Foreign currency exchange component	(43,522)	21,875
Total change in fair value of derivatives (Note 23(i))	(27,509)	42,089
Net foreign exchange gains/(losses) on financing activities	(75,185)	27,944
Finance income/(costs) – net	(185,281)	(18,798)

*Interest component represents the difference between interest expenses on RUR-denominated bonds and lower interest rates embodied in swap agreements (see Note 23).

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	
	2018	2017
Included in 'finance income/(costs) - net' (Note 9)	(75,185)	27,944
Included in 'other gains/(losses) – net' (Note 7)	453	(1,176)
Total	(74,732)	26,768

Notes to the consolidated financial statements (continued)

11 INCOME TAX EXPENSE

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Current tax	33,243	32,932
Deferred tax (Note 24)	(28,551)	(4,116)
Total	4,692	28,816

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

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Profit/(loss) before tax	(53,637)	(24,131)
Tax calculated at the applicable tax rates – 20% (1)	(10,727)	(4,826)
Tax effect of expenses not deductible for tax purposes	9,047	20,242
Tax effect of share of profit in jointly controlled entities	2,485	14,653
Withholding tax on undistributed profits	3,887	(1,253)
Tax charge	4,692	28,816

(1) The applicable tax rate used for 2018 and 2017 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	
	2018	2017
Profit attributable to the owners of the parent of the Company - in thousands of US dollars	(59,279)	(52,973)
Weighted average of ordinary shares in issue (thousands)	573,171	573,171
Basic and diluted earnings per share for profit attributable to the owners of the parent (expressed in US$ per share)	(0.10)	(0.09)

13 DIVIDEND DISTRIBUTION

During 2018 and 2017 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 2017							
Cost	181,138	346,439	29,721	192,545	39,035	1,897	790,775
Accumulated depreciation and impairment	-	(105,465)	(1,243)	(84,100)	(18,010)	(1,731)	(210,549)
Net book amount	181,138	240,974	28,478	108,445	21,025	166	580,226
Additions	-	14,373	-	7,809	3,027	1,059	26,268
Transfers	-	2,871	(2,871)	-	(46)	46	-
Assets included in a disposal group classified as held for sale and other disposals	(16,727)	(13,327)	(386)	(2,663)	(788)	(77)	(33,968)
Depreciation charge (Note 6)	-	(20,863)	-	(14,288)	(2,699)	(157)	(38,007)
Impairment charge (Note 26)	(11,400)	-	-	-	-	-	(11,400)
Translation reserve	9,440	12,752	1,799	5,058	1,126	10	30,185
Closing net book amount	162,451	236,780	27,020	104,361	21,645	1,047	553,304
At 31 December 2017							
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

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 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 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	
	2018	2017
Net book amount	337	209
Less: Non-cash items - write-offs of property, plant and equipment	(3)	(80)
	334	129
Profit on sale of property, plant and equipment [1]	129	162
Proceeds from sale of property, plant and equipment	463	291

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

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

(in thousands of US dollars)

	As at 31 December	
	2018	2017
Buildings and constructions	6,371	7,951
Loading equipment	266	9,279
Total	6,637	17,230

Depreciation expense amounting to US$34,310 thousand in 2018 (2017: US$37,037 thousand) has been charged to 'cost of sales' and US$1,454 thousand in 2018 (2017: US$970 thousand) has been charged to 'administrative, selling and marketing' expenses (Note 6).

There were no capitalised borrowing costs in 2018 and 2017.

Lease rentals relating to the lease of machinery and property amounting to US$2,827 thousand in 2018 (2017: US$2,958 thousand) have been charged to 'cost of sales' and US$1,295 thousand in 2018 (2017: US$3,018 thousand) has been charged to 'administrative, selling and marketing expenses'.

As at 31 December 2018 the amounts prepaid for equipment not delivered and prepayments for construction works not yet carried out were US$7,513 thousand (2017: US$8,393 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 2017				
Cost	9,637	764,303	726	774,666
Accumulated amortisation and impairment	-	(108,010)	(433)	(108,443)
Net book amount	9,637	656,293	293	666,223
Additions	-	-	2,387	2,387
Amortisation charge (Note 6)	-	(12,303)	(663)	(12,966)
Translation reserve	512	34,679	23	35,214
Closing net book amount	10,149	678,669	2,040	690,858
At 31 December 2017				
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

As at 31 December 2018 the remaining useful lives for contractual rights were up to 54 years (2017: up to 55 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	
	2018	2017
PLP (Russian ports segment)	3,640	4,390
VSC (Russian ports segment)	4,775	5,759
Total	8,415	10,149

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	
	2018	2017
Financial assets at amortised costs (Loans and receivables at 31 December 2017):		
Financial assets as per balance sheet:		
Trade and other receivables (1)	43,144	35,431
Cash and cash equivalents	91,613	130,434
Total	134,757	165,865
Financial liabilities measured at amortised cost		
Financial liabilities as per balance sheet:		
Borrowings	871,949	1,074,753
Trade and other payables (2)	43,735	28,487
Total	915,684	1,103,240

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

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

17 CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are 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	
	2018	2017
Trade and other receivables		
Core customers - existing (more than one year of working history with the Group)	12,520	9,134
Trade and other receivables from other customers (third parties)	3,196	857
Trade and other receivables from related parties with Baa3 credit rating by Moody's Investors Service as at 31 December 2018	7,809	7,834
Total	23,525	17,825

*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 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)

		As at 31 December	
Agency	Rating	2018	2017
International rating agency Moody's Investors Service	A1 - Aa3	3,669	3,855
International rating agency Moody's Investors Service	B1 - Baa3	52,609	105,381
International rating agency Moody's Investors Service	Caa1 - Caa2	156	208
Fitch Ratings	BBB	35,008	20,912
* No rating	No rating	171	78
Total		91,613	130,434

* 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	
	2018	2017
Spare parts and consumables	6,555	5,769
Total	6,555	5,769

All inventories are stated at cost.

19 TRADE AND OTHER RECEIVABLES

(in thousands of US dollars)	As at 31 December	
	2018	2017
Trade receivables - third parties	16,127	11,875
Trade receivables - related parties (Note 30(d))	8,414	7,817
Total trade receivables	24,541	19,692
Other receivables	3,661	1,157
Other receivables - related parties (Note 30(d))	-	23
Loans to related parties (Note 30(g))	14,942	14,559
VAT and other taxes recoverable	7,404	6,039
Total financial assets at amortised cost	26,007	21,778
Prepayments for goods and services	5,249	6,168
Prepayments for goods and services - related parties (Note 30(e))	2	551
Total trade and other receivables	55,799	48,189
Less non-current portion:		
Loans to related parties	(14,898)	(14,559)
Total non-current portion	(14,898)	(14,559)
Current portion	40,901	33,630

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% (2017: 6.4%).

At 31 December 2018, trade and other receivables amounting to US$23,525 thousand were zero days past due (31 December 2017: US$17,825 thousand fully performing).

Trade and other receivables amounting to US$4,677 thousand (31 December 2017: US$3,047 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	
	2018	2017
Less than 1 month overdue	2,842	2,186
From 1 to 3 months overdue	1,781	436
From 3 to 6 months overdue	54	125
Over 6 months overdue	-	300
Total	4,677	3,047

During 2018 trade receivables amounting to US$549 thousand (2017: US$27 thousand) were impaired and written off in full. These are individually impaired 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% (2017: 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	
	2018	2017
Currency:		
US dollar	24,535	24,932
Russian rouble	31,111	22,952
Euro	153	305
Total	55,799	48,189

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	
	2018	2017
Cash at bank and in hand	35,155	31,342
Short-term bank deposits (less than 90 days)	56,458	99,092
Total	91,613	130,434

The effective average interest rate on short-term deposits was 1.93% in 2018 (2017: 1%) and these deposits have an average maturity of 22 days in 2018 (2017: 20 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	
	2017	2016
Cash and cash equivalents	91,613	130,434
Total	91,613	130,434

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 2017/ 31 December 2018	573,171	57,317	923,511	980,828

Notes to the consolidated financial statements (continued)

22 BORROWINGS

(in thousands of US dollars)

	As at 31 December	
	2018	2017
Non-current borrowings		
Bank loans	97	43,000
Non-convertible unsecured bonds	842,664	953,308
Finance lease liabilities	8,005	9,356
Total non-current borrowings	850,766	1,005,664
Current borrowings		
Bank loans	3	43,000
Interest payable on bank loans	-	156
Finance lease liabilities	-	840
Interest payable on finance lease liabilities	135	371
Loans from third parties	-	795
Interest payable on loans from third parties	-	246
Non-convertible unsecured bonds – interest payable	21,045	23,681
Total current borrowings	21,183	69,089
Total borrowings	871,949	1,074,753

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

(in thousands of US dollars)

	As at 31 December	
	2018	2017
Between 1 and 2 years	71,746	42,729
Between 2 and 5 years	771,015	607,995
Over 5 years	-	345,584
Total	842,761	996,308

Bank borrowings mature until 2024 (31 December 2017: 2019) and bonds mature until 2023 (31 December 2017: 2023).

Changes in liabilities and assets arising from financing activities:

(in thousands of US dollars)

		For the year ended 31 December 2018		
		Borrowings and leases	Fair value of derivative financial instruments*	Total changes in assets and liabilities from financing activities
At beginning of year		1,074,753	(78,386)	996,367
Interest charged	9	83,383	-	85,148
Loss on extinguishment of financial liabilities	9	1,765	-	-
Bank loans and leases taken		376	-	376
Borrowings and leases repaid during the year		(156,341)	-	(154,950)
Interest repaid during the year and swap cash settlements	23(i)	(82,994)	15,350	(69,035)
Change in fair value of derivative financial instruments	9	-	27,509	27,509
Foreign exchange differences		(48,993)	7,813	(41,180)
Net proceeds received upon termination of derivative financial instruments	23(i)	-	27,714	27,714
At end of year		871,949	-	871,949

* 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 2017		
		Borrowings and leases	Fair value of derivative financial instruments*	Total changes in assets and liabilities from financing activities
At beginning of year		1,119,556	(52,957)	1,066,599
Interest charged	9	90,879	-	90,879
Borrowings and leases repaid during the year		(60,274)	-	(60,274)
Interest repaid during the year and swap cash settlements	23(i)	(89,094)	20,254	(68,840)
Change in fair value of derivative financial instruments	9	-	(42,089)	(42,089)
Foreign exchange differences		13,686	(3,594)	10,092
At end of year		1,074,753	(78,386)	996,367

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

In the 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 (see Note 23). These swap agreements were terminated in the second half of 2018 (see Note 23).

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 the Group has repurchased some part of Eurobonds and derecognised the related liability.

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	2018	2017
Non-convertible unsecured bonds	Level 1	873,577	1,025,491
Bank loans	Level 2	100	86,156
Total		873,677	1,111,647

Finance lease liabilities - minimum lease payments:

(in thousands of US dollars)

	As at 31 December	
	2018	2017
Under 1 year	1,506	2,276
Between 1 and 2 years	1,576	1,441
Between 2 and 5 years	4,296	4,406
Over 5 years	50,150	63,793
Total	57,528	71,916
Future finance charges of finance leases	(49,388)	(61,349)
Present value of finance lease liabilities	8,140	10,567

Notes to the consolidated financial statements (continued)

22 Borrowings (continued)

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

(in thousands of US dollars)

	As at 31 December	
	2018	2017
Under 1 year	138	1,208
Between 1 and 2 years	73	7
Between 2 and 5 years	190	13
Over 5 years	7,739	9,339
Total	8,140	10,567

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	
	2018	2017
6 months or less	-	1,629
1-5 years	844,609	693,724
Over 5 years	6,160	354,946
Total	850,769	1,050,299

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

(in thousands of US dollars)

	As at 31 December	
	2018	2017
Russian rouble	229,543	277,730
US dollar	642,406	797,023
Total	871,949	1,074,753

As of 31 December 2017 US$267,820 thousand from the above amount of borrowings denominated in RUR were covered by swap arrangements effectively converting the RUR-denominated obligation into USD denominated one (Note 23). In 2018 these swap arrangements were terminated (see Note 23).

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

The weighted average effective interest rate on borrowings is 8.5% (2017: 8.4%). As of 31 December 2017 the weighted average effective interest rate on borrowings which includes the effect of the cross-currency swap would be 6.8%.

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

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

Notes to the consolidated financial statements (continued)

23 DERIVATIVE FINANCIAL INSTRUMENTS

In 2018 the Group terminated the cross-currency interest rate swap arrangement (see Note 23(i)). As of 31 December 2017 the fair value of derivatives was positive - US$78,386 thousand.

In 2017 the fair value of derivative was classified as a non-current asset if the remaining maturity of the hedging relationship is more than 12 months and, as a current asset, if the maturity of the hedging relationship is less than 12 months.

(i) Derivatives related to RUR-denominated bonds issues

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 USD-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 USD denominated interest is presented in the consolidated statement of cash flows as "proceeds from derivative financial instruments not used for hedging".

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.

(ii) Derivatives used for hedging

Upon acquisition of NCC at the end of 2013 the Group designated an acquired derivative as a cash flow hedge instrument where it was hedging the variability of the interest rate on an external borrowing of a Group entity and the highly probable forecasted revenues of the same Group entity which were expected to occur in USD (due to USD/RUR exchange rate).

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

The termination of the cross-currency interest rate swap arrangement together with the settlement of the related loan led to the cancellation of the related interest rate cash flow hedge.

During 2017 there was recycled US$57,426 thousand of derivative losses previously recognised through other comprehensive income that related to the cash flow hedge on forecasted sales. This amount has been recycled as a loss of US$69,566 through the income statement under 'other gains/losses – net' (Note 7) and as a credit charge in amount of US$12,140 thousand, relating to the foreign exchange difference arising on the retranslation of the cash flow hedge reserve using historic foreign exchange rate and average foreign exchange rate for the period, through currency translation differences in other comprehensive income. The recycling was based on the original forecasted sales that were expected to occur during the period.

As at 31 December 2017 there remained no derivative losses in equity.

Notes to the consolidated financial statements (continued)

24 DEFERRED INCOME TAX LIABILITIES

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

(in thousands of US dollars)

	As at 31 December	
	2018	2017
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	60,499	45,529
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	(130,436)	(163,942)
Deferred tax liabilities (net)	(69,937)	(118,413)

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

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
At the beginning of the year	(118,413)	(118,271)
Income statement charge:		
Deferred tax credit (Note 11)	28,551	4,116
Other movements:		
Reclassification to liabilities directly associated with assets classified as held for sale	-	1,868
Currency translation differences	19,925	(6,126)
At the end of the year	(69,937)	(118,413)

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

(in thousands of US dollars)

	Property, plant and equipment	Withholding tax provision	Intangible assets	Borrowings	Tax losses	Subtotal	Other assets and liabilities	Grand total
At 1 January 2017	(62,174)	(5,404)	(129,411)	(3,602)	80,742	(119,849)	1,578	(118,271)
Income statement (Note 11)	3,314	3,749	2,411	3,403	(2,011)	10,866	(6,750)	4,116
Reclassification to liabilities directly associated with assets classified as held for sale	1,916	-	-	-	-	1,916	(48)	1,868
Translation differences	(3,194)	(243)	(6,838)	(130)	4,260	(6,145)	19	(6,126)
At 31 December 2017	(60,138)	(1,898)	(133,838)	(329)	82,991	(113,212)	(5,201)	(118,413)
Income statement (Note 11)	1,777	(3,197)	2,245	49	21,930	22,804	5,747	28,551
Translation differences	10,205	630	22,659	-	(14,008)	19,486	439	19,925
At 31 December 2018	(48,156)	(4,465)	(108,934)	(280)	90,913	(70,922)	985	(69,937)

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$659,619 thousand (2017: US$848,103 thousand).

Notes to the consolidated financial statements (continued)

25 TRADE AND OTHER PAYABLES

(in thousands of US dollars)

	As at 31 December	
	2018	2017
Trade payables - third parties	3,351	3,690
Trade payables - related parties (Note 30(e))	109	304
Payables for property, plant and equipment	1,339	957
Other payables - third parties	4,777	1,338
Other payables - related parties (Note 30(e))	831	682
Payroll payable	1,858	1,875
Accrued expenses and deferred gains	18,867	18,298
Contract liabilities (2017: advances received)	3,987	5,007
Taxes payable (other than income tax)	3,657	3,535
Total trade and other payables	38,776	35,686
Less non-current portion	-	(9,266)
Current portion	38,776	26,420

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

26 ASSETS HELD FOR SALE

(a) 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. Peterburg which 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 (Note14).

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).

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

Notes to the consolidated financial statements (continued)

26 Assets held for sale (continued)

(b) Potential disposal of VEOS

As a result of deterioration of the business environment for VEOS, in the end of 2018 the Group decided to put this joint venture for a potential sale. Due to this reason, the investment in VEOS was reclassified to assets held for sale. Its carrying amount is its fair value less costs to sell.

Once disposed, amounts recognised in other comprehensive income and accumulated in equity relating to VEOS will be recycled from the other comprehensive income to the income statement. As of 31 December 2018 this accumulated other comprehensive income relating to VEOS amounted to approximately US$(33) million (negative). It is reflected within currency translation reserve in the consolidated balance sheet.

27 JOINT VENTURES

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

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

The summarised investments in joint ventures accounted for using the equity method as at 31 December 2018 and 31 December 2017 are as follows:

(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 30(g))	-	-	1,696	1,696
Reclassified to assets held for sale (Note 26(b))	(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

"Recognised share of profit/(loss)" includes US$13,946 thousand of effect of impairment of the Group's investment in MLT (see Note 4(i)) and the Group's share of reversal of previously recognised impairment related to VEOS in the amount of US$5,211 thousand.

(in thousands of US dollars)	VEOS	MLT	CD Holding	Total
At 1 January 2017	74,854	46,868	1,427	123,149
Recognised share of profit/(loss)	(77,462)	5,213	(1,018)	(73,267)
Dividends declared by joint venture	-	(6,863)	-	(6,863)
Other movements (Note 30(g))	-	-	784	784
Translation differences (through other comprehensive income/(loss))	9,949	3,097	69	13,115
At 31 December 2017	7,341	48,315	1,262	56,918

"Recognised share of profit/(loss)" includes US$71,578 thousand of effect of impairment related to VEOS (see Note 4(i)).

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

Notes to the consolidated financial statements (continued)

27 Joint ventures (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)

Notes to the consolidated financial statements (continued)

27 Joint ventures (continued)

Selected income statement items

(in thousands of US dollars)

	For the year ended 31 December 2017		
	VEOS	MLT	CD Holding
Revenue	51,348	31,083	9,845
Depreciation, amortisation and impairment	(162,076)	(4,212)	(894)
Interest income	18	123	-
Interest expense	(481)	(314)	(922)
Profit/(loss) before income tax	(154,924)	9,560	(918)
Income tax expense	-	(2,610)	(439)
Profit/(loss) after tax	(154,924)	6,950	(1,357)
Other comprehensive income/(loss)	19,897	2,788	92
Total comprehensive income/(loss)	(135,027)	9,738	(1,265)
Dividends declared by joint venture	-	9,151	-

Selected balance sheet items

(in thousands of US dollars)

	As at 31 December 2017		
	VEOS	MLT	CD Holding
Total non-current assets	10,736	34,207	17,421
Cash and cash equivalents (including current deposits with maturity over 90 days)	13,527	12,060	231
Other current assets	7,152	4,954	1,225
Total current assets	20,679	17,014	1,456
Total assets	31,415	51,221	18,877
Non-current financial liabilities	5,648	4,608	14,500
Other non-current liabilities	-	4,323	1,298
Total non-current liabilities	5,648	8,931	15,798
Current financial liabilities excluding trade and other payables	3,884	1,640	-
Other current liabilities including trade and other payables	7,202	2,837	1,396
Total current liabilities	11,086	4,477	1,396
Total liabilities	16,734	13,408	17,194
Net assets	14,681	37,813	1,683

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)

27 Joint ventures (continued)

(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 26(b))	(11,773)	-	-	(11,773)
Share of losses of joint ventures applied against other long-term interests (Note 30(g))	-	-	1,696	1,696
Other movements	-	-	784	784
Goodwill	-	16,544	-	16,544
Impairment of investment (Note 4(i))	-	(13,946)	-	(13,946)
Carrying value on 31 December 2018	-	24,795	-	24,795

(in thousands of USD)

	For the year ended 31 December 2017			
	VEOS	MLT	CD Holding	Total
Opening net assets at the beginning of the year	149,708	37,226	1,903	188,837
Profit/(loss) for the period	(154,924)	6,950	(1,357)	(149,331)
Dividends declared	-	(9,151)	-	(9,151)
Other comprehensive income/(loss)	19,897	2,788	92	22,777
Closing net assets at the end of the year	14,681	37,813	638	53,132
Ownership interest	50%	75%	75%	
Interest in joint venture	7,341	28,360	478	36,179
Other movements	-	-	784	784
Goodwill	-	19,955	-	19,955
Carrying value on 31 December 2017	7,341	48,315	1,262	56,918

Notes to the consolidated financial statements (continued)

28 CONTINGENCIES

Operating environment of the Group

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. Firm oil prices, low unemployment and rising wages supported a modest growth of the economy in 2018. 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. 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.

Estonia and Finland represent established market economies with more stable political systems and developed legislation based on EU directives and regulations. However, the situation in Estonia remained challenging and is characterised by a structural deterioration of the business environment in which the Group`s oil products terminal operates, which is heavily dependent on the flows of Russian oil products.

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

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

The 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)

28 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 2018 and as of 31 December 2017 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.

29 COMMITMENTS

Capital commitments

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

(in thousands of US dollars)	As at 31 December	
	2018	2017
Property, plant and equipment	6,540	26,515
Total	6,540	26,515

Notes to the consolidated financial statements (continued)

29 Commitments (continued)

Operating lease commitments – Group as lessee

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

(in thousands of US dollars)

	As at 31 December	
	2018	2017
Not later than 1 year	2,598	3,022
Later than 1 year and not later than 5 years	10,005	11,807
Later than 5 years	44,205	54,954
Total	56,808	69,783

30 RELATED PARTY TRANSACTIONS

Until April 2018 the Group was jointly controlled by Transportation Investments Holding Limited ("TIHL") and APM Terminals B.V. ("APM Terminals"). In April 2018 TIHL has completed the sale of its 30.75% stake in Global Ports to LLC Management Company "Delo" ("Delo Group"). The Group has been informed that in connection with the transaction, Delo Group has acceded to the shareholder agreement with APM Terminals B.V. and that TIHL has been released from its obligations under such agreement. Since April 2018 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	
	2018	2017
Entities under control of owners of controlling entities	93,089	86,118
Joint ventures in which GPI is a venturer	3	4
Other related parties	45	52
Total	93,137	86,174

(b) Purchases of services and incurred expenses

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Entities under control of owners of controlling entities	330	2,561
Other related parties	2,334	2,452
Total	2,664	5,013

Notes to the consolidated financial statements (continued)

30 Related party transactions (continued)

(c) Interest income

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Joint ventures in which GPI is a venturer	939	792
Total	939	792

(d) Trade and other receivables and prepayments

(in thousands of US dollars)

	As at 31 December	
	2018	2017
Entities under control of owners of controlling entities	8,414	8,368
Joint ventures in which GPI is a venturer	2	-
Other related parties	-	23
Total	8,416	8,391

(e) Trade and other payables

(in thousands of US dollars)

	As at 31 December	
	2018	2017
Entities under control of owners of controlling entities	853	796
Other related parties	87	190
Total	940	986

(f) Key management compensation/directors' remuneration

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Key management compensation:		
Salaries, payroll taxes and other short-term employee benefits	10,041	8,831
Directors' remuneration (included also above):		
Fees	375	408
Emoluments in their executive capacity	813	677
Total	1,188	1,085

(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	
	2018	2017
At the beginning of the year	14,559	8,472
Loans advanced during the year	1,400	7,500
Interest charged	939	792
Loan and interest repaid during the year	(260)	(1,204)
Fair value loss upon inception	-	(1,045)
GPI's share of losses of joint ventures applied against other long-term interests (Note 27)	(1,696)	-
Foreign exchange differences	-	44
At the end of the year (Note 19)	14,942	14,559

The loans are not secured, bear effective interest at 6.4% (2017: 6.4%) and are repayable in 2022.

Notes to the consolidated financial statements (continued)

31 EVENTS AFTER THE BALANCE SHEET DATE

There were no 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") give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, 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 93 and comprise:

- the consolidated balance sheet as at 31 December 2018;
- 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' Code of Ethics for Professional Accountants (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.

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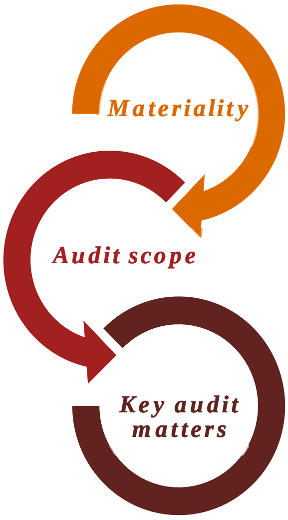
Our audit approach

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$5,5 million, which represents 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$5,5 million
How we determined it	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$0,55 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

How we tailored our group audit scope

Global Ports Investments Plc controls or has joint control over a number of entities situated in a number of territories namely Russia, Estonia, Finland and Cyprus. Considering our ultimate responsibility for the opinion on the Company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit.

The Group's operations comprise 9 components. The financial information of these components is included in the consolidated financial statements of the Group. We tailored the scope of our audit and determined the nature and extent of the audit procedures for the components of the Group to ensure that we perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole. In this context, the determining factors were the structure of the Group, the significance of each component, the risk profile and relevant activities of the components, the accounting processes and controls, and the industry in which the Group operates.

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.

The group consolidation was audited by the group engagement team. For components located in Russia and Estonia we used component auditors from other PwC network firms who are familiar with the local laws and regulations to perform the audit work. Where the work was performed by component auditors, we as group engagement team determined the level of involvement we needed to have in the audit work at those reporting units to enable us to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole.

Our involvement in the work performed by other auditors of the significant components included, amongst others, regular calls with the component auditors; discussion and agreement for the nature, timing and extent of the work; and review of the work performed by these component auditors for significant risk areas.

Our involvement in the work performed by other auditors of the non-significant components included, amongst others, discussion and review of the work performed by these component auditors for significant risk areas including impairment.

By performing the procedures above at components level, combined with the additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the consolidated financial information of the Group as a whole to provide a basis for our audit opinion on the consolidated financial statements.

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**
The Group performed an impairment test for all the cash generating units ("CGUs"). We focused on this area due to: • the size of the goodwill and other non-financial assets; • the assessment of the recoverable amount of the CGUs involves complex and subjective judgements about the future results of the business and the applicable discount rates to be used and the estimation of the fair value less costs of disposal of the CGUs; and • the results of the impairment test may indicate a higher recoverable amount than the carrying amount of assets previously impaired (other than goodwill) and an assessment should be made whether reversal of impairment may be necessary, which involves subjective judgements. In particular, we focused our audit effort on the Board of Directors' assessment of impairment of the following CGUs: • Moby Dik (MD) CGU, a component of Multi Link Terminals Limited, due to the fact that there was material impairment during the period; and • First Container Terminal (FCT) and Ust-Luga Container Terminal (ULCT) CGUs as a reasonably possible change in the key assumptions would cause the carrying amounts of these CGUs to exceed their recoverable amounts.	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 as well as evaluating the fair value less cost to sell. For MD CGU, we challenged and evaluated whether the fair value less costs of disposal approach is more appropriate than value in use approach to determine the CGU's recoverable amount given the specific circumstances of the CGU. We further evaluated the work of the management's expert involved for the valuation of MD CGU's assets by assessing the competence, capabilities and objectivity of the independent appraiser and by also engaging PwC valuation experts to assess the methodology, models and inputs used by the management's expert. With respect to the value in use models used for FCT and ULCT CGUs and Multi Link Terminals Limited Oy (MLT Oy) 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
The recoverable amount of the investment in joint venture Multi Link Terminals Limited (MLT) was determined based on the recoverable amounts of MD CGU and Multi Link Terminals Limited Oy (MLT Oy) CGU. The recoverable amount of MD CGU was determined by the Board of Directors based on the fair value less costs of disposal approach as following a substantial reduction in cargo volumes during the year, the fair value less costs of disposal approach was considered to give rise to higher recoverable amount than value in use approach. In determining the fair value of MD CGU, management involved an independent appraiser (the management's expert). The recoverable amount of MLT Oy CGU was based on value in use calculations. The recoverable amounts of FCT and ULCT CGUs were determined based on value in use calculations. The expected cash flows (budgets) for the year 2019 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 were recognised other than the impairment loss for the investment in joint venture Multi Link Terminals Limited amounting to US$13,946 thousand that was recognised through the share of profit/(loss) of joint ventures, reducing the carrying amount of the investment in the joint venture to US$24,795 thousand. For 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 the CGU no reversal of previously recognised impairment was necessary because there is no observable external or internal information to support reversal as required by IAS 36 "Impairment of	We 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, cost of debt 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. For FCT and ULCT CGUs, we have challenged and evaluated the Board of Directors on the no reversal of previously recognised impairment. We further challenged and evaluated the Board of Directors on the adequacy of their sensitivity calculations over FCT and ULCT CGUs' recoverable amount and determined the assumptions that created the most variability; being assumptions for throughput volume, price per unit, growth rates, and discount rates. We lastly evaluated the adequacy of the disclosures made in Notes 4 and 27 of the consolidated financial statements, including those regarding 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 disclosures are appropriate.

Key Audit Matter	How our audit addressed the Key Audit Matter
Assets"; and the tests are still sensitive to the change of certain key parameters. Refer to Notes 4 and 27 to the consolidated financial statements for the related disclosures.	

Reporting on other information

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

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

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

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

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

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

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 period ended 31 December 2008. Our appointment has been renewed annually, since then, by shareholder resolution. In 2011 the Company was listed in the Main Market of the London Stock Exchange and accordingly the first financial year after the Company qualified as an EU PIE was the year ended 31 December 2012. Since then, the total period of uninterrupted engagement appointment was 7 years.

Consistency of the Additional Report to the Audit 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 26 March 2019 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 consolidated management report.

Other Legal Requirements

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

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

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

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

- 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, 27 March 2019