Global Ports Investments Plc

Directors' report and consolidated financial statements
31 December 2017

Table of Contents

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors

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

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

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

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

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

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

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

Mrs. Elia Nicolaou (appointed 12 May 2017)
Non-Executive Director
Member of Remuneration and Nomination Committees

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

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

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

Board of Directors and other officers (continued)

Board of Directors (continued)

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

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

Mr. Vadim Kryukov (appointed 30 July 2014)
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

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

Mr. Tiemen Meester (resigned on 14 February 2017)

Mrs. Siobhan Walker (resigned on 12 May 2017)

Dr. Alexander Nazarchuk (resigned on 12 May 2017)

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

Mr. Peder Sondergaard (resigned on 01 February 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 2017. 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 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 2017 the management of the Group continued its efforts in optimisation of the Group structure. LLC Rolis was sold by JSC Logistica-Terminal to NCC Pacific Investments Ltd. T.O. Services Ltd, LLC Kran-1, LLC Kran-2, LLC Kran-3 were liquidated. LLC Shahovo-19 merged with LLC Shahovo-18. LLC ZASM was sold to LLC Farwater. The management launched the liquidation of LLC Container-Depot East and LLC Cargo Connexion East which was finalised in February-March 2018.
4. There were no other material changes in the group structure.

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

5. The strong recovery in the Russian container market continued in the second half of 2017, posting 16%* growth in volumes for the full year. This growth was principally driven by a revival in imports, due to improved consumer demand, along with increased containerisation of exports.
6. Against this backdrop, the Group continued to implement its strategy of harnessing the recovery of the container market, developing additional revenue streams, improving operational efficiency, maximising free cash flow generation and deleveraging.
7. The growth of Global Ports' Consolidated Marine Container Throughput accelerated to 11.8%* in the second half of 2017, resulting in 6.8%* growth for 2017 as a whole. This acceleration in growth has continued into 2018 with a 23%* increase in Consolidated Marine Container Throughput in January-February 2018, significantly outpacing the Russian container market growth of 16%* for the same two-month period.
8. The Group also delivered a record 21.9%* year-on-year increase in Consolidated Marine Bulk Throughput in 2017 which reached an all-time high of 2.7 million tonnes*.
9. Based on these operational achievements, Global Ports generated Revenue of USD 330.5 million, Adjusted EBITDA of USD 201.6 million*, Gross profit of USD 182.0 million and strong Free Cash Flow of USD 145.9 million*. The Group reduced Total Debt by a further USD 70.2 million* over the period.
10. The loss of the Group for the year ended 31 December 2017 was US$52,947 thousand (2016: net profit US$61,263 thousand). On 31 December 2017 the total assets of the Group were US$1,655,559 thousand (2016: US$1,643,007 thousand) and the net assets were US$377,238 thousand (2016: US$324,916 thousand). The financial position, development and performance of the Group as presented in these consolidated financial statements are considered satisfactory.
11. In December 2017 Moscow Arbitrage Court has approved the terms of a settlement agreement between the Russian Federal Antimonopoly Service (FAS) and the Group's VSC, PLP and FCT terminals with respect to the findings of FAS in April 2017 that these terminals (as well as a number of other Russian terminal operators) was in breach of antimonopoly laws in relation to the pricing of stevedoring services in Russian ports. The Group challenged the FAS findings with respect to each of FCT, VSC and PLP and appealed against the orders in court. The terms of the settlement will not have any material impact on the Group's financial position or cash flow and will not negatively affect operating activities in any significant way.

Management Report (continued)

12. Certain non-IFRS financial measures and operational information above which is derived from the management accounts is marked in this announcement 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.

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

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

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

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

Risk Management Process, Principal Risks and Uncertainties

13. GPI is exposed to a variety of risks that can have 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.
14. Global Ports has been developing and embedding 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.
15. 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. The Group updates and improves its risk management framework on a regular basis to remain competitive in a changing and uncertain environment. Within 2017 a better overview and summary of major risks facing the Group was developed and presented to the Board. It facilitates the analysis of risk ratings and their trends.
16. The GPI Board has overall oversight responsibility for the GPI's risk management 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.
17. The GPI Board delegates to the Chief Executive Officer 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.
18. 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.
19. 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.
20. 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.
21. The Group's financial risk management and critical accounting estimates and judgments are disclosed in Notes 3 and 4 to the consolidated financial statements.
22. The Group's contingencies are disclosed in Note 28 to the consolidated financial statements.

Management Report (continued)

Risk factor	Risk management approach
Strategic risks	
Market conditions: Global Ports' operations are dependent on the global macroeconomic environment and resulting trade flows, including in particular container volumes. Container market throughput is closely correlated to the volume of imported goods, which in turn is driven by domestic consumer demand. 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.	The Group has reacted to the declining throughput in the container market by: • Focusing on quality service • Offering operational flexibility to the clients • Effective management of costs • Adopting new revenue streams In addition, the Group aims to position itself to lead a future market recovery through superior service and cost discipline.
Competition: Challenging market trading conditions mean that competition pressures from other container terminals remains high. Further consolidation between container terminal operators and container shipping companies, introduction of new 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 observed significant new container handling capacity coming on-stream, for example the new port 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.	The Group actively monitors the competitive landscape and adjusts its commercial strategy accordingly, i.e. the Group builds long-term relationships with top customers based on a global approach to account management and contractual agreements incentivizing growth of throughput. The Group's focus on service quality is a key differentiator to 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 modern, up-to-date facilities and available capacity, it requires only minimal additional capital expenditure in the short to medium term thus preserving its ability to offer capacity to the market when necessary without sizeable additional investments.

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 government sanctions against Russian business 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.	The Group has adapted to the macroeconomic challenges posed since the second half of 2014. Its approach of effective cost management, focus on deleveraging and refinancing of its debt portfolio by switching all borrowings to fixed rates and moving to longer maturities are designed to make the Group more resilient to short term economic challenges in Russia as well as the wider regional and global environment. The Group has developed a system to monitor compliance with restrictions posed by international 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 and 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 rest of the Group's land is held under long-term leases (up-to 49 years).
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, this is further exacerbated by carrier consolidation process.	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, targeting new potential customers and new cargo segments. The Group is also growing its share of non-container revenues through successfully building its presence in marine bulk cargo like coal (2017: share of non-container revenue was 23% and 19% in 2016).

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 dialog 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 could be affected by changes in Russia's exports of oil products and 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 believes, like most international forecasters, that the global demand for oil products remains cyclical and might grow again over the medium term.
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 and, 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.	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.
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 is committed to recruiting and engaging Russian and international managers and experts to meet its needs. The Group offers competitive salaries and benefits to employees at all levels to foster and retain top talent. In addition the Group pays special attention to professional development as well as engagement in socially responsible business practices and supporting 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
<u>Health, safety, security and environment:</u> 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, aiming to build a sustainable safety culture covering 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	
<u>Regulatory compliance</u>: 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.
<u>Changes in regulations</u>: 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 dialog 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 dialog 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 Russian and international tax legislation and court practice 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.	Currently, a significant part of the Group's revenue, 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. The Group uses several different instruments and approaches to minimise future risks from volatility in the value of the Russian rouble and US dollar. To date, this strategy has proved effective. Should the Group have to switch the currency of its tariffs to RUR, it will need to convert the existing debt into the same currency to avoid significant foreign exchange risks arising from such a mismatch.

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 2017 and continued reduction of the debt above and beyond minimum repayment requirements remains a management priority in 2018. 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. The Group has further enhanced its IT security and security awareness during the year. As part of its ongoing response to the threat of cyber-attacks, the Group is currently rolling out additional enhancements to its threat detection systems across all subsidiaries. The Group continuously improves the cyber threats awareness and training among its employees and develops the business continuity plans in case of any disruptions.

Management Report (continued)

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

23. 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.
24. Financial reporting and supervision are based on approved budgets and on monthly performance reporting.
25. 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;
26. 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

27. 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. Risk management is carried out by a centralised financial department as well as financial departments in operating entities under policies approved by the Board of Directors. These departments identify, evaluate and take actions to mitigate financial risks in close co-operation with the operating units. The Board provides principles for overall risk management, covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

28. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in the currency different from the functional currency of each of the entities of the Group.
29. 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.
30. The Group uses from time to time foreign currency swaps (derivatives) to manage its exposures to foreign exchange risk.
31. The Group will continue to review its borrowing policy in order to maintain a balance between term and interest rate of available financing and its currency.
32. Currently the long-term debt of the Group is denominated in US dollars and Russian roubles. Most of Rouble-denominated debt is effectively swapped to USD-debt with a lower interest rate.
33. The US dollar and Euro interest rates are relatively more attractive compared to the Russian rouble interest rate.

Management Report (continued)

(b) Cash flow and fair value interest rate risk

34. The Group is not significantly exposed to changes in market interest rates as substantially all of its borrowings portfolio consists of fixed rate debt.
35. 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.
36. Management monitors changes in interest rates and takes steps to mitigate these risks as far as practicable and economically feasible.

(c) Credit risk

37. 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. However, the Group's business is heavily dependent on several large key customers accounting for substantial part of the Group's revenue. Cash and cash equivalents are placed in reliable banks with good history.

(d) Liquidity risk

38. Management controls current liquidity based on expected cash flows and expected revenue receipts.
39. Cash flow forecasting is performed at the level of operating entities of the Group and at consolidated level by the centralised 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 and long-term nature of the debt portfolio, the Group has the ability to meet its liabilities as they fall due and mitigate risks of adverse changes in the financial markets environment.

(e) Capital risk management

40. 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.
41. Defining capital, the Group uses the amount of equity and the Group's borrowings.
42. The Group manages the capital based on borrowings to total capitalisation ratio. Borrowings include lease liabilities, loan liabilities and public bonds.
43. 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.

Future Developments of the Group

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

Results

45. The Group's results for the year are set out on pages 22 and 23.

Dividends

46. 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.

Management Report (continued)

47. 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, 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.
48. 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.
49. In the year 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 container 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, always consistent with sustaining conservative leverage ratios.
50. During the years 2016 and 2017 the Company did not declare or pay any dividends.
51. The Board of Directors of the Company does not recommend the payment of a final dividend for the year 2017.

Share Capital

Authorised share capital

52. 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

53. 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.
54. 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

55. 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.

The Role of the Board of Directors

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

Management Report (continued)

Members of the Board of Directors

58. 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 being 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.
59. The Board currently has 16 members and they were appointed as shown on pages 2 and 3.
60. On 14 February 2017 Mr. Tiemen Meester resigned from the Board and Mr. Peder Sondergaard replaced him. On 12 May 2017 Dr. Alexander Nazarchuk and Mrs. Siobhan Walker resigned from the Board and Mrs. Britta Dalunde and Mrs. Elia Nicolaou replaced them.
61. All other Directors were members of the Board throughout the year ended 31 December 2017.
62. On 01 January 2018 Mrs. Inna Kuznetsova and Mr. Lambros Papadopoulos joined the Board of Directors.
63. 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.
64. There is no provision in the Company's Articles of Association for retirement of Directors by rotation. However in accordance with the Terms of Reference of the Board of Directors and the resolutions adopted by the Shareholders at the Annual General Meetings held 29 April 2015 and 12 May 2017 and Extraordinary General Meetings held on 12 December 2017, 29 January 2018 and 02 March 2018 all present directors, except for Capt. Bryan Smith, will be offered for re-election at the next Annual General Meeting of the Shareholders of the Company. Capt. Bryan Smith will step down from the Board of Directors at the next AGM as his nine years term as Independent Non-Executive Director ended.
65. Team Nominees Limited has been acting as the Company Secretary since its incorporation in February 2008. Mr. Alexander Iodchin has been acting as the Board Secretary since December 2008.
66. The changes in the composition of the committees of the Board of Directors are described below.
67. Mr. Tiemen Meester was the Chairman of the Board until 14 February 2017. Mr. Peder Sondergaard was the Chairman of the Board from 10 April 2017 until 01 February 2018. Mr. Morten Henrick Engelstoft was elected the Chairman of the Board of Directors on 26 February 2018. There were no other significant changes in the responsibilities of the Directors during 2017.

Directors' Interests

68. The interests in the share capital of Global Ports Investments Plc, both direct and indirect, of those who were Directors as at 31 December 2017 and 31 December 2016 are shown below:

Name	Type of holding	Shares held at 31 December 2017	Shares held at 31 December 2016
Nikita Mishin	Through shareholding in Transportation Investments Holding Limited and other related entities	42,267,114 ordinary shares	42,267,114 ordinary shares
		16,477,011 ordinary non-voting shares	16,477,011 ordinary non-voting shares
Britta Dalunde	Through holding of the GDRs	7,000 GDRs representing 21,000 ordinary shares	NIL

Management Report (continued)

Board Performance

69. The Board meets at least four times a year. Fixed meetings are scheduled at the start of each year. Ad hoc meetings are called when there are pressing matters requiring the Board's consideration and decision in between the scheduled meetings.
70. In 2017 the Board met formally 25 (2016: 21) times to review current performance and to discuss and approve important business decisions.
71. In 2017 the Board met to discuss and approve important business decisions:
    a. FY2016 financial statements, 1H2017 interim financial statements and Annual Report;
    b. Changes in Group management and the Board of Directors;
    c. Remuneration guidelines;
    d. Review of segments financial and operational performance;
    e. Consideration of 2018 financial budget, major risks and uncertainties, commercial strategy, corporate social responsibility matters, internal control framework;
    f. Consideration and approval of the intragroup financing and organizational restructurings;
    g. Consideration and approval of major capital expenditures and operating expenditures;
    h. Consideration and approval of various resolutions related to the operations of the Company`s subsidiaries and joint ventures.
72. The number of Board and Board Committee meetings held in the year 2017 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*
Alexander Iodchin	25	25	-	-	-	-	-	-
Bryan Smith	25	25	7	7	10	10	-	-
Nikita Mishin	17	25	4	7	6	10	-	-
Alexander Nazarchuk	7	7	3	3	3	3	-	-
Mikhail Loganov	13	25	-	-	-	-	-	-
Konstantin Shirokov	25	25	-	-	-	-	10	10
Siobhan Walker	4	7	-	-	-	-	3	3
Morten Henrick Engelstoft	25	25	7	7	10	10	10	10
Tiemen Meester	-	-	-	-	1	1	-	-
Laura Michael	25	25	-	-	-	-	-	-
Gerard Jan van Spall	25	25	-	-	-	-	-	-
Nicholas Charles Terry	25	25	-	-	-	-	-	-
Vadim Kryukov	25	25	-	-	-	-	-	-
Michalakis Christofides	25	25	-	-	-	-	-	-
Peder Sondergaard	25	25	7	7	9	9	-	-
Britta Dalunde	18	18	-	-	-	-	7	7
Elia Nicoalou	17	18	3	4	6	7	-	-

A = Number of meetings attended

B = Number of meetings eligible to attend during the year

Management Report (continued)

73. 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 2016 and 2017.

The Board Diversity

74. The Company does not have a formal Board diversity policy to aspects 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.
75. As of the date of publication of these financial statements the Board has 5 females representing approximately 30% from the total number of directors. The average age of directors is 49 years ranging from 32 to 72 years. The Board members have the following educational backgrounds: port and transportation industry, accounting and financial, banking sector and legal. The Board has a necessary balance of skills and expertise to run the Company and the Group. There are 7 nationalities present in the Board and the majority of the Board members reside in Cyprus.

The Board Committees

76. 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.
77. 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) who replaced Mrs. Siobhan Walker on 12 May 2017 and the other members are Mrs. Inna Kuznetsova (an Independent Non-Executive Director appointed as of 01 January 2018), Mr. Lambros Papadopoulos (an Independent Non-Executive Director appointed as of 01 January 2018), Mr. Konstantin Shirokov and Mr. Soren Jakobsen (appointed as of 02 March 2018). Mr. Morten Henrick Engelstoft resigned from the Audit and Risk Committee on 26 February 2018 following his appointment as the Chairman of the Board of Directors.
78. The Committee is responsible for considering, among other matters: (i) the integrity of the Company's financial information, including its annual and interim condensed consolidated financial information, and the effectiveness of the Company's internal controls, risk management systems and the work of the Internal Auditor; (ii) external and internal auditors' reports; and (iii) the terms of appointment and remuneration of the external auditors. The Committee supervises and monitors the financial reporting process and the submission of financial information by the Company and makes recommendations or proposals to ensure its integrity. The Committee informs the board of the outcome of the external audit and explain how the audit contributed to the integrity of financial reporting and what the role of the committee was in that process. The Committee recommends the Board on appointment, re-appointment and removal of the external auditor, reviews and monitors its independence, objectivity and effectiveness of the audit process. The Committee implements the policy on the engagement of the external auditors to perform non-audit services. In addition, the Committee supervises, monitors, and advises the Board of Directors on effectiveness of risk management and internal control systems and the implementation of Code of Ethics and Conduct, Authority Matrix and various other internal policies and regulations.

Management Report (continued)

79. In the year 2017 the Audit and Risk Committee met 10 times to review and discuss inter alia (on top of the topics listed above):
    a. Review of the press releases containing financial information;
    b. 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;
    c. Review of the major risks, including but not limited to strategic, fraud and compliance, commercial, operational, financial, human resources, environmental and other risks;
    d. Review of internal control framework and its deficiencies, consideration of management proposals on its further development and improvement;
    e. Review of IT security setup, budgeting process, sanctions monitoring and compliance process, corporate social responsibility report, whistle-blowing system;
    f. Making proposals to the Board of Directors to approve the amended and restated Terms of Reference of the Committee and on the new composition of the Committee;
    g. Consideration of various reports from the management and external consultants;
    h. Consideration of various updated and restated Group Policies;
    i. Consideration of the authority matrix framework.
80. The Nomination Committee as of the date of this report comprises six Directors, two of whom are independent. The Committee meets at least once each year. Currently the Nomination Committee is chaired by Capt. Bryan Smith (an Independent Non-Executive Director) and the other members are Mrs. Inna Kuznetsova (an Independent Non-Executive Director appointed as of 01 January 2018), Mr. Nikita Mishin, Mrs. Elia Nicolaou (appointed on 12 May 2017), Mr. Morten Henrick Engelstoft and Mr. Soren Jakobsen (appointed on 02 March 2018). Dr. Alexander Nazarchuk and Mr. Peder Sondergaard resigned from the position of the members of the Nomination Committee in May 2017 and February 2018 respectively.
81. The Committee's role is to prepare selection criteria and appointment procedures for members of the Board of Directors as well as the Senior 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 Senior 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 Senior Management as well as making recommendations regarding the membership of the Audit and Risk Committee and the Remuneration Committee. The Committee relies on both independent search consultancy and internal sources in making the proposals for the Board and Senior Management appointments.
82. In 2017 the Nomination Committee met seven times to discuss and recommend to the Board the appointment of senior management of the Group companies and also to recommend the Directors the candidates to the Board and discuss and recommend the composition of the Board Committees. In the year 2018 one of the key focuses of the work of Nomination Committee will be the succession planning for the Board and the Senior Management.
83. The Remuneration Committee as of the date of this report comprises six Directors, two of whom are independent. The Committee meets at least once each year. Currently the Remuneration Committee is chaired by Capt. Bryan Smith (an Independent Non-Executive Director) and the other members are Mrs. Inna Kuznetsova (an Independent Non-Executive Director appointed as of 01 January 2018), Mr. Nikita Mishin, Mrs. Elia Nicolaou (appointed on 12 May 2017), Mr. Morten Henrick Engelstoft and Mr. Soren Jakobsen (appointed on 02 March 2018). Dr. Alexander Nazarchuk and Mr. Peder Sondergaard resigned from the position of the members of the Remuneration Committee in May 2017 and February 2018 respectively.
84. The Committee is responsible for determining and reviewing the remuneration of the executive directors, Chairman and the Senior Management and the Company's remuneration policies. 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.

Management Report (continued)

85. In 2017 the Remuneration Committee met 10 times to discuss and recommend to the Board the Group management remuneration guidelines and the remuneration of the new Board members and the Senior Management of the Group.

Corporate Governance

86. 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 having standard listing and admitted to trading at London Stock Exchange.
87. Improving its corporate governance structure in accordance with the internationally recognised best practices the Company adopted in 2008, 2012, 2015 and 2016 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.
88. The Company's corporate governance policies and practices are designed to ensure that the Company is focused on upholding its responsibilities to the shareholders. They include, inter alia:
    - Appointment policy;
    - Terms of reference of the Board of Directors;
    - Terms of reference of the Audit and Risk Committee;
    - Terms of reference of the Nomination Committee;
    - Terms of reference of the Remuneration Committee;
    - Code of Ethics and Conduct;
    - Antifraud policy;
    - Anti-Corruption Policy;
    - Foreign Trade Controls Policy;
    - Insurance Standard;
    - Charity and Sponsorship Policy; and
    - Group Securities Dealing Code.
89. 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 and will continue in the year 2018.
90. 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.

Board and Management Remuneration

91. 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.
92. 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.
93. The shareholders of the Company approved the remuneration of the members of the Board on 29 April 2013, 12 May 2017, 11 December 2017, 29 January 2018 and 02 March 2018.

Management Report (continued)

94. 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.
95. The performance based part of the remuneration of the senior (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.
96. Neither the Board members, nor the management have long-term incentive schemes.
97. Refer to Note 30(g) to the consolidated financial statements for details of the remuneration paid to the members of the Board and key management.

Corporate Social Responsibility Report

98. 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

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

Research and development activities

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

Branches

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

Treasury shares

102. 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

103. 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 2018 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.

Auditors

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

By Order of the Board

....

Konstantin Shirokov

Director

13 March 2018

....

Alexander Iodchin

Director

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 22 to 86 have been prepared in accordance with IFRS as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113, and give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as whole.

By Order of the Board

....	....
Konstantin Shirokov	**Alexander Iodchin**
Director	**Director**

Limassol
13 March 2018

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

(in thousands of US dollars)

		For the year ended 31 December	
	Note	2017	2016
Revenue	5	330,505	331,468
Cost of sales	6	(148,511)	(186,064)
Gross profit		181,994	145,404
Administrative, selling and marketing expenses	6	(42,731)	(36,675)
Share of profit/(loss) of joint ventures accounted for using the equity method	27	(73,267)	(40,423)
Other gains/(losses) – net	7	(71,329)	(68,757)
Operating profit/(loss)		(5,333)	(451)
Finance income	9	2,048	1,367
Finance costs	9	(90,879)	(98,064)
Change in fair value of derivatives	9	42,089	64,432
Net foreign exchange gains/(losses) on financial activities	9	27,944	142,572
Finance income/(costs) – net	9	(18,798)	110,307
Profit/(loss) before income tax		(24,131)	109,856
Income tax expense	11	(28,816)	(48,593)
Profit/(loss) for the year		(52,947)	61,263
Attributable to:			
Owners of the Company		(52,973)	61,038
Non-controlling interest		26	225
		(52,947)	61,263
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	(0.09)	0.11

The notes on pages 27 to 86 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

(in thousands of US dollars)

	Note	For the year ended 31 December 2017	2016
Profit/(loss) for the year		(52,947)	61,263
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		32,356	30,661
Share of currency translation differences of joint ventures accounted for using the equity method	27	13,115	(2,133)
Cumulative other comprehensive income movement relating to asset classified as held for sale	26	1,560	-
Reclassification to income statement of a loss/(gain) on cash flow hedge termination	23	69,566	63,149
Reclassification to currency translation reserve of gain on cash flow hedge termination	23	(12,140)	(1,793)
Total items that can be reclassified subsequently to profit or loss		104,457	89,884
Items that may not be subsequently reclassified to profit or loss			
Share of currency translation differences attributable to non-controlling interest		812	2,638
Total items that cannot be reclassified subsequently to profit or loss		812	2,638
Other comprehensive income/(loss) for the year, net of tax		105,269	92,522
Total comprehensive income/(loss) for the year		52,322	153,785
Total comprehensive income/(loss) attributable to:			
Owners of the Company		51,484	150,922
Non-controlling interest		838	2,863
Total comprehensive income/(loss) for the year		52,322	153,785

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 27 to 86 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2017

(in thousands of US dollars)

	Note	As at 31 December 2017	2016
ASSETS			
Non-current assets		1,428,401	1,462,472
Property, plant and equipment	14	553,304	580,226
Intangible assets	15	690,858	666,223
Investments in joint ventures	27	56,918	123,149
Prepayments for property, plant and equipment	14	8,393	4,640
Deferred tax assets	24	45,529	44,440
Derivative financial instruments	23	58,840	35,529
Trade and other receivables	19	14,559	8,265
Current assets		227,158	180,535
Inventories	18	5,769	5,013
Derivative financial instruments	23	19,546	17,428
Trade and other receivables	19	33,630	38,011
Income tax receivable		2,366	804
Cash and cash equivalents	20	130,434	119,279
Assets classified as held for sale	26	35,413	-
TOTAL ASSETS		1,655,559	1,643,007
EQUITY AND LIABILITIES			
Total equity		377,238	324,916
Equity attributable to the owners of the Company		361,107	309,623
Share capital	21	57,317	57,317
Share premium	21	923,511	923,511
Capital contribution		101,300	101,300
Currency translation reserve		(759,376)	(806,407)
Cash flow hedge reserve	23	-	(57,426)
Transactions with non-controlling interest		(209,122)	(209,122)
Retained earnings		247,477	300,450
Non-controlling interest		16,131	15,293
Total liabilities		1,278,321	1,318,091
Non-current liabilities		1,178,872	1,211,794
Borrowings	22	1,005,664	1,040,875
Trade and other payables	25	9,266	8,208
Deferred tax liabilities	24	163,942	162,711
Current liabilities		99,449	106,297
Borrowings	22	69,089	78,681
Trade and other payables	25	26,420	26,320
Current income tax liabilities		1,513	1,296
Liabilities directly associated with assets classified as held for sale	26	2,427	-
TOTAL EQUITY AND LIABILITIES		1,655,559	1,643,007

On 13 March 2018 the Board of Directors of Global Ports Investments Plc authorised these consolidated financial statements for issue.

Alexander Iodchin, Director

Konstantin Shirokov, Director

The notes on pages 27 to 86 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

(in thousands of US dollars)		Attributable to the owners of the Company									
	Note	Share capital	Share premium	Capital contribution	Translation reserve	Cash flow hedge reserve	Transactions with non-controlling interest	Retained earnings*	Total	Non-controlling interest	Total
Balance at 1 January 2016		57,317	923,511	101,300	(834,935)	(118,782)	(209,122)	239,412	158,701	13,231	171,932
Total other comprehensive income/(loss)		-	-	-	28,528	61,356	-	-	89,884	2,638	92,522
Profit/(loss) for the year		-	-	-	-	-	-	61,038	61,038	225	61,263
Total comprehensive income/(loss) for the year ended 31 December 2016		-	-	-	28,528	61,356	-	61,038	150,922	2,863	153,785
Distributions to non-controlling interest		-	-	-	-	-	-	-	-	(801)	(801)
Total transactions with owners for the year ended 31 December 2016		-	-	-	-	-	-	-	-	(801)	(801)
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

*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 27 to 86 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 December 2017

(in thousands of US dollars)	Note	For the year ended 31 December 2017	2016
Cash flows from operating activities			
Profit/(loss) before income tax		(24,131)	109,856
Adjustments for:			
Depreciation of property, plant and equipment	14	38,007	34,843
Impairment of property, plant and equipment	14	11,400	-
Impairment of intangible assets	15	-	67,532
(Profit)/loss on sale of property, plant and equipment	14	(162)	(652)
Write off of property, plant and equipment	14	80	440
Amortisation of intangible assets	15	12,966	13,225
Interest income	9	(2,048)	(1,367)
Interest expense	9,22	90,879	98,064
Share of (profit)/loss in jointly controlled entities	27	73,267	40,423
Change in fair value of swap	9	(42,089)	(64,432)
Foreign exchange differences on non-operating activities		41,570	(79,432)
Other non-cash items		(930)	(738)
Operating cash flows before working capital changes		198,809	217,762
Changes in working capital			
Inventories		(637)	(379)
Trade and other receivables		(1,810)	(2,439)
Trade and other payables		366	3,751
Cash generated from operations		196,728	218,695
Dividends received from joint ventures		10,765	5,281
Income tax paid		(33,549)	(28,135)
Net cash from operating activities		173,944	195,841
Cash flows from investing activities			
Purchases of intangible assets		(1,846)	(118)
Purchases of property, plant and equipment		(28,041)	(18,043)
Proceeds from sale of property, plant and equipment	14	291	1,021
Loans granted to related parties	30(h)	(7,500)	(9,900)
Loan repayments received from related parties		1,183	444
Interest received		1,274	983
Net cash used in investing activities		(34,639)	(25,613)
Cash flows from financing activities			
Proceeds from borrowings	22	-	829,308
Repayments of borrowings	22	(57,533)	(943,030)
Interest paid	22	(89,094)	(70,259)
Proceeds from derivative financial instruments not used for hedging	22,23	20,254	11,372
Finance lease principal payments (third parties)	22	(2,741)	(2,514)
Dividends paid to the owners of non-controlling interest	13	-	(732)
Net cash used in financing activities		(129,114)	(175,855)
Net increase/(decrease) in cash and cash equivalents		10,191	(5,627)
Cash and cash equivalents at beginning of the year		119,279	123,135
Exchange gains/(losses) on cash and cash equivalents		964	1,771
Cash and cash equivalents at end of the year	20	130,434	119,279

The notes on pages 27 to 86 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".

Towards the end of 2017 the Company was informed by its shareholder, Transportation Investments Holding Limited ("TIHL") (see also Note 30), that it has entered into an agreement to sell its 30.75% stake in Global Ports to Management Company "Delo" LLC, one of the largest private transportation and logistics holding companies in Russia. The agreement remains subject to various conditions, including antitrust clearances and other customary arrangements.

Approval of the consolidated financial statements

These consolidated financial statements were authorised for issue by the Board of Directors on 13 March 2017.

Principal activities

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

Composition of the Group and its joint ventures

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

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

See also Note 5 for the description of segmental information of the Group. All entities above are fully consolidated, except for Moby Dik, Multi-Link Terminals, Yanino Logistics Park and AS Vopak E.O.S. which are joint ventures and 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 with Container Finance OY where the Company has 75% effective ownership interest (Note 27). Moby Dik (a container terminal in the vicinity of St. Petersburg) and Multi-Link Terminals (a container terminal in Vuosaari (near Helsinki, Finland) and a container terminal in Kotka, Finland) constitute the MLT group. Yanino Logistics Park (an inland container terminal in the vicinity of St. Petersburg), CD Holding and some other entities constitute the CD Holding group.
- AS Vopak E.O.S. and its subsidiaries (VEOS) is a joint venture with Royal Vopak, the world's largest independent tank storage provider, specialising in the storage and handling of liquid chemicals, gasses and oil products, where the Company has a 50% effective ownership interest (Note 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 2017 have been adopted by the EU through the endorsement procedure established by the European Commission with the exception of certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting and IFRS 14 "Regulatory Deferral Accounts".

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 2017:

- Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). As a result of this amendment, the Company has disclosed a reconciliation of movements in liabilities arising from financing activities. Refer to Note 22.
- Annual Improvements to IFRSs 2014-2016 cycle - amendments to IFRS 12 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017). The amendments clarify the scope of the disclosure requirements in IFRS 12 by specifying that the disclosure requirements in IFRS 12, other than those relating to summarised financial information for subsidiaries, joint ventures and associates, apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with IFRS 5.

The adoption did not have a material effect on the accounting policies of the Group.

New standards and interpretations not yet adopted by the Group

At the date of approval of these financial statements a number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on these consolidated financial statements, except the following set out below:

(a) Adopted by the European Union

- IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Notes to the consolidated financial statements (continued)

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

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

(a) Adopted by the European Union (continued)

The Group has not yet finalised a detailed assessment of the effect of the implementation of this standard. According to preliminary estimates the implementation of the standard will result in material changes in the assets, liabilities, operating profit (i.e. increase of non-current assets (subject to impairment tests), increase of borrowings, decrease of rental expenses, certain increase of depreciation and interest costs).

- IFRS 9 "Financial Instruments: Classification and Measurement" (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI.
- Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

While the Group has yet to finalise a detailed assessment of the classification and measurement of the financial instruments it holds the Group does not expect the new guidance to have a material impact on the classification and measurement of its financial assets.

After taking into consideration the risk profile of its trade and loan receivables, their repayment terms, the history and probability of default (including assessment of their capability to meet their obligations to the group) and the expected loss in case of default the Group does not expect that there will be material impairment loss.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Notes to the consolidated financial statements (continued)

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

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

(a) Adopted by the European Union (continued)

- IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

  The Group has not yet finalised a detailed assessment of the effect of the implementation of this standard. According to preliminary estimates the implementation of the standard will not materially affect the financial position and the result of operations of the Group.
- Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach). The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the replacement Standard that the IASB is developing for IFRS 4. These concerns include temporary volatility in reported results. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts Standard is issued. In addition, the amended Standard will give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments Standard - IAS 39. The amendments to IFRS 4 supplement existing options in the Standard that can already be used to address the temporary volatility.
- Annual Improvements to IFRSs 2014-2016 cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1January 2018 for amendments to IFRS 1 and IAS 28). The amendments to IAS 28 clarify that an entity has an investment-by-investment choice for measuring investees at fair value in accordance with IAS 28 by a venture capital organisation, or a mutual fund, unit trust or similar entities including investment linked insurance funds. Additionally, an entity that is not an investment entity may have an associate or joint venture that is an investment entity. IAS 28 permits such an entity to retain the fair value measurements used by that investment entity, associate or joint venture when applying the equity method. The amendments clarify that this choice is also available on an investment-by-investment basis.

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)

(b) Other accounting standards that have not been endorsed by EU or are not considered to be relevant to the Group

- IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016). The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard. IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard.
- Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments mean that non-market performance vesting conditions will impact measurement of cash-settled share-based payment transactions in the same manner as equity-settled awards. The amendments also clarify classification of a transaction with a net settlement feature in which the entity withholds a specified portion of the equity instruments, that would otherwise be issued to the counterparty upon exercise (or vesting), in return for settling the counterparty's tax obligation that is associated with the share-based payment. Such arrangements will be classified as equity-settled in their entirety. Finally, the amendments also clarify accounting for cash-settled share based payments that are modified to become equity-settled, as follows (a) the share-based payment is measured by reference to the modification-date fair value of the equity instruments granted as a result of the modification; (b) the liability is derecognised upon the modification, (c) the equity-settled share-based payment is recognised to the extent that the services have been rendered up to the modification date, and (d) the difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date is recorded in profit or loss immediately.
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018). The interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) on the derecognition of a non-monetary asset or non-monetary liability arising from an advance consideration in a foreign currency. Under IAS 21, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. IFRIC 22 only applies in circumstances in which an entity recognises a non-monetary asset or non-monetary liability arising from an advance consideration. IFRIC 22 does not provide application guidance on the definition of monetary and non-monetary items. An advance payment or receipt of consideration generally gives rise to the recognition of a non-monetary asset or non-monetary liability, however, it may also give rise to a monetary asset or liability. An entity may need to apply judgment in determining whether an item is monetary or non-monetary.
- Transfers of Investment Property - Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments clarify the requirements on transfers to, or from, investment property in respect of properties under construction. Prior to the amendments, there was no specific guidance on transfers into, or out of, investment properties under construction in IAS 40. The amendment clarifies that there was no intention to prohibit transfers of a property under construction or development, previously classified as inventory, to investment property when there is an evident change in use. IAS 40 was amended to reinforce the principle of transfers into, or out of, investment property in IAS 40 to specify that a transfer into, or out of investment property should only be made when there has been a change in use of the property; and such a change in use would involve an assessment of whether the property qualifies as an investment property. Such a change in use should be supported by evidence.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). The EU endorsement is postponed as IASB effective date is deferred indefinitely. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.

Notes to the consolidated financial statements (continued)

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

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

(b) Other accounting standards that have not been endorsed by EU or are not considered to be relevant to the Group (continued)

- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation.
- IFRS 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately.
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019). The Amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint venture but to which the equity method is not applied. An entity applies IFRS 9 to such long-term interests before it applies IAS 28. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. An entity applies the Amendments retrospectively for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019). For financial instruments which contain a prepayment amount that may result in negative compensation, the Amendments propose that such a financial asset would be eligible to be measured at amortised cost or at fair value through other comprehensive income, subject to the assessment of the business model in which it is held.

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

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

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

(b) Transactions with non-controlling interests

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

(c) Joint arrangements

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

Under the equity method of accounting, interests in joint ventures are initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures. The Group applies the requirements of IAS 39 to determine whether any additional impairment loss needs to be recognised in respect of loans given to joint ventures.

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

Notes to the consolidated financial statements (continued)

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

Basis of consolidation (continued)

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

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

Revenue recognition

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

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

(a) Sales of services

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

(b) Sales of goods

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

(c) Rental income

See accounting policy for leases below.

(d) Interest income

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

(e) Dividend income

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

Transactions with equity holders

The Group enters into transactions with its shareholders. When consistent with the nature of the transaction (i.e. when these transactions are not at arm's length prices), the Group's accounting policy is to recognise any gains or losses with equity holders, directly through equity and consider these transactions as the receipt of additional capital contribution or the distribution of dividends. Similar transactions with non-equity holders, or parties which are not under the control of the parent company, are recognised through the income statement.

Notes to the consolidated financial statements (continued)

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

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.

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.

Notes to the consolidated financial statements (continued)

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

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.

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.

Notes to the consolidated financial statements (continued)

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

Intangible assets (continued)

(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 55 years as of 31 December 2017) 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.

(b) Operating leases

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

The Group is the lessor

Operating leases

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

Loans and receivables

The Group classifies its financial assets as loans and receivables.

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

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

Notes to the consolidated financial statements (continued)

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

Loans and receivables (continued)

Loans and 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 against 'administrative, selling and marketing expenses'. For loans receivable the amount of the provision is recognised in the income statement against 'other gains/(losses) - net'.

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'.

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

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

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

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

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

Notes to the consolidated financial statements (continued)

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

Prepayments

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

Inventories

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

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.

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.

Dividend distribution

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

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

Financial guarantee contracts

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

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

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.

Offsetting financial instruments

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

Notes to the consolidated financial statements (continued)

3 FINANCIAL RISK MANAGEMENT

Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises 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	
	2017	2016
Assets	118,257	104,233
Liabilities	323,848	399,074
Capital commitments	-	-

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 2017, would have (decreased)/increased by US$24,671 thousand (2016: 30% change, effect US$70,762 thousand) and the equity would have (decreased)/increased by US$24,671 thousand (2016: 30% change, effect US$70,762 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 2017 and 31 December 2016 are as follows:

(in thousands of US dollars)	As at 31 December	
	2017	2016
Assets	102	424
Liabilities	40	-
Capital commitments	18,916	6,915

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 2017, would have increased/(decreased) by US$7 thousand (2016: 30% change, effect US$102 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 significantly exposed to changes in market interest rates as substantially all of its borrowings portfolio consists of fixed rate debt. 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.

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 for the year ended 31 December 2017 (2016: US$29 thousand).

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

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

(b) Credit risk

Financial assets, which potentially subject the Group to credit risk, consist principally of trade receivables and loans receivable (Note 19) and cash and cash equivalents (Note 20). The Group has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history. These policies enable the Group to reduce its credit risk significantly. However, the Group's business is heavily dependent on several large key customers accounting for 57% and 57% of the Group's revenue for the year ended 31 December 2017 and 31 December 2016, respectively.

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

(in thousands of US dollars)

	Fully performing	Past due	Impaired	Impairment provision	Total
As at 31 December 2017					
Trade receivables	16,837	2,855	-	-	19,692
Loans receivable	14,559	-	-	-	14,559
Other receivables	988	192	-	-	1,180
Total	32,384	3,047	-	-	35,431
As at 31 December 2016					
Trade receivables	18,076	2,584	-	-	20,660
Loans receivable	8,472	169	-	-	8,641
Other receivables	4,452	-	-	-	4,452
Total	31,000	2,753	-	-	33,753

(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.

Notes to the consolidated financial statements (continued)

3 Financial risk management (continued)

Financial risk factors (continued)

(c) Liquidity risk (continued)

Taking into account expected levels of operating cash flows, availability of cash and cash equivalents amounting to US$130,434 thousand (31 December 2016: US$119,279 thousand) (Note 20) the Group has the ability to meet its liabilities as they fall due and mitigate risks of adverse changes in the financial markets environment.

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

The table below summarises the analysis of financial liabilities by maturity as of 31 December 2017 and 2016. 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 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
As at 31 December 2016								
Borrowings	13,435	25,800	31,813	70,914	134,016	512,149	818,254	1,606,381
Trade and other payables	4,711	12,336	610	434	-	9,931	-	28,022
Derivative financial instruments:								
- payments	-	4,152	2,324	6,476	12,952	238,751	-	264,655
- receipts	-	(10,522)	(5,384)	(15,907)	(31,813)	(321,441)	-	(385,067)
Total	18,146	31,766	29,363	61,917	115,155	439,390	818,254	1,513,991

(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	
	2017	2016
Total borrowings	1,074,753	1,119,556
Total capitalisation	1,451,992	1,444,472
Total borrowings to total capitalisation ratio (percentage)	74%	78%

Notes to the consolidated financial statements (continued)

3 Financial risk management (continued)

Financial risk factors (continued)

(e) Fair value estimation

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

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

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received, discounted at current interest rates for instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Carrying amounts of trade 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 is valued using Level 2 valuation technique from the table above. There are no changes in the valuation techniques during the year.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

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

Notes to the consolidated financial statements (continued)

4 Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and assumptions (continued)

(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 Logistika-Terminal (LT), the inland terminal in Shushary, near St.-Petersburg, North-West Russia, see Note 26.

Based on the current world-wide economic circumstances and also taking into account developments within the Russian Federation, the Group performed a test of the estimated recoverable amount of the cash-generating units (CGUs), compared to their carrying value. For VEOS impairment test was carried out taking into account the structural deterioration of the business environment in which the terminal operates, which is heavily dependent on the flows of Russian oil products, and major uncertainty regarding the prospects of the oil products' handling business. The assessment requires making judgments about long-term forecasts related to the CGUs subject to review for which the recoverable amount was calculated based on estimated discounted future cash flows. These forecasts are uncertain as they require assumptions about volumes, prices for the products and services, discount rates, future market conditions and future technological developments. Significant and unanticipated changes in these assumptions could require a provision for impairment in a future period.

For all CGUs tested based on discounted future cash flows, except for ULCT, cash flow projections cover a period of five years based on the assumptions of the next 12 months. In case of ULCT cash flow projections cover an eight year period as management considers that this terminal is still at a development stage. Cash flows beyond that five-year (eight-year period in case of ULCT) period have been extrapolated using a steady terminal growth rate. The terminal growth rate used does not exceed the long-term average growth rate for the market in which entities operate. For projections prepared for CGUs in Russian ports segments a terminal growth rate of 3% has been applied (2016: 3%). For projections prepared for VEOS CGU as at 31 December 2017 a terminal growth rate of 2% was applied (2016: 2%). The discount rate applied for Russian ports CGUs in projections prepared as at 31 December 2017 is 10.4% (2016: 11.2%) and for VEOS the discount rate is 9% (2016: 8.6%).

Key assumptions for Russian ports CGUs are throughput volume, price per unit, growth rates, and discount rates. The projected volumes reflect past experience adjusted by the management view on the prospective market developments. 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.

For VEOS CGU, given the high degree of volatility in performance of VEOS in recent years as well as perceived risk profile of the terminal operations there is significant judgement and subjectivity in relation to the 2018 expectation. The investment in VEOS has been impaired to the carrying amount of US$7,341 thousand (see Note 27). It is reasonably possible on the basis of existing knowledge that outcomes within the next financial year that are different from the assumption could require a material adjustment to the carrying amount of the CGU. In addition, if the estimated free cash flows are 5% higher/lower each year as opposed to projections used by the management, or the terminal growth rate is 0.5% higher/lower or discounting rate is 1% lower/ higher, then impairment would be higher/lower by approximately US$1.5 million, approximately US$1.5 million and approximately US$0.6 million respectively.

Based on the results of the impairment tests for other CGUs carried out in 2017, 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, FCT and PLP 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$15 million. A decrease of handling volumes by approximately 2% each year as opposed to volume projections used by the management or a decrease in the average revenue per TEU by approximately 2% each year as opposed to the 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.

Notes to the consolidated financial statements (continued)

4 Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and assumptions (continued)

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

In FCT, the recoverable amount calculated based on value in use exceeded the carrying value by US$132 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 revenue per TEU by approximately 3% each year as opposed to the 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 PLP, the recoverable amount calculated based on value in use exceeded the carrying value by US$66 million. A decrease of handling volumes by 5% 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 the 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).

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 CD groups). There are additional disclosures to reconcile segmental information with the consolidated income statement and the consolidated balance sheet.

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

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The brief description of segments is as follows:

Russian ports

The segment consists of the following operating units:

- Petrolesport, Farwater (PLP) and various other entities (including some intermediate holdings) that own and manage a container terminal in St. Petersburg port, North-West Russia. PLP is engaged in handling of containers, ro-ro, general cargo and scrap metal.
- First Container Terminal (FCT), the biggest container terminal in Russia, located in St. Petersburg port, North-West Russia.
- Ust-Luga Container Terminal (ULCT), a container terminal in Ust-Luga, near St. Petersburg, North-West Russia. Vostochnaya Stevedoring Company (VSC) and various other entities (including some intermediate holdings) that own and manage a container terminal in Port of Vostochny near Nahodka, Far-East Russia.
- Moby Dik (MD) and various other entities (including some intermediate holdings) that own and manage a container terminal in Kronstadt near St. Petersburg, North-West Russia.
- Logistika-Terminal (LT), an in-land container terminal in Shushary near St. Petersburg, North-West Russia. See Note 26.
- 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.

VEOS

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

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

Holding companies (all other)

The segment consists of Global Ports Investments Plc (GPI) and some intermediate 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 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 income/(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 income/(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) after tax	(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)

	Russian ports	VEOS	Finnish ports	Total operating segments	Holdings	Reconciliation adjustments: Effect of proportionate consolidation	Reconciliation adjustments: Other adjustments	Group as per proportionate consolidation
Depreciation of property, plant and equipment	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	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	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

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The segment results for the year ended 31 December 2016 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	359,681	58,970	12,864	431,515	-	(39,759)	-	391,756
Inter-segment revenue	-	-	45	45	-	(11)	(34)	-
Total revenue	359,681	58,970	12,909	431,560	-	(39,770)	(34)	391,756
Cost of sales	(199,728)	(105,877)	(12,381)	(317,986)	-	39,844	33	(278,109)
Administrative, selling and marketing expenses	(14,754)	(7,765)	(887)	(23,406)	(23,361)	4,431	61	(42,275)
Other gains/(losses) – net	(68,526)	(270)	244	(68,552)	101,623	144	(102,210)	(68,995)
Operating profit/(loss)	76,673	(54,942)	(115)	21,616	78,262	4,649	(102,150)	2,377
Finance costs – net	112,126	(693)	(168)	111,265	66	(57)	(104)	111,170
incl. interest income	*4,060*	*18*	*-*	*4,078*	*3,244*	*(28)*	*(6,186)*	*1,108*
incl. interest expenses	*(102,441)*	*(709)*	*(168)*	*(103,318)*	*(2,891)*	*774*	*6,186*	*(99,249)*
incl. change in the fair value of derivative instruments	*64,884*	*-*	*-*	*64,884*	*-*	*-*	*-*	*64,884*
incl. net foreign exchange gains/(losses) on financing activities	*146,078*	*(3)*	*-*	*146,075*	*(286)*	*(803)*	*(104)*	*144,882*
Profit/(loss) before income tax	188,799	(55,635)	(283)	132,881	78,328	4,592	(102,254)	113,547
Income tax expense	(51,132)	1,956	206	(48,970)	(595)	(246)	-	(49,811)
Profit/(loss) after tax	137,667	(53,679)	(77)	83,911	77,733	4,346	(102,254)	63,736
CAPEX* on cash basis	18,386	4,637	120	23,143	463	(2,550)	-	21,055

*CAPEX represents purchases of property, plant and equipment

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

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The reconciliation of results for the year ended 31 December 2016 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	391,756	(60,288)	331,468
Inter-segment revenue	-	-	-
Total revenue	391,756	(60,288)	331,468
Cost of sales	(278,109)	92,045	(186,064)
Administrative, selling and marketing expenses	(42,275)	5,600	(36,675)
Share of profit/(loss) of joint ventures accounted for using the equity method	-	(40,423)	(40,423)
Other gains/(losses) – net	(68,995)	238	(68,757)
Operating profit/(loss)	2,377	(2,828)	(451)
Finance costs - net	111,170	(863)	110,307
incl. interest income	*1,108*	*259*	*1,367*
incl. interest expenses	*(99,249)*	*1,185*	*(98,064)*
incl. change in the fair value of derivative instruments	*64,884*	*(452)*	*64,432*
incl. net foreign exchange gains/(losses) on financing activities	*144,882*	*(2,310)*	*142,572*
Profit/(loss) before income tax	113,547	(3,691)	109,856
Income tax expense	(49,811)	1,218	(48,593)
Profit/(loss) for the year	63,736	(2,473)	61,263
CAPEX on cash basis	21,055	(3,012)	18,043

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The segment items operating expenses for the year ended 31 December 2016 are as follows:

(in thousands of US dollars)

	Russian ports	VEOS	Finnish ports	Total operating segments	Holdings	Reconciliation adjustments: Effect of proportionate consolidation	Reconciliation adjustments: Other adjustments	Group as per proportionate consolidation
Depreciation of property, plant and equipment	37,956	19,359	1,852	59,167	116	(10,950)	-	48,333
Amortisation of intangible assets	13,435	921	-	14,356	-	(514)	-	13,842
Impairment of property, plant and equipment and intangible assets	67,532	53,026	-	120,558	-	(6,904)	-	113,654
Staff costs	46,139	14,752	6,174	67,065	15,362	(10,154)	-	72,273
Transportation expenses	7,914	10,124	1,343	19,381	-	(5,716)	-	13,665
Fuel, electricity and gas	7,009	6,862	503	14,374	6	(3,813)	-	10,567
Repair and maintenance of property, plant and equipment	8,723	2,715	1,422	12,860	2	(2,163)	-	10,699
Total	188,708	107,759	11,294	307,761	15,486	(40,214)	-	283,033
Other operating expenses	25,774	5,883	1,974	33,631	7,875	(4,060)	(94)	37,352
Total cost of sales, administrative, selling and marketing expenses	214,482	113,642	13,268	341,392	23,361	(44,274)	(94)	320,385

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The reconciliation of operating expenses for the year ended 31 December 2016 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	48,333	(13,490)	34,843
Amortisation of intangible assets	13,842	(617)	13,225
Impairment of property, plant and equipment and intangible assets	113,654	(46,122)	67,532
Staff costs	72,273	(15,709)	56,564
Transportation expenses	13,665	(7,023)	6,642
Fuel, electricity and gas	10,567	(4,573)	5,994
Repair and maintenance of property, plant and equipment	10,699	(3,775)	6,924
Total	283,033	(91,309)	191,724
Other operating expenses	37,352	(6,337)	31,015
Total cost of sales, administrative, selling and marketing expenses	320,385	(97,646)	222,739

Notes to the consolidated financial statements (continued)

5 Segmental information (continued)

The segment assets and liabilities as at 31 December 2016 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)	620,977	152,181	6,980	780,138	232	(86,921)	-	693,449
Investments in joint ventures	-	-	-	-	165,844	-	(165,844)	-
Intangible assets	693,100	236	-	693,336	-	(2,101)	-	691,235
Other non-current assets	112,095	-	126,731	238,826	1,059,083	(33,662)	(1,226,562)	37,685
Inventories	5,681	1,831	23	7,535	19	(1,093)	-	6,461
Trade and other receivables (including income tax prepayment)	54,553	24,577	1,707	80,837	23,598	(12,681)	(22,298)	69,456
Cash and cash equivalents	124,956	4,103	2,923	131,982	2,984	(4,946)	-	130,020
Total assets	1,611,362	182,928	138,364	1,932,654	1,251,760	(141,404)	(1,414,704)	1,628,306
Long-term borrowings	1,044,138	2,628	3,102	1,049,868	22,197	(4,277)	(22,942)	1,044,846
Other long-term liabilities	175,548	-	125	175,673	3	(1,190)	(44,440)	130,046
Trade and other payables	23,721	19,489	1,246	44,456	6,222	(9,951)	(4,127)	36,600
Short-term borrowings	104,361	9,049	968	114,378	636	(6,682)	(18,807)	89,525
Other short-term liabilities	1,312	2,055	2	3,369	-	(1,036)	-	2,333
Total liabilities	1,349,080	33,221	5,443	1,387,744	29,058	(23,136)	(90,316)	1,303,350
Non-controlling interest	15,293	-	-	15,293	-	-	-	15,293

Included within 'Russian ports', 'Finnish ports' and 'Holdings' segments 'Other non-current assets' are investments in subsidiaries in the total amount of US$7,924 thousand, US$126,614 thousand and US$1,057,676 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 2016 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)	693,449	(108,583)	584,866
Investments in joint ventures	-	123,149	123,149
Intangible assets	691,235	(25,012)	666,223
Other non-current assets	37,685	50,549	88,234
Inventories	6,461	(1,448)	5,013
Trade and other receivables (including income tax prepayment)	69,456	(13,213)	56,243
Cash and cash equivalents	130,020	(10,741)	119,279
Total assets	1,628,306	14,701	1,643,007
Long-term borrowings	1,044,846	(3,971)	1,040,875
Other long-term liabilities	130,046	40,873	170,919
Trade and other payables	36,600	(10,280)	26,320
Short-term borrowings	89,525	(10,844)	78,681
Other short-term liabilities	2,333	(1,037)	1,296
Total liabilities	1,303,350	14,741	1,318,091
Non-controlling interest	15,293	-	15,293

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 2017 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	
	2017	2016
Revenue from domestic customers - Cyprus	17,971	21,064
Revenue from foreign customers by countries:		
Russia	199,317	182,905
Denmark	46,700	47,717
UK	19,609	25,093
France	13,074	12,334
Other	33,834	42,355
Revenue from foreign customers total	312,534	310,404
Total revenue	330,505	331,468

In both 2017 and 2016 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 2017	2016
Staff costs (Note 8)	68,153	56,564
Depreciation of property, plant and equipment (Note 14)	38,007	34,843
Amortisation of intangible assets (Note 15)	12,966	13,225
Impairment of property, plant and equipment (Note 14)	11,400	-
Impairment of intangible assets (Note 15)	-	67,532
Transportation expenses	8,346	6,642
Fuel, electricity and gas	7,892	5,994
Repair and maintenance of property, plant and equipment	8,118	6,924
Taxes other than on income	5,680	5,356
Legal, consulting and other professional services	3,518	3,579
Auditors' remuneration	1,397	1,544
Operating lease rentals	5,976	4,944
Purchased services	6,849	5,311
Insurance	1,025	894
Other expenses	11,915	9,387
Total cost of sales, administrative, selling and marketing expenses	191,242	222,739

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 2017 amounted to US$280 thousand (2016: US$305 thousand) The total fees charged by the Company's statutory auditor for the year ended 31 December 2017 for other assurance services amounted to US$60 thousand (2016: US$199 thousand), for tax advisory services amounted to US$14 thousand (2016: US$77 thousand).

The above expenses are analysed by function as follows:

Cost of sales

(in thousands of US dollars)

	For the year ended 31 December 2017	2016
Staff costs	41,893	34,239
Depreciation of property, plant and equipment	37,037	34,281
Amortisation of intangible assets	12,938	13,205
Impairment of property, plant and equipment (Note 14)	11,400	-
Impairment of intangible assets (Note 15)	-	67,532
Transportation expenses	8,346	6,642
Fuel, electricity and gas	7,573	5,731
Repair and maintenance of property, plant and equipment	7,085	6,232
Taxes other than on income	5,183	4,337
Operating lease rentals	2,958	2,637
Purchased services	6,849	5,311
Insurance	642	539
Other expenses	6,607	5,378
Total cost of sales	148,511	186,064

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 2017	2016
Staff costs	26,260	22,325
Depreciation of property, plant and equipment	970	562
Amortisation of intangible assets	28	20
Fuel, electricity and gas	319	263
Repair and maintenance of property, plant and equipment	1,033	692
Taxes other than on income	497	1,019
Legal, consulting and other professional services	3,518	3,579
Auditors' remuneration	1,397	1,544
Operating lease rentals	3,018	2,307
Insurance	383	355
Other expenses	5,308	4,009
Total administrative, selling and marketing expenses	42,731	36,675

7 OTHER GAINS/(LOSSES) – NET

(in thousands of US dollars)

	For the year ended 31 December 2017	2016
Foreign exchange gains/(losses) on non-financing activities – net (Note 10)	(1,176)	(2,354)
Settlement of commercial claim	-	(3,413)
Recycling of derivative losses previously recognised through other comprehensive income (Note 23(ii))	(69,566)	(63,149)
Other gains/(losses) – net	(587)	159
Total	(71,329)	(68,757)

8 EMPLOYEE BENEFIT EXPENSE

(in thousands of US dollars)

	For the year ended 31 December 2017	2016
Salaries	52,877	44,672
Social insurance costs	12,242	10,510
Other staff costs	3,034	1,382
Total	68,153	56,564
Average number of staff employed during the year	2,726	2,743

Included within 'Social insurance costs' for 2017 are contributions made to the state pension funds in the total amount of US$9,080 thousand (2016: US$7,762 thousand).

Notes to the consolidated financial statements (continued)

9 FINANCE INCOME/(COSTS) - NET

(in thousands of US dollars)

	For the year ended 31 December	
	2017	2016
Included in finance income:		
Interest income on bank balances	612	482
Interest income on short-term bank deposits	644	447
Interest income on loans to related parties (Note 30(h))	792	438
Total finance income	2,048	1,367
Included in finance costs:		
Interest expenses on bank borrowings	(7,178)	(46,645)
Interest expenses on bonds	(81,611)	(49,786)
Interest expenses on finance lease	(1,530)	(1,428)
Interest expenses on loans from third parties	(560)	(205)
Total finance costs	(90,879)	(98,064)
Included in the change in fair value of derivatives:		
Interest component*	20,214	14,411
Foreign currency exchange component	21,875	50,021
Total change in fair value of derivatives (Note 23(i))	42,089	64,432
Net foreign exchange gains/(losses) on financing activities	27,944	142,572
Finance income/(costs) – net	(18,798)	110,307

*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	
	2017	2016
Included in 'finance income/(costs) - net' (Note 9)	27,944	142,572
Included in 'other gains/(losses) – net' (Note 7)	(1,176)	(2,354)
Total	26,768	140,218

Notes to the consolidated financial statements (continued)

11 INCOME TAX EXPENSE

(in thousands of US dollars)

	For the year ended 31 December	
	2017	2016
Current tax	32,932	31,833
Deferred tax (Note 24)	(4,116)	16,760
Total	28,816	48,593

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	
	2017	2016
Profit/(loss) before tax	(24,131)	109,856
Tax calculated at the applicable tax rates – 20% [(1)]	(4,826)	21,972
Tax effect of expenses not deductible for tax purposes	20,242	19,092
Tax effect of share of profit in jointly controlled entities	14,653	8,085
Withholding tax on undistributed profits	(1,253)	(556)
Tax charge	28,816	48,593

(1) The applicable tax rate used for 2017 and 2016 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	
	2017	2016
Profit attributable to the owners of the parent of the Company - in thousands of US dollars	(52,973)	61,038
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)	(0.09)	0.11

13 DIVIDEND DISTRIBUTION

During 2017 and 2016 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 2016							
Cost	150,753	285,330	17,872	163,451	31,856	1,539	650,801
Accumulated depreciation and impairment	-	(74,513)	(1,243)	(61,405)	(13,186)	(1,309)	(151,656)
Net book amount	150,753	210,817	16,629	102,046	18,670	230	499,145
Additions	-	5,463	8,644	2,219	1,815	85	18,226
Transfers	-	835	(835)	-	-	-	-
Disposals	-	(18)	(260)	(155)	(375)	(1)	(809)
Depreciation charge (Note 6)	-	(17,346)	-	(14,683)	(2,630)	(184)	(34,843)
Translation reserve	30,385	41,223	4,300	19,018	3,545	36	98,507
Closing net book amount	181,138	240,974	28,478	108,445	21,025	166	580,226
At 31 December 2016							
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

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 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 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	
	2017	2016
Net book amount	209	809
Less: Non-cash items - write-offs of property, plant and equipment	(80)	(440)
	129	369
Profit on sale of property, plant and equipment [1]	162	652
Proceeds from sale of property, plant and equipment	291	1,021

(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	
	2017	2016
Buildings and constructions	7,951	7,662
Loading equipment	9,279	9,527
Total	17,230	17,189

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

(in thousands of US dollars)

	As at 31 December	
	2017	2016
Loading equipment and machinery	-	6,266
Total	-	6,266

Depreciation expense amounting to US$37,037 thousand in 2017 (2016: US$34,281 thousand) has been charged to 'cost of sales' and US$970 thousand in 2017 (2016: US$562 thousand) has been charged to 'administrative, selling and marketing' expenses (Note 6).

There were no capitalised borrowing costs in 2017 and 2016.

Lease rentals relating to the lease of machinery and property amounting to US$2,958 thousand in 2017 (2016: US$2,637 thousand) have been charged to 'cost of sales' and US$3,018 thousand in 2017 (2016: US$2,307 thousand) has been charged to 'administrative, selling and marketing expenses'.

As at 31 December 2017 the amounts prepaid for equipment not delivered and prepayments for construction works not yet carried out were US$8,393 thousand (2016: US$4,640 thousand).

Notes to the consolidated financial statements (continued)

15 INTANGIBLE ASSETS

(in thousands of US dollars)

	Goodwill	Contractual rights	Client base	Computer software	Total
At 1 January 2016					
Cost	8,021	636,441	11,949	643	657,054
Accumulated amortisation and impairment	-	(23,191)	(10,811)	(366)	(34,368)
Net book amount	8,021	613,250	1,138	277	622,686
Additions	-	-	-	118	118
Amortisation charge (Note 6)	-	(11,830)	(1,241)	(154)	(13,225)
Impairment charge (Note 6)	-	(67,532)	-	-	(67,532)
Translation reserve	1,616	122,405	103	52	124,176
Closing net book amount	9,637	656,293	-	293	666,223
At 31 December 2016					
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

As at 31 December 2017 the remaining useful lives for contractual rights were up to 55 years (2016: up to 56 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	
	2017	2016
PLP (Russian ports segment)	4,390	4,168
VSC (Russian ports segment)	5,759	5,469
Total	10,149	9,637

The recoverable amount of CGU 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(a)(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	
	2017	2016
Loans and receivables		
Financial assets as per balance sheet:		
Trade and other receivables [(1)]	35,431	33,753
Cash and cash equivalents	130,434	119,279
Total	165,865	153,032
Financial liabilities measured at amortised cost		
Financial liabilities as per balance sheet:		
Borrowings	1,074,753	1,119,556
Trade and other payables [(2)]	28,487	28,022
Total	1,103,240	1,147,578

(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 or impaired) can be assessed by reference to external and internal sources of information like business reputation, financial position and performance, prior working history records. Customers with longer history of working with the Group are regarded by management as having lower risk of default.

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

(in thousands of US dollars)

	As at 31 December	
	2017	2016
Trade and other receivables		
Core customers – new (less than one year of working history with the Group)	-	41
Core customers - existing (more than one year of working history with the Group)	9,134	9,042
Related party loans	14,559	8,472
Trade and other receivables from other customers (third parties)	857	1,467
Trade and other receivables from related parties	7,834	11,978
Total	32,384	31,000

Loans granted to the third parties, trade and other receivables are related to highly reputable counterparties with no external credit rating.

Notes to the consolidated financial statements (continued)

17 Credit quality of financial assets (continued)

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

(in thousands of US dollars)

Agency	Rating	As at 31 December 2017	2016
International rating agency Moody's Investors Service	A1 - Aa3	3,855	620
International rating agency Moody's Investors Service	B1 - Baa3	105,381	101,748
International rating agency Moody's Investors Service	Caa1 - Caa2	208	341
Fitch Ratings	AAA	-	16,517
Fitch Ratings	BBB	20,912	-
* No rating	No rating	78	53
Total		130,434	119,279

* 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 2017	2016
Spare parts and consumables	5,769	5,013
Total	5,769	5,013

All inventories are stated at cost.

19 TRADE AND OTHER RECEIVABLES

(in thousands of US dollars)	As at 31 December 2017	2016
Trade receivables - third parties	11,875	12,663
Trade receivables - related parties (Note 30(e))	7,817	7,997
Total trade receivables	19,692	20,660
Other receivables	1,157	358
Other receivables - related parties (Note 30(e))	23	4,094
Prepayments for goods and services	6,168	6,262
Prepayments for goods and services - related parties (Note 30(e))	551	525
Loans to third parties	-	169
Loans to related parties (Note 30(h))	14,559	8,472
VAT and other taxes recoverable	6,039	5,736
Total trade and other receivables	48,189	46,276
Less non-current portion:		
Loans to related parties	(14,559)	(8,265)
Total non-current portion	(14,559)	(8,265)
Current portion	33,630	38,011

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, except loans to related parties (fair value as at 31 December 2017: US$13,814 thousand).

The average effective interest rate on loans receivable from related parties were 6.4% (2016: 4.2%).

Trade and other receivables amounting to US$17,826 thousand (31 December 2016: US$22,527 thousand), were fully performing.

Trade and other receivables amounting to US$3,047 thousand (31 December 2016: US$2,584 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	
	2017	2016
Less than 1 month overdue	2,186	1,892
From 1 to 3 months overdue	436	518
From 3 to 6 months overdue	125	114
Over 6 months overdue	300	60
Total	3,047	2,584

During 2017 trade receivables amounting to US$27 thousand (2016: US$17 thousand) were impaired and written off in full. These are individually impaired receivables mainly related to customers, which were in a difficult economic situation.

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

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

The fair value of receivables approximates their carrying value as the impact of the discounting is insignificant and is within Level 2 of the fair value hierarchy. The fair value is based on discounting of cash flows using 7% (2016: 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	
	2017	2016
Currency:		
US dollar	24,932	18,949
Russian rouble	22,952	21,611
Euro	305	5,716
Total	48,189	46,276

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	
	2017	2016
Cash at bank and in hand	31,342	30,073
Short term bank deposits (less than 90 days)	99,092	89,206
Total	130,434	119,279

The effective average interest rate on short-term deposits was 1% in 2017 (2016: 0.8%) and these deposits have an average maturity of 20 days in 2017 (2016: 18 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	130,434	119,279
Total	130,434	119,279

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 2016/ 31 December 2017	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	
	2017	2016
Non-current borrowings		
Bank loans	43,000	91,625
Non-convertible unsecured bonds	953,308	938,373
Finance lease liabilities	9,356	9,937
Loans from third parties	-	755
Interest payable on loans from third parties	-	185
Total non-current borrowings	1,005,664	1,040,875
Current borrowings		
Bank loans	43,000	51,908
Interest payable on bank loans	156	252
Finance lease liabilities	840	2,523
Interest payable on finance lease liabilities	371	505
Loans from third parties	795	-
Interest payable on loans from third parties	246	-
Non-convertible unsecured bonds – interest payable	23,681	23,493
Total current borrowings	69,089	78,681
Total borrowings	1,074,753	1,119,556

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

(in thousands of US dollars)

	As at 31 December	
	2017	2016
Between 1 and 2 years	42,729	48,315
Between 2 and 5 years	607,995	290,475
Over 5 years	345,584	692,148
Total	996,308	1,030,938

Bank borrowings mature until 2019 (31 December 2016: 2019), bonds mature until 2023 (31 December 2016: 2023) and loans from other third parties mature until 2018 (31 December 2016: 2018).

Changes in liabilities and assets arising from financing activities:

(in thousands of US dollars)

		For the year ended 31 December 2017		
		Borrowings	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

Notes to the consolidated financial statements (continued)

22 Borrowings (continued)

(in thousands of US dollars)

		For the year ended 31 December 2016		
		Borrowings and leases	Fair value of derivative financial instruments*	Total changes in assets and liabilities from financing activities
At beginning of year		1,165,400	5,360	1,170,760
Loans advanced during the year		829,308	-	829,308
Interest charged	9	98,064	-	98,064
Borrowings and leases repaid during the year		(945,544)	-	(945,544)
Interest repaid during the year and swap cash settlements	23(i)	(70,259)	11,372	(58,887)
Change in fair value of derivative financial instruments	9	-	(64,432)	(64,432)
Foreign exchange differences		42,588	(5,258)	37,330
At end of year		1,119,556	(52,957)	1,066,599

* 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 bonds are guaranteed by the Company.

Proceeds from these bonds issuance were swapped using two cross currency swap instruments into US dollars with a lower interest rate (see Note 23(i)) and were used for the refinancing of the Group's existing debt. In 2017 and 2016 the amounts received under the swap arrangements were US$ 20,255 thousand and US$11,372 thousand respectively.

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.

The carrying amount of outstanding bonds as of 31 December 2017 totalled to US$976,989 thousand (as of 31 December 2016: US$961,866 thousand). Proceeds from above bond issues have been used for refinancing of the Group's debt.

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	2017	2016
Non-convertible unsecured bonds	Level 1	1,025,491	980,911
Bank loans	Level 2	86,156	139,883
Total		1,111,647	1,120,794

Finance lease liabilities - minimum lease payments:

(in thousands of US dollars)

	As at 31 December	
	2017	2016
Under 1 year	2,276	3,927
Between 1 and 2 years	1,441	2,398
Between 2 and 5 years	4,406	4,060
Over 5 years	63,793	60,733
Total	71,916	71,118
Future finance charges of finance leases	(61,349)	(58,153)
Present value of finance lease liabilities	10,567	12,965

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	
	2017	2016
Under 1 year	1,208	3,019
Between 1 and 2 years	7	1,062
Between 2 and 5 years	13	11
Over 5 years	9,339	8,873
Total	10,567	12,965

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	
	2017	2016
6 months or less	1,629	3,966
1-5 years	693,724	143,880
Over 5 years	354,946	947,275
Total	1,050,299	1,095,121

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

(in thousands of US dollars)

	As at 31 December	
	2017	2016
Russian rouble	277,730	263,487
US dollar	797,023	856,069
Total	1,074,753	1,119,556

From the above amount of borrowings denominated in RUR, US$267,820 thousand (2016: US$253,168 thousand) are covered by a swap arrangement effectively converting the RUR-denominated obligation into USD-denominated one (see Note 23).

The weighted average effective interest rate on borrowings is 8.4% (2016: 8.2%). The weighted average effective interest rate on borrowings which includes the effect of the cross-currency swap would be 6.8% (2016: 6.7%).

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

Some bank loans given to a group entities in Russian ports segment are secured also by the pledge of shares of certain group entities.

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

Agreements of the bank loans given to some of the subsidiaries of the Group include certain covenants which set forth certain financial ratios that have to be complied with. There were no breaches of covenants as at 31 December 2017 and 2016.

Notes to the consolidated financial statements (continued)

23 DERIVATIVE FINANCIAL INSTRUMENTS

As of 31 December 2017 the fair value of derivatives was positive - US$78,386 thousand. As of 31 December 2016 the fair value of derivatives was positive - US$52,957 thousand.

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

(i) Derivatives 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 the lower fixed interest rate. The Group decided not to apply hedge accounting rules to 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".

(ii) Derivatives used for hedging

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

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

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

During 2017 there was recycled US$57,426 thousand (2016: US$61,356 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 (2016: US$63,149 thousand) through the income statement under ‘other gains/losses – net’ (Note 7) and as a credit charge in amount of US$12,140 thousand (2016: US$1,793 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	
	2017	2016
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	45,529	44,440
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	(163,942)	(162,711)
Deferred tax liabilities (net)	(118,413)	(118,271)

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

(in thousands of US dollars)

	For the year ended 31 December	
	2017	2016
At the beginning of the year	(118,271)	(83,853)
Income statement charge:		
Deferred tax credit (Note 11)	4,116	(16,760)
Other movements:		
Reclassification to liabilities directly associated with assets classified as held for sale	1,868	-
Currency translation differences	(6,126)	(17,658)
At the end of the year	(118,413)	(118,271)

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 2016	(55,532)	(5,710)	(121,300)	(1,342)	97,461	(86,423)	2,570	(83,853)
Income statement (Note 11)	4,296	1,327	15,928	(2,073)	(34,731)	(15,253)	(1,507)	(16,760)
Translation differences	(10,938)	(1,021)	(24,039)	(187)	18,012	(18,173)	515	(17,658)
At 31 December 2016	(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)

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$848,103 thousand (2016: US$700,321 thousand).

Notes to the consolidated financial statements (continued)

25 TRADE AND OTHER PAYABLES

(in thousands of US dollars)

	As at 31 December	
	2017	2016
Trade payables - third parties	3,690	3,659
Trade payables - related parties (Note 30(f))	304	106
Payables for property, plant and equipment	957	834
Other payables - third parties	1,338	4,756
Other payables - related parties (Note 30(f))	682	540
Payroll payable	1,875	1,559
Accrued expenses and deferred gains	18,298	14,846
Advances received	5,007	4,487
Taxes payable (other than income tax)	3,535	3,741
Total trade and other payables	35,686	34,528
Less non-current portion	(9,266)	(8,208)
Current portion	26,420	26,320

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

26 ASSETS HELD FOR SALE

In August 2017 the Group signed an agreement to sell its 100% stake in JSC Logistika-Terminal ("LT"), one of the Group's two inland terminals for a consideration of RUR1.9 billion to be paid upon completion of the transaction. The transaction is subject to approval of relevant regulatory authorities.

The transaction will allow the Group to optimise its inland terminal network focusing on the Yanino terminal, a modern multipurpose inland terminal in the vicinity of St. Petersburg. The Group intends to use the proceeds of the sale for further deleveraging, a key strategic priority.

Prior to reclassification to assets held for sale, 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 signed in August 2017. As a result the impairment of US$11,400 thousand was recognised (Note 14).

The result of the transaction will depend on the net assets of LT at the date of closing. In addition, at closing amounts recognised in other comprehensive income and accumulated in equity relating to LT will be recycled from the other comprehensive income to the income statement. As of 31 December 2017 this accumulated other comprehensive income relating to LT amounted to US$(24,831) million (negative) and the movement since reclassification to assets held for sale was US$1,560 thousand (positive). It is reflected within currency translation reserve in the consolidated balance sheet.

The following assets and liabilities were classified as held for sale in relation to LT as at 31 December 2017:

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

Notes to the consolidated financial statements (continued)

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 2017 and 31 December 2016 are as follows:

(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 movement	-	-	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)).

(in thousands of US dollars)

	VEOS	MLT	CD Holding	Total
At 1 January 2016	125,564	42,251	-	167,815
Recognised share of profit/(loss)	(46,412)	6,658	(669)	(40,423)
Dividends declared by joint venture	-	(5,048)	-	(5,048)
Loans converted to share capital (Note 30(h))	-	-	2,938	2,938
Translation differences (through other comprehensive income/(loss))	(4,298)	3,007	(842)	(2,133)
At 31 December 2016	74,854	46,868	1,427	123,149

"Recognised share of profit/(loss)" includes US$46,122 thousand of effect of impairment related to VEOS being impairment loss on goodwill amounting to US$39,218 thousand (see Note 4(i)) and share of impairment of intangible assets in VEOS of US$6,904 thousand (see Note 5).

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

Selected income statement items

(in thousands of US dollars)

	For the year ended 31 December 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	-

Notes to the consolidated financial statements (continued)

27 Joint ventures (continued)

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

Selected income statement items

(in thousands of US dollars)

	For the year ended 31 December 2016		
	VEOS	MLT	CD Holding
Revenue	58,970	34,076	7,018
Depreciation, amortisation and impairment	(34,089)	(4,422)	(866)
Interest income	18	74	1
Interest expense	(709)	(388)	(1,162)
Profit/(loss) before income tax	(16,345)	11,804	2,508
Income tax expense	1,956	(2,927)	-
Profit/(loss) after tax	(14,389)	8,877	2,508
Other comprehensive income/(loss)	(4,643)	4,735	(1,125)
Total comprehensive income/(loss)	(19,032)	13,612	1,383
Dividends declared by joint venture	-	6,731	-

Notes to the consolidated financial statements (continued)

27 Joint ventures (continued)

Selected balance sheet items

(in thousands of US dollars)

	As at 31 December 2016		
	VEOS	MLT	CD Holding
Total non-current assets	152,417	34,510	16,860
Cash and cash equivalents (including current deposits with maturity over 90 days)	23,603	10,875	717
Other current assets	4,969	4,913	1,219
Total current assets	28,572	15,788	1,936
Total assets	180,989	50,298	18,796
Non-current financial liabilities	2,628	4,537	7,318
Other non-current liabilities	-	3,944	812
Total non-current liabilities	2,628	8,481	8,130
Current financial liabilities excluding trade and other payables	9,049	968	7,728
Other current liabilities including trade and other payables	19,604	3,623	1,035
Total current liabilities	28,653	4,591	8,763
Total liabilities	31,281	13,072	16,893
Net assets	149,708	37,226	1,903

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.

(in thousands of US dollars)

	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 movement	-	-	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)

27 Joint ventures (continued)

(in thousands of USD)

	For the year ended 31 December 2016			
	VEOS	MLT	CD Holding	Total
Opening net assets at the beginning of the year	168,740	30,345	(10,610)	188,475
Profit/(loss) for the period	(14,389)	8,877	2,508	(3,004)
Conversion of loans to equity	-	-	11,130	11,130
Dividends declared	-	(6,731)	-	(6,731)
Other comprehensive income/(loss)	(4,643)	4,735	(1,125)	(1,033)
Closing net assets at the end of the year	149,708	37,226	1,903	188,837
Ownership interest	50%	75%	75%	
Interest in joint venture	74,854	27,920	1,427	104,201
Goodwill	39,218	18,948	-	58,166
Share of losses of joint ventures applied against other long-term interests	(39,218)	-	-	(39,218)
Carrying value on 31 December 2016	74,854	46,868	1,427	123,149

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 was growing in 2017, after overcoming the economic recession of 2015 and 2016. The economy is negatively impacted by low oil prices, ongoing political tension in the region and international sanctions against certain Russian companies and individuals. The financial markets continue to be volatile. This 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.

Substantial part of Russian seaport operators of the Group, including PLP, VSC and FCT are classified as natural monopolies under Russian law. As a matter of Russian law, tariffs for stevedoring services, including cargo handling and storage services, rendered by natural monopolies, are subject to monitoring by the Federal Antimonopoly Service (the "FAS"). In 2016 FAS undertook certain actions, in particular FAS has commenced investigation in respect of several Russian seaport operators, (including the following terminals of the Group: PLP, VSC and FCT), alleging potential breach of antimonopoly laws in relation to the pricing of stevedoring services at Russia's ports.

In March 2017 the FAS issued orders to the Group's FCT, VSC and PLP terminals requiring them, inter alia to transfer to the federal budget RUR 7 billion (app. US$ 120 million), such amounts being the income, according to FAS, the relevant terminal derived from the activity in question.

Towards the end of 2017 FCT, VSC and PLP concluded the settlement agreement with FAS. The terms of the settlement did not have any material impact on the Group's financial position as of 31 December 2017 or results and cash flows for the year ended 31 December 2017 and did not negatively affect operating activities of the Group in any significant way.

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.

Notes to the consolidated financial statements (continued)

28 Contingencies (continued)

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. This interpretation of relevant legislation may be challenged and even though the impact of any such challenge cannot be reliably estimated, it may however, be significant to the financial position and/or the overall operations of the Group. 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). This interpretation of the relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

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

The Group's management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained. Accordingly, as of 31 December 2017 and as of 31 December 2016 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.

Notes to the consolidated financial statements (continued)

28 Contingencies (continued)

Environmental matters (continued)

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	
	2017	2016
Property, plant and equipment	26,515	10,432
Total	26,515	10,432

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	
	2017	2016
Not later than 1 year	3,022	2,738
Later than 1 year and not later than 5 years	11,807	11,112
Later than 5 years	54,954	52,984
Total	69,783	66,834

30 RELATED PARTY TRANSACTIONS

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

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

Notes to the consolidated financial statements (continued)

30 Related party transactions (continued)

The following transactions were carried out with related parties:

(a) Sale of services

(in thousands of US dollars)

	For the year ended 31 December	
	2017	2016
Entities under control of owners of TIHL or APM Terminals	86,118	94,065
Joint ventures in which GPI is a venture	4	23
Other related parties	52	48
Total	86,174	94,136

(b) Sales of property, plant and equipment

Net book amount of sold property, plant and equipment

(in thousands of US dollars)

	For the year ended 31 December	
	2017	2016
Joint ventures in which GPI is a venturer	-	116
Total	-	116

(c) Purchases of services and incurred expenses

(in thousands of US dollars)

	For the year ended 31 December	
	2017	2016
Entities under control of owners of TIHL or APM Terminals	2,561	2,415
Other related parties	2,452	2,004
Total	5,013	4,419

(d) Interest income

(in thousands of US dollars)

	For the year ended 31 December	
	2017	2016
Joint ventures in which GPI is a venturer	792	438
Total	792	438

(e) Trade and other receivables and prepayments

(in thousands of US dollars)

	As at 31 December	
	2017	2016
Entities under control of owners of TIHL or APM Terminals	8,368	8,522
Joint ventures in which GPI is a venturer	-	3,981
Other related parties	23	113
Total	8,391	12,616

Notes to the consolidated financial statements (continued)

30 Related party transactions (continued)

(f) Trade and other payables

(in thousands of US dollars)

	As at 31 December	
	2017	2016
Entities under control of owners of TIHL or APM Terminals	796	556
Other related parties	190	90
Total	986	646

(g) Key management compensation/directors' remuneration

(in thousands of US dollars)

	For the year ended 31 December	
	2017	2016
Key management compensation:		
Salaries, payroll taxes and other short term employee benefits	8,831	9,809
Directors' remuneration (included also above):		
Fees	408	381
Emoluments in their executive capacity	677	340
Total	1,085	721

(h) Loans to related parties

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

(in thousands of US dollars)

	For the year ended 31 December	
	2017	2016
At the beginning of the year	8,472	1,629
Loans advanced during the year	7,500	9,900
Interest charged	792	438
Loan and interest repaid during the year	(1,204)	(482)
Fair value loss upon inception	(1,045)	-
Loans converted to share capital (Note 26)	-	(2,938)
Foreign exchange differences	44	(75)
At the end of the year (Note 19)	14,559	8,472

The loans are not secured, bear effective interest at 6.4% (2016: 4.3%) and are repayable in 2022.

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 2017, 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 22 to 86 and comprise:

- the consolidated balance sheet as at 31 December 2017;
- 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

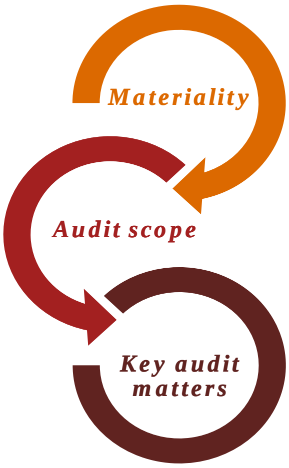
We remained independent of the Group throughout the period of our appointment in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated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

PricewaterhouseCoopers Ltd, City House, 6 Karaiskakis Street, CY-3032 Limassol, Cyprus
P O Box 53034, CY-3300 Limassol, Cyprus
T: +357 25 - 555 000, F:+357 - 25 555 001, www.pwc.com.cy

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: USD 4.8 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	USD 4.8 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 USD 0.48 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; and • 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. In particular, we focused our audit effort on the Board of Directors' assessment of impairment of the following CGUs: • AS Vopak E.O.S. (VEOS) CGUs due to the fact that there was material impairment during the period; and • First Container Terminal (FCT), Ust-Luga Container Terminal (ULCT) and Petrolesport Terminal (PLP) CGUs as a reasonably possible change in the key assumptions would cause the carrying amounts of these CGUs to exceed their recoverable amounts. The expected cash flows (budgets) for the year 2018 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 that the impairment loss amounting to US$11,400	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. We evaluated and challenged the composition of the future cash flow forecasts in the model including comparing them to the latest budgets approved by the Board of Directors. We challenged: • 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 VEOS CGU, we have challenged the Board of Directors regarding the outcomes within the

Key Audit Matter	How our audit addressed the Key Audit Matter
thousand for Logistika-Terminal (LT) CGU that was a result of its classification as an asset held for sale and its measurement at the lower of its carrying amount and fair value less cost to sell. For the 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 Assets"; and the tests are still sensitive to the change of certain key parameters. For VEOS CGU, an impairment charge amounting to US$71,578 thousand was recognised through the share of profit/(loss) of the joint venture, reducing the carrying amount of the investment in the joint venture to US$7,341 thousand. Due to the significant judgement and subjectivity in relation to the 2018 expectation, it is reasonably possible on the basis of existing knowledge that outcomes within the next financial year that are different from the assumption could require a material adjustment to the carrying amount of the CGU and the investment in joint venture. Refer to Notes 4, 26 and 27 to the consolidated financial statements for the related disclosures.	next financial year that could lead to a material adjustment to the carrying amount of the CGU. For FCT and ULCT CGUs, we have challenged the Board of directors on the no reversal of previously recognised impairment. We further challenged the Board of Directors on the adequacy of their sensitivity calculations over the 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. For certain terminals, revenue from other cargoes and container storage times are also relevant. We lastly evaluated the adequacy of the disclosures made in Notes 4, 26 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, data used within the models and disclosures are appropriate.

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Consolidated Management Report (which includes the Corporate Governance 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 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 Company'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 ISAs.

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 6 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 12 March 2018 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, 13 March 2018