OOO DeloPorts

International Financial Reporting Standards
Consolidated Financial Statements and
Independent Auditor's Report

31 December 2015

Contents

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Independent Auditor's Report

To the Participants and Board of Directors of OOO DeloPorts

We have audited the accompanying consolidated financial statements of OOO DeloPorts and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statements of comprehensive income, changes in equity and cash flows for 2015, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and its cash flows for 2015 in accordance with International Financial Reporting Standards.

AO PricewaterhouseCoopers Audit

11 April 2016

Moscow, Russian Federation

V.V. Solovyev, Director (licence no. 01-000269), AO PricewaterhouseCoopers Audit

Audited entity: OOO DeloPorts

Certificate of inclusion in the Unified State Register of Legal Entities issued on 15 April 2015 under registration № 1157746350090

353915, Russian Federation, Krasnodar region, Novorossiysk, Griboedova Str., 2

Independent auditor: AO PricewaterhouseCoopers Audit

State registration certificate № 008.890, issued by the Moscow Registration Chamber on 28 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002 under registration № 1027700148431

Certificate of membership in self regulated organisation non-profit partnership "Audit Chamber of Russia" № 870. ORNZ 10201003683 in the register of auditors and audit organizations

OOO DeloPorts
Consolidated Statement of Financial Position

In thousands of Russian Roubles	Note	31 December 2015	31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	7	5 742 620	5 707 962
Goodwill	8	190 066	190 066
Mooring rights and other intangible assets	9	3 834 182	3 936 412
Investments in associates	10	6 491	2 852
Deferred income tax asset	24	11 640	2 233
Prepayments for non-current assets	7	433 988	258 975
Total non-current assets		**10 218 987**	**10 098 500**
Current assets			
Inventories	11	113 163	143 467
Trade and other receivables	12	417 809	488 658
Current income tax prepayments		104 819	165 200
Non-current assets held for sale		35 587	35 587
Short-term loans issued	6	835 117	-
Deposits (with maturity over 90 days)	13	571 996	-
Cash and cash equivalents	13	3 738 184	764 470
Total current assets		**5 816 675**	**1 597 382**
TOTAL ASSETS		**16 035 662**	**11 695 882**
EQUITY			
Chartered capital	14	100 000	-
Additional capital	14	15 590	-
Reorganisation reserve		-	19 790
Translation reserve		234 647	138 378
Retained earnings		4 444 490	2 737 990
Equity attributable to the Company's owners		**4 794 727**	**2 896 158**
Non-controlling interest	26	726 113	199 379
TOTAL EQUITY		**5 520 840**	**3 095 537**
LIABILITIES			
Non-current liabilities			
Long-term borrowings	15	6 312 857	4 861 591
Deferred income		9 167	9 614
Deferred income tax liability	24	1 035 735	973 784
Total non-current liabilities		**7 357 759**	**5 844 989**
Current liabilities			
Short-term borrowings	15	2 656 397	2 251 261
Trade and other payables	16	432 158	478 140
Current income tax payable		68 508	25 955
Total current liabilities		**3 157 063**	**2 755 356**
TOTAL LIABILITIES		**10 514 822**	**8 600 345**
TOTAL LIABILITIES AND EQUITY		**16 035 662**	**11 695 882**

Approved for issue and signed on 11 April 2016:

I.A. Yakovenko
General director

The accompanying notes on pages 5 - 46 are an integral part of these consolidated financial statements.

In thousands of Russian Roubles	Note	2015	2014
Revenue	17	7 771 017	7 568 975
Cost of sales	18	(2 947 462)	(3 905 576)
Gross profit		**4 823 555**	**3 663 399**
Selling, general and administrative expenses	19	(471 258)	(423 495)
Other operating income and expenses, net	20	(20 765)	(12 415)
Net foreign exchange gain from operating activities		24 389	95 998
Operating profit		**4 355 921**	**3 323 487**
Share of result of associates	10	3 639	9 828
Finance income	21	137 115	55 894
Finance costs	22	(372 642)	(240 513)
Net foreign exchange loss from financing activities		(1 221 169)	(2 664 563)
Profit before income tax		**2 902 864**	**484 133**
Income tax expense	24	(589 488)	(194 816)
PROFIT FOR THE YEAR		**2 313 376**	**289 317**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operation to presentation currency		96 237	127 274
Other comprehensive income		**96 237**	**127 274**
TOTAL COMPREHENSIVE INCOME		**2 409 613**	**416 591**
Profit is attributable to:			
- Owners of the Company		1 786 610	28 189
- Non-controlling interest		526 766	261 128
Profit for the year		**2 313 376**	**289 317**
Total comprehensive income is attributable to:			
- Owners of the Company		1 882 879	156 444
- Non-controlling interest		526 734	260 147
Total comprehensive income for the year		**2 409 613**	**416 591**

The accompanying notes on pages 5 - 46 are an integral part of these consolidated financial statements.

In thousands of Russian Roubles	Attributable to owners of the Company: Chartered capital	Additional capital	Reorganisation reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total
Balance at 1 January 2014	**-**	**-**	**19 790**	**10 123**	**4 053 004**	**4 082 917**	**265 438**	**4 348 355**
Profit for the year	-	-	-	-	28 189	28 189	261 128	289 317
Other comprehensive income/(loss)	-	-	-	128 255	-	128 255	(981)	127 274
Total comprehensive income for 2014	**-**	**-**	**-**	**128 255**	**28 189**	**156 444**	**260 147**	**416 591**
Dividends declared, Note 6	-	-	-	-	(1 379 767)	(1 379 767)	(289 642)	(1 669 409)
Changes in non-controlling interest, Note 26	-	-	-	-	36 564	36 564	(36 564)	-
Total transactions with equity holders for 2014	**-**	**-**	**-**	**-**	**(1 343 203)**	**(1 343 203)**	**(326 206)**	**(1 669 409)**
Balance at 31 December 2014	**-**	**-**	**19 790**	**138 378**	**2 737 990**	**2 896 158**	**199 379**	**3 095 537**
Profit for the year	-	-	-	-	1 786 610	1 786 610	526 766	2 313 376
Other comprehensive income/(loss)	-	-	-	96 269	-	96 269	(32)	96 237
Total comprehensive income for 2015	**-**	**-**	**-**	**96 269**	**1 786 610**	**1 882 879**	**526 734**	**2 409 613**
Establishment of the Company, Note 14	100 000	-	-	-	(99 900)	100	-	100
Contribution to additional capital, Note 14	-	15 590	-	-	-	15 590	-	15 590
Group reorganisation*	-	-	(19 790)	-	19 790	-	-	-
Total transactions with equity holders for 2015	**100 000**	**15 590**	**(19 790)**	**-**	**(80 110)**	**15 690**	**-**	**15 690**
Balance at 31 December 2015	**100 000**	**15 590**	**-**	**234 647**	**4 444 490**	**4 794 727**	**726 113**	**5 520 840**

*After completion of reorganisation of the Group reorganisation reserve in amount of 19 790 thousand RR was transferred back to retained earnings.

In thousands of Russian Roubles	Note	2015	2014
Cash flows from operating activities			
Profit for the year		2 313 376	289 317
Adjustments for:			
Depreciation of property, plant and equipment	7	397 383	386 003
Amortisation of intangible assets	9	107 539	109 562
Impairment of trade and other receivables		32 000	-
Loss / (profit) on disposal of property, plant and equipment	20	6 851	(1 084)
Finance income	21	(137 115)	(55 894)
Finance costs	22	372 642	240 513
Foreign exchange on financing activities	5	1 221 169	2 664 563
Income tax expense	24	589 488	194 816
Share of result of associates	10	(3 639)	(9 828)
Operating cash flows before working capital changes		**4 899 694**	**3 817 968**
Decrease/(increase) in trade and other receivables		38 331	(49 761)
Decrease/(increase) in inventories		30 304	(21 629)
(Decrease)/increase in trade and other payables		(80 818)	193 049
Operating cash flows including working capital changes		**4 887 511**	**3 939 627**
Income taxes paid		(434 009)	(598 294)
Net cash from operating activities		**4 453 502**	**3 341 333**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(562 217)	(372 420)
Proceeds from sale of property, plant and equipment		3 970	3 690
Interest from deposits	21	95 833	34 584
Interest received	6	367	1 354
Loans granted	6	(709 543)	-
Short-term deposits with maturity from 90 to 365 days		(571 996)	-
Acquisition of intangible assets	9	(5 309)	(4 717)
Dividends received from associate	10	6 090	12 740
Net cash used in investing activities		**(1 742 805)**	**(324 769)**
Cash flows from financing activities			
Proceeds from borrowings	15	3 927 272	165 305
Repayment of borrowings	15	(3 642 267)	(1 747 767)
Interest paid	22	(400 359)	(231 111)
Capital contributions	14	12 100	-
Proceeds from government grants		9 891	16 971
Comissions paid		(13 044)	(4 309)
Dividends paid to the Company's shareholders	6	-	(1 470 533)
Dividends paid to non-controlling interests		-	(303 535)
Net cash used in financing activities		**(106 407)**	**(3 574 979)**
Net change in cash and cash equivalents		2 604 290	(558 415)
Cash and cash equivalents at the beginning of the year	13	**764 470**	**513 528**
Effect of exchange rate changes on cash and cash equivalents		369 424	809 357
Cash and cash equivalents at the end of the year	13	**3 738 184**	**764 470**

1 General Information

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) for the year ended 31 December 2015 for OOO DeloPorts (hereinafter, the “Company”) and its subsidiaries (hereinafter, jointly referred to as the "Group” or "DeloPorts Group").

These consolidated financial statements are the first annual financial statements of the Group under management of OOO “DeloPorts” in accordance with IFRS as issued by IASB by applying IFRS 1 “First time adoption of IFRSs”. Since the Group has not prepared annual consolidated financial statements under previous GAAP, the reconciliations that would otherwise be required by IFRS 1 are not presented.

The principal activities of the Group include stevedoring services and bunkering operations in the Russian Federation. The Group's operating facilities are primarily based in Novorossiysk, Krasnodar Region.

The Company was established on 15 April 2015 and became the Group’s new parent company as a result of reorganisation (for details, please see the section “Reorganisation of the Group and establishment of the Company”).

The Company is registered at 2 Griboedova Str., Novorossiysk, Russian Federation, 127055.

As at 31 December 2015, the Group’s immediate parent company was Utterlan Limited. The former parent company DELOPORTS LIMITED was merged with Utterlan Limited in the end of 2015. As at 31 December 2015, the Group’s ultimate controlling party was S.N. Shishkarev.

Reorganisation of the Group and establishment of the Company

OOO DeloPorts was incorporated on 15 April 2015 as a subsidiary of DELOPORTS LIMITED (Cyprus) for the purpose of centralised asset management and raising external finance for its subsidiaries. External financing was previously provided by the Cypriot parent company. In 2015, investments in all subsidiaries owned by DELOPORTS LIMITED were transferred to OOO DeloPorts as a contribution to its share and additional capital. Thus OOO DeloPorts became the Group’s new parent company.

These consolidated financial statements of DeloPorts Group were prepared using the values from the consolidated financial statements of the Group’s previous holding company DELOPORTS LIMITED (Cyprus), for the subsidiaries being transferred to OOO DeloPorts (the subsidiaries listed in the table below).

The issued chartered capital and additional capital reflects the capital of company OOO DeloPorts (see Note 14). The equity items (such as retained earnings, cumulative translation reserves) for the periods preceeding the contribution of investments are those from the consolidated financial statements of the previous group holding company. The resulting difference was recognised as a separate component of equity – “reorganisation reserve” as at 1 January 2014. Reorganisation is accounted for retrospectively by restating the comparative periods.

			Percentage of control as at 31 December, %
Group company name	**Country of registration**	**Activity**	**2015**
OOO NUTEP	Russia	Container terminal	100
ZAO TransTerminal-Holding	Russia	Holding company	100
ATOKOSA LIMITED	Cyprus	Holding company	100
AO KSK	Russia	Grain terminal	75
DCP HOLDINGS LIMITED	Cyprus	Holding company	75
OOO TOS	Russia	Bunkering company	100

The figures in the consolidated statement of financial position as at 31 December 2014, consolidated statement of comprehensive income and in the consolidated statement of cash flows for the comparative period are presented as a carve out from the consolidated financial statements of previously holding company DELOPORTS LIMITED. The consolidated financial statements of the previous holding company, along with the effect of the carve out adjustments in order to account for the Group’s restructuring in OOO DeloPorts' the consolidated financial statement, are presented below:

1 General Information (continued)

The comparatives in the consolidated statement of financial position as at 31 December 2014 are derived as follows from the consolidated financial statements of the previous holding parent company:

In thousands of Russian Roubles	**DELOPORTS LIMITED's consolidated statement of financial position as at 31 December 2014**	**Carve out adjustments due to the Group's restructuring**	**Carve out presented in this consolidated statement of financial position as at 31 December 2014**
ASSETS			
Total non-current assets	10 098 500	-	10 098 500
Current assets			
Inventories	143 467	-	143 467
Trade and other receivables	488 658	-	488 658
Current income tax prepayments	165 200	-	165 200
Non-current assets held for sale	35 587	-	35 587
Cash and cash equivalents*	1 402 388	(637 918)	764 470
Total current assets	**2 235 300**	**(637 918)**	**1 597 382**
TOTAL ASSETS	**12 333 800**	**(637 918)**	**11 695 882**
EQUITY			
Chartered capital**	3 036	(3 036)	-
Share premium**	587 870	(587 870)	-
Additional capital**	245 030	(245 030)	-
Reorganisation reserve**	(300 946)	320 736	19 790
Translation reserve**	583 708	(445 330)	138 378
Retained earnings**	2 757 780	(19 790)	2 737 990
Equity attributable to the Company's owners	**3 876 478**	**(980 320)**	**2 896 158**
Non-controlling interest	199 379	-	199 379
TOTAL EQUITY	**4 075 857**	**(980 320)**	**3 095 537**
LIABILITIES			
Non-current liabilities			
Long-term borrowings***	4 519 189	342 402	4 861 591
Deferred income	9 614	-	9 614
Deferred income tax liability	973 784	-	973 784
Total non-current liabilities	**5 502 587**	**342 402**	**5 844 989**
Total current liabilities	2 755 356	-	2 755 356
TOTAL LIABILITIES	**8 257 943**	**342 402**	**8 600 345**

* Elimination of cash and cash equivalents of previous holding company DELOPORTS LIMITED

** Elimination of DELOPORTS LIMITED's share capital and other equity elements

*** Addition of a previously eliminated loan from DELOPORTS LIMITED to the Group's entity

1 General Information (continued)

The comparatives in the consolidated statement of comprehensive income for the period ended 31 December 2014 are derived as follows from the consolidated statement of comprehensive income of the previous holding parent company:

In thousands of Russian Roubles	**DELOPORTS LIMITED's consolidated statement of comprehensive income for 2014**	**Carve out adjustments due to the Group's restructuring**	**Carve out presented in this consolidated statement of comprehensive income as at 31 December 2014**
Revenue	7 568 975	-	7 568 975
Cost of sales	(3 905 576)	-	(3 905 576)
Gross profit	**3 663 399**	**-**	**3 663 399**
Selling and Administrative Expenses	(423 495)	-	(423 495)
Other operating income and expenses, net	(12 415)	-	(12 415)
Net foreign exchange gain from operating activities	95 998	-	95 998
Operating profit	**3 323 487**	**-**	**3 323 487**
Share of result of associates	9 828	-	9 828
Finance income	55 894	-	55 894
Finance costs	(240 513)	-	(240 513)
Net foreign exchange loss from financing activities	(2 664 563)	-	(2 664 563)
Profit before income tax	**484 133**	**-**	**484 133**
Income tax expense	(194 816)	-	(194 816)
PROFIT FOR THE YEAR	**289 317**	**-**	**289 317**
Other comprehensive income			
Exchange differences on translation to presentation currency*	568 475	(441 201)	127 274
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**857 792**	**(441 201)**	**416 591**

* Elimination of exchange differences from the translation of DELOPORTS LIMITED's figures to the presentation currency

1 General Information (continued)

The comparatives in the consolidated statement of cash flows for the period ended 31 December 2014 are derived as follows from the consolidated statement of cash flows of the previous holding parent company:

In thousands of Russian Roubles	**DELOPORTS LIMITED's consolidated statement of comprehensive income for 2014**	**Carve out adjustments due to the Group's restructuring**	**Carve out presented in this consolidated statement of cash flows for 2014**
Net cash from operating activities*	3 327 775	13 558	3 341 333
Net cash used in investing activities**	(329 345)	4 576	(324 769)
Net cash used in financing activities***	(5 953 036)	2 378 057	(3 574 979)
Net change in cash and cash equivalents	**(2 954 606)**	**2 396 191**	**(558 415)**
Cash and cash equivalents at the beginning of the period	2 876 591	(2 363 063)	513 528
Exchange differences on cash and cash equivalents****	1 480 403	(671 046)	809 357
Cash and cash equivalents at the end of the period	**1 402 388**	**(637 918)**	**764 470**

* Elimination of movement in trade receivables and payables of DELOPORTS LIMITED

** Elimination of turnover on loans originated and received by DELOPORTS LIMITED, and its deposits placed

*** Elimination of dividends distributed by DELOPORTS LIMITED and other cash flows used in financing activities

**** Elimination of exchange differences from the translation of DELOPORTS LIMITED's figures to the presentation currency

2 Summary of Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the year ended 31 December 2015.

These consolidated financial statements are the first consolidated financial statements of OOO DeloPorts Group prepared in accordance with IFRS as issued by IASB, applying IFRS 1 “First time adoption of IFRSs”. These consolidated financial statements have been prepared applying the IFRSs issued and effective as at 31 December 2015; the Group has not applied early any standards or amendments which are not yet effective (further information presented in the Note 4).

Due to the fact that the Group has not prepared consolidated financial statements under previous GAAP, the reconciliations that would otherwise be required by IFRS 1 are not presented.

The consolidated financial statements have been prepared under the historical cost convention.

As explained in the Note 1, section “Reorganisation of the Group and establishment of the Company”, the Group's operating businesses before the re-organisation were covered by the consolidated financial statements of the previous holding company, DELOPORTS LIMITED, prepared in accordance with IFRS as adopted by the EU. As for the policies applied by DELOPORTS LIMITED there are no differences between IFRS as adopted by the EU and IFRS as issued by the IASB. Thus, no adjustments had to be made in the transition from IFRS as adopted by EU and IFRS as issued by IASB with the respect to the subsidiaries transferred to OOO DeloPorts.

The carrying amount of assets and liabilities of the operating business of the Group were derived from the consolidated financial statements of its previous holding company, DELOPORTS LIMITED (Cyprus).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2 Summary of Significant Accounting Policies (continued)

Foreign currency translation. The functional currency of each of the Group's entities is the Russian Rouble ("RR"), except for the Company Atokosa Limited, where the functional currency is US Dollar, which reflects the economic substance of the underlying events and circumstances. 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 Russian Roubles ("RR"), which is the Group's presentation currency.

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the Central Bank of the Russian Federation ("CBRF") at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the CBRF are recognised in profit or loss. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss. Foreign currency exchange gains and losses are shown net in the separate line of the consolidated statement of comprehensive income.

The results and financial position of each group entity which has a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) assets and liabilities for each statement of financial position are translated at the closing rate at the end of the respective reporting period;

ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);

iii) all resulting exchange differences are recognised in other comprehensive income.

When control over a foreign operation is lost, the exchange differences recognised previously in other comprehensive income are reclassified to profit or loss for the year as part of the gain or loss on disposal. On partial disposal of a subsidiary without loss of control, the related portion of accumulated currency translation differences is reclassified to non-controlling interest within equity.

At 31 December 2015, the principal exchange rate used for translating foreign currency balances was USD 1 = RR 72,8827 (31 December 2014: USD 1 = RR 56,2584) and Euro 1 = RR 79,6972 (31 December 2014: Euro 1 = RR 68,3427). The principal average exchange rate used for translating income and expense accounts (except for foreign exchange income and expenses which were translated on the transaction basis) for the year ended 31 December 2015, was USD 1 = RR 61,6062, Euro 1 = RR 67,8784 (for the year ended 31 December 2014: USD 1 = RR 38,1988 and Euro 1 = RR 50,8150).

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than the majority of the voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of the investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

2 Summary of Significant Accounting Policies (continued)

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest in entitles that provide holder with the right to a proportionate share of net assets in the event of liquidation, on a transaction by transaction basis, either at: the non-controlling interest's proportionate share of net assets of the acquiree or at the fair value. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured as the excess of the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date over the fair value of net assets of the acquiree. Any negative amount ("negative goodwill, bargain purchase") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

Reorganisation of the group under common control. The transfer of a businesses under control of DeloPorts Limited into the newly established entity OOO DeloPorts is accounted for as a capital reorganization of the group. The financial statements of the Company are presented as a continuation of the underlying business and is accounted for using the carrying amounts of assets and liabilities of the transferred business from the consolidated financial statements of the predecessor Group's holding company.

The issued chartered capital and additional capital reflects is the capital of company newly established company. The equity items (such as retained earnings, cumulative translation reserves) for the periods preceding the contribution of investments are those from the consolidated financial statements of the predecessor . The resulting difference is recognised as a separate component of equity – "reorganisation reserve" as at the beginning of comparatives.

The comparatives are restated to reflect the comparative data of the underlying business.

Purchases and sales of non-controlling interests. The Group treats transactions with non-controlling interests, that do not result in loss of control as transactions with equity holders in their capacity as equity owners of the Group. Any difference between the fair value of the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between the fair value of sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the consolidated statement of changes in equity.

Associates. Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. The Group's investment in associates includes goodwill identified on acquisition. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

2 Summary of Significant Accounting Policies (continued)

The Group's share of its associates' post-acquisition profits or losses is recognised in the profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other receivables which are treated a net investment in an associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired by reference to the requirements of IAS39 "Financial Instruments: Recognition and Measurement". Significant adverse changes in the technological, market, economic and legal environment in which the associate operates is objective evidence that the equity interest in the associate may be impaired. In addition, a significant or prolonged decline in the fair value of the associate below its cost is also objective evidence of impairment. If there is an indication that an investment in associate may be impaired, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount of impairment loss in the profit or loss. Impairment losses are presented in the profit or loss, adjacent to the share of the associates' results accounted for using the equity method.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the profit or loss.

Disposals of subsidiaries and associates. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that subsidiary, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Financial instruments. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is the current bid price for financial assets and the current asking price for financial liabilities which are quoted in an active market.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the consolidated statement of financial position.

2 Summary of Significant Accounting Policies (continued)

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Classification of financial assets. Financial assets have the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

Financial assets that would meet the definition of loans and receivables may be reclassified out of the fair value through profit or loss category if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term.

The Group has only the financial assets classified as ‘loans and receivables” (comprising: trade receivables, other receivables, loans, cash & cash equivalents) and the financial assets at fair value through profit or loss (comprising: derivative forward contracts).

The financial assets classified as loans and receivables” are measured after initial recognition at amortised costs using the effective interest rate method less any impairment.

The financial assets classified as “at fair value through profit or loss” are measured after initial recognition at fair value with the gains/losses recognised in profit or loss.

Classification of financial liabilities. Financial liabilities fall in the measurement of category of other financial liabilities. Other financial liabilities are carried at amortised cost.

Initial recognition of financial instruments. Financial instruments other than measured at fair value through profit or loss are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

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

Derecognition of financial assets. The Group derecognises financial assets when the assets are redeemed or the rights to cash flows from the assets otherwise expire.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Property, plant and equipment. Property, plant and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required. Historic cost includes expenditure that is directly attributable to the acquisition or construction of these items. Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

2 Summary of Significant Accounting Policies (continued)

At each end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment and intangible assets. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in profit or loss for the year within other operating income or expenses.

Depreciation. Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Buildings	20 to 50 years
Constructions	10 to 50 years
Machinery and equipment	7 to 30 years
Vehicles and other	5 to 10 years

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.

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 effective weighted average cost of borrowing or at the rate on project specific debt, where applicable. The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term.

The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

Goodwill. Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained.

Mooring rights and other intangible assets. Intangible assets acquired separately are reported at cost less accumulated amortisation and impairment losses. Amortisation is charged on a straight-line basis over the estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Amortisation of mooring rights and other intangible assets is charged to profit or loss.

2 Summary of Significant Accounting Policies (continued)

Mooring rights and other intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably. The cost of such intangible assets is the fair value at the acquisition date (for details refer to corresponding paragraph in Note 9).

Subsequent to initial recognition, mooring rights and other intangible assets acquired in a business combination are reported at cost less accumulated amortisation and impairment losses.

Useful lives of mooring rights and other intangible assets are as follows:

	Useful lives in years
Mooring rights	41 years
Other intangibles	4 years

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. 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.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Inventories. Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average basis. Spare parts are classified as inventories when not intended to be used for capital construction and capital repairs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Trade and other receivables. Trade and other receivables are recognised initially at fair value and are subsequently carried at amortised cost using the effective interest method.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss when incurred as a result of one or more events (“loss events”) that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms.

2 Summary of Significant Accounting Policies (continued)

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account within the profit or loss for the year.

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 for the non-current assets include VAT. 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.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method.

Non-current assets classified as held for sale. Non-current assets are classified in the consolidated statement of financial position as 'non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction within twelve months after the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year; and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Non-current assets classified as held for sale in the current period's consolidated statement of financial position are not reclassified or re-presented in the comparative consolidated statement of financial position to reflect the classification at the end of the current period.

Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale non-current assets are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale property, plant and equipment, are not depreciated or amortised.

Chartered capital and additional capital. The nominal value of equity stakes are classified as chartered capital. Any excess of the fair value of consideration received over the par value of the equity is recognized as additional capital.

Dividends. Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the consolidated financial statements are authorised for issue are disclosed in the subsequent events note.

2 Summary of Significant Accounting Policies (continued)

Value added tax. Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

Borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at amortised cost using the effective interest method.

Capitalisation of borrowing costs. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets.

The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale. Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group's average funding cost, except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

Government grants. Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight line basis over the expected lives of the related assets. Government grants relating to finance expense are credited to profit or loss as finance income.

Trade and other payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are carried at amortised cost using the effective interest method.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Financial guarantees. Financial guarantees are irrevocable contracts that require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the obligation at the end of the reporting period. Any increase in the liability relating to guarantees is taken to the profit or loss.

Revenue recognition. Revenues are recognised when goods are shipped or services rendered for concluded contracts, when the price is fixed or determinable and collectability reasonably assured. Revenues are measured at the fair value of the consideration received or receivable. The Group provides load handling (mainly, grain and containers), storage and other related stevedoring services and oil bunkering (sale of fuel).The Group recognises revenue when the amount of revenue can be reliably measured; when 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. Sales of load handling services are recognised in the accounting period in which the services are rendered. Sales of storage and other related stevedoring services are recognised in the accounting period in which the services are rendered based on the stage of completion determined by reference to services performed to date as a percentage of total services to be provided. Revenues from sales of oil fuel (oil bunkering) are recognised at the point of transfer of risks and rewards of ownership of the goods, normally when fuel is tanked to the customer's vessel. Sales are shown net of VAT.

2 Summary of Significant Accounting Policies (continued)

Employee benefits. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and kindergarten services) are accrued in the year in which the associated services are rendered by the employees of the Group. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond to or on behalf of its employees.

Segment reporting. Segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Operating segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

3 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 25.

Exercise of control. In the end of the year 2013 the Group disposed 25%+1 shares of its subsidiary DCP HOLDINGS LIMITED to a third party and entered into a shareholders' agreement with this third party which regulates the affairs between the shareholders. The shareholders agreement includes, among others, various matters in relation to the mode of operation of DCP HOLDINGS LIMITED where certain decisions can be taken only after unanimous approval from both shareholders of this company ("reserved matters"). The Group has exercised its judgement and considers that the reserved matters are effectively to protect the rights of the non-controlling interest and that the Group still retains the power to govern the financial and operating policies of DCP HOLDINGS LIMITED so as to obtain benefits from its activities. As a result the Group continues to account for DCP HOLDINGS LIMITED as a subsidiary in the consolidated financial statements.

Useful lives of property, plant and equipment. The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

Were the estimated useful lives 10% lower than management's estimates, the impact on depreciation for the year ended 31 December 2015 would have been an increase by 39 738 thousand RR (2014: 38 600 thousand RR).

Impairment of goodwill. The Group determines whether goodwill is impaired on an annual basis. This requires determination of the recoverable amount of the cash-generating units to which the goodwill is allocated. Management considers that there is no impairment of goodwill as at 31 December 2015. The carrying amount of goodwill as at 31 December 2015 was 190 066 thousand RR (2014: 190 066 thousand RR) (please see Note 8).

Rent of mooring area (port facilities) is treated as an operating lease as the economic life of the area is viewed longer than the lease term and there is no transfer of title at the end of lease term.

3 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (continued)

Recognition of deferrred tax asset in respect of unused tax losses carry-forward. According to the Group estimates, unused tax losses carry-forward can be used against taxable profits in future. Thus, the Group has recognised deferred tax assets in respect of unused tax losses carry-forward in amount of 166 649 thousand RR (2014: 220 691 thousand RR), which expire in 2025 (Note 24).

4 New Accounting Pronouncements

Standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, once they become effective.

IFRS 9 "Financial Instruments: Classification and Measurement" (amended 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.

The Group is currently assessing the impact of these interpretations on its consolidated financial statements.

4 New Accounting Pronouncements (continued)

Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016). In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Group states there will be no changes in its consolidated financial statements as a result of these amendments.

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, revenue is recognised if there is no 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 is currently assessing the impact of these changes on its consolidated financial statements.

Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business. The Group is currently assessing the impact of this interpretation on its consolidated financial statements.

Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016). The amendments impact 4 standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The Group is currently assessing the impact of the amendments on its consolidated financial statements.

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

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

4 New Accounting Pronouncements (continued)

Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (issued in January 2016 and effective for annual periods beginning on or after 1 January 2017). The amendment has clarified the requirements on recognition of deferred tax assets for unrealised losses on debt instruments. The entity will have to recognise deferred tax asset for unrealised losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefit embodied in the deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (unwinding of the effects of discounting) without paying taxes on those gains. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. The Group is currently assessing the impact of the amendment on its consolidated financial statements.

The following new standards and interpretations became effective for the Group from 1 January 2015, but did not have significant influence on its consolidated financial statements:

Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported. The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial. IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. The Group states there have been no changes in its consolidated financial statements as a result of these amendments.

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9. The Group states there have been no changes in its consolidated financial statements as a result of these amendments.

Other new or amended standards and interpretations are either irrelevant for Group or are not expected to have any impact.

5 Segment Information

Operating segments are business units that are engaged in business activities that may earn revenues or incur expenses, the operating of which results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person or group of persons responsible for allocating resources and assessing the performance of the entity. The CODM's functions are performed by the members of the parent company's Board of Directors.

For managerial purposes, the Group is organised into three operating divisions - container, grain and bunkering. The Group also includes certain companies that cannot be allocated to a specific division. Such entities include investment and management companies in the holding segment.

Container segment	is represented by a technologically advanced container terminal OOO NUTEP. OOO NUTEP also has a ferry auto complex for Ro-Ro cargo handling.

5 Segment Information (continued)

Grain segment — is represented by a new grain terminal, AO KSK, which also handles general and Ro-Ro cargo.

Bunkering division — is represented by bunkering company OOO TOS, which owns bunker ships and provides bunkering services in the port of Novorossiysk.

The CODM evaluates the performance of each segment based on several operational and financial metrics, including earnings before interest, tax, depreciation and amortisation (EBITDA).

EBITDA is calculated as profit for the year adjusted for finance income, finance costs and other operating income and expenses net, depreciation and amortisation, share in the profit of associates, net foreign exchange gains/ losses from financing activities and income tax (see note 23).

The segment profit or loss, segment assets and segment liabilities are measured applying the same policies as are used in the preparation of these consolidated financial statements.

Non-current assets referring to all three operating segments are located in Novorossiysk. Krasnodar region. All segment revenue is generated in Novorossiysk, Krasnodar region.

The table below represents revenue by segment and type of services:

In thousands of Russian Roubles	**2015**	**2015, %**	**2014**	**2014, %**
Container segment	2 802 919	36,1	2 315 755	30,6
Container cargo handling	1 378 498		1 149 269	
Storage services	571 718		577 231	
Inspection services	357 187		262 514	
General cargo handling	285 086		158 043	
Ro-Ro handling	61 069		67 625	
Other port services	149 361		101 073	
Grain segment	3 592 608	46,2	2 549 185	33,7
Grain handling	3 458 217		2 390 534	
General cargo handling	17 633		-	
Ro-Ro handling	47 021		92 806	
Other port services	69 737		65 845	
Bunkering segment	1 375 490	17,7	2 704 035	35,7
Total	**7 771 017**	**100**	**7 568 975**	**100**

Operating segments (Container, Grain, Bunkering) are reportable segments.

OOO NUTEP revenue mainly consists of load handling, storage and inspections of containers. Also, OOO NUTEP has revenue from handling of general cargo and Ro-Ro cargo. OOO NUTEP applies a range of tariffs each relevant for a certain service offered by the terminal or type of container handled, including but not limited to empty vs loaded containers, 20 ft vs 40 ft containers, regular vs reefer containers, interterminal movements, inspections, removal of hatches, container locks, passes, etc. The key measurement parameter is revenue per TEU, which consolidates the combination of tariffs, and is measured as USD per TEU. In 2015, OOO NUTEP's revenue per TEU was USD 195 vs 203 for 2014 due to decrease in the average number of storage days.

General cargoes are primarily represented by palleted perishable goods such as fruits and vegetables delivered to OOO NUTEP by ferries. They are towed out from ferries by terminal tugs and then discharged into auto-trucks.

Ro-Ro handling operations are represented by self-automated trucks and lorries and are described in a separate paragraph below.

Revenue from storage services is dependent on the number of days that a container stays on the terminal territory. The terminal typically offers several days of free storage, and subsequently, applies a progressive tariff, incentivizing cargo owners to expediently remove containers from the site.

Inspections are a function of customs service – Novorossiysk customs decide which containers to check and what level of inspection is required. The terminal is responsible for facilitating inspections – delivery of container to inspection site and discharge.

5 Segment Information (continued)

Other revenue includes a combination of port services, which combined share does not exceed 5% of the total OOO NUTEP's revenue.

AO KSK revenue comes from grain loading operations. The terminal may charge its clients a different rate for different type of grain. The tariff is typically established in the beginning of the harvest season (June-July) and may change during the year. The key measurement parameter is revenue per tonne of grain handled, which in 2015 amounted to USD 20 vs 22 for 2014. Freight forwarding is charged separately since clients of AO KSK retain an option to use their own agent and freight forwarder.

Ro-Ro handling revenue is represented by handling of self-automated cars, trucks and lorries on OOO NUTEP (Container segment). For AO KSK (Grain segment) Ro-Ro handling operations have been represented solely by handling of cars.

OOO TOS revenue comes from bunkering operations mainly in the port of Novorossiysk. The company owns two bunkering vessels, Melanie and Tsemes, that bunker the vessels calling Novorossiysk either during loading, or at sea, with fuel oil and/or diesel.

OOO TOS purchases fuel from Russian refineries. Fuel oil accounts for 91% of total purchase and sales volume in terms of quantity. The purchase price is established in RUB. In 2015, the average FOB purchase price translated at the average exchange rate for fuel oil was USD 164 and the average FOB (for most of sales, FAS for others) sales price was USD 187.

Operational risks

As at 31 December 2015, container handling decreased at all Russian ports, including those in the Azov and Black Sea basin, resulting in reduction of OOO NUTEP's volumes against the same period in 2014. The decrease in container volumes was the result of the depreciation of the Russian rouble along with increased prices on imported goods. While this trend may have a negative impact on OOO NUTEP's financial position, the management of DeloPorts Group does not regard this risk as critical for the following reasons:

- statistics for previous years demonstrate that volumes can quickly recover;

- the structure of container turnover may change with an increase in more profitable activities (e.g., handling and storage of refrigerated containers, export of loaded containers, etc.);

- the financial effect from the reduction in volumes is partially offset by growth in profit margins, as OOO NUTEP's tariffs are established in US dollars, whereas over 95% of the company's operating expenses are denominated in Russian roubles.

If the financial and business environment deteriorates, OOO NUTEP's investment programme, namely the project for the construction of Berth 38, can be postponed.

In the reporting calendar year, export shipments of grain in the Azov and Black Sea basin slightly decreased. The decrease in volumes was mostly driven by the temporary introduction of export duties. In December 2014, the Russian Government announced the introduction of export duties on wheat starting from 1 February 2015, which led to a reduction in grain-handling volumes, including operations with respect to AO KSK. Nevertheless, handling during the new grain season from July to December 2015 grew in comparison with the same period in 2014. This risk is outside of the Group's control.

In addition, during the 2010 – 2011 agricultural season, to address the effects of the poor harvest that year, the Russian Government imposed temporary restrictions on Russian grain exports. The Group believes that the risk that such restrictions may be re-imposed has decreased owing to growth in grain production in Russia. However, in its calculations of future cash flows, management assumes reduction in exports once every five years corresponding to poor harvest assumptions.

OOO TOS's volumes decreased during the reporting period, together with TOS market share. This was the result of the overall drop in the profitability of bunkering services driven by lower oil prices, as well as the market redistribution in favor of the vertically - integrated oil companies. The Company's operations in the current environment are aimed at ensuring loss-free business rather than protection of the market share.

5 Segment Information (continued)

The operation of major seaports is directly related to transport infrastructure, including railroads and motorways. Any significant deterioration of their condition can have a negative effect on the Group's financial and business position. At the same time, the Group recognises positive trends, which are connected to the implementation of the Federal Special Purpose Programme "Russian Transport System Development for 2010 - 2020" as approved by the Russian Government Resolution No. 848 of 5 December 2001. Furthermore, the project "Comprehensive Development of the Novorossiysk Transport Hub" (part of sub-programme "Development of Transportation Services' Export"), provides for the construction of the Tsemdolina - Portovaya motorway (which will further expand and develop road infrastructure). The Group believes that the implementation of the projects envisaged in programme will help to reduce the above-mentioned risk.

5 Segment Information (continued)

Segment information for the reportable segments for the year ended 31 December 2015 is set out below:

In thousands of Russian Roubles	Container	Grain	Bunkering	Total for operating segments	Holdings	Reconciliation adjustments: Inter-segment eliminations	Total for the Group
External revenue	2 802 919	3 592 608	1 375 490	7 771 017	-	-	7 771 017
Revenues from other segments	2 487	4 494	-	6 981	9 450	(16 431)	-
Total revenue	**2 805 406**	**3 597 102**	**1 375 490**	**7 777 998**	**9 450**	**(16 431)**	**7 771 017**
Cost of sales	(1 030 521)	(554 849)	(1 368 373)	(2 953 743)	(700)	6 981	(2 947 462)
Selling, general and administrative expenses	(180 939)	(192 043)	(28 323)	(401 305)	(79 403)	9 450	(471 258)
Foreign exchange gain/(loss) from operating activities	2 225	24 899	(2 735)	24 389	-	-	24 389
Other operating income/(expenses), net	(12 026)	(6 806)	(805)	(19 637)	(1 128)	-	(20 765)
Operating profit/(loss)	**1 584 145**	**2 868 303**	**(24 746)**	**4 427 702**	**(71 781)**	**-**	**4 355 921**
Finance income/(expenses), net	(204 848)	(19 439)	(5 687)	(229 974)	(5 553)	-	(235 527)
Share of profit of associates	-	-	3 639	3 639	-	-	3 639
Foreign exchange (losses)/gains from financing activities	(1 035 801)	(211 695)	4 813	(1 242 683)	21 514	-	(1 221 169)
Profit/(loss) before income tax	**343 496**	**2 637 169**	**(21 981)**	**2 958 684**	**(55 820)**	**-**	**2 902 864**
Income tax (expense) /credit	(70 885)	(530 107)	4 974	(596 018)	6 530	-	(589 488)
Profit/(loss) for the year	**272 611**	**2 107 062**	**(17 007)**	**2 362 666**	**(49 290)**	**-**	**2 313 376**
EBITDA, Note 23	1 918 892	3 046 022	(12 736)	4 952 178	(70 570)	-	4 881 608
Additions to property, plant and equipment, Note 7	309 139	127 900	157	437 196	907	-	438 103
As at 31 December 2015							
Total reportable segment assets	8 846 256	4 627 228	355 315	13 828 799	3 186 117	(979 254)	16 035 662
Total reportable segment liabilities	(6 552 201)	(1 722 776)	(75 715)	(8 350 692)	(3 143 384)	979 254	(10 514 822)

5 Segment Information (continued)

Segment operating expenses included in cost of sales and selling, general and administrative expenses for the year ended 31 December 2015 were as follows:

						Reconciliation adjustments	
In thousands of Russian Roubles	**Container**	**Grain**	**Bunkering**	**Total for operating segments**	**Holdings**	**Inter-segment eliminations**	**Total for the Group**
Cost of oil products	-	-	1 202 997	1 202 997	-	-	1 202 997
Wages and salaries, including social charges	386 368	302 580	60 451	749 399	49 642	-	799 041
Depreciation of property, plant and equipment	215 222	170 873	11 205	397 300	83	-	397 383
Operating lease rentals	174 989	20 714	-	195 703	-	-	195 703
Amortization of intangible assets	107 499	40	-	107 539	-	-	107 539
Purchased services (including audit and consulting services)	99 470	45 496	94 091	239 057	20 680	(16 431)	243 306
Repairs and maintenance of property, plant and equipment	47 219	31 198	1 079	79 496	3	-	79 499
Taxes other than on profit	47 946	46 956	5 061	99 963	-	-	99 963
Fuel, electricity and gas	49 924	27 906	9 066	86 896	-	-	86 896
Other expenses	82 823	101 129	12 746	196 698	9 695	-	206 393
Total expenses	**1 211 460**	**746 892**	**1 396 696**	**3 355 048**	**80 103**	**(16 431)**	**3 418 720**

5 Segment Information (continued)

Segment information for the reportable segments for the year ended 31 December 2014 is set out below:

In thousands of Russian Roubles	Container	Grain	Bunkering	Total for operating segments	Holdings	Reconciliation adjustments: Inter-segment eliminations	Total for the Group
External revenue	2 315 755	2 549 185	2 704 035	7 568 975	-	-	7 568 975
Revenues from other segments	21 772	4 726	-	26 498	32 745	(59 243)	-
Total revenue	**2 337 527**	**2 553 911**	**2 704 035**	**7 595 473**	**32 745**	**(59 243)**	**7 568 975**
Cost of sales	(964 312)	(541 065)	(2 426 241)	(3 931 618)	(464)	26 506	(3 905 576)
Selling, general and administrative expenses	(160 521)	(147 432)	(64 036)	(371 989)	(84 243)	32 737	(423 495)
Foreign exchange gain from operating activities	-	-	95 998	95 998	-	-	95 998
Other operating income/(expenses), net	(9 158)	(3 220)	180	(12 198)	(217)	-	(12 415)
Operating profit/(loss)	**1 203 536**	**1 862 194**	**309 936**	**3 375 666**	**(52 179)**	**-**	**3 323 487**
Finance (expenses)/income, net	(152 750)	(43 552)	(7 745)	(204 047)	19 428	-	(184 619)
Share of profit of associates	-	-	9 828	9 828	-	-	9 828
Foreign exchange losses from financing activities	(2 230 769)	(422 054)	(10 646)	(2 663 469)	(1 094)	-	(2 664 563)
(Loss)/profit before income tax	**(1 179 983)**	**1 396 588**	**301 373**	**517 978**	**(33 845)**	**-**	**484 133**
Income tax (expense) /credit	232 877	(352 078)	(78 900)	(198 101)	3 285	-	(194 816)
(Loss)/profit for the year	**(947 106)**	**1 044 510**	**222 473**	**319 877**	**(30 560)**	**-**	**289 317**
EBITDA, Note 23	1 522 151	2 031 547	329 078	3 882 776	(51 309)	-	3 831 467
Additions to property, plant and equipment, Note 7	192 183	33 363	636	226 182	493	-	226 675
As at 31 December 2014							
Total reportable segment assets	7 919 360	3 185 682	567 920	11 672 962	94 821	(71 901)	11 695 882
Total reportable segment liabilities	(5 992 951)	(2 388 167)	(271 311)	(8 652 429)	(19 817)	71 901	(8 600 345)

5 Segment Information (continued)

Segment operating expenses included in cost of sales and selling, general and administrative expenses for the year ended 31 December 2014 were as follows:

						Reconciliation adjustments	
In thousands of Russian Roubles	**Container**	**Grain**	**Bunkering**	**Total for operating segments**	**Holdings**	**Inter-segment eliminations**	**Total for the Group**
Cost of oil products	-	-	2 208 656	2 208 656	-	-	2 208 656
Wages and salaries, including social charges	349 806	262 553	92 336	704 695	46 402	-	751 097
Depreciation of property, plant and equipment	200 508	166 096	19 322	385 926	77	-	386 003
Operating lease rentals	152 911	20 304	-	173 215	-	-	173 215
Amortization of intangible assets	108 949	37	-	108 986	576	-	109 562
Purchased services (including audit and consulting services)	106 325	73 741	131 552	311 618	17 013	(59 243)	269 388
Repairs and maintenance of property, plant and equipment	47 246	34 299	2 125	83 670	72	-	83 742
Taxes other than on profit	46 061	48 774	5 455	100 290	-	-	100 290
Fuel, electricity and gas	48 168	28 495	14 177	90 840	292	-	91 132
Other expenses	64 859	54 198	16 654	135 711	20 275	-	155 986
Total expenses	**1 124 833**	**688 497**	**2 490 277**	**4 303 607**	**84 707**	**(59 243)**	**4 329 071**

6 Balances and Transactions with Related Parties

The Group had the following categories of related parties as at 31 December 2015 and for the year then ended:

1. Entities under common control;
2. Associates;
3. Key management personnel;
4. Other related parties. Other related parties include a non-controlling shareholder which is able to exercise significant influence on the Group's significant subsidiary.

At 31 December 2015, the outstanding balances with related parties were as follows:

In thousands of Russian Roubles	**Entities under common control**	**Associates**	**Other related parties**
Construction in progress	14 497	-	-
Long-term receivables	33 112	-	-
Trade and other receivables	119 641	-	833
Loans issued*	835 117	-	-
Trade and other payables	(1)	(1 744)	(16 594)

* Information about interest rates and currency of loans issued is disclosed in Note 27.

The income and expense items with related parties for the year ended 31 December 2015 were as follows:

In thousands of Russian Roubles	**Entities under common control**	**Associates**	**Other related parties**
Revenue	893 831	279	1 151 370
Cost of sales	(1 416)	(15 128)	-
Selling, general and administrative expense	(12 675)	-	-
Interest income	18 999	-	1 139
Interest expense	(8 284)	-	-

At 31 December 2014, the outstanding balances with related parties were as follows:

In thousands of Russian Roubles	**Entities under common control**	**Associates**	**Other related parties**
Trade and other receivables	30 299	-	395
Dividends receivable	-	6 090	-
Loans payable	(342 402)	-	-
Trade and other payables	(12)	(1 634)	(45 193)

6 Balances and Transactions with Related Parties (continued)

The income and expense items with related parties for the year ended 31 December 2014 were as follows:

In thousands of Russian Roubles	**Entities under common control**	**Associates**	**Other related parties**
Revenue	608 388	104	951 769
Cost of sales	-	(22 965)	-
Selling, general and administrative expense	(7 503)	-	-
Other operating income	605	-	-
Interest income	1 500	-	-
Interest expense	(10 957)	-	-
Amortisation of guarantees (gain)	3 735	-	-
Dividend income	-	18 826	-

Borrowings. At 31 December 2014, the Group's borrowings from the former parent company which is now disclosed as entity under common control was 342 402 thousand RR, which was repaid during the six months ended 30 June 2015. Interest expense on these borrowings was 8 284 thousand RR in 2015 and 10 957 thousand RR in 2014. At 31 December 2015, the Group has no borrowings from related parties.

Interest capitalised. During the years ended 31 December 2015 and 2014, no borrowing costs in relation to loans payable to related parties were capitalised into assets under construction.

Management remuneration. Total compensation to 10 (2014: 10) representatives of key management personnel, included in employment costs in the consolidated statement of comprehensive income for salaries and other short-term benefits, amounted to 92 924 thousand RR for 2015 (2014: 100 813 thousand RR).

Dividends. In 2015, the Group did not distribute dividends to shareholders (2014: 1 379 767 thousand RR).

7 Property, Plant and Equipment

The changes in carrying amounts of property, plant and equipment were as follows:

In thousands of Russian Roubles	Land	Buildings	Constructions	Machinery and equipment	Other	Construction in progress	Total
Cost at 1 January 2014	68 381	247 942	3 566 738	2 333 992	148 927	278 852	**6 644 832**
Accumulated depreciation	-	(47 620)	(279 452)	(368 647)	(58 394)	-	**(754 113)**
Carrying amount at 1 January 2014	**68 381**	**200 322**	**3 287 286**	**1 965 345**	**90 533**	**278 852**	**5 890 719**
Additions	-	-	-	636	423	225 616	**226 675**
Transfers	-	9 050	212 607	106 056	(37 154)	(290 559)	**-**
Disposals	-	-	(280)	(778)	(320)	(2 374)	**(3 752)**
Depreciation charge, Note 18, 19	-	(16 542)	(154 211)	(195 368)	(19 882)	-	**(386 003)**
Reclassification (to) / from assets held for sale	-	-	-	(28 234)	-	14 705	**(13 529)**
Reclassification to inventory	-	-	-	-	-	(6 148)	**(6 148)**
Carrying amount at 31 December 2014	**68 381**	**192 830**	**3 345 402**	**1 847 657**	**33 600**	**220 092**	**5 707 962**
Cost at 31 December 2014	68 381	253 521	3 784 006	2 393 646	72 111	220 092	**6 791 757**
Accumulated depreciation	-	(60 691)	(438 604)	(545 989)	(38 511)	-	**(1 083 795)**
Carrying amount at 31 December 2014	**68 381**	**192 830**	**3 345 402**	**1 847 657**	**33 600**	**220 092**	**5 707 962**
Additions	-	-	2 736	6 646	13 288	415 433	**438 103**
Transfers	-	34 469	264 722	15 407	5 172	(319 770)	**-**
Disposals	-	(545)	(327)	(2 970)	(2 220)	-	**(6 062)**
Depreciation charge, Note 18, 19	-	(18 013)	(163 741)	(195 591)	(20 038)	-	**(397 383)**
Carrying amount at 31 December 2015	**68 381**	**208 741**	**3 448 792**	**1 671 149**	**29 802**	**315 755**	**5 742 620**
Cost at 31 December 2015	68 381	283 849	4 051 075	2 409 049	76 208	315 755	**7 204 317**
Accumulated depreciation	-	(75 108)	(602 283)	(737 900)	(46 406)	-	**(1 461 697)**
Carrying amount at 31 December 2015	**68 381**	**208 741**	**3 448 792**	**1 671 149**	**29 802**	**315 755**	**5 742 620**

7 Property, Plant and Equipment (continued)

As at 31 December 2015, property, plant and equipment carried at 2 215 292 thousand RR (31 December 2014: 2 790 515 thousand RR) have been pledged to third parties as collateral for borrowings. At 31 December 2014 and 31 December 2015, the Group pledged property plant and equipment that related to Container and Grain terminals.

Borrowing costs and associated foreign exchange losses of 64 791 thousand RR were capitalised in 2015 at the market interest rate of 13,8% in accordance with Company's rouble borrowings (2014: borrowing costs of 15 502 thousand RR at the average market MosPrime interest rate of 14,8% for borrowings of operating companies).

Depreciation expense of 397 383 thousand RR (2014: 386 003 thousand RR) has been charged to cost of sales amounting to 388 033 thousand RR (2014: 376 901 thousand RR) and in selling and general expenses amounting to 9 350 thousand RR (2014: 9 102 thousand RR).

Prepayments for non-current assets consist mainly of advances issued for construction of NUTEP's Berth 38 and for installation of KSK's gas powered electrical generation.

8 Goodwill

Goodwill related to grain and container terminals was formed as a result of acquisition of mentioned assets by Delo Group in 2007 and 2011 correspondingly. Goodwill is allocated to cash-generating units (CGUs), which represent the lowest level within the Group at which the goodwill is monitored by management and which is not larger than the operating segment itself, as follows:

In thousands of Russian Roubles	**31 December 2015**	**31 December 2014**
Grain terminal CGU	66 671	66 671
Container terminal CGU	123 395	123 395
Total carrying amount of goodwill	**190 066**	**190 066**

The recoverable amount of each CGU was determined based on value-in-use calculations. Cash flow models were prepared in US Dollars. These calculations use cash flow projections based on financial budgets approved by management covering a 5-year period. Cash flows beyond the 5-year period are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates. A reasonable change in key assumptions would not cause an impairment of goodwill. Key assumptions are determined on the basis of market analysis which is performed regularly.

Assumptions used for value-in-use calculations to which the recoverable amount is most sensitive were:

- Growth rate beyond 5 years is 0% both for grain CGU "KSK" and container CGU "NUTEP" taking into account US Dollar cash flows;
- Discount rate, calculated in US dollars, is 12% for KSK and 12% for NUTEP;
- Average annual volume growth rate for grain cargo for 2016-2020 is 0-9% for KSK and 4-10% for container cargo for NUTEP.

No impairment was identified as a result of the impairment test as the recoverable amounts exceeded carrying value of CGUs.

9 Mooring Rights and Other Intangible Assets

In thousands of Russian Roubles		**Mooring rights**	**Other intangible assets**	**Total**
Cost at 1 January 2014		4 338 908	5 978	**4 344 886**
Accumulated amortisation		(298 913)	(4 716)	**(303 629)**
Carrying amount at 1 January2014		**4 039 995**	**1 262**	**4 041 257**
Additions		-	4 717	**4 717**
Amortisation charge	18, 19	(107 257)	(2 305)	**(109 562)**
Carrying amount at 31 December 2014		**3 932 738**	**3 674**	**3 936 412**
Cost at 31 December 2014		4 338 908	10 667	**4 349 575**
Accumulated amortisation		(406 170)	(6 993)	**(413 163)**
Carrying amount at 31 December 2014		**3 932 738**	**3 674**	**3 936 412**
Additions		-	5 309	**5 309**
Amortisation charge	18, 19	(107 256)	(283)	**(107 539)**
Carrying amount at 31 December 2015		**3 825 482**	**8 700**	**3 834 182**
Cost at 31 December 2015		4 338 908	15 976	4 354 884
Accumulated amortisation		(513 426)	(7 276)	(520 702)
Carrying amount at 31 December 2015		**3 825 482**	**8 700**	**3 834 182**

In 2011, Delo Group acquired intangible assets as part of 100% OOO NUTEP consolidation. The fair value was determined by an independent appraiser as of the acquisition date. Mooring rights represent the long-term lease rights to hydro-technical infrastructure in Novorossiysk, owned by the state.

10 Investments in Associates

In thousands of Russian Roubles	**2015**	**2014**
Carrying amount at 1 January	**2 852**	**11 850**
Share of profit of associates	3 639	9 828
Dividends received	-	(18 826)
Carrying amount at 31 December	**6 491**	**2 852**

At 31 December 2015 and for the year then ended, the Group’s interest in its principal associate, which is unlisted, and its summarised financial information, including total assets, liabilities, revenues and profit or loss, was as follows:

Name	**Total assets**	**Total liabilities**	**Revenue**	**Profit**	**% interest held**
LLC Aquaspas	32 090	6 123	63 031	14 556	25 %

At 31 December 2014 and for the year then ended, the Group’s interest in its principal associate, which is unlisted, and its summarised financial information, including total assets, liabilities, revenues and profit or loss, was as follows:

Name	**Total assets**	**Total liabilities**	**Revenue**	**Profit**	**% interest held**
LLC Aquaspas	49 453	38 043	119 435	39 312	25 %

11 Inventories

In thousands of Russian Roubles	**31 December 2015**	**31 December 2014**
Fuel and spare parts	98 228	80 678
Oil products for resale	14 935	62 789
Total inventories	**113 163**	**143 467**

There were no impairment write downs of inventories in 2015 and 2014.

12 Trade and Other Receivables

In thousands of Russian Roubles	**31 December 2015**	**31 December 2014**
Trade receivables	289 817	348 048
Provision for impairment of trade receivables	(32 000)	-
Trade receivables less impairment	**257 817**	**348 048**
Other receivables	21 822	8 148
Financial receivables	**279 639**	**356 196**
VAT recoverable	103 441	83 754
Prepayments	12 714	19 865
Other taxes receivable	13 300	13 879
Receivables from employees	8 715	8 874
Dividends receivable	-	6 090
Total trade and other receivables	**417 809**	**488 658**

Group has no overdue and not reserved trade and other accounts receivable as at 31 December 2015 and 31 December 2014. Financial receivables, stated as at 31 December 2015, will be settled within six months from the reporting date. 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 15,0% (2014 г.: 14,1%) discount rate.

13 Cash and Cash Equivalents

In thousands of Russian Roubles	**31 December 2015**	**31 December 2014**
Cash in hand	254	61
Cash at bank	29 529	84 258
Short-term bank deposits (less than 90 days)	3 708 401	680 151
Total cash and cash equivalents	**3 738 184**	**764 470**

The average interest rate on short-term deposits at 31 December 2015 was 7,32% (31 December 2014: 3,77%). These deposits have average original maturity of 27 days at 31 December 2015 (31 December 2014: 36 days). At 31 December 2015, these deposits have average period to maturity of 19 days from the reporting date (31 December 2014: 20 days).

The Group had deposits with maturity from 90 to 365 days at 31 December 2015 in the amount of 571 996 thousand RR. The average interest rate on these deposits at 31 December 2015 was 1,66%. These deposits have average original maturity of 197 days. At 31 December 2015, these deposits have average period to maturity of 174 days from the reporting date.

14 Chartered and Additional Capital

There was no chartered capital at 1 January 2014 and 31 December 2014 because the Company was established in 2015. Restructuring reserve at 1 January 2014 and 31 December 2014 equal to the sum of individual share capitals of Group's subsidiaries.

Chartered capital at 31 December 2015 amounts to 100 000 thousand RR, which was paid in cash for 100 thousand RR and for 99 900 thousand RR was made in the form of investments in subsidiaries as a result of completion of reorganisation of the Group. Contribution to the Company's additional capital in the amount of 15 590 thousand RR was made in cash in the amount of 12 000 thousand RR and in the form of intangible assets transferred to the Company by the parent company DELOPORTS LIMITED in the amount of 3 590 thousand RR.

15 Borrowings

In thousands of Russian Roubles	**31 December 2015**	**31 December 2014**
Short-term borrowings	2 656 397	2 251 261
Long-term borrowings	3 312 857	4 861 591
Long-term bonds with nominal in Russian Rubles	3 000 000	-
Total borrowings	**8 969 254**	**7 112 852**

In November 2015, the Company issued Rouble denominated bonds for 3 000 000 thousand RR at the rate 13,8%, which are traded on the Moscow Interbank Currency Exchange. The bonds are repayable in November 2018. Bonds were issued without pledges and covenants. In November 2015, in connection with the debut bond issue of the Company the long-term issuer default rating of "BB-" was confirmed by Fitch Ratings, which was assigned at the beginning of 2015.

Bank loans are subject to pledges (Note 7) and covenants (Note 25).

Interest rate for long-term and short-term loans and borrowings are disclosed in Financial Risk Management note (Note 27). Pledged property, plant and equipment under this agreements is disclosed in Note 7.

According to the management's estimates the carrying amount of borrowings do not materially differ from their fair value as the impact of discounting is not significant. Based on the quoted price, the fair value of the bonds approximate the carrying amount as at 31 December 2015. The fair values are based on cash flows discounted using a rate based on the appropriate Libor and Euribor rates and are within Level 2 of the fair value hierarchy except for bonds which are within Level 1 of the fair value hierarchy.

100% of share in OOO NUTEP was pledged as collateral as at 31 December 2015 and 31 December 2014.

16 Trade and Other Payables

In thousands of Russian Roubles	**31 December 2015**	**31 December 2014**
Trade payables	54 781	102 295
Other payables	4 579	5 538
Financial payables	**59 360**	**107 833**
Advances from customers	169 555	108 495
Other taxes payable	90 086	86 258
Payables to employees	75 709	132 454
Accruals and provisions	37 448	43 100
Total trade and other payables	**432 158**	**478 140**

The carrying amounts of trade and other payables do not materially differ from their fair value. The fair value of payables 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 15,0% (31 December 2014: 14,1%) discount rate.

17 Revenue

In thousands of Russian Roubles	**2015**	**2014**
Grain handling	3 458 217	2 390 534
Container cargo handling	1 378 498	1 149 269
Bunkering	1 375 490	2 704 035
Storage services	571 718	577 231
Inspection services	357 187	262 514
General cargo handling	302 719	158 043
Ro-Ro handling	108 090	160 431
Other port services	219 098	166 918
Total revenue	**7 771 017**	**7 568 975**

18 Cost of sales

In thousands of Russian Roubles	2015	2014
Cost of oil products	1 202 997	2 208 656
Depreciation of property, plant and equipment	388 033	376 901
Wages and salaries	371 739	346 522
Purchased services	215 419	235 159
Operating lease rentals, Note 25	195 703	173 215
Amortization of intangible assets	107 443	107 257
Social charges	101 392	95 784
Taxes other than income taxes	99 963	100 290
Fuel, electricity and gas	83 955	88 075
Repair and maintenance of property, plant and equipment	67 125	70 392
Security services	61 272	51 918
Materials	24 017	19 825
Insurance	8 368	7 626
Other expenses	20 036	23 956
Total cost of sales	**2 947 462**	**3 905 576**

19 Selling, General and Administrative Expenses

In thousands of Russian Roubles	2015	2014
Wages and salaries	205 488	143 033
Social charges	60 273	46 174
Other remunerations to personnel	60 149	119 584
Impairment of trade and other receivables	32 000	-
Audit and consulting services	27 887	34 229
Rent expenses, Note 25	13 731	8 177
Repair and maintenance of property, plant and equipment	12 374	13 350
Information systems and communication	11 824	11 449
Legal expenses	9 450	2 080
Depreciation of property, plant and equipment	9 350	9 102
Travelling expenses and per diems	8 194	8 263
Materials	6 925	7 101
Insurance	6 443	8 845
Fuel, electricity and gas	2 941	3 057
Amortization of intangible assets	96	2 305
Other expenses	4 133	6 746
Total selling, general and administrative expenses	**471 258**	**423 495**

20 Other Operating Income / (Expenses), net

In thousands of Russian Roubles	2015	2014
(Loss) / gain on disposal of property, plant and equipment	(6 851)	1 084
Charity and material aid	(4 280)	(4 751)
Other income and expenses, net	(9 634)	(8 748)
Total other operating income and expenses, net	**(20 765)**	**(12 415)**

21 Finance Income

In thousands of Russian Roubles	2015	2014
Interest income on deposits and overnights	96 695	34 586
Grant received and amortisation of deferred income	20 282	16 073
Interest income on loans granted	20 138	1 500
Amortisation of guarantee issued	-	3 735
Total finance income	**137 115**	**55 894**

AO KSK receives government grants for partial compensation of interest expenses under bank credit used for construction of grain terminal.

22 Finance Costs

In thousands of Russian Roubles	2015	2014
Interest expense on bank loans and bonds	349 650	223 542
Bank charges and commissions	14 708	5 696
Interest expense on loans received	8 284	10 957
Other finance costs	-	318
Total finance costs	**372 642**	**240 513**

The Group capitalised borrowing costs arising on financing directly attributable to the construction of qualifying assets. Amounts of interest capitalised are disclosed in Note 7.

23 Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)

The Group uses EBITDA measure for assessment of segment performance (see Note 5). Since the term EBITDA is not a standard IFRS measure, the Group's definition of EBITDA may differ from that of other companies. A reconciliation of EBITDA to profit for the year is as follows:

In thousands of Russian Roubles	2015	2014
Profit for the year	2 313 376	289 317
Adjusted for:		
Depreciation and amortisation, Note 18, 19	504 922	495 565
Other income and expenses, net, Note 20	20 765	12 415
Share of profit of associates, Note 10	(3 639)	(9 828)
Finance income, Note 21	(137 115)	(55 894)
Finance costs, Note 22	372 642	240 513
Foreign exchange losses on financing activity	1 221 169	2 664 563
Income tax, Note 24	589 488	194 816
EBITDA, Note 5	**4 881 608**	**3 831 467**

24 Income Tax

(a) Components of income tax expense

In thousands of Russian Roubles	2015	2014
Current tax	536 944	433 676
Deferred tax	52 544	(238 860)
Income tax expense	**589 488**	**194 816**

24 Income Tax (continued)

(b) Reconciliation between the tax expense and profit multiplied by applicable tax rate

A reconciliation between the expected and the actual taxation charge is provided below.

In thousands of Russian Roubles	2015	2014
Profit before income tax	2 902 864	484 133
Theoretical tax charge at statutory rate of 20%:	(580 573)	(96 827)
- Income tax on dividends at rate 5%	-	(90 235)
- Effect of non-deductible expenses	(9 691)	(6 907)
- Effect of different tax rates in other countries	776	(847)
Income tax expense	**(589 488)**	**(194 816)**

The income tax rate applicable to the majority of the Group in 2015 and 2014 is 20%. The Cypriot subsidiary is subject to corporation tax on taxable profits at the rate of 12.5% (2014: 12.5%).

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Russia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases.

According to management estimates, net deferred tax asset in the amount of 177 272 thousand RR is short-term as at 31 December 2015 (31 December 2014: 251 025 thousand RR).

The tax effects for the movements in the temporary differences tax losses carry-forward for the year ended 31 December 2015 are:

In thousands of Russian Roubles	1 January 2015	(Credited)/ charged to profit or loss	31 December 2015
Tax effect of (taxable)/ deductible temporary differences			
Property, plant and equipment	(428 498)	(15 058)	(443 556)
Intangible assets	(786 671)	21 661	(765 010)
Trade and other receivables	2 135	6 934	9 069
Inventories	(11 519)	7 816	(3 703)
Tax loss carry-forward	220 691	(54 042)	166 649
Deferred income	1 923	(90)	1 833
Trade and other payables	30 388	(19 765)	10 623
Net deferred tax liability	**(971 551)**	**(52 544)**	**(1 024 095)**
Recognised deferred tax asset	2 233		11 640
Recognised deferred tax liability	(973 784)		(1 035 735)
Net deferred tax liability	**(971 551)**		**(1 024 095)**

In the context of the Group's current structure, tax losses and current tax assets of different group companies may not be offset against current tax liabilities and taxable profits of other group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity, 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.

24 Income Tax (continued)

The tax effect of the movements in the temporary differences and tax losses carry-forward for the year ended 31 December 2014:

In thousands of Russian Roubles	1 January 2014	(Credited)/ charged to profit or loss	Reclassi-fication	31 December 2014
Tax effect of (taxable)/ deductible temporary differences				
Property, plant and equipment	(415 167)	(18 978)	5 647	(428 498)
Intangible assets	(808 251)	21 580	-	(786 671)
Trade and other receivables	(2 795)	4 930	-	2 135
Inventories	(196)	(5 676)	(5 647)	(11 519)
Tax loss carry-forward	2 447	218 244	-	220 691
Deferred income	2 042	(119)	-	1 923
Trade and other payables	11 509	18 879	-	30 388
Net deferred tax liability	**(1 210 411)**	**238 860**	**-**	**(971 551)**
Recognised deferred tax asset	-			2 233
Recognised deferred tax liability	(1 210 411)			(973 784)
Net deferred tax liability	**(1 210 411)**			**(971 551)**

(d) Tax loss carry forwards

The Group has recognised deferred tax assets in respect of unused tax loss carry forwards of 166 649 thousand RR (2014: 220 691 thousand RR), which expire in 2025.

(e) Deferred taxes in respect of subsidiaries and associates

The Group has not recorded any deferred tax liability in respect of temporary differences associated with investments in subsidiaries as the legislation allows zero tax on dividends from subsidiaries under certain conditions.

25 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own best estimates, management is of the opinion that no material losses will be incurred in respect of claims.

Tax contingencies. 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 successfully challenged by relevant 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 of review. 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 (OECD). 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 arm's length.

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.

25 Contingencies and Commitments (continued)

The Group includes companies incorporated outside of Russia, one of which is independently pleaded tax resident of the Russian Federation and created a representative on the territory of Russia. The tax liabilities of the Group are determined on the basis of the declared Group companies residence. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group. In 2014, the Controlled Foreign Company (CFC) legislation introduced Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties). Starting from 2015, CFC income is subject to a 20% tax rate.

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

The Group's management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained. Accordingly, as of 31 December 2015 and 2014 management believes no additional tax liability has to be accrued in the consolidated financial statements.

Capital expenditure commitments. At 31 December 2015 the Group has contractual capital expenditure commitments in respect of property, plant and equipment totalling 659 399 thousand RR (31 December 2014: 159 493 thousand RR).

Operating lease commitments. Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

In thousands of Russian Roubles	31 December 2015	31 December 2014
Not later than 1 year	133 313	123 926
Later than 1 year and not later than 5 years	502 144	469 966
Later than 5 years	3 453 568	3 481 540
Total operating lease commitments	**4 089 025**	**4 075 432**

Most of long-term operating lease commitments taken in 2015 and 2014 relate to port facilities and infrastructure in Novorossiysk Port (mooring rights).

Environmental matters. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

Compliance with covenants. The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. The Group was in compliance with covenants at 31 December 2015 and 31 December 2014.

Under the credit facility provided by Raiffeisenbank OOO NUTEP is subject to four financial covenants calculated on the basis of financial statements under Russian accounting standards: 1) Debt to Equity, where Debt consists of finance lease, short- and long-term loans and borrowings excluding amounts from Related parties, and Equity excludes the effect of foreign exchange differences; 2) Current ratio, calculated as Current assets excluding long-term receivables to Current liabilities excluding deferred revenue, accruals and debt in relation to Raiffeisenbank; 3) Net operating margin calculated as Gross Profit divided by Revenue; 4) Debt to EBITDA, where Debt is calculated as all financial liabilities excluding those from Related parties and EBITDA is calculated as Operating profit excluding depreciation and amortisation. Besides, OOO "DeloPorts" is subject to two financial covenants calculated on the basis of IFRS consolidated financial statements in accordance with guarantee agreement: 1) Debt to EBITDA, where the rates are calculated similar to the sub-item 4 above; 2) Debt to Equity.

25 Contingencies and Commitments (continued)

Under the credit facility provided by VTB and VTB Austria AO KSK is subject to two financial covenants calculated on the basis of financial statements under Russian accounting standards: 1) Debt to EBITDA Ratio, where Debt is calculated as all financial liabilities, including off-balance sheet guarantees and obligations and EBITDA is calculated as Operating profit excluding depreciation and amortisation, discounts and all extra-ordinary income and expense 2) the Interest Coverage Ratio, calculated as 12-Month EBITDA to 12-Month Total Interest Expense.

Under the credit facility provided by Unicredit Bank OOO TOS is subject to two financial covenants calculated on the basis of consolidated financial statements of the Group under IFRS: 1) Net Debt to EBITDA Ratio, where Net Debt is calculated as all short- and long-term financial liabilities less cash and cash equivalents and EBITDA is calculated as Operating profit excluding depreciation and amortisation 2) Debt to Equity, where Debt consists of short- and long-term loans and borrowings.

26 Non-Controlling Interest

The following table provides information about each subsidiary that has non-controlling interest that is material to the Group:

In thousands of Russian Roubles	**Place of business and country of incorporation**	**Proportion of non-controlling interest**	**Proportion of non-controlling interest's voting rights held**	**Profit or loss attributable to non-controlling interest**	**Accumulated non-controlling interest in the subsidiary**	**Dividends paid to non-controlling interest during the year**
Year ended 31 December 2015						
DCP Group (AO KSK, DCP HOLDINGS LTD)	Cyprus, Russia	25	25	526 766	726 113	-
Year ended 31 December 2014						
DCP Group (AO KSK, DCP HOLDINGS LTD)	Cyprus, Russia	25	25	261 128	199 379	(289 642)

During 2014, Group distributed initial dividends in relation to AO KSK to its owners, according to Shareholders Agreement. As a result 25% of the amount, which equals to 36 564 thousand RR, was transferred from non-controlling interest to Retained earnings.

The summarised financial information of these subsidiaries on a 100% basis and before intercompany eliminations was as follows at 31 December 2015 and 31 December 2014:

In thousands of Russian Roubles	**Current assets**	**Non-current assets**	**Current liabilities**	**Non-current liabilities**	**Revenue**	**Profit**	**Total comprehensive income**	**Cash flows**
Year ended 31 December 2015								
DCP Group (AO KSK, DCP HOLDINGS LTD)	1 992 639	2 634 589	(1 553 338)	(169 438)	3 597 103	2 107 063	2 106 936	1 103 593
Year ended 31 December 2014								
DCP Group (AO KSK, DCP HOLDINGS LTD)	608 600	2 577 082	(1 277 722)	(1 110 444)	2 553 912	1 044 511	1 040 618	(426 095)

27 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

Russian operating environment. 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 (Note 25). During 2015 the Russian economy was negatively impacted by low oil prices, ongoing political tension in the region and continuing international sanctions against certain Russian companies and individuals, all of which contributed to the country's economic recession characterised by a decline in gross domestic product. The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Russia's credit rating was downgraded to below investment grade. 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.

Credit risk. The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's sales of products on credit terms and other transactions with counterparties giving rise to financial assets. Financial assets, which potentially subject the Group to credit risk, consist primarily of trade and other receivables, loans granted and cash and cash equivalents. Short-term loans are issued to related parties and they are not overdue and impaired as at 31 December 2015.

The Group's maximum exposure to credit risk by class of assets is reflected in the carrying amounts of financial assets in the consolidated statement of financial position as follows:

In thousands of Russian Roubles	**31 December 2015**	**31 December 2014**
Trade and other receivables, Note 12	**279 639**	**356 196**
Trade receivables	257 817	348 048
Other receivables	21 822	8 148
Short-term loans issued	**835 117**	**-**
Deposits (with maturity over 90 days)	**571 996**	**-**
Cash and cash equivalents, Note 13	**3 738 184**	**764 470**
Cash in hand	254	61
Cash at bank	29 529	84 258
Short-term bank deposits (less than 90 days)	3 708 401	680 151
Total maximum exposure to credit risk	**5 424 936**	**1 120 666**

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to counterparties or groups of counterparties. Limits on the level of credit risk are approved regularly by management. Such risks are monitored on a revolving basis and are subject to an annual, or more frequent, review. The Group's management reviews ageing analysis of outstanding trade receivables and follows up on past due balances. Management therefore considers it appropriate to provide ageing and other information about credit risk as disclosed in Note 12.

27 Financial Risk Management (continued)

The following table shows the credit quality and the concentration of the credit risk in relation to the cash and cash equivalents and other bank deposits as at 31 December 2015 and 31 December 2014:

In thousands of Russian Roubles	Rating of bank according to Moody's	Cash amount at 31 December 2015	Cash amount at 31 December 2014
Cash in hand	-	254	61
Cash and cash equivalents at bank			
Unicredit Bank*	Baa1	27 492	18 526
Raiffeisenbank*	Baa2	74 904	161 768
Sberbank	Ba1	730 773	12 432
VTB	Ba1	2 904 439	568 323
Other	-	322	3 360
Total cash and cash equivalents	**-**	**3 738 184**	**764 470**
Bank deposits (with maturity 90 to 365 days)			
Raiffeisenbank*	Baa2	12 375	-
VTB	Ba1	249 623	-
Sberbank	Ba1	309 998	-
Total bank deposits		**571 996**	**-**

* Deposit rating of these banks refers to parent companies.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit rating, if available. For accounts receivable with no external credit rating available management assesses credit quality by reference to the prior history of working with customers. Customers with longer history of working with the Group are regarded by management as having lower risk of default. The credit quality of trade and other receivables 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 Russian Roubles	31 December 2015	31 December 2014
Core Clients	223 964	319 082
Other Clients	55 675	37 114
Total trade and other receivables	**279 639**	**356 196**

Core clients – Large customers with more than one year of working history with the Group.

These accounts receivables were formed in an ordinary course of business. In 2015, the Group worked with most of customers on the following conditions:

- AO KSK works with most customers on a prepayment basis;
- OOO NUTEP provides its customers 15 to 45 working days payment deferral from the date of invoice delivery;
- OOO TOS grants 5 to 60 days payment deferral to its customers.

The Group's business is dependent on several large key customers accounting for 51% and 56% of the Group's revenue for the year ended 31 December 2015 and 2014 respectively.

Currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total. The positions are monitored quarterly.

The majority of the Group's revenue is denominated in US dollars, while at the same time the company's operating revenue comes both in rubles and in US dollars. Revenue received in Russian Roubles is linearly converted into foreign currency and placed on deposit in accordance with the Group's policy. Thus, a currency risk exists between the dates of revenue accrual and the date of the actual currency purchase. Currency assets received help to minimise the risk, as the majority of borrowings are denominated in US dollars.

27 Financial Risk Management (continued)

Moreover, the Group's companies use forward contracts for currency purchases with aim of future loan repayments. During 2015 and 2014, the Group entered into a number of forward transactions worth a combined total of 5,5 million US dollars in 2015 with a net positive result of 59 019 thousand RR (2014: 7,95 million US dollars with a net positive result of 104 794 thousand RR). According to the Group, as a result of a gain on the revaluation of USD-denominated bank deposits and exchange gains on transactions, the total gain from exchange differences came to 259 690 thousand RR in 2015 (2014: 597 194 thousand RR).

In addition, the Group uses multi-currency credit facilities allowing for a choice of currency depending on market conditions.

The table below summarises the Group's exposure to foreign currency exchange rate risk as at 31 December 2015:

	At 31 December 2015			
In thousands of Russian Roubles	**RR**	**EUR**	**USD**	**TOTAL**
Financial assets				
Cash and cash equivalents	2 508 430	68	1 229 686	**3 738 184**
Deposits (with maturity over 90 days)	-	44 690	527 306	**571 996**
Short-term loans issued	178 093	-	657 024	**835 117**
Trade and other financial receivables	251 156	-	28 483	**279 639**
Total Financial Assets	**2 937 679**	**44 758**	**2 442 499**	**5 424 936**
Financial Liabilities				
Long-term loans and borrowings	(3 000 000)	-	(3 312 857)	**(6 312 857)**
Short-term loans and borrowings	(39 699)	(123 747)	(2 492 951)	**(2 656 397)**
Trade and other financial payables	(43 029)	-	(16 331)	**(59 360)**
Total Financial Liabilities	**(3 082 728)**	**(123 747)**	**(5 822 139)**	**(9 028 614)**
Net Financial Assets/(Liabilities)	**(145 049)**	**(78 989)**	**(3 379 640)**	**(3 603 678)**

The table below summarises the Group's exposure to foreign currency exchange rate risk as at 31 December 2014:

	At 31 December 2014			
In thousands of Russian Roubles	**RR**	**EUR**	**USD**	**TOTAL**
Financial assets				
Cash and cash equivalents	219 808	12 610	532 052	**764 470**
Trade and other financial receivables	325 643	-	30 553	**356 196**
Total Financial Assets	**545 451**	**12 610**	**562 605**	**1 120 666**
Financial Liabilities				
Long-term loans and borrowings	-	(106 115)	(4 755 476)	**(4 861 591)**
Short-term loans and borrowings	(50 000)	(106 117)	(2 095 144)	**(2 251 261)**
Trade and other financial payables	(92 767)	-	(15 066)	**(107 833)**
Total Financial Liabilities	**(142 767)**	**(212 232)**	**(6 865 686)**	**(7 220 685)**
Net Financial Assets/(Liabilities)	**402 684**	**(199 622)**	**(6 303 081)**	**(6 100 019)**

The above analysis includes only monetary assets and liabilities.

Currency risk arises when future transactions or recognised assets or liabilities are denominated in a currency that is not that company's functional currency.

27 Financial Risk Management (continued)

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the respective Group entities, with all other variables held constant:

	Impact on pre-tax profit or loss 2015		Impact on pre-tax profit or loss 2014	
In thousands of Russian Roubles	EUR	USD	EUR	USD
Strengthening by 30,00%	(23 697)	(1 013 892)	(59 887)	(1 890 922)
Weakening by 30,00%	23 697	1 013 892	59 887	1 890 922
Strengthening by 20,00%	(15 798)	(675 926)	(39 924)	(1 260 618)
Weakening by 20,00%	15 798	675 926	39 924	1 260 618
Strengthening by 10,00%	(7 899)	(337 965)	(19 962)	(630 304)
Weakening by 10,00%	7 899	337 965	19 962	630 304

Interest rate risk. The Group's interest rate risk arises from borrowings, loans issued and bank deposits. Borrowings raised at floating rates expose the Group to cash flow interest rate risk. Cash and cash equivalents, loans and borrowings issued at fixed rates expose the Company to fair value interest rate risk. The table presents the aggregated amounts of the Group's cash and loans and borrowings balances split by exposure to fixed or variable interest rates:

In thousands of Russian Roubles	31 December 2015	31 December 2014
Fixed rate instruments		
Bank deposits	4 280 397	680 151
Short-term loans issued	835 117	-
Short-term borrowings	(39 699)	-
Long-term borrowings	(3 000 000)	(342 402)
Variable rate instruments		
Short-term borrowings	(2 616 698)	(2 251 261)
Long-term borrowings	(3 312 857)	(4 519 189)

The table below summarises effective interest rates at each reporting date:

	31 December 2015			31 December 2014		
In % p.a.	RR	EUR	USD	RR	EUR	USD
Assets						
Short-term loans issued	14,50 %	-	7,32 %	-	-	-
Cash and cash equivalents and bank deposits	10,55 %	1,04 %	0,55 %	12,58 %	3,75 %	0,50 %
Liabilities						
Loans and borrowings	13,80 %	4,59 %	4,60 %	15,97 %	4,59 %	4,33 %

The Group does not account for any fixed rate financial assets as fair value through profit or loss or as available-for-sale. Therefore a change in interest rates at the reporting date would not have an effect in profit or loss or in equity.

27 Financial Risk Management (continued)

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

	Profit and equity impact	
In thousands of Russian Roubles	**100 bp decrease**	**100 bp increase**
2015		
Variable rate instruments	58 773	(58 773)
2014		
Variable rate instruments	67 205	(67 205)

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities, all of which are exposed to general and specific market movements. Management monitors this risk on a regular basis using calculations of current and future exposures and evaluating various hedging alternatives.

Fair value estimation. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, excluding a forced sale or liquidation, and is best evidenced by an active quoted market price. The Group has no financial instruments carried at fair value.

Financial assets carried at amortised cost. 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 new instruments with similar credit risk and remaining maturity and similar other terms. The discount rates used depend on the credit risks of counterparty. Also, carrying amounts of trade receivables approximate fair values.

Liabilities carried at amortised cost. The fair value of floating rate liabilities is normally their carrying amount. The fair value is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is unavailable, is estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity and similar other terms. As at 31 December 2015 the fair value of the Group’s borrowings and payables do not differ materially from their carrying amounts.

Liquidity risk. Liquidity risk is a risk whereby the Group encounters difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as much as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The Group’s management monitors current liquidity based on expected cash flows and revenue receipts. Cash flow forecasting is performed at the level of the Group’s operating entities and at its consolidated level by the finance department.

The Group has deposits of 3 708 401 thousand RR with a maturity of less than 90 days after the reporting date, deposits of 368 304 thousand RR with a maturity of more than 90 days but less than six months after the reporting date and deposits of 203 692 thousand RR with a maturity of more than six months after the reporting date. At 31 December 2015 the Group had an undrawn credit facility with UniCreditBank amounting to 182 207 thousand RR and 152 530 thousand RR at 31 December 2014.

The tables below show liabilities as at 31 December 2015 and 31 December 2014, respectively, according to their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including gross loan commitments.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

27 Financial Risk Management (continued)

The maturity analysis of financial liabilities at 31 December 2015 is as follows:

In thousands of Russian Roubles	Carrying amount	Amount of future payments on the contract	Within 6 months	From 6 to 12 months	From 1 year to 2 years	From 2 years to 5 years
Liabilities						
Borrowings, Note 15	8 969 254	10 576 662	1 571 844	1 646 753	1 751 504	5 606 561
Financial payables, Note 16	59 360	59 360	59 360	-	-	-
Total future payments	**9 028 614**	**10 636 022**	**1 631 204**	**1 646 753**	**1 751 504**	**5 606 561**

The maturity analysis of financial liabilities at 31 December 2014 is as follows:

In thousands of Russian Roubles	Carrying amount	Amount of future payments on the contract	Within 6 months	From 6 to 12 months	From 1 year to 2 years	From 2 years to 5 years
Liabilities						
Borrowings, Note 15	7 112 852	7 635 420	1 542 376	1 266 256	2 131 076	2 695 712
Financial payables, Note 16	107 833	107 833	107 833	-	-	-
Total future payments	**7 220 685**	**7 743 253**	**1 650 209**	**1 266 256**	**2 131 076**	**2 695 712**

28 Management of Capital

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to support future development of the business.

Management regularly monitors the Group's capital structure to maintain a balance between the higher shareholders' returns that might be possible with higher levels or borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. Management also ensures that the capital structure complies with financial covenants stipulated by loan facilities obtained by the Group with sufficient headroom (Note 25). There are no other external capital maintenance requirements for the Group.

The Group monitors its capital structure on the basis of Net-Debt-to-EBITDA ratio. For this purpose, the Group defines Net Debt as total current and non-current loans and borrowings (Note 15) less cash and cash equivalents (Note 13). The Group's Net-Debt-to-EBITDA ratio as at 31 December 2015 is 0,95 (31 December 2014: 1,66). Reduction in the Net-Debt-to-EBITDA ratio in 2015 compared to 2014 is the effect of a combination of factors, the main ones are the growth of operating cash flow and as a result of EBITDA (definition of EBITDA is disclosed in Note 23) and the increase in available cash funds placed on deposits (Note 13). Management believes that Group's Net-Debt-to-EBITDA ratio in 2015 is at a comfortable level, as well as the level of debt.

29 Events After the Reporting Period

In February 2016, Standard & Poor's Rating Services confirmed a B+ long-term corporate rating of the Company with a "stable" outlook.

Despite the fact that there has been increased volatility in currency markets in 2015, and the Russian Rouble has depreciated significantly against some major currencies, the Russian Rouble strengthened in the beginning of 2016. As of the beginning of April 2016, the Russian Rouble has appreciated against the US Dollar from 72,8827 as of 31 December 2015 to 67,4662 (7,4%).

There were no other material events after the reporting period that had an effect on the consolidated financial statements as at 31 December 2015.