OOO DeloPorts

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

31 December 2019

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Independent Auditor's Report

To the Shareholders and Board of Directors of Limited liability company DeloPorts:

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Limited liability company DeloPorts (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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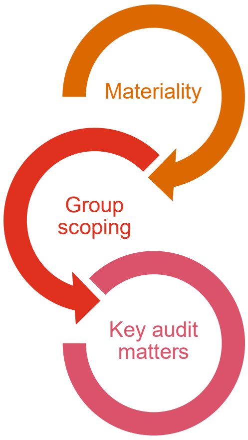
Our audit approach

Overview



Materiality

Overall Group materiality: Russian Roubles ("RUB") 316 million, which represents 5% of profit before tax.

Group audit scope

- We conducted a full-scope audit of the financial information of the Group's subsidiaries: OOO NUTEP, AO KSK and OOO SC DELO, included in the consolidated financial statements.
- Our audit also contained audit procedures on individual significant items of the financial information of OOO DeloPorts, DCP HOLDINGS LIMITED (Cyprus), ATOKOSA LIMITED (Cyprus), OOO TransTerminal-Holding.
- Our audit scope addressed 100% of the Group's revenues and 100% of the Group's profit before tax.

Key audit matter

- Compliance with certain covenants of the credit agreements and the prospectuses for the bond issues that could affect classification of the Group's debt.

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

Materiality

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

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

Overall Group materiality	RUB 316 million
How we determined it	5% of profit before tax

Rationale for the materiality benchmark applied	We chose profit before tax as the materiality benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users of the consolidated financial statements. We set 5% threshold, which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Compliance with certain covenants of the credit agreements and the prospectuses for the bond issues that could affect classification of the Group's debt *Borrowings funds are disclosed in Note 14 to the consolidated financial statements. Compliance with certain covenants of the credit agreements and the prospectuses for the bond issues, the breach of which may result in the requirement of early repayment of borrowings, is disclosed in Note 25 to the consolidated financial statements.* The consolidated statement of financial position as at the reporting date includes borrowings in the amount of RUB 23,223 million, including long-term borrowings of RUB 19,816 million and short-term borrowings of RUB 3,407 million. These figures include loans due to banks of RUB 10,764 million and bonds of RUB 12,459 million. Under the terms and conditions of the credit agreements and the prospectuses for the bond issues, the Group should comply with certain financial and non-financial covenants, the breach of which may result in the requirement of early repayment of borrowings. The Group's management reviewed compliance with these covenants during the reporting period and as at the reporting date and concluded that no breach of covenants occurred. We included this issue in the key audit matters, as the amount of borrowings is material and because the possibility of early settlement of	We reviewed the credit agreements and the prospectuses for the bond issues in terms of certain covenants included therein, the breach of which may result in the requirement of early repayment of the borrowings. We reviewed compliance with the certain financial covenants by recalculating and comparing the values to thresholds set by the credit agreements and the prospectuses. We reviewed compliance with the certain non-financial covenants by inspection of documents confirming the compliance with these conditions (for example, timely submission of documents to the bank though reconciliation of the dates stamped in Group outgoing mail with dates established by the credit agreements) and confirming the presence / absence of business operation items. We reviewed the disclosure of compliance with certain covenants included in the credit agreements and the prospectuses for the bond issues in Note 25 to the consolidated financial statements for sufficiency and appropriateness.

liabilities may result in a significant cash outflow and, as a result, in liquidity issues.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls and the industry in which the Group operates.

We conducted a full-scope audit of the financial information of the following Group companies, which we identified as material components:

- OOO NUTEP;
- AO KSK;
- OOO SC DELO.

All the work in respect of material components was performed by us as the Group's auditor.

For OOO DeloPorts, DCP HOLDINGS LIMITED (Cyprus), ATOKOSA LIMITED (Cyprus), OOO TransTerminal-Holding, we performed audit procedures on individual significant items of the financial information of these companies.

The audit team visited the facilities of OOO NUTEP, AO KSK and OOO SC DELO located in Novorossiysk, Krasnodar Region.

Other information

Management is responsible for the other information. The other information comprises information contained in the Annual Report for 2019 and the Issuer's Report for the 1 quarter of 2020, other than the consolidated financial statements and our auditor's report thereon. The Annual Report for 2019 and the Issuer's Report for the 1 quarter of 2020 are expected to be made available to us after the date of the auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report for 2019 and the Issuer's Report for the 1 quarter of 2020 if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The certified auditor responsible for the audit resulting in this independent auditor's report is Vyacheslav Vladimirovich Solovyev.

AO PricewaterhouseCoopers Audit

30 April 2020

Moscow, Russian Federation

V.V. Solovyev, certified auditor (licence No. 01-000269), AO PricewaterhouseCoopers Audit

Audited entity: Limited liability company DeloPorts

Record made in the Unified State Register of Legal Entities on 15 April 2015 under State Registration Number 1157746350090

Taxpayer Identification Number 7706420120

21 Sukhumskoye Shosse, Novorossiysk, Krasnodar Region, Russian Federation, 353902

Independent auditor: AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431

Taxpayer Identification Number 7705051102

Member of Self-regulatory organization of auditors Association «Sodruzhestvo»

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 12006020338

In thousand RR	Note	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	7	15 435 613	11 913 453
Mooring rights and other intangible assets	9	-	3 503 714
Right-of-use assets	9	4 698 059	-
Goodwill	8	190 066	190 066
Investment in associate	10	-	6 377
Long-term loans issued	6	9 087 894	10 205 581
Deferred income tax assets	24	22 050	176 306
Prepayments for non-current assets	7	251 277	901 513
Other non-current assets		19 582	21 599
Total non-current assets		**29 704 541**	**26 918 609**
Current assets			
Inventories	11	201 405	146 527
Trade and other receivables	12	800 645	892 942
Non-current assets held for sale	7	-	64 166
Short-term loans issued	6	4 886 269	3 735 102
Deposits (with maturity over 90 days)	13	-	115 100
Cash and cash equivalents	13	1 096 767	1 721 781
Total current assets		**6 985 086**	**6 675 618**
TOTAL ASSETS		**36 689 627**	**33 594 227**
EQUITY			
Chartered capital	23	100 000	100 000
Additional capital	23	15 590	15 590
Translation reserve		-	216 283
Retained earnings		9 702 721	9 434 946
Equity attributable to the Company's owners		**9 818 311**	**9 766 819**
Non-controlling interest	26	228 671	697 203
TOTAL EQUITY		**10 046 982**	**10 464 022**
LIABILITIES			
Non-current liabilities			
Long-term borrowings	14	19 815 791	19 017 931
Deferred income		8 567	8 567
Deferred income tax liabilities	24	1 371 580	1 124 358
Lease liabilities	9	1 298 374	-
Total non-current liabilities		**22 494 312**	**20 150 856**
Current liabilities			
Short-term borrowings	14	3 407 114	2 151 970
Trade and other payables	15	669 120	650 162
Current income tax payable		38 982	177 217
Lease liabilities	9	20 342	-
Other financial liabilities		12 775	-
Total current liabilities		**4 148 333**	**2 979 349**
TOTAL LIABILITIES		**26 642 645**	**23 130 205**
TOTAL LIABILITIES AND EQUITY		**36 689 627**	**33 594 227**

Approved for issue and signed on 30 April 2020:

I.A. Yakovenko
General director

The accompanying notes on pages 5 - 45 are an integral part of these consolidated financial statements.

In thousand RR	Note	2019	2018
Revenue	16	9 834 674	11 919 044
Cost of sales	17	(3 081 506)	(3 258 075)
Gross profit		**6 753 168**	**8 660 969**
Selling and administrative expenses	18	(632 760)	(482 673)
Other operating income and expenses, net	19	(219 804)	(297 649)
Net foreign exchange (loss)/gain from operating activities		(62 334)	67 975
Operating profit		**5 838 270**	**7 948 622**
Share of result of associate	10	(6 377)	2 243
Gain arising from derecognition of financial asset measured at amortised cost	6	197 593	400 491
Gain on disposal of subsidiary	1	165 355	-
Finance income	20	1 038 814	908 140
Finance costs	21	(1 369 108)	(1 070 377)
Net foreign exchange gain/(loss) from financing activities		464 904	(478 038)
Profit before income tax		**6 329 451**	**7 711 081**
Income tax expense	24	(1 466 126)	(1 603 164)
PROFIT FOR THE YEAR		**4 863 325**	**6 107 917**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation to presentation currency		-	72 952
Other comprehensive income		**-**	**72 952**
TOTAL COMPREHENSIVE INCOME		**4 863 325**	**6 180 869**
Profit is attributable to:			
- Owners of the Company		4 322 775	5 104 002
- Non-controlling interest	26	540 550	1 003 915
Profit for the year		**4 863 325**	**6 107 917**
Total comprehensive income is attributable to:			
- Owners of the Company		4 322 775	5 176 954
- Non-controlling interest		540 550	1 003 915
Total comprehensive income for the year		**4 863 325**	**6 180 869**

The accompanying notes on pages 5 - 45 are an integral part of these consolidated financial statements.

In thousand RR	Attributable to owners of the Company: Chartered capital	Additional capital	Translation reserve	Retained earnings	Total	Non-controlling interest	Total
Balance at 1 January 2018	**100 000**	**15 590**	**143 331**	**8 651 837**	**8 910 758**	**781 159**	**9 691 917**
Profit for the year	-	-	-	5 104 002	5 104 002	1 003 915	6 107 917
Other comprehensive income	-	-	72 952	-	72 952	-	72 952
Total comprehensive income for 2018	**-**	**-**	**72 952**	**5 104 002**	**5 176 954**	**1 003 915**	**6 180 869**
Dividends declared, Note 6	-	-	-	(4 000 500)	(4 000 500)	(1 087 871)	(5 088 371)
Recognition of a long-term loan to the parent company at fair value, Note6	-	-	-	(320 393)	(320 393)	-	(320 393)
Total transactions with equity holders for 2018	**-**	**-**	**-**	**(4 320 893)**	**(4 320 893)**	**(1 087 871)**	**(5 408 764)**
Balance at 31 December 2018	**100 000**	**15 590**	**216 283**	**9 434 946**	**9 766 819**	**697 203**	**10 464 022**
Profit for the year	-	-	-	4 322 775	4 322 775	540 550	4 863 325
Disposal of ATOKOSA LIMITED, Note1	-	-	(216 283)	-	(216 283)	-	(216 283)
Total comprehensive income/(loss) for 2019	**-**	**-**	**(216 283)**	**4 322 775**	**4 106 492**	**540 550**	**4 647 042**
Dividends declared, Note 6	-	-	-	(4 055 000)	(4 055 000)	(1 009 082)	(5 064 082)
Total transactions with equity holders for 2019	**-**	**-**	**-**	**(4 055 000)**	**(4 055 000)**	**(1 009 082)**	**(5 064 082)**
Balance at 31 December 2019	**100 000**	**15 590**	**-**	**9 702 721**	**9 818 311**	**228 671**	**10 046 982**

In thousand RR	**Note**	**2019**	**2018**
Cash flows from operating activities			
Profit for the year		4 863 325	6 107 917
Adjustments for:			
Depreciation of property, plant and equipment	7	543 083	426 278
Amortisation of mooring rights and other intangible assets		-	108 732
Amortisation of right-of-use assets and other non-current assets	9	153 577	-
Other non-monetary expenses		1 825	-
Loss from remeasurement of asset to fair value	7	27 000	207 975
Loss on disposal of property, plant and equipment	19	14 005	7 448
Finance income	20	(1 038 814)	(908 140)
Finance costs	21	1 369 108	1 070 377
Disposal of a subsidiary	1	(165 355)	-
Gain arising from derecognition of financial asset measured at amortised cost	6	(197 593)	(400 491)
Net foreign exchange (gain)/loss from financing activities		(464 904)	478 038
Income tax expense	24	1 466 126	1 603 164
Share of result of associate	10	6 377	(2 243)
Operating cash flows before working capital changes		**6 577 760**	**8 699 055**
Decrease/(increase) in trade and other receivables		90 472	(456 503)
Increase in inventories		(54 878)	(13 149)
Increase/(decrease) in trade and other payables		190 718	(168 877)
Operating cash flows including working capital changes		**6 804 072**	**8 060 526**
Income taxes paid		(1 201 511)	(1 511 200)
Net cash from operating activities		**5 602 561**	**6 549 326**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(3 395 653)	(3 557 432)
Proceeds from sale of property, plant and equipment		77 792	4 474
Interest on deposits	20	121 224	114 898
Interest received	6	730 008	89 414
Loans granted	6	(2 390 000)	(10 390 000)
Short-term deposits with maturity from 90 to 365 days		-	(115 100)
Proceeds from repayment of loans granted		877 535	1 739 748
Repayment of deposits with maturity from 90 to 365 days		115 100	617 737
Net cash used in investing activities		**(3 863 994)**	**(11 496 261)**
Cash flows from financing activities			
Proceeds from borrowings	14	7 556 993	12 821 679
Repayment of borrowings	14	(3 952 580)	(2 254 337)
Interest paid	14	(1 425 181)	(1 024 622)
Repayment of lease liabilities - principal	9	(27 038)	-
Repayment of lease liabilities - interest	9	(111 723)	-
Commissions and other finance costs paid	14	-	(145 557)
Dividends paid to the owners of the Company	6	(3 317 950)	(4 000 500)
Dividends paid to non-controlling interests	6	(1 009 082)	(1 088 678)
Net cash used in/recieved from financing activities		**(2 286 561)**	**4 307 985**
Net change in cash and cash equivalents		(547 994)	(638 950)
Cash and cash equivalents at the beginning of the year	13	**1 721 781**	**1 645 193**
Effect of exchange rate changes on cash and cash equivalents	13	(77 020)	715 538
Cash and cash equivalents at the end of the year	13	**1 096 767**	**1 721 781**

The accompanying notes on pages 5 - 45 are an integral part of these consolidated financial statements.

1. General Information

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) for the year ended 31 December 2019 for OOO DeloPorts (hereinafter, the “Company”) and its subsidiaries (hereinafter, jointly referred to as the "Group” or “DeloPorts Group”).

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

The Company is registered at 21 Sukhumskoye shosse, Novorossiysk, Russian Federation, 353902.

As at 31 December 2019 and 31 December 2018, the Group’s immediate and ultimate parent company was Limited liability company Management company Delo and the Group’s ultimate controlling party was S.N. Shishkarev.

Subsidiary companies of OOO DeloPorts:

			Percentage of control as at 31 December, %	
Group company name	**Country of registration**	**Activity**	**2019**	**2018**
OOO NUTEP	Russia	Container terminal	100	100
OOO TransTerminal-Holding	Russia	Holding company	100	100
ATOKOSA LIMITED	Cyprus	Holding company	-	100
AO KSK	Russia	Grain terminal	75	75
DCP HOLDINGS LIMITED	Cyprus	Holding company	75	75
OOO SC DELO	Russia	Service company	100	100

ATOKOSA LIMITED was liquidated in 2019. The effect of the disposal of the company from the Group is reflected in the consolidated statement of comprehensive income in the amount of RUB 165 355 thousand RR, as well as in the consolidated statement of changes in equity regarding write-off of the translation reserve in the presentation currency in the amount of RUB 216 283 thousand RR.

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 2019.

These consolidated financial statements have been prepared applying the IFRSs issued and effective as at 31 December 2019 based on historical cost for initial acquisitions except for cases stated in significant accounting policies. The Group has not applied early any standards or amendments which are not yet effective (further information presented in the Note 4). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 9 and IFRS 15 effective from 1 January 2018, these policies have been consistently applied to all the periods presented in consolidated financial statements, unless otherwise stated. The principal accounting policies in respect of financial instruments and revenue recognition applied until 31 December 2017 are presented in Note 30.

The preparation of consolidated 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.

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”).

2. Summary of Significant Accounting Policies (continued)

These consolidated financial statements are presented in Russian Roubles ("RR"), which is the Group's presentation currency. The Group prepares the consolidated financial statements both in United States Dollars and Russian Roubles. The Group prepares consolidated financial statements in United States Dollars on a voluntary basis for a variety of financial statements users.

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) components of equity are translated at the historic rate;

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

When control over a foreign operation with a functional currency other than the functional or presentation currency of the Group 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 2019, the exchange rate used for translating foreign currency balances was USD 1 = RR 61,9057 (31 December 2018: USD 1 = RR 69,4706) and Euro 1 = RR 69,3406 (31 December 2018: Euro 1 = RR 79,4605). The 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 2019, was USD 1 = RR 64,6912, Euro 1 = RR 72,4510 (for the year ended 31 December 2018: USD 1 = RR 62,7680 and Euro 1 = RR 73,9389).

Consolidated financial statements. Subsidiaries are those investees 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.

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.

2. Summary of Significant Accounting Policies (continued)

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.

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) 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 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.

***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 entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent 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. Investments in associates are accounted for using the equity method of accounting and are 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.

The Group's share of the profit or loss of its associates after acquisition is recognized in the profit or loss, and its share of other comprehensive income after acquisition is recognized in other comprehensive income with an appropriate adjustment to the carrying amount of the investment.

However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

At each reporting date, management of the Group determines whether there is objective evidence that an investment in an associate is impaired based on the requirements of IAS 39 "Financial Instruments: Recognition and Measurement". Significant negative changes in the conditions of technology, market, economy and legal regulation in which the associate operates, are objective evidence that the interest in the associate may be impaired. In addition, a significant or prolonged decline in the fair value of an associate below its cost is also objective evidence of impairment. If there are indications that an investment in an associate may be impaired, the Group calculates the amount of the impairment as the difference between the recoverable amount of the associate and its carrying amount, recognizing the amount of the impairment loss in profit or loss. Impairment losses are presented in profit or loss next to the share in the financial results of the associate, which are accounted for using the equity method.

Gains and losses on operating and sales transactions between the Group and its associates are reflected in the consolidated financial statements of the Group only in the amount of the interests of unrelated investors in these enterprises. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. If necessary, the accounting policies of associates are amended to ensure consistency with the accounting policies of the Group.

2. Summary of Significant Accounting Policies (continued)

Gains and losses on the dilution of investments in associates are recognized in 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 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 – key measurement terms. 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. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the Group. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") 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 allowance for expected credit losses *("ECL")*. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the 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 the related items in the consolidated statement of financial position.

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 gross 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. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

2. Summary of Significant Accounting Policies (continued)

Financial instruments – initial recognition. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for 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. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

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.

Financial assets – classification and subsequent measurement – measurement categories. The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected.

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Financial assets – reclassification*.* Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Group did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL. The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Group measures ECL and recognises Net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC and contract assets are presented in the consolidated statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the consolidated statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

2. Summary of Significant Accounting Policies (continued)

The Group applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL").

If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses for trade and other receivable which uses a lifetime expected loss allowance for all trade and other receivables.

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets - derecognition. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control. 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.

Financial assets – modification. The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

2. Summary of Significant Accounting Policies (continued)

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Offsetting financial instruments. Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Revenue recognition. Revenue is income arising in the course of the Group’s ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. Revenue is recognised net of discounts, returns, bonuses and value added taxes.

The Group provides load handling (mainly, grain and containers), storage and other related stevedoring services and towing, agent and oil bunkering services. The Group provides services under fixed-price contracts.

Revenue from handling, towing, agent services and other related stevedoring operations is recognized at the moment when service is rendered. Revenue from storage services is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. Revenue from bunkering is recognized at the moment of transfer of control to the customer, usually when the fuel is bunkered to the customer's vessel.

Where the contracts include multiple performance obligations, the transaction price is allocated to each separate performance obligation based on the stand-alone selling prices.

No element of financing is deemed present as the sales are made with a credit term of 60 days, which is consistent with market practice. Thus, the Group does not adjust any of the transaction prices for the time value of money.

A receivable is recognised when the goods are delivered, and services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Contract liabilities include advances received from customers.

Interest income. Interest income and expenses are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income and expenses, all fee received between the parties to the contract that are an integral part of the effective interest rate, all other premiums or discounts.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

2. Summary of Significant Accounting Policies (continued)

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.

At the end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. 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	4 to 50 years
Constructions	5 to 50 years
Machinery and equipment	2 to 30 years
Vehicles and other	3 to 15 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.

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.

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.

Right-of-use assets. The Group leases mooring berths, buildings and other constructions. Assets arising from a lease are initially measured on a present value basis.

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

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct cost;
- costs to restore the asset to the conditions required by lease agreements.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The Group are calculating depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows:

2. Summary of Significant Accounting Policies (continued)

	Useful lives in years
Mooring berths	30-50 years
Buildings and other constructions	1-5 years

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

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Group, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, and
- makes adjustments specific to the lease, e.g. term, country, currency and collateral

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

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 the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilised.

2. Summary of Significant Accounting Policies (continued)

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.

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.

Chartered capital and additional capital. The nominal value of equity stakes is 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 events after the reporting period note.

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.

2. Summary of Significant Accounting Policies (continued)

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.

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 the unified social tax.

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.

Change data classification. During the year, the Group changed the classification of other intangible assets and prepayments for current income tax in the consolidated statement of financial position. The Group considers that such a change provides reliable and more relevant information. In accordance with IAS 8, the change was made retrospectively and comparatives were adjusted accordingly. After reclassification, Other intangible assets were recorded under the line «Other non-current assets», the prepayment of current income tax is recorded in the line «Trade and other receivables».

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 program; and (c) technical or commercial obsolescence arising from changes in market conditions.

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

Were the estimated useful lives 10% lower than management's estimates, the impact on depreciation for the year ended 31 December 2019 would have been an increase by 54 308 thousand RR (2018: 42 628 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 2019. The carrying amount of goodwill as at 31 December 2019 was 190 066 thousand RR (2018: 190 066 thousand RR) (please see Note 8).

Discount rates used for determination of lease liabilities. The Group uses its incremental borrowing rate as a base for calculation of the discount rate because the interest rate implicit in the lease cannot be readily determined.

An increase or decrease in the discount rate by 10% for the year ended 31 December 2019 would lead to an increase or decrease in lease liabilities by 94 019 thousand RR. (1 January 2019: 91 857 thousand RR).

Depreciation of right-of-use assets. In determining the useful life of right-of-use assets, the Group considers the duration of the long-term lease of assets.

Recognition of related party transactions. In the ordinary course of business, the Group enters to transactions with related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgment is pricing for similar types of transactions with unrelated parties and analysis of the effective interest rate. In 2018, the Company issued a long-term loan to its parent company. To reflect this asset at fair value, based on market interest rate, its value has been adjusted. The result of this adjustment was recognized in consolidated statement of changes in equity. Subsequently, the terms of the loan were revised. The management of the Group estimates that the revision of the loan conditions has led to substantial modification of contractual cash flows due to changes in loan currency and adjusting the interest rate to market level. As a result, the Group derecognised the original financial instrument with the result from derecognition in profit or loss and a new financial asset was recognized (Note 6).

ECL measurement. Measurement of ECLs is a significant estimate that involves determination methodology, models and data inputs. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"). The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience (Note 27).

4. New Accounting Pronouncements

IFRS 16, Leases (issued on January 2016 and effective for annual periods beginning on or after 1 January 2019).

The Group decided to apply the standard from its mandatory adoption date of 1 January 2019 using the modified retrospective method, without restatement of comparatives and using certain simplifications allowed by the standard. Right-of-use assets for property leases are measured on transition as if the new rules had always applied. Right-of-use assets are measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued expenses).

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard: applying a single discount rate to a portfolio of leases with reasonably similar characteristics

- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019,
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application.

4. New Accounting Pronouncements (continued)

The weighted average incremental borrowing rate applied be the Group to the leased liabilities on 1 January 2019 was 9%.

A reconciliation of the operating lease commitments disclosed as at 31 December 2018 to the recognised liability as 1 January 2019 is as follows

In thousand RR	**1 January 2019**
Total future minimum lease payments for non-cancellable operating leases as at 31 December 2018	3 869 781
Effect of discounting to present value	(2 665 609)
Excluding rent agreements with flexible payments which are not depended on index or rate	(11 516)
Total lease liabilities	**1 192 656**

Non-cancellable leases include those cancellable only: (a) upon the occurrence of some remote contingency, (b) with the permission of the lessor, (c) if the lessee enters into a new lease for the same or an equivalent asset with the same lessor; or (d) upon payment by the lessee of such an additional amount that, at inception of the lease, continuation of the lease is reasonably certain.

As at 31 December 2019, lease liabilities include long-term lease liabilities in the amount of 1 167 888 thousand RR and short-term in the amount of 24 768 thousand RR.

A reconciliation of the right-of-use assets with mooring rights and other intangible assets represented in the Consolidated Statement of Financial Position as at 31 December 2018 is as follows:

In thousand RR	**1 January 2019**
Transfer from mooring rights and other intangible assets	3 503 714
Total future minimum lease payments for non-cancellable operating leases as at 31 December 2018	3 869 781
Effect of discounting to present value	(2 665 609)
Excluding rent agreements with flexible payments which are not depended on index or rate	(11 516)
Total right-of-use assets	**4 696 370**

The following amended standards became effective from 1 January 2019, but did not have any material impact on the Group:

- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures” (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).

The information about the standards and interpretations that have been issued but have not yet entered into force on the date the consolidated financial statements of the Group are issued is below. The Group plans to apply these standards if they relate to its activities when they enter into force:

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). 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 the amendments on its consolidated financial statements.

4. New Accounting Pronouncements (continued)

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020). The revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020). The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ("IBORs"). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Cash flow hedge accounting under both IFRS 9 and IAS 39 requires the future hedged cash flows to be "highly probable". Where these cash flows depend on an IBOR, the relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Both IAS 39 and IFRS 9 require a forward-looking prospective assessment in order to apply hedge accounting. While cash flows under IBOR and IBOR replacement rates are currently expected to be broadly equivalent, which minimises any ineffectiveness, this might no longer be the case as the date of the reform gets closer. Under the amendments, an entity may assume that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based, is not altered by IBOR reform. IBOR reform might also cause a hedge to fall outside the 80–125% range required by retrospective test under IAS 39. IAS 39 has therefore been amended to provide an exception to the retrospective effectiveness test such that a hedge is not discontinued during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside this range. However, the other requirements for hedge accounting, including the prospective assessment, would still need to be met. In some hedges, the hedged item or hedged risk is a non-contractually specified IBOR risk component. In order for hedge accounting to be applied, both IFRS 9 and IAS 39 require the designated risk component to be separately identifiable and reliably measurable. Under the amendments, the risk component only needs to be separately identifiable at initial hedge designation and not on an ongoing basis. In the context of a macro hedge, where an entity frequently resets a hedging relationship, the relief applies from when a hedged item was initially designated within that hedging relationship. Any hedge ineffectiveness will continue to be recorded in profit or loss under both IAS 39 and IFRS 9. The amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present.

The amendments require entities to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties, including the nominal amount of hedging instruments to which the reliefs are applied, any significant assumptions or judgements made in applying the reliefs, and qualitative disclosures about how the entity is impacted by IBOR reform and is managing the transition process.

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in the consolidated financial reporting.

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 results of which 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 service. 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.
Grain segment	is represented by grain terminal, AO KSK, which also handles general and RoRo cargo.
Service segment	is represented by company OOO SC DELO, which provides bunkering, agency service and towing operations 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, gain arising from derecognition of financial asset measured at amortised cost and income tax (see note 22). 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. Operations between segments are proceeded on market conditions. Segment information does not include information about dividends distribution and balance of payments between segments and holding companies.

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

In thousand RR	**2019**	**2019, %**	**2018**	**2018, %**
Container segment	4 912 234	49,9	4 044 954	33,9
Container cargo handling	3 060 495	-	2 418 783	-
Storage services	910 687	-	759 239	-
Inspection services	544 386	-	456 762	-
General cargo handling	40 751	-	63 672	-
Ro-Ro handling	3 284	-	8 200	-
Other port services	352 631	-	338 298	-
Grain segment	3 362 569	34,2	6 017 165	50,5
Grain handling	3 227 185	-	5 892 330	-
General cargo handling	-	-	102	-
Ro-Ro handling	18 239	-	4 302	-
Other port services	117 145	-	120 431	-
Service segment	1 559 871	15,9	1 856 925	15,6
Bunkering segment	1 024 056	-	1 421 284	-
Towing services	428 750	-	378 423	-
Other port services	107 065	-	57 218	-
Total	**9 834 674**	**100**	**11 919 044**	**100**

5. Segment Information (continued)

Operating segments (Container, Grain, Service) 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.

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. Other revenue includes a combination of port services, which combined share does not exceed 10% 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 and volumes of grain loading. 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 SC DELO revenue comes from bunkering, agency and towing services in the port of Novorossiysk. The company bunkers the vessels calling Novorossiysk either during loading, or at sea, with fuel oil and/or diesel. OOO SC DELO purchases fuel from Russian refineries. Fuel oil accounts for 99% of total purchase and sales volume in terms of quantity. Towing and agency services are performed by own tugboats and agency department. In 2019, OOO SC DELO operated on five tugboats and, in addition, is awaiting the commissioning of the sixth tugboat in 2021.

Operational risks

There is a risk of fluctuations in cargo turnover, which can be caused by the restriction of the export of certain types of cargo. This risk is mitigated by Russia's growing export potential. The Group's balanced operating model proved consistent during times of sharp fluctuations in container turnover in 2015 and when grain duty was introduced in 2015-2016.

The Group depends on a relatively limited number of major customers (shipping lines and grain traders) for a significant portion of its business. These customers are influenced by conditions of their market sector, which can result in changes in their forecasts for transshipment through DeloPorts Group's terminals. The Group regularly communicates with key customers and actively monitors changes that might affect customers' demand for the Group's services. In addition, the points of growth for the Group's business continue to be the demand for high-quality transshipment services and the development of terminal infrastructure by improving service conditions and introducing additional capacity.

5. Segment Information (continued)

Segment information for the reportable segments for the year ended 31 December 2019 is set out below:

						Reconciliation adjustments	
In thousand RR	**Container**	**Grain**	**Service**	**Total for operating segments**	**Holdings**	**Inter-segment eliminations**	**Total for the Group**
External revenue	4 912 234	3 362 569	1 555 240	9 830 043	4 631	-	9 834 674
Revenues from other segments	19 515	8 352	-	27 867	67 729	(95 596)	-
Total revenue	**4 931 749**	**3 370 921**	**1 555 240**	**9 857 910**	**72 360**	**(95 596)**	**9 834 674**
Cost of sales	(1 425 402)	(545 546)	(1 130 984)	(3 101 932)	(45 243)	65 669	(3 081 506)
Selling and administrative expenses	(159 954)	(96 930)	(78 572)	(335 456)	(310 673)	13 369	(632 760)
Foreign exchange gain/(loss) from operating activities	(37 223)	13 136	(38 247)	(62 334)	-	-	(62 334)
Other operating income/(expenses), net	17 497	(18 087)	(2 727)	(3 317)	(216 487)	-	(219 804)
Operating profit/(loss)	**3 326 667**	**2 723 494**	**304 710**	**6 354 871**	**(500 043)**	**(16 558)**	**5 838 270**
Finance income/(expenses), net	(244 637)	(45 297)	(39 404)	(329 338)	(15 773)	14 817	(330 294)
Share of result of associate	-	-	(6 377)	(6 377)	-	-	(6 377)
Gain arising from the derecognition of financial assets measured at amortised cost	-	-	-	-	197 593	-	197 593
Gain from disposal of subsidiary	-	-	-	-	165 355	-	165 355
Foreign exchange (losses)/gains from financing activities	271 966	25 333	207 333	504 632	(39 728)	-	464 904
Profit before income tax	**3 353 996**	**2 703 530**	**466 262**	**6 523 788**	**(192 596)**	**(1 741)**	**6 329 451**
Income tax expense	(674 426)	(541 482)	(95 537)	(1 311 445)	(114 646)	(40 035)	(1 466 126)
Profit for the year	**2 679 570**	**2 162 048**	**370 725**	**5 212 343**	**(307 242)**	**(41 776)**	**4 863 325**
EBITDA, Note 22	3 794 123	2 882 839	375 843	7 052 805	(278 828)	(19 243)	6 754 734
Additions to property, plant and equipment, Note 7	2 928 108	1 145 318	15 558	4 088 984	47 318	3 146	4 139 448
As at 31 December 2019							
Total reportable segment assets	15 155 729	5 617 694	2 319 562	23 092 985	13 958 825	(362 183)	36 689 627
Total reportable segment liabilities	(8 040 111)	(4 703 009)	(1 433 241)	(14 176 361)	(12 828 467)	362 183	(26 642 645)

5. Segment Information (continued)

Segment operating expenses included in cost of sales and selling and administrative expenses for the year ended 31 December 2019 were as follows:

						Reconciliation adjustments	
In thousand RR	**Container**	**Grain**	**Service**	**Total for operating segments**	**Holdings**	**Inter-segment eliminations**	**Total for the Group**
Cost of oil products	-	-	850 891	850 891	-	-	850 891
Staff costs	592 458	266 246	147 592	1 006 296	110 972	(34 459)	1 082 809
Depreciation of property, plant and equipment	341 167	133 371	68 406	542 944	2 824	(2 685)	543 083
Rent expenses	12 892	3 905	-	16 797	-	-	16 797
Amortisation of right-of-use assets and other non-current assets	143 786	7 887	-	151 673	1 904	-	153 577
Purchased services (including audit and consulting services)	140 526	32 708	53 976	227 210	70 244	(32 080)	265 374
Repairs and maintenance of property, plant and equipment	92 926	33 899	2 165	128 990	1 235	-	130 225
Taxes other than income taxes	82 266	37 888	60	120 214	-	-	120 214
Fuel, electricity and gas	94 679	44 523	16 611	155 813	940	-	156 753
Other expenses	84 656	82 049	69 855	236 560	167 797	(9 814)	394 543
Total expenses	**1 585 356**	**642 476**	**1 209 556**	**3 437 388**	**355 916**	**(79 038)**	**3 714 266**

5. Segment Information (continued)

Segment information for the reportable segments for the year ended 31 December 2018 is set out below:

In thousand RR	Container	Grain	Service	Total for operating segments	Holdings	Reconciliation adjustments Inter-segment eliminations	Total for the Group
External revenue	4 044 954	6 017 165	1 856 925	11 919 044	-	-	11 919 044
Revenues from other segments	12 763	6 767	-	19 530	77 479	(97 009)	-
Total revenue	**4 057 717**	**6 023 932**	**1 856 925**	**11 938 574**	**77 479**	**(97 009)**	**11 919 044**
Cost of sales	(1 276 305)	(680 115)	(1 317 950)	(3 274 370)	(29 354)	45 649	(3 258 075)
Selling and administrative expenses	(128 939)	(113 405)	(64 545)	(306 889)	(180 768)	4 984	(482 673)
Foreign exchange loss from operating activities	874	3 252	63 849	67 975	-	-	67 975
Other operating income/(expenses), net	(14 833)	(213 345)	(5 481)	(233 659)	(63 990)	-	(297 649)
Operating profit/(loss)	**2 638 514**	**5 020 319**	**532 798**	**8 191 631**	**(196 633)**	**(46 376)**	**7 948 622**
Finance (expenses)/income, net	(90 244)	30 954	(40 462)	(99 752)	(62 485)	-	(162 237)
Share of result of associate	-	-	2 243	2 243	-	-	2 243
Foreign exchange (losses)/gains from financing activities	(298 694)	(28 929)	(171 229)	(498 852)	20 814	-	(478 038)
Profit/(loss) before income tax	**2 249 576**	**5 022 344**	**323 350**	**7 595 270**	**(238 304)**	**(46 376)**	**7 310 590**
Income tax (expense) /credit	(469 089)	(1 006 955)	(64 712)	(1 540 756)	(60 631)	(1 777)	(1 603 164)
Profit/(loss) for the year	**1 780 487**	**4 015 389**	**258 638**	**6 054 514**	**(298 935)**	**(48 153)**	**5 707 426**
Profit for the year for discontinued operations	-	-	-	-	400 491	-	400 491
EBITDA, Note 22	2 990 371	5 392 247	577 208	8 959 826	(130 697)	(47 848)	8 781 281
Additions to property, plant and equipment, Note 7	2 373 687	1 437 003	798 743	4 609 433	786	(48 255)	4 561 964
As at 31 December 2018							
Total reportable segment assets	11 828 979	5 163 551	2 432 992	19 425 522	14 405 466	(236 761)	33 594 227
Total reportable segment liabilities	(5 709 609)	(2 374 736)	(1 718 045)	(9 802 390)	(13 564 576)	236 761	(23 130 205)

5. Segment Information (continued)

Segment operating expenses included in cost of sales and selling and administrative expenses for the year ended 31 December 2018 were as follows:

In thousand RR	Container	Grain	Service	Total for operating segments	Holdings	Reconciliation adjustments: Inter-segment eliminations	Total for the Group
Cost of oil products	-	-	1 093 729	1 093 729	-	-	1 093 729
Staff costs	456 959	373 816	116 127	946 902	99 930	(23 385)	1 023 447
Depreciation of property, plant and equipment	229 476	158 543	38 929	426 948	802	(1 472)	426 278
Operating lease rentals	218 541	34 489	-	253 030	-	-	253 030
Amortisation of intangible assets	107 548	40	-	107 588	1 144	-	108 732
Purchased services (including audit and consulting services)	107 434	16 450	58 962	182 846	52 922	(20 453)	215 315
Repairs and maintenance of property, plant and equipment	82 578	47 052	2 105	131 735	-	-	131 735
Taxes other than income taxes	44 139	36 418	86	80 643	-	-	80 643
Fuel, electricity and gas	71 461	50 478	11 284	133 223	808	-	134 031
Other expenses	87 108	76 234	61 273	224 615	54 516	(5 323)	273 808
Total expenses	**1 405 244**	**793 520**	**1 382 495**	**3 581 259**	**210 122**	**(50 633)**	**3 740 748**

6. Balances and Transactions with Related Parties

The Group had the following categories of related parties as at 31 December 2019 and for the year then ended 31 December 2019:

1. Parent company;
2. Entities under common control;
3. Associates;
4. Key management personnel;
5. Other related parties. Other related parties include a non-controlling shareholder which is able to exercise significant influence on the Group's significant subsidiary and companies on which the parent company of the Group is able to exercise significant influence. Related parties are also the Government and government-related companies because in 2019 a state-owned company became a shareholder of the parent company with a significant influence over the Group.

At 31 December 2019, the outstanding balances with related parties were as follows:

In thousand RR	**Parent company**	**Entities under common control**	**Associates**	**Other related parties**
Trade and other receivables	-	136 329	-	1 095
Loans issued*	13 974 163	-	-	-
Trade and other payables	-	(15 074)	-	(188 385)
Bonds	(104 708)	-	-	-

* 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 2019 were as follows:

In thousand RR	**Parent company**	**Entities under common control**	**Associates**	**Other related parties**
Revenue	-	1 260 241	-	1 249 926
Cost of sales	-	(39 407)	(865)	-
Selling and administrative expense	-	(6 506)	-	-
Gain arising from derecognition of financial asset measured at amortised cost	-	197 593	-	-
Finance income	908 216	9 074	-	-
Finance expense	(55 473)	-	-	-

At 31 December 2018, the outstanding balances with related parties were as follows:

In thousand RR	**Parent company**	**Entities under common control**	**Associates**	**Other related parties**
Prepayments for non-current assets	-	5 302	-	-
Trade and other receivables	-	90 595	-	2 853
Loans issued*	13 676 485	233 550	-	-
Trade and other payables	-	(8 104)	(850)	(6 409)
Bonds	(417 924)	-	-	-

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

6. Balances and Transactions with Related Parties (continued)

The income and expense items with related parties for the year ended 31 December 2018 were as follows:

In thousand RR	Parent company	Entities under common control	Associates	Other related parties
Revenue	-	972 202	-	3 691 028
Cost of sales	-	(39 095)	(7 659)	-
Selling, general and administrative expense	-	(3 975)	-	-
Gain arising from derecognition of financial asset measured at amortised cost	400 491	-	-	-
Finance income	781 060	5 395	937	-

Construction in progress additions. In 2019, construction in progress additions from entities under common control of the Group amounted to 4 993 thousand RR (2018: 20 362 thousand RR).

Management remuneration. Total compensation to 8 (2018: 8) representatives of key management personnel, included in staff costs in the consolidated statement of comprehensive income, amounted to 86 032 thousand RR for 2019 (2018: 105 299 thousand RR).

Dividends. In 2019, the Group distributed dividends to the owners of the Company in the amount of 4 055 000 thousand RR and to non-controlling interests in the amount of 1 009 082 thousand RR (2018: to the owners of the Company 4 000 500 thousand RR, to non-controlling interests 1 087 871 thousand RR).

Loans issued. Fair value of loans issued is within Level 2 of the fair value hierarchy. In 2019, a loan was issued to the person with ultimate control over the group in the amount of 737 050 thousand RR. This loan was repaid by offsetting mutual claims by concluding a tripartite agreement: the loan amount was offset against dividends declared to the parent company UC Delo.

Accounting for loans issued to parent company. In 2019, the Group changed the conditions for issuing a loan to the company under common control. As of 31 December 2018, the loan was denominated in US dollars in the amount of 233 550 thousand RR at a rate of 3,75%. The estimated reserve for expected credit losses on this loan amounted to 197 593 thousand RR. In 2019, the terms of the loan were amended: the parent company became the borrower, the currency was changed to Russian Roubles and interest rate became 7,5%. As a result, the Group ceased to recognize the financial asset with the attribution of the result from derecognition for the profit and loss for the period in the amount of 197 593 thousand RR and income tax in the amount of 39 519 thousand RR and recognized a new financial asset. The Group consider that the rate of 7,5% is in line with market rate for comparable financial instruments. In 2019, the Group issued a short-term loans to the parent company in the amount of 1 440 000 thousand RR. Balance of short-term loans issued as at 31 December 2019 was 4 886 269 thousand RR (31 December 2018: 3 470 904 thousand RR). Short-term loans are nominated in Russian Roubles, interest rate is 7,8% (2018: 9,4%).

In 2018, the Group issued a long-term loan to the parent company in the amount of 8 820 000 thousand RR at the rate of 7% and with maturity in April 2021. At initial recognition, this loan was accounted for at fair value, which was determined on the basis of market rates for comparable financial instruments at the level of 8,3%, resulting in an effect in the amount of 320 393 thousand RR reflected directly in equity (decreased by the effect of deferred income tax on this transaction in the amount of 80 098 thousand RR). Subsequently, the terms of the loan were amended: currency was changed to US dollars and interest rate became 6,44%. As a result, the Group derecognised the financial asset recording the result of the derecognition in the amount of 400 091 thousand RR and income tax in the amount of 80 098 through profit and loss and recognized new financial asset. The Group considers that the rate of 6,44% is in line with market rates for comparable financial instruments.

According to the Group assessment, interests on loans include only consideration for credit risk and time value of money. The terms of loan agreement suggest to redeem the principal and interests accrued by cash. Based on that, the Group considers that contractual cash flows represent solely payments of principal and interest. Thus, long-term loan issued in the amount of 9 087 894 thousand RR and short-term loans issued in the amount of 4 474 637 thousand RR as at 31 December 2019 should be classified as financial assets at amortised cost.

6. Balances and Transactions with Related Parties (continued)

A guarantee issued to a related party. In 2019, the Group issued a guarantee on the loan obligation of the parent company in the amount of 4 000 000 thousand RR addressed to the government-related party.

ECL for loans issued. Allowance for expected credit loss is impacted by a variety of factors, details of ECL measurement are provided in Note 27. In 2019, there was allowance recovery of ECL on a loan issued to a company under common control in the amount of 197 593 thousand RR. The Group performed analysis of ELC measurement for all loans issued and concluded that allowance for expected credit loss in respect of loans issued to companies under common control as at 31 December 2019 was not needed.

7. Property, Plant and Equipment

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

In thousand RR	**Land**	**Buildings**	**Construc-tions**	**Machinery and equipment**	**Other**	**Construc-tion in progress**	**Total**
Cost at 1 January 2018	68 356	308 097	4 382 522	3 314 392	106 299	2 068 777	**10 248 443**
Accumulated depreciation	-	(95 920)	(961 689)	(1 071 591)	(57 413)	-	**(2 186 613)**
Carrying amount at 1 January 2018	**68 356**	**212 177**	**3 420 833**	**2 242 801**	**48 886**	**2 068 777**	**8 061 830**
Additions	-	-	779	36 952	17 771	4 506 462	**4 561 964**
Transfers	-	14 011	49 108	841 362	312	(904 793)	**-**
Disposals	-	-	(3 626)	-	(8 296)	-	**(11 922)**
Depreciation charge, Note 17, 18	-	(14 939)	(194 286)	(206 526)	(10 527)	-	**(426 278)**
Reclassification from assets held for sale	-	-	-	-	-	(272 141)	**(272 141)**
Carrying amount at 31 December 2018	**68 356**	**211 249**	**3 272 808**	**2 914 589**	**48 146**	**5 398 305**	**11 913 453**
Cost at 31 December 2018	68 356	322 109	4 426 443	4 191 606	113 937	5 398 305	**14 520 756**
Accumulated depreciation	-	(110 860)	(1 153 635)	(1 277 017)	(65 791)	-	**(2 607 303)**
Carrying amount at 31 December 2018	**68 356**	**211 249**	**3 272 808**	**2 914 589**	**48 146**	**5 398 305**	**11 913 453**
Additions	2 877	-	-	5 316	61 225	4 070 030	**4 139 448**
Transfers	-	45 264	5 003 343	1 880 517	16 263	(6 945 387)	**-**
Disposals	-	(164)	(20 930)	(1 604)	(48 275)	(3 232)	**(74 205)**
Depreciation charge, Note 17, 18	-	(16 467)	(250 774)	(258 689)	(17 153)	-	**(543 083)**
Carrying amount at 31 December 2019	**71 233**	**239 882**	**8 004 447**	**4 540 129**	**60 206**	**2 519 716**	**15 435 613**
Cost at 31 December 2019	71 233	367 209	9 406 720	6 066 210	138 174	2 519 716	**18 569 262**
Accumulated depreciation	-	(127 327)	(1 402 273)	(1 526 081)	(77 968)	-	**(3 133 649)**
Carrying amount at 31 December 2019	**71 233**	**239 882**	**8 004 447**	**4 540 129**	**60 206**	**2 519 716**	**15 435 613**

As at 31 December 2019, property, plant and equipment of OOO NUTEP and OOO SC DELO carried at 735 022 thousand RR (31 December 2018: 1 884 279 thousand RR) have been pledged to third parties as collateral for borrowings.

Borrowing costs in the amount of 211 213 thousand RR and associated foreign exchange losses in the amount of 32 979 thousand RR were capitalised in 2019 at the rate of capitalisation of 8,7% (2018: borrowing costs in the amount of 190 913 thousand RR and associated foreign exchange losses in the amount of 67 193 thousand RR at the rate of capitalisation of 8,7%).

Depreciation expense of 543 083 thousand RR (2018: 426 278 thousand RR) has been charged to cost of sales amounting to 522 145 thousand RR (2018: 410 205 thousand RR) and to selling and administrative expenses amounting to 20 938 thousand RR (2018: 16 073 thousand RR).

Prepayments for non-current assets consist mainly of advances issued for construction of AO KSK’s grain terminal and construction of the 6th tugboat for OOO SC DELO.

7. Property, Plant and Equipment (continued)

In 2018, payment for 4th tugboat in the amount of 257 701 thousand RR were transferred to the supplier's accounts by Rabobank at the expense of credit line without cash transit through OOO SC DELO accounts, thus, these payments were not reflected in the consolidated statement of cash flows.

In 2018, gas generator unit of AO KSK was transferred to non-current assets held-for-sale as the Group's management approved an active program to sell the asset in 2019. At the moment of transfer, the asset was recognised at fair value which is within Level 2 of the fair value hierarchy. As a result, impairment loss was accrued in the amount of 207 975 thousand RR and included into other operating expenses (Note 19). In 2019, gas generator was sold for 77 300 thousand RR.

In 2018, the 4th and 5th tugs were built for OOO SC DELO and put into operation.

In 2019, a unique deep-sea berth was opened at OOO NUTEP container terminal, which has no analogues on the Black Sea coast and is capable of accepting ocean-going container ships of up to 10 000 TEUs. As a result of the commissioning of the deepwater pier, the throughput of the container terminal increased to 700 000 TEU.

8. Goodwill

Goodwill related to grain and container terminals was formed as a result of acquisition of mentioned assets by DeloPorts 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 thousand RR	**31 December 2019**	**31 December 2018**
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 10,3% for KSK and NUTEP;
- Average annual volume growth rate for grain cargo for 2020-2024 is 0-54% for KSK and 0-47% 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. Reasonable change of assumptions will not lead to the situation when recoverable amount is less than carrying value of CGUs.

9. Right-of-use Assets, Mooring rights and Lease liabilities

The Group leases various mooring berths, buildings and other constructions. Rental contracts are typically made for fixed periods of 11 months to 50 years.

Until 31 December 2018, leases of property, plant and equipment were classified as operating leases. Refer Notes 30 and Note 25. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability from the date when the leased asset becomes available for use by the Group.

9. Right-of-use-Assets, Mooring rights and Lease liabilities (continued)

In thousands of Russian Roubles	Note	Mooring rights	Right-of-use assets: Mooring berths	Right-of-use assets: Buildings and other construc-tions	Total
Cost at 1 January 2018		4 338 908	-	-	**4 338 908**
Accumulated amortisation		(727 938)	-	-	**(727 938)**
Carrying amount at 1 January 2018		**3 610 970**	**-**	**-**	**3 610 970**
Amortisation charge	17, 18	(107 256)	-	-	**(107 256)**
Carrying amount at 31 December 2018		**3 503 714**	**-**	**-**	**3 503 714**
Cost at 31 December 2018		4 338 908	-	-	**4 338 908**
Accumulated amortisation		(835 194)	-	-	**(835 194)**
Carrying amount at 31 December 2018		**3 503 714**	**-**	**-**	**3 503 714**
Transfers		(3 503 714)	3 503 714	-	**-**
Discounted present value of future minimum lease payments under operating leases without early repayment		-	1 182 939	9 717	**1 192 656**
Carrying amount at 1 January 2019		**-**	**4 686 653**	**9 717**	**4 696 370**
Revaluation of lease agreements		-	125 204	-	**125 204**
Additions		-	-	27 894	**27 894**
Amortisation charge	17, 18	-	(144 632)	(6 777)	**(151 409)**
Carrying amount at 31 December 2019		**-**	**4 667 225**	**30 834**	**4 698 059**
Cost at 31 December 2019		-	**5 647 051**	**37 611**	5 684 662
Accumulated amortisation		-	**(979 826)**	**(6 777)**	(986 603)
Carrying amount at 31 December 2019		**-**	**4 667 225**	**30 834**	**4 698 059**

In 2011, DeloPorts 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, Krasnodar region, owned by the state. The residual useful life balance of mooring rights is 33 years.

The Group recognised lease liabilities as follows:

In thousands of Russian Roubles	31 December 2019	1 January 2019
Short-term lease liabilities	20 342	24 768
Long-term lease liabilities	1 298 374	1 167 888
Total lease liabilities	**1 318 716**	**1 192 656**

Interest expenses included in financial expenses in 2019 are 111 723 thousand RR.

Expenses related to short-term leases (included in the cost of sales and selling and administrative expenses) and leases of low-value assets that are not included in short-term leases (included in selling and administrative expenses) amounted to 19 400 thousand RR.

The costs of variable lease payments not included in the lease liabilities, which are allocated to the cost of sales and selling and administrative expenses in 2019 are 2 257 thousand RR. As at 31 December 2019, future (undiscounted) cash flows are 35 850 thousand RR to which the Group is potentially exposed during the lease term were not included in the lease liability because they included variable lease payments that depend on from external factors not controlled by the Group.

Total amount of cash payments under the lease in 2019 are 157 570 thousand RR.

10. Investment in Associate

In thousand RR	2019	2018
Carrying amount at 1 January	**6 377**	**4 134**
Share of result of associate	(6 377)	2 243
Carrying amount at 31 December	**-**	**6 377**

10. Investment in Associate (continued)

At 31 December 2019 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, was as follows:

Name	Total assets	Total liabilities	Revenue	Loss	% interest held
LLC Aquaspas	20 913	20 912	18 198	(25 511)	25%

At 31 December 2018 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, was as follows:

Name	Total assets	Total liabilities	Revenue	Profit	% interest held
LLC Aquaspas	35 831	10 323	76 987	8 971	25%

11. Inventories

In thousand RR	31 December 2019	31 December 2018
Fuel and spare parts	189 733	128 381
Oil products for resale	11 672	18 146
Total inventories	**201 405**	**146 527**

There were no impairment write-downs of inventories in 2019 and 2018.

12. Trade and Other Receivables

In thousand RR	31 December 2019	31 December 2018
Trade receivables	526 886	431 705
Provision for expected credit losses	(39)	(289)
Trade receivables less provision for expected credit losses	**526 847**	**431 416**
Other receivables	71 515	44 993
Financial receivables	**598 362**	**476 409**
VAT recoverable	141 535	351 223
Prepayments	51 180	50 959
Other taxes receivable	639	1 757
Receivables from employees	8 909	8 290
Prepayment of current income tax	20	4 304
Total trade and other receivables	**800 645**	**892 942**

The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade and other receivables.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2019 and 31 December 2018 respectively and the corresponding historical credit losses experienced within this period.

Analysis of trade and other receivables revealed that the Group has no overdue and not reserved trade and other accounts receivable as at 31 December 2019 and 31 December 2018. Financial receivables, stated as at 31 December 2019, 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.

13. Cash and Cash Equivalents

In thousand RR	31 December 2019	31 December 2018
Cash in hand	382	205
Cash in transit	11	-
Cash at bank	322 441	682 744
Short-term bank deposits (less than 90 days)	773 933	1 038 832
Total cash and cash equivalents	**1 096 767**	**1 721 781**

The average interest rate on short-term deposits at 31 December 2019 was 5,40% (31 December 2018: 5,53%). These deposits have average original maturity of 24 days at 31 December 2019 (31 December 2018: 48 days). At 31 December 2019, these deposits have average period to maturity of 18 days from the reporting date (31 December 2018: 29 days).

The Group had no deposits with maturity at the moment of placement from 90 to 365 days at 31 December 2019. As at 31 December 2018 had deposits with maturity at the moment of placement from 90 to 365 days in the amount of 115 100 thousand RR. The average interest rate on these deposits at 31 December 2018 was 7,15%. These deposits have average original maturity of 110 days as at 31 December 2018. These deposits have average period to maturity of 51 days from the reporting date as at 31 December 2018.

As at 31 December 2019 and 31 December 2018, there were no encumbered funds.

In 2018, the Group received a gain on sale of foreign currency in the amount of 620 004 thousand RR. This amount is included into the line “Effect of exchange rate changes on cash and cash equivalents” in the consolidated statements of cash flows. In 2019, there were no currency sales operations.

14. Borrowings

In thousand RR	31 December 2019	31 December 2018
Short-term borrowings	3 114 790	1 839 932
Short-term bonds with nominal in Russian Roubles	157 757	162 777
Short term bonds with nominal in USD	134 567	149 261
Long-term borrowings	7 648 993	5 792 047
Long-term bonds with nominal in Russian Roubles	3 500 000	3 500 000
Long term bonds with nominal in USD	8 666 798	9 725 884
Total borrowings	**23 222 905**	**21 169 901**

In April 2018, the Company placed 140 mln USD bond issue with a maturity period of 7 years and a coupon rate of 6,75% per annum.

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).

The fair value of bonds equals to 12 343 436 thousand RR as at 31 December 2019 (31 December 2018: 13 193 998 thousand RR) and is within Level 1 of the fair value hierarchy. The carrying amount of other borrowings does not materially differ from its fair value as the impact of discounting is not significant. The fair value of other borrowings is within Level 2 of the fair value hierarchy.

During the period from 2017 to 2019, the Group received borrowings for the reconstruction of the grain terminal in the amount of 1 332 187 thousand RR with interest rates subsidised by the government, which was lower compared to market interest rates. Were loans received accounted for at market interest rates, the balance of borrowings would have been lower than the current balance for the amount of discontinued difference between interest rate provided by the government as subsidy and market rate in the amount of 151 991 thousand RR (31 December 2018: 172 653 thousand RR). The Group did not separate deferred income for this government subsidy from current borrowings balance.

Debt reconciliation

The table below sets out an analysis of debt and the movements in the Group’s liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing in the consolidated statement of cash flows:

14. Borrowings (continued)

In thousand RR	2019	2018
Opening balance at 1 January	**21 169 901**	**8 077 276**
Proceeds from borrowings at Rabobank for tugboat purchase	-	257 701
Proceeds from other borrowings	7 556 993	4 621 773
Bond issue	-	8 199 906
Repayment of borrowings	(3 952 580)	(1 585 406)
Bond redemption	(1 985)	(668 931)
Interest accrued	1 443 897	1 179 039
Bank commissions and other finance expenses accrued	-	82 251
Interest paid	(1 425 181)	(1 024 622)
Bank commissions and other finance expenses paid	-	(145 557)
Foreign exchange differences	(1 568 140)	2 176 471
Closing balance at 31 December	**23 222 905**	**21 169 901**

Payment for the tugboats financed by Rabobank were transferred to the supplier's accounts by Rabobank at the expense of credit line without cash transit through OOO SC DELO accounts, thus, these payments were not reflected in the consolidated statement of cash flows.

15. Trade and Other Payables

In thousand RR	31 December 2019	31 December 2018
Trade payables	74 990	50 346
Other payables	21 855	21 866
Payables for fixed assets	90 743	256 373
Financial payables	**187 588**	**328 585**
Advances from customers	242 598	110 787
Other taxes payable	94 383	53 439
Payables to employees	88 799	109 695
Accruals and provisions	55 752	47 656
Total trade and other payables	**669 120**	**650 162**

Advances from customers are represented by contract liabilities. The carrying amounts of trade and other payables do not materially differ from their fair value, as the impact of the discounting is insignificant and is within Level 3 of the fair value hierarchy.

16. Revenue

In thousand RR	2019	2018
Grain handling	3 227 185	5 892 330
Container cargo handling	3 060 495	2 418 783
Bunkering	1 024 056	1 421 284
Storage services	910 687	759 239
Inspection services	544 386	456 762
General cargo handling	40 751	63 774
Ro-Ro handling	21 523	12 502
Towing services	428 750	378 423
Other port services	576 841	515 947
Total revenue	**9 834 674**	**11 919 044**

All revenue is represented by revenue from contracts with customers.

All Group revenue is generated at port Novorossiysk of the Krasnodar region.

The revenue is recognised from all performance obligations at a point in time besides revenue from storage services which is recognised over time.

17. Cost of sales

In thousand RR	2019	2018
Cost of oil products	850 891	1 093 729
Staff cost	767 447	715 249
Depreciation of property, plant and equipment	522 145	410 205
Purchased services	193 145	157 448
Amortisation of right-of-use assets and other non-current assets	153 577	-
Fuel, electricity and gas	152 038	129 561
Repair and maintenance of property, plant and equipment	120 748	125 834
Taxes other than income taxes	120 214	80 643
Security services	88 336	89 494
Materials	19 823	23 457
Rent expenses, Note 9	16 797	253 030
Insurance	6 246	10 936
Amortisation of mooring rights and other intangible assets	-	107 513
Other expenses	70 099	60 976
Total cost of sales	**3 081 506**	**3 258 075**

In 2019, contributions to pension fund of the Russian Federation related to cost of sales amounted to 113 259 thousand RR (2018: 124 942 thousand RR).

18. Selling and Administrative Expenses

In thousand RR	2019	2018
Staff cost	315 362	308 198
Advertising and marketing services	104 303	401
Audit and consulting services	72 229	57 867
Legal expenses	37 807	38 305
Travelling expenses and per diems	23 419	12 164
Depreciation of property, plant and equipment	20 938	16 073
Materials	10 232	6 918
Repair and maintenance of property, plant and equipment	9 477	5 901
Information systems and communication	9 410	9 618
Insurance	8 621	7 653
Fuel, electricity and gas	4 715	4 470
Amortisation of mooring rights and other intangible assets	-	1 219
Other expenses	16 247	13 886
Total selling and administrative expenses	**632 760**	**482 673**

In 2019, contributions to pension fund of the Russian Federation related to selling and administrative expenses amounted to 41 922 thousand RR (2018: 55 633 thousand RR).

19. Other Operating Income / (Expenses), net

In thousand RR	2019	2018
Loss on disposal of property, plant and equipment	(14 005)	(7 448)
Loss from remeasurement of asset to fair value, Note7	(27 000)	(207 975)
Charity and material aid	(193 033)	(72 976)
Other income and expenses	14 234	(9 250)
Total other operating income and expenses, net	**(219 804)**	**(297 649)**

20. Finance Income

In thousand RR	2019	2018
Interest income on deposits and overnights	121 224	120 448
Government grants received and amortisation of deferred income	300	300
Interest income on loans issued, Note 6	917 290	787 392
Total finance income	**1 038 814**	**908 140**

21. Finance Costs

In thousand RR	2019	2018
Interest expense on bank loans and bonds	1 248 945	988 126
Bank commissions and other finance costs	8 440	82 251
Interest expense on lease liabilities	111 723	-
Total finance costs	**1 369 108**	**1 070 377**

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.

During the period from 2017 to 2019, Group received government support (governmental grants) in the form of subsidized interest rate on borrowings received for reconstruction of AO KSK’s grain terminal. Subsidized interest rate was lower compared to market interest rates. Deferred income in the amount of 69 233 thousand RR was compensated by interest expenses.

22. 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 thousand RR	2019	2018
Profit for the year	4 863 325	6 107 917
Adjusted for:		
Depreciation and amortisation, Note 17, 18	696 660	535 010
Other income and expenses, net, Note 19	219 804	297 649
Share of result of associate, Note 10	6 377	(2 243)
Finance income, Note 20	(1 038 814)	(908 140)
Finance costs, Note 21	1 369 108	1 070 377
Net foreign exchange (loss)/gain from financing activities	(464 904)	478 038
Income tax, Note 24	1 466 126	1 603 164
Gain from disposal a subsidiary, Note1	(165 355)	-
Gain arising from the derecognition of financial assets measured at amortised cost, Note 6	(197 593)	(400 491)
EBITDA	**6 754 734**	**8 781 281**

23. Chartered and Additional Capital

Chartered capital at 31 December 2019 and 31 December 2018 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 in the amount of 3 590 thousand RR.

During the year, the following dividends were approved and paid to Group's shareholders:

23. Chartered and Additional Capital (continued)

In thousands of Russian Roubles	2019	2018
Dividends payable at 1 January	-	-
Dividends declared	4 055 000	4 000 500
Dividends paid	(3 317 950)	(4 000 500)
Dividends settled by offset of mutual claims, Note6	(737 050)	-
Dividends payable at 31 December	**-**	**-**

24. Income Tax

(a) Components of income tax expense

In thousand RR	2019	2018
Current tax	1 063 271	1 563 379
Deferred tax	402 855	39 785
Income tax expense	**1 466 126**	**1 603 164**

(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 thousand RR	2019	2018
Profit before income tax	6 329 451	7 711 081
Theoretical tax charge at statutory rate of 20%:	(1 265 890)	(1 542 216)
- Income tax on dividends at rate 13%	(516)	(1 777)
- Effect of expenses not included in tax base	(64 904)	(58 796)
Effect of write-off of deferred tax asset	(167 890)	-
- Effect of different tax rates in other countries	-	(375)
The effect on disposal a subsidiary	33 074	-
Income tax expense	**(1 466 126)**	**(1 603 164)**

In 2019, based on the analysis of the recoverability of deferred tax assets, the Group wrote off the asset in the amount of 167 890 thousand RR.

The income tax rate applicable to the majority of the Group's profits in 2019 and 2018 is 20%. The Cypriot subsidiary is subject to corporation tax on taxable profits at the rate of 12,5% (2018: 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.

The tax effects for the movements in the temporary differences and tax losses carry-forward for the year ended 31 December 2019 are:

24. Income Tax (continued)

In thousand RR	31 December 2018	Application of new accounting standard	1 January 2019 (adjusted)	(Charged)/ credited to profit or loss	(Charged)/ credited to equity	31 December 2019
Tax effect of (taxable)/ deductible temporary differences						
Property, plant and equipment	(459 603)	-	(459 603)	(227 549)	-	(687 152)
Right-of-uses assets	(700 657)	(238 531)	(939 188)	(337)	-	(939 525)
Investments and loans issued	-	-	-	(4 304)	-	(4 304)
Loans granted	39 519	-	39 519	(40 837)	1 318	-
Assets held-for-sale	41 595	-	41 595	(41 595)	-	-
Trade and other receivables	(10 163)	-	(10 163)	14 961	-	4 798
Inventories	(37)	-	(37)	(27)	-	(64)
Tax loss carry-forward	138 644	-	138 644	(135 831)	-	2 813
Lease liabilities	-	238 531	238 531	25 212	-	263 743
Borrowings	(24 491)	-	(24 491)	10 022	59	(14 410)
Trade and other payables	27 141	-	27 141	(3 251)	-	23 890
Set off tax	-	-	-	681	-	681
Net deferred tax liability	**(948 052)**	**-**	**(948 052)**	**(402 855)**	**1 377**	**(1 349 530)**
Recognised deferred tax asset	176 306	-	176 306	(154 256)	-	22 050
Recognised deferred tax liability	(1 124 358)	-	(1 124 358)	(247 222)	-	(1 371 580)
Net deferred tax liability	**(948 052)**	**-**	**(948 052)**	**(401 478)**	**-**	**(1 349 530)**

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.

The tax effect of the movements in the temporary differences and tax losses carry-forward for the year ended 31 December 2018:

In thousand RR	1 January 2018	(Charged)/ credited to profit or loss	(Charged)/ credited to equity	31 December 2018
Tax effect of (taxable)/ deductible temporary differences				
Property, plant and equipment	(433 112)	(26 491)	-	(459 603)
Intangible assets	(722 996)	22 339	-	(700 657)
Assets held-for-sale	-	41 595	-	41 595
Loans granted	39 519	(80 098)	80 098	39 519
Trade and other receivables	2 341	(12 504)	-	(10 163)
Inventories	1 438	(1 475)	-	(37)
Tax loss carry-forward	116 300	22 344	-	138 644
Borrowings	(16 489)	(8 002)	-	(24 491)
Trade and other payables	24 634	2 507	-	27 141
Net deferred tax liability	**(988 365)**	**(39 785)**	**80 098**	**(948 052)**
Recognised deferred tax asset	156 699	-	-	176 306
Recognised deferred tax liability	(1 145 064)	-	-	(1 124 358)
Net deferred tax liability	**(988 365)**	**-**	**-**	**(948 052)**

(d) Tax loss carry forwards

The Group has recognised deferred tax assets in respect of unused tax loss carry forwards of 2 813 thousand RR (2018: 138 644 thousand RR). In 2018-2020, the amount of tax losses generated in prior periods that can be used to reduce the tax base of the current reporting period are limited to 50% of the tax base of that reporting period determined by the taxpayer without taking that loss into account. Since 2021, accumulated tax losses can be recognised in full amounts.

(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 of Russia 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) but has specific characteristics. 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. The Management has implemented internal controls to be in compliance with this transfer pricing legislation.

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

The Group includes companies incorporated outside of Russia, one of which (DCP Holdings Ltd.) 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. 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). 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 2019 and 2018 management believes no additional tax liability has to be accrued in the consolidated financial statements.

Capital expenditure commitments. At 31 December 2019, the Group has contractual capital expenditure commitments in respect of property, plant and equipment totalling 1 666 188 thousand RR (31 December 2018: 1 479 594 thousand RR). Capital commitments are mainly represented by construction of expansion of grain terminal on OOO KSK and construction of the 6th tugboat for OOO SC Delo.

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. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

Compliance with covenants. The Group is subject to certain covenants, both financial and non-financial, 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 specified in the loan agreements and the bond issue prospectuses at 31 December 2019 and 31 December 2018.

Guarantees. As at 31 December 2019 the Group has issued a guarantee for a loan obligation of the parent company in the amount of 4 000 000 thousand RR.The Group does not have other guarantees, warranties or assets encumbrance or property to secure the performance of obligations of third parties.

26. Non-Controlling Interest

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

In thousand RR	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	Accumu-lated non-controlling interest in the subsidiary	Dividends declared to non-controlling interest during the year
Year ended 31 December 2019						
DCP Group (DCP HOLDINGS LTD and subsidiary AO KSK)	Cyprus, Russia	25	25	540 550	228 671	(1 009 082)
Year ended 31 December 2018						
DCP Group (DCP HOLDINGS LTD and subsidiary AO KSK)	Cyprus, Russia	25	25	1 003 915	697 203	(1 087 871)

The summarised financial information of these subsidiaries on a 100% basis and before intercompany eliminations was as follows at 31 December 2019 and 31 December 2018:

In thousand RR	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit	Total compre-hensive income	Cash flows
Year ended 31 December 2019								
DCP Group (DCP HOLDINGS LTD and subsidiary AO KSK)	574 914	5 042 780	(1 913 926)	(2 789 083)	3 370 921	2 162 048	2 162 048	(628 856)
Year ended 31 December 2018								
DCP Group (DCP HOLDINGS LTD and subsidiary AO KSK)	1 307 535	3 856 016	(1 243 107)	(1 131 629)	6 023 932	4 015 389	4 015 389	(312 856)

During the year following dividends were approved and paid:

In thousands of Russian Roubles	2019	2018
Dividends payable at 1 January	-	-
Dividends declared	1 009 082	1 087 871
Dividends paid	(1 009 082)	(1 088 678)
Forex exchange differences	-	807
Dividends payable at 31 December	**-**	**-**

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 these risks.

27. Financial Risk Management (continued)

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). The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. Firm oil prices, low unemployment and rising wages supported a modest growth of the economy in 2019. The operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

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 and rendering of services 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, bank deposits and cash and cash equivalents.

Loans are issued mostly to related parties and are not past due and impaired. Loans issued to the company under common control in the amount of 431 343 thousand RR are past due for 913 days as of 31 December 2018, therefore allowance for ECL was created in the amount of 197 593 thousand RR as at 31 December 2018.

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 thousand RR	**31 December 2019**	**31 December 2018**
Trade and other receivables, Note 12	**598 362**	**476 409**
Trade receivables	526 847	431 416
Other receivables	71 515	44 993
Short-term loans issued	**4 886 269**	**3 735 102**
Long-term loans issued	**9 087 894**	**10 205 581**
Deposits (with maturity over 90 days)	**-**	**115 100**
Cash and cash equivalents, Note 13	**1 096 385**	**1 721 576**
Cash in transit	11	-
Cash at bank	322 441	682 744
Short-term bank deposits (less than 90 days)	773 933	1 038 832
Financial guarantees – amount of guaranteed loans to the parent company, Note 25	**4 000 000**	-
Total maximum exposure to credit risk	**19 668 910**	**16 253 768**

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 review at least once a quarter. 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.

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 2019 and 31 December 2018:

27. Financial Risk Management (continued)

In thousand RR	Rating of bank according to Moody's	Cash amount at 31 December 2019	Cash amount at 31 December 2018
Cash and cash equivalents at bank			
Unicredit Bank*	Baa1	275 035	-
Raiffeisenbank*	A3	241 119	285 648
Sberbank	Baa3	21 199	494 488
VTB	Baa3	6 148	300 968
Alfa-Bank	Ba1	258 092	319 940
Sovcombank	Ba2	164 156	290 489
Promsvyazbank	Ba3	130 000	17
Other	-	625	30 026
Total cash and cash equivalents	**-**	**1 096 374**	**1 721 576**
Bank deposits (with maturity 90 to 365 days)			
VTB	Baa3	-	85 000
Sberbank	Baa3	-	30 000
Raiffeisenbank*	A3	-	100
Total bank deposits		**-**	**115 100**

* Deposit rating of this bank refers to parent company.

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 thousand RR	31 December 2019	31 December 2018
Core clients	413 046	356 935
Other clients	185 316	119 474
Total trade and other receivables	**598 362**	**476 409**

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 2019, 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 days payment deferral from the date of invoice delivery;
- OOO SC DELO grants 5 to 60 days payment deferral to its customers.

The Group's business is dependent on several large key customers accounting for 64% and 65% of the Group's revenue for the year ended 31 December 2019 and 2018 respectively.

Expected credit loss (ECL) measurement. ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Group: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. The EAD on credit related commitments is estimated using Credit Conversion Factor ("CCF"). CCF is a coefficient that shows the probability of conversion of the committed amounts to an on-balance sheet exposure within a defined period. PD an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

27. Financial Risk Management (continued)

Expected credit losses are modelled over instrument's lifetime period. The lifetime period is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any. For loan commitments, it is the contractual period over which an entity has a present contractual obligation to extend credit.

Management models Lifetime ECL, that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The 12-month ECL, represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining lifetime period of the financial instrument if it is less than a year.

The ECLs that are estimated by management for the purposes of these consolidated financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes.

For purposes of measuring PD, the Group defines default as a situation when the exposure meets one or more of the following criteria:

- the borrower is more than 90 days past due on its contractual payments;
- international rating agencies have classified the borrower in the default rating class;
- the borrower is insolvent;
- the borrower is in breach of financial covenant(s);
- it is becoming likely that the borrower will enter bankruptcy;

For purposes of disclosure, the Group fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to all types of financial assets of the Group.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period has been determined based on an analysis that considers the likelihood of a financial instrument returning to default status after curing by using different possible definitions of cures.

The assessment whether or not there has been a significant increase in credit risk ("SICR") since initial recognition is performed on an individual basis and on a portfolio basis. For loans issued to corporate entities measured at amortised cost, SICR is assessed on an individual basis by monitoring the triggers stated below. For other financial assets, SICR is assessed either on a portfolio basis or an individual basis. The criteria used to identify an SICR are monitored and reviewed periodically for appropriateness by the Group. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 60 days past due, has not been rebutted.

The Group considers a financial instrument to have experienced an SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

For loans issued to legal entities and individuals:

- 60 days past due;
- award of risk grade "Special monitoring";
- inclusion of loan into a watch list according to the internal credit risk monitoring process.

For trade and other receivable 60 days is past due.

The level of ECL that is recognised in these consolidated financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. This is a three-stage model for ECL measurement.

The Group has three approaches for ECL measurement: (i) assessment on an individual basis; (ii) assessment on a portfolio basis: internal ratings are estimated on an individual basis but the same credit risk parameters (e.g. PD, LGD) will be applied during the process of ECL calculations for the same credit risk ratings and homogeneous segments of the loan portfolio; and (iii) assessment based on external ratings. The Group performs an assessment on an individual basis for loans issued, and on a portfolio basis for trade and other receivables. This approach stratifies the loan pool into homogeneous segments based on borrower-specific information, such as delinquency status, the historical data on losses, location and other predictive information.

27. Financial Risk Management (continued)

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above, and discounted to present value using the instrument's effective interest rate. The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future year during the lifetime period for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has been repaid or defaulted in an earlier month). This effectively calculates an ECL for each future period, that is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

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 table below summarises the Group's exposure to foreign currency exchange rate risk as at 31 December 2019:

	At 31 December 2019			
In thousand RR	**RR**	**EUR**	**USD**	**TOTAL**
Financial Assets				
Cash and cash equivalents	803 356	856	292 555	**1 096 767**
Long-term loans issued	-	-	9 087 894	**9 087 894**
Short-term loans issued	4 886 269	-	-	**4 886 269**
Financial receivables	553 172	-	45 190	**598 362**
Total Financial Assets	**6 242 797**	**856**	**9 425 639**	**15 669 292**
Financial Liabilities				
Long-term borrowings	(8 473 699)	(1 075 217)	(10 266 876)	**(19 815 792)**
Short-term borrowings	(2 190 597)	(278 945)	(937 571)	**(3 407 113)**
Financial payables	(156 181)	(2 528)	(28 879)	**(187 588)**
Other financial liabilities	-	-	(12 775)	**(12 775)**
Total Financial Liabilities	**(10 820 477)**	**(1 356 690)**	**(11 246 101)**	**(23 423 268)**
Net Financial Assets/(Liabilities)	**(4 577 680)**	**(1 355 834)**	**(1 820 462)**	**(7 753 976)**

The table below summarises the Group's exposure to foreign currency exchange rate risk as at 31 December 2018:

	At 31 December 2018			
In thousand RR	**RR**	**EUR**	**USD**	**TOTAL**
Financial Assets				
Cash and cash equivalents	813 070	942	907 769	**1 721 781**
Deposits (with maturity over 90 days)	115 100	-	-	**115 100**
Long-term loans issued	-	-	10 205 581	**10 205 581**
Short-term loans issued	3 501 552	-	233 550	**3 735 102**
Financial receivables	396 690	424	79 295	**476 409**
Total Financial Assets	**4 826 412**	**1 366**	**11 426 195**	**16 253 973**
Financial Liabilities				
Long-term borrowings	(6 819 057)	(1 089 893)	(11 108 981)	**(19 017 931)**
Short-term borrowings	(257 667)	(584 411)	(1 309 892)	**(2 151 970)**
Financial payables	(100 940)	-	(227 645)	**(328 585)**
Total Financial Liabilities	**(7 177 664)**	**(1 674 304)**	**(12 646 518)**	**(21 498 486)**
Net Financial Assets/(Liabilities)	**(2 351 252)**	**(1 672 938)**	**(1 220 323)**	**(5 244 513)**

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.

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 2019		Impact on pre-tax profit or loss 2018	
In thousand RR	**EUR**	**USD**	**EUR**	**USD**
Strengthening by 30,00%	(406 751)	(546 138)	(501 880)	(366 097)
Weakening by 30,00%	406 751	546 138	501 880	366 097
Strengthening by 20,00%	(271 166)	(364 091)	(334 588)	(244 064)
Weakening by 20,00%	271 166	364 091	334 588	244 064
Strengthening by 10,00%	(135 584)	(182 047)	(167 293)	(122 033)
Weakening by 10,00%	135 584	182 047	167 293	122 033

27. Financial Risk Management (continued)

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

In thousand RR	31 December 2019	31 December 2018
Fixed rate instruments		
Bank deposits	773 933	1 153 932
Loans issued	13 974 163	13 940 683
Borrowings	(15 372 060)	(17 383 156)
Variable rate instruments		
Borrowings	(7 850 845)	(3 786 745)

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

	31 December 2019			31 December 2018		
In % p.a.	RR	EUR	USD	RR	EUR	USD
Assets						
Short-term loans issued	7,84%	-	-	9,40%	-	3,75%
Long-term loans issued	-	-	6,44%	-	-	6,44%
Cash and cash equivalents and bank deposits	5,57%	-	1,10%	7,10%	-	2,46%
Liabilities						
Loans and borrowings	7,51%	3,05%	6,30%	8,31%	3,58%	6,42%

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

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 2018.

	Profit and equity impact	
In thousand RR	100 bp decrease	100 bp increase
2019		
Variable rate instruments	79 292	(79 292)
2018		
Variable rate instruments	38 524	(38 524)

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. The best evidence of fair value is the price in an active market.

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. Carrying amounts of trade receivables, loans issued and deposits with maturity over 90 days 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 2019, the fair value of the Group's borrowings and payables do not differ materially from their carrying amounts.

27. Financial Risk Management (continued)

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 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.

At 31 December 2019, all deposits of the Group had maturity of less than 90 days after the reporting date and amounted to 773 933 thousand RR and 1 153 932 thousand RR at 31 December 2018.

At 31 December 2019, the Group had an undrawn credit facility amounting to 2 666 967 thousand RR and 3 472 703 thousand RR at 31 December 2018. In August 2016, the Moscow Interbank Currency Exchange registered stock bonds program of the Company which allows to issue stock bonds in the maximum amount of 50 000 000 thousand RR or its equivalent in foreign currency.

The tables below show liabilities as at 31 December 2019 and 31 December 2018, 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.

The maturity analysis of financial liabilities at 31 December 2019 is as follows:

In thousand RR	**Carrying amount**	**Amount of future payments on the contract**	**Within 6 months**	**From 6 to 12 months**	**From 1 year to 2 years**	**Over 2 years**
Liabilities						
Borrowings, Note 14	23 222 905	28 631 262	1 832 854	2 628 994	3 350 417	20 818 997
Lease liabilities, Note 9	1 318 716	4 126 340	69 720	66 874	126 310	3 863 436
Financial payables, Note 15	187 588	187 588	187 588	-	-	-
Other financial liabilities	12 775	12 775	12 775	-	-	-
Total future payments	**24 741 984**	**32 957 965**	**2 102 937**	**2 695 868**	**3 476 727**	**24 682 433**

The maturity analysis of financial liabilities at 31 December 2018 is as follows:

In thousand RR	**Carrying amount**	**Amount of future payments on the contract**	**Within 6 months**	**From 6 to 12 months**	**From 1 year to 2 years**	**Over 2 years**
Liabilities						
Borrowings, Note 14	21 169 901	27 800 088	1 569 202	1 561 883	2 387 809	22 281 194
Financial payables, Note 15	328 585	328 585	328 585	-	-	-
Total future payments	**21 498 486**	**28 128 673**	**1 897 787**	**1 561 883**	**2 387 809**	**22 281 194**

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 14) less cash and cash equivalents (Note 13) and deposits (with maturity over 90 days). The Group's Net-Debt-to-EBITDA ratio as at 31 December 2019 is 3,28 (31 December 2018: 2,20). Management believes that Group's Net-Debt-to-EBITDA ratio in 2019 is at a comfortable level.

28. Events After the Reporting Period

In February 2019, OOO DeloPorts shareholders approved dividend distribution in the amount of 300 000 thousand RR.

Late in 2019 news first emerged from China about the COVID-19 (Coronavirus). The situation at the year end, was that a limited number of cases of an unknown virus had been reported to the World Health Organisation. In the first few months in 2020 the virus had spread globally and its negative impact has gained momentum. Management considers this outbreak to be a non-adjusting post balance sheet events. While this is still an evolving situation at the time of issuing these consolidated financial statements, to date there has been no discernible impact on the Group's sales. However due to presence of foreign currency balances the weakening of the rouble in 1st quarter 2020 negatively impacted on net financial assets and liabilities in the amount of 786 059 thousand RR. Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

There were no other material events after the reporting period that had an effect on the consolidated financial statements as at 31 December 2019.

29. Accounting policies applied until 1 January 2019

Accounting policies applicable to the comparative period ended 31 December 2018 that were amended by IFRS 16 is as follows:

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.

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.

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.