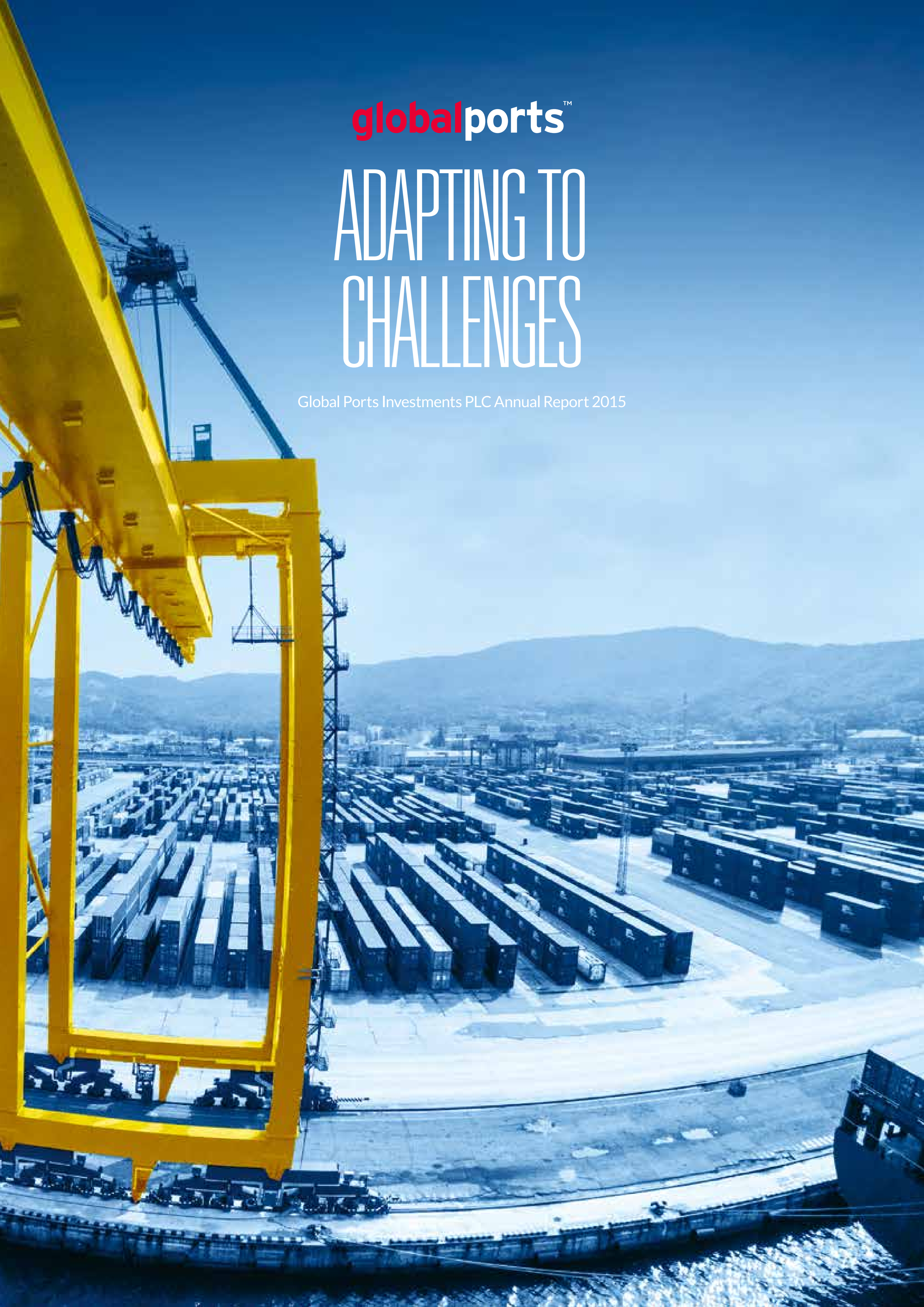
globalports™

# ADAPTING TO CHALLENGES

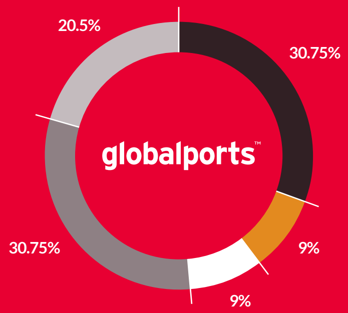
Global Ports Investments PLC Annual Report 2015



# GLOBAL PORTS IS RUSSIA'S LEADING CONTAINER TERMINAL OPERATOR IN TERMS OF THROUGHPUT AND CAPACITY[1].

In 2015, the macroeconomic environment was challenging. Global Ports responded to the conditions proactively, reducing operational cash costs and adjusting CAPEX promptly, enabling it to generate strong Free Cash Flow of USD 236 million.

**OWNERSHIP STRUCTURE[2]**




- TIHL
- Ilibrinio Establishment Ltd[3]
- Polozio Enterprises Ltd[3]
- APM Terminals
- Free-float (LSE listing)

APM Terminals (a member of A.P. Moller-Maersk Group, a leading oil and transportation conglomerate) operates a global terminal network of 72 ports and 140 inland services facilities, giving the Company a presence in 69 countries worldwide. Transportation Investments Holding Limited (TIHL) is one of the largest privately owned transportation groups in Russia, the wider CIS and the Baltic region, with strategic interests in rail transportation and port operations. TIHL carries on business under the brand name N-Trans. Nikita Mishin, Konstantin Nikolaev and Andrey Filatov jointly control TIHL.

## Contents



1. Source: ASOP, based on 2015 data.
2. As at 29 April 2016.
3. Former owners of NCC Group Limited.

# KEY STRENGTHS

## No.1

### Container terminal operator in Russia

Global Ports is the undisputed industry leader in Russia in terms of throughput and capacity, operating in accordance with the highest international standards.

## 7

### Marine container terminals in Russia and Finland, covering two major sea basins

Over the next few years, Global Ports' annual CAPEX requirements will be limited due to its modern terminals and available container capacity.

## 15%

### Reduction in Lost Time Injury (LTI)*

Global Ports' standards of safety place it on a par with international peers.

* In 2015 compared with 2014.

## 1.8m

### TEU* of marine container throughput in 2015

Global Ports handles a substantial share of containers going into and out of the country.

* On a 100% basis, including Russia and Finland.

**The Directors' report and parent company financial statements for the year ended 31 December 2015 are not included in the printed version of this Annual Report, but are available on the Group's corporate website in electronic format.**

# FOCUS ON SAFETY, EFFICIENCY, CASH FLOW

In 2015, against the backdrop of a difficult market environment, Global Ports focused on improving operational efficiency, enhancing safety, maximising free cash flow and reducing its debt. These initiatives paid off. Over the year, the Group increased its Adjusted EBITDA margin by 488 basis points* to 71.7%* and generated strong Free Cash Flow of USD 236 million.

**15%**
Decrease in Loss Time Injury (LTI)

**71.7%**
Adjusted EBITDA margin

**USD 236m**
Free Cash Flow generated

**USD 160m**
Decrease in net debt

**38%**
Reduction in cash operating expenses

## Key Events 2015

### CHINESE TRANSIT
**January**
Global Ports continues to conduct test Chinese transit deliveries via VSC. More than 200 TEUs went via this route in 2015.

### CAR HANDLING
**January**
PLP continues to expand the car handling area and construct customised rail and ramps, allowing it to attract volumes from Toyota.

### FOCUS ON DELEVERAGE
**March**
The Board decides to prioritise debt reduction over dividend distribution and to minimise CAPEX.

### SAFETY
**April**
Global Ports participates in the United Nations World Day for Safety and Health at Work.

### FIRST ELECTRONIC SYSTEM
**June**
FCT becomes the first in Russia to launch an electronic system for releasing import containers from terminals. This innovative technology is based on cloud digital signatures and allows containers to be released without generating paper documents.

### DIVERSIFICATION OF FINANCING SOURCES
**December**
Global Ports enters the bond market and successfully refinances part of its debt portfolio by issuing a five-year rouble bond.

# Consolidated Financial and Operating Data

## Selected IFRS Financial Information, USDm

| | 2015 | 2014 | Change | |
|---|---|---|---|---|
| Revenue | **405.7** | 562.4 | -156.7 | -27.9% |
| Cost of sales and administrative, selling and marketing expenses | **-218.7** | -286.6 | 67.9 | -23.7% |
| Share of profit of joint ventures | **3.8** | -7.7 | 11.5 | 149.8% |
| Operating profit | **184.8** | 278.6 | -93.9 | -33.7% |

## Balance Sheet and Cash Flow Statements, USDm

| | 2015 | 2014 | Change | |
|---|---|---|---|---|
| Total assets | **1,519.8** | 1,913.6 | -393.8 | -20.6% |
| Net debt | **1,047.6** | 1,207.7 | -160.1 | -13.3% |
| Net cash from operating activities | **248.0** | 335.2 | -87.2 | -26.0% |
| CAPEX on cash basis | **11.7** | 23.6 | -11.8 | -50.2% |

## Selected Non-IFRS Financial Information

| | 2015 | 2014 | Change | |
|---|---|---|---|---|
| Total operating cash costs, USDm | **114.7** | 186.5 | -71.7 | -38.5% |
| Adjusted EBITDA, USDm | **291.0** | 375.9 | -84.9 | -22.6% |
| Adjusted EBITDA margin | **71.7%** | 66.8% | | |
| Net debt to Adjusted EBITDA | **3.6** | 3.2 | | |
| Free Cash Flow, USDm | **236.3** | 311.6 | -75.4 | -24.2% |

# Global Ports Segment Data

## Russian Ports Segment

| | 2015 | 2014 | Change | |
|---|---|---|---|---|
| Gross marine container throughput, 000s TEU | **1,561.7** | 2,404.2 | -842.6 | -35.0% |
| Gross container throughput of inland terminals, 000s TEU | **216.7** | 178.6 | 38.0 | 21.3% |
| Ro-Ro (thousand units) | **13.1** | 22.5 | -9.4 | -41.8% |
| Cars (thousand units) | **100.5** | 113.5 | -13.0 | -11.5% |
| Bulk cargo marine (thousand tonnes) | **1,364.0** | 750.6 | 613.4 | 81.7% |
| Bulk cargo inland (thousand tonnes) | **581.8** | 604.7 | -22.9 | -3.8% |
| Revenue, USDm | **439.2** | 602.2 | -163.1 | -27.1% |
| Adjusted EBITDA, USDm | **337.5** | 422.4 | -84.9 | -20.1% |
| Adjusted EBITDA margin, % | **76.9%** | 70.1% | | |

## Oil Products Terminal Segment

| | 2015 | 2014 | Change | |
|---|---|---|---|---|
| Oil products gross throughput (million tonnes) | **4.9** | 6.9 | -1.9 | -28.0% |
| Revenue, USDm | **86.3** | 116.5 | -30.2 | -25.9% |
| Adjusted EBITDA, USDm | **32.4** | 46.5 | -14.1 | -30.3% |
| Adjusted EBITDA margin, % | **37.6%** | 39.9% | | |

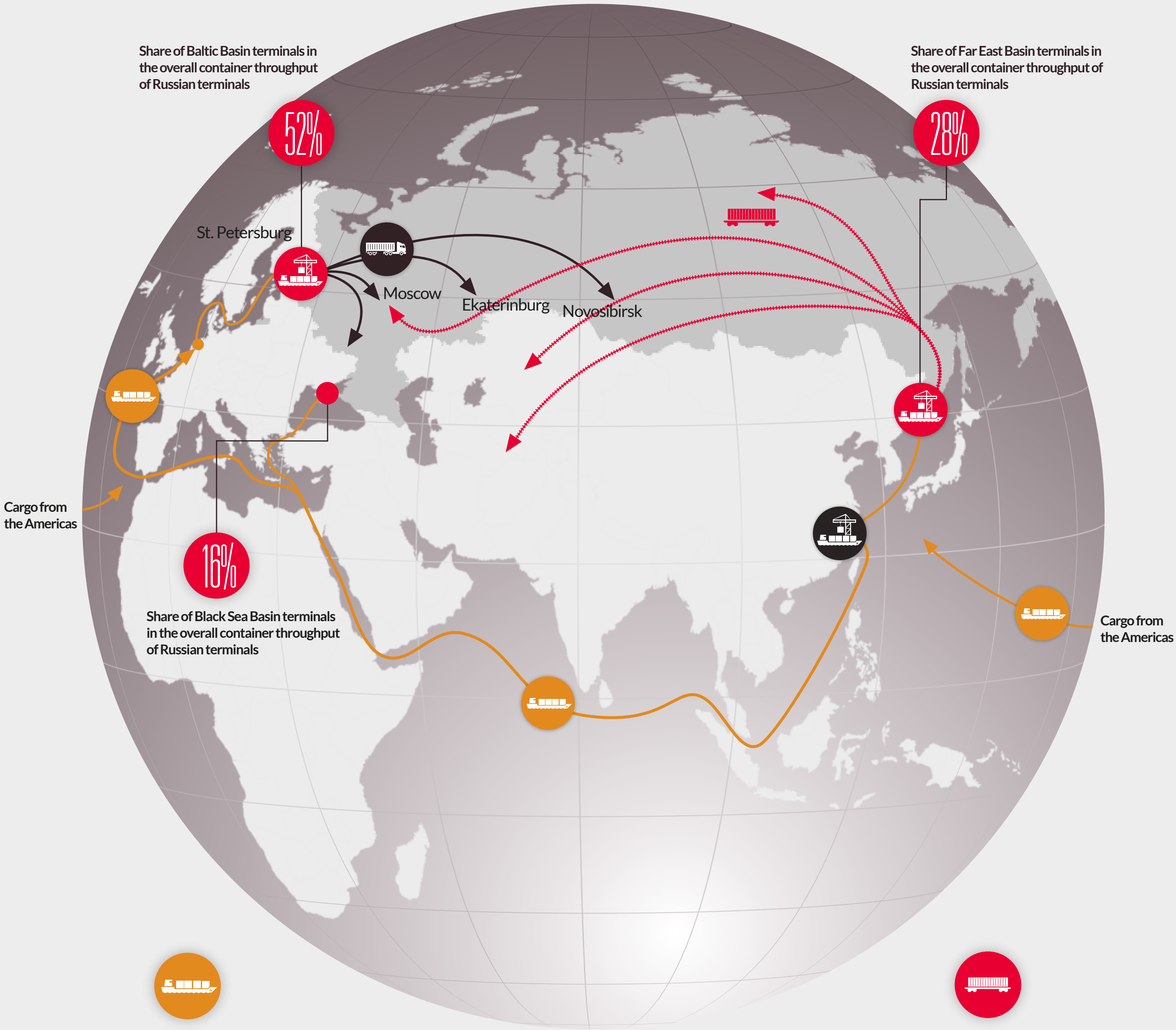
## Finnish Ports Segment

| | 2015 | 2014 | Change | |
|---|---|---|---|---|
| Gross container throughput, 000s | **272.3** | 250.8 | 21.5 | 8.6% |
| Revenue, USDm | **19.6** | 24.1 | -4.5 | -18.8% |
| Adjusted EBITDA, USDm | **4.0** | 3.9 | 0.1 | 2.1% |
| Adjusted EBITDA margin, % | **20.2%** | 16.0% | | |

ABOUT US

# STRONG POSITION IN RUSSIA'S MAIN CONTAINER GATEWAYS

Global Ports is one of the leading container operators in Russia's two main sea cargo basins.




## By Sea

The Baltic Sea Basin's container terminals are close to key transhipment hubs for Russia's inbound and outbound containers, such as Hamburg and Rotterdam. The basin has a strong customer base due to its economic development, access to Russia's most populous regions and cost-effective transportation of containers to major Russian cities.

## By Rail

The Far East Basin is the fastest route for transporting containers from Asia to the European part of Russia and many CIS countries. The shorter transit time is a key advantage for customers shipping high-value and time-sensitive cargo.

# OUR CONTAINER TERMINALS

## From East and West


### Baltic Sea Basin

The Group's container terminals in the Baltic Sea Basin offer direct access to the most populous and economically developed regions of the European part of Russia, including Moscow and St. Petersburg.

**3.5 MTEU** Global Ports marine terminal capacity[1]

**52%** Share of Baltic Basin terminals in the overall container throughput of Russian terminals[2]


### Far East Basin

The Group's container terminal in the Far East Basin is in an ice-free harbour with deep-water access and a direct link to the Trans-Siberian railway.

**0.65 MTEU** Global Ports marine terminal capacity

**28%** Share of Far East Basin terminals in the overall container throughput of Russian terminals[2]

1. Including terminals in Finland.
2. Source: Group estimates based on ASOP data.

## Terminal overview

| | Terminal | Location | Cargo handled | Container throughput capacity | Ownership |
|---|---|---|---|---|---|
| 1 | **First Container Terminal (FCT)** | St. Petersburg | Containers | 1,250k TEUs per year | 100% |
| 2 | **Petrolesport (PLP)** | St. Petersburg | Containers, Ro-Ro, bulk and general cargo | 1,000k TEUs per year | 100% |
| 3 | **Vostochnaya Stevedoring Company (VSC)** | Nakhodka | Containers, Ro-Ro, bulk cargo (coal) | 650k TEUs per year | 100% |
| 4 | **Ust-Luga Container Terminal (ULCT)** | Ust-Luga port cluster | Containers, bulk cargo | 440k TEUs per year | 80% |
| 5 | **Moby Dik (MD)** | Kronstadt (St. Petersburg) | Containers, Ro-Ro, bulk and general cargo | 400k TEUs per year | 75% |
| 6 | **Yanino (YLP)** | Inland, near St. Petersburg | Containers, bulk cargo | 200k TEUs per year | 75% |
| 7 | **Logistika Terminal (LT)** | Inland, near St. Petersburg | Containers, bulk cargo | 200k TEUs per year | 100% |
| 8 | **MLT Kotka** | Helsinki and Kotka, Finland | Containers, Ro-Ro, bulk cargo | 270k TEUs per year | 75% |
| 9 | **MLT Helsinki** | | | 150k TEUs per year | |
| 10 | **Vopak EOS** | Tallinn, Estonia | Oil products | 1,026k storage capacity cbm | 50% |

## Our partners:

**Entity:** Vopak EOS
**Partner:** Royal Vopak
**Share:** 50%

**Entity:** Moby Dik, MLT Kotka, MLT Helsinki, Yanino
**Partner:** Container Finance Ltd Oy
**Share:** 25% in each

**Entity:** UCLT
**Partner:** Eurogate
**Share:** 20%


TAKRAF
PETROLESPORT
EVERGREEN

# STRATEGIC REPORT

Our focus is on providing the highest levels of service to our clients, adhering to best-in-class safety and governance standards, and extracting maximum value from our core assets.

In 2015, Global Ports proactively responded to the conditions in both its industry and the broader economy. This included an even greater focus on operational cash costs and efficiency, an emphasis on maintaining pricing discipline and a pragmatic review of CAPEX plans. As a result of these actions, the Group increased its Adjusted EBITDA margin by 488 basis points to a record 71.7% and generated strong Free Cash Flow of USD 236 million. The Group continued to prioritise further deleveraging its balance sheet and decreased its Net Debt by USD 160 million.

# EFFECTIVE MANAGEMENT IN A CHALLENGING ENVIRONMENT

While macroeconomic conditions remained turbulent in 2015, Global Ports stayed focused, prioritising efficiency, cash flow generation, debt repayment and safety.

*"We still believe in the fundamental potential of Russia's container market. With a dominant presence in Russia's two largest container gateways, Global Ports will benefit from traffic in either direction and be among the first to benefit from an economic upturn."*

**TIEMEN MEESTER**
**CHAIRMAN**

My first full year as Chairman has been satisfactory. I have been impressed by the dedication of our people and our high standards of service quality and efficiency, a combination that has allowed Global Ports to successfully navigate a complex macroeconomic environment. This, combined with good corporate governance, underpins my view of Global Ports as the industry leader in Russia, with an unparalleled network of modern terminals in two major basins.

The management team has continued to effectively manage costs in a challenging macroeconomic environment. At the same time, container volumes declined following weaker demand for imports due to decreased purchasing power of consumers.

Anticipating these difficulties, I promised last year to focus on maximising Free Cash Flow and efficiency across the Group. We have delivered on this promise, demonstrated by generating strong Free Cash Flow of USD 236 million. While a decline compared with the previous year, given the difficult macroeconomic conditions, this was a satisfactory result.

In August 2015, we welcomed Vladislav Baumgertner as the new CEO of Global Ports Management to lead the company in the next stage of its development. We believe that he has all the necessary skills and experience to navigate the Group through the current environment and prepare it for a market recovery. We are also very pleased that Alexander Nazarchuk has decided to stay on the Board of Directors. His experience as a founding CEO, combined with Vladislav's experience derived from other international sectors and businesses, will no doubt be invaluable to both the Board and the management team, as we work together to ensure the careful implementation of a successful long-term strategy.

## Corporate governance

Good corporate governance remains crucial for the long-term success of Global Ports. The Group's listing on the London Stock Exchange, now in its fifth year, underscores its adherence and commitment to international standards of oversight.

I believe that the Board, which consists of individuals with strong track records and a wealth of experience, is perfectly equipped to provide entrepreneurial leadership and define the overall strategy. I will continue to build on these strong foundations and will ensure that the Board remains vigilant, which is particularly important in the current difficult macroeconomic environment.

Within this context, safety remains one of our highest priorities. All efficiency measures have been reviewed to ensure that the highest standards of health and safety regulation are maintained. While we reduced CAPEX by 50% in 2015, the remaining USD 12 million was invested in upgrading and improving existing equipment and facilities, helping to guarantee a safe working environment.

Over the past several years, we have monitored the lost-time injury frequency (LTIF) at our Russian ports. In that period, we have seen significant improvements and are delighted that we are now on a level with the best in the industry for this key safety metric. This is due both to our commitment to safety and our terminals, which are some of the most modern in the region.

We are fortunate to have APM Terminals as a co-controlling shareholder, as their input is invaluable in ensuring that we stay at the forefront of our industry. We are continuously working with APM Terminals to leverage the knowledge that exists across our businesses with a view to implementing and maintaining best practices and standards throughout all our terminals. The ability to draw on this level of competence means not only that we provide a safe and effective working environment, but also that we can do so while delivering a level of efficiency that truly differentiates us from the competition.

## Cash flow

In 2015, as promised, we prioritised deleveraging and strengthening our balance sheet. The Group's Net Debt was reduced by USD 160 million last year. This means that since the successful acquisition of NCC, Global Ports has repaid more than USD 290 million. Nevertheless, we believe that continuing to deleverage is the most prudent decision in the current difficult and volatile environment. When approaching our target Net Debt of 1.5x-2.0x EBITDA, we will have enough flexibility to withstand macroeconomic pressures and resume dividends.

## Outlook

While we expect another challenging year in 2016, the macroeconomic headwinds do not change our long-term view. We still believe in the fundamental potential of Russia's container market. With a dominant presence in Russia's two largest container gateways, Global Ports will benefit from traffic in either direction and be among the first to benefit from an economic upturn.

Global Ports has already demonstrated its ability to navigate successfully through a negative cycle in 2008 and 2009. While we are again facing pressures, we are in a strong position. Efficiency, capital investment discipline and the highest quality of service remain our key priorities to create shareholder value and preserve the Group's potential. We are relentlessly looking for new opportunities that can create additional revenue streams. At the same time, we will remain ever vigilant on costs and continue to streamline our business.

Global Ports has an unrivalled leadership position and a management team and board with extensive knowledge, experience and skills. These are strong foundations. The actions that we have taken, and continue to take, will ensure that the foundations of today remain strong as we face the future and prepare for a market recovery.

**Tiemen Meester**
Chairman
29 April 2016

# Q&A
## WITH TIEMEN MEESTER
## CHAIRMAN

### When do you expect to resume paying dividends?

As is clear from our track record of strong dividend payments, shareholder remuneration is an important tenet for Global Ports. We have a cash generative business and have always carefully balanced the need to invest in our operations, repay debt and award shareholders appropriately.

The current economic environment both is challenging and limits visibility. As such, we consider it important to be prudent, and the Board has chosen to prioritise deleveraging to ensure that our gearing remains at comfortable levels. Global Ports' management has made good progress in this regard, reducing total debt by more than USD 290 million, or 20%, since the NCC acquisition, despite the challenging times.

The suspension of dividends was not a decision that was taken lightly: it was a necessary step to ensure that we safeguard the strength of the Group. We are still above our target ratio of Net Debt to Adjusted EBITDA of 1.5x – 2.0x, so while we are always mindful of the importance of remunerating shareholders, deleveraging remains the focus for now.

### Is the current environment likely to have a long-term impact on containerisation in Russia?

The situation in Russia is not unique: global markets have gone through various cycles over time. While rarely is the growth trajectory of container throughput linear in individual markets, it continues to rise over the longer term. If we take global markets as a whole, container throughput has been steadily growing since 1956, with the exception of 2008, when there was a decline. So the trend is clear.

My experience with APM Terminals supports this: while we have seen worse in other markets, the fundamental case for the increasing containerisation of goods remains strong and growth returns when the macroeconomic situation improves. Russia, which was hit by a 34% decline in 2009, recovered in less than 12 months, as conditions became positive again. So containerisation is here to stay, despite the sometimes bumpy road.

Of course, 2016 will be tough. We are not yet seeing the economic recovery that will fuel a rise in containerisation. And with visibility poor, it is unclear when that will come. However, we are here for the long term and we will continue to take steps to place Global Ports on the strongest possible footing for when that time comes.

# FINANCIAL PRUDENCE YIELDS RESULTS

Global Ports proved able to weather the storm well in 2015 by focusing on strong pricing, cost cutting and rational use of cash flow.

*"In 2015, we navigated a tricky market by concentrating on maintaining strict cost control and strong pricing. As the result, our Adjusted EBITDA margin reached a record level of 71.7%, a tremendous result given the circumstances."*

**VLADISLAV BAUMGERTNER**
**CHIEF EXECUTIVE OFFICER**

In 2015, I joined the Group as CEO of Global Ports Management and in my inaugural Annual Report message I would like to highlight how impressed I have been by the hard work of all our employees during these challenging times. Our management team proactively launched a number of important steps to mitigate the macroeconomic impact. First, Global Ports has increased the focus on operational efficiency and cost cutting. Second, the management prioritised deleveraging and increased financial flexibility in a period of low visibility. Finally, the Group's well invested terminals enabled us to reduce CAPEX by 50% without any undue effect on our quality of service, which is a key element of our client offering, or the safety of our operations. So while market conditions remain a struggle, we are staying focused on setting a platform for the future.

## Market

Given that container port activity is strongly linked to economic growth and consumer confidence, the decline in container volumes of 26% was largely expected when the Russian economy entered a recession in 2015 and GDP shrank by 3.7%. However, Russian exports are showing early positive signs: for example, laden container exports grew by 22% from 2012 to 2015, including growth of 2% in the reporting period, despite the difficult macroeconomic backdrop. Overall, visibility remains low and we expect it to continue to do so. In this environment, we, as the market leader with a strong service offering, continued to follow a disciplined commercial strategy.

## Financial results

In 2015, we navigated a difficult market by concentrating on maintaining strict cost control and strong pricing. This helped to support our margins and strong cash generation. Over 2015, this also supported Adjusted EBITDA at USD 291 million, down 23%, as the 28% decline in Revenue caused by the contracting market was partly offset by reduced costs. We reduced total operating cash costs by 38% last year, strongly supported by the devaluation of the Russian rouble. In 2015, Free Cash Flow for the year reached a solid USD 236 million. This and our low CAPEX requirements enabled us to continue deleveraging as we reduced Net Debt by over USD 160 million during the year.

## Operational results

In 2015, the Group's container volumes in Russia declined by 35% to 1,562 thousand TEUs. While volumes in the Baltic basin declined by 37%, VSC in the Far East demonstrated a better performance, handling over 353 thousand TEUs, down 26% year-on-year. Bulk cargo handling in the Russian Ports segment increased by 82% to more than 1.3 million tonnes. Throughout the year, the Group continued its drive for operational efficiency by optimising asset management, productivity and procurement achieved in part through further implementation of common standards and global best practice procedures across our operations.

## Successful deleveraging

Our commitment to deleverage the business, which started after the NCC acquisition in 2013, remained a key priority during the year. We also saw an opportunity to optimise and diversify our debt profile and entered the public debt markets to refinance part of our existing debt. This move was taken with the aim of ensuring greater financial flexibility, optimising our maturity profile and reducing the cost of borrowings. Following our target gearing policy of 1.5x – 2.0x of Net Debt to EBITDA, we have reduced Total Debt by more than USD 290 million during 2014-2015.

## Outlook

In 2015, market trends were largely negative and 2016 is also expected to be challenging. Container flows are generated and driven by macroeconomic factors, as imports are closely related to consumption and exports are linked to global competitiveness. While the low oil price and subsequent rouble devaluation make Russian exports more viable, imports are falling along with disposable incomes and consumption. In the long term, however, the market remains attractive, as absolute levels of containerisation in Russia are low in imports and exports, compared with both developed and other developing markets.

While there is significant potential for further containerisation, the short-term perspectives remain challenging and the competition is set to intensify. We will continue to focus on maximising value from our core assets and maintaining our disciplined commercial strategy, while also looking further afield for opportunities to generate new revenue streams. We have already achieved a great deal to increase efficiency, and we can definitely do more by further optimising our operations. A pragmatic review of CAPEX will also remain a priority.

We are confident that our financial prudence, solid business model and market leadership position will help to us weather this storm, and we will continue to generate value for our investors, clients and partners.

**Vladislav Baumgertner**
Chief Executive Officer
29 April 2016

# Q&A

## WITH VLADISLAV BAUMGERTNER
## CHIEF EXECUTIVE OFFICER

### Your previous corporate experience was beyond the port and transport industries. What do you bring to Global Ports as the new CEO?

Global Ports is an established business with world-class assets and a highly experienced team that listed the company on the London Stock Exchange, partnered with APM Terminals and solidified the Group's leadership position by acquiring NCC, among other achievements.

In the past, I developed and led a large industry-leading business with a strong international focus. As CEO of Uralkali, I oversaw the company's transformation into the world's largest potash producer. A key focus during my tenure was the combination with Silvinit, which helped to increase operating efficiency, optimise sales activities, and maximise organic growth of the combined group. In my opinion, and the board shares this view, this experience is directly relevant to Global Ports today.

### What will your priorities be? Will there be any change in strategic direction for the Group?

We believe that the Group has the right strategy in place to adjust its activity in line with market demand, while delivering the service our customers expect and adding value to retain our pricing potential. At the Group level, we need to ensure that we are streamlined and lean, both financially and operationally, to weather this difficult environment. The management team has always adopted this long-term approach, by undertaking efforts to ensure that operations remain well invested, while maintaining our high quality of service, for example. I will continue to pursue this with a view to successfully managing the business and keeping an eye on future developments.

### Given the slowdown in the market, do you still believe in the long-term prospects for the Russian containerisation market?

Containerisation levels in Russia remain very low compared with both developing and developed markets. In 2015, Russia had 26 TEUs per capita, which was lower than Brazil (45 TEUs) and Turkey (106 TEUs), and well below the world average of 95 TEUs and Europe's 111 TEUs. Despite ongoing containerisation, which in 2000-2010 increased steadily by over 15% a year on average, imports remain under-containerised in all key categories. We believe in the long-term fundamentals of the market and our ability to capitalise on them.

# RUSSIAN CONTAINER MARKET TRACKS MACROECONOMIC TRENDS IN 2015

Rouble depreciation and the overall deterioration of the Russian macroeconomic environment led to a 26% decline in the container market in 2015.

## Overview of 2015

The Russian container market evolved decades after the global container market[1], primarily starting to develop following the collapse of the Soviet Union and the opening of borders for international trade in the early 1990s. The main drivers of growth were increasing import volumes and the rapid containerisation of trade from a low base. During 2000-2013, the Russian container market grew by an average of around 20% a year.

The financial crisis in 2008-2009 briefly impacted the growing container market: as imports decreased, container volumes contracted by 34% in 2009. However, once the macroeconomic conditions became favourable again, the market rebounded quickly. By the middle of 2010, Russia's average monthly container volumes exceeded pre-crisis levels.

In 2014, following the first signs of economic challenges and the weakening of the Russian rouble, the market began to contract. However, given growth of 2% in the first half of 2014 and a decrease of only 1% for the full year, the effect did not appear significant. Only in 2015 did the decline accelerate due to new macroeconomic headwinds, volumes sliding by 26% year-on-year (from 5.1 million TEUs in 2014 to 3.8 million TEUs).

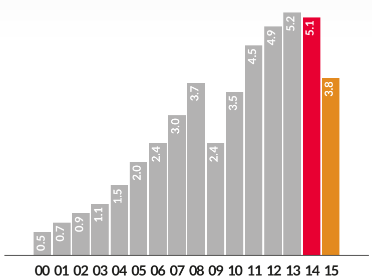
Most of the decline took place in the first quarter of 2015 (down 20% year-on-year), while average monthly volumes were relatively stable in the following quarters.

The Baltic Basin remains the main container gateway to Russia: terminals in St. Petersburg and Ust-Luga have the most favourable location, being close to the two largest consumption centres in Russia, Moscow and St. Petersburg.

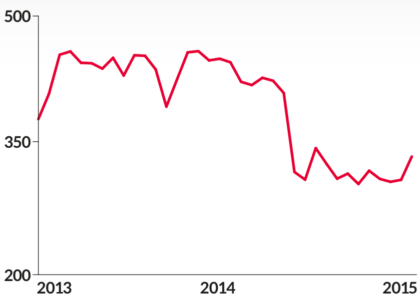
In 2015, the Baltic Basin accounted for 52% of total containers handled by Russian terminals, while its throughput decreased by more than 29% year-on-year, from 2,807 thousand TEUs in 2014 to 1,984 thousand TEUs.

The Far East Basin is the second largest basin by container throughput in Russia, with a market share of 28% in 2015. Its terminals are used not only to deliver cargo to nearby regions, but also to make shipments to the central and European parts of Russia and into Central Asia, due to the well developed railway communications. In 2015, the Far East Basin's throughput decreased by 27% year-on-year, from 1,436 thousand TEUs in 2014 to 1,054 thousand TEUs.

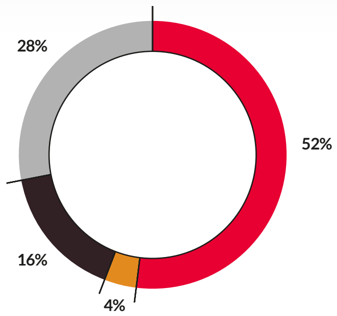
RUSSIAN CONTAINER MARKET VOLUMES, 2000-2015, M TEUs[2]




RUSSIAN CONTAINER MARKET MONTHLY VOLUMES, 2013-2015, K TEUs[2]




SHARE OF RUSSIAN CONTAINER MARKET VOLUMES BY BASIN, 2015[2]




1. The first container deliveries in the world started in 1956.
2. Source: ASOP.

In 2015, Russia's Black Sea Basin accounted for 16% of national container throughput, while its volumes decreased by 19% year-on-year, from 750 thousand TEUs in 2014 to 607 thousand TEUs.

While overall container volumes fell in 2015, containerised exports continued to grow. Throughput of laden export containers reached 937 thousand TEUs, up 2% year-on-year. The main drivers of the increase were rouble depreciation and the ongoing containerisation of Russian cargo flows. The main types of export cargos being containerised in Russia are those that are expensive or fragile: timber, cellulose, paper, copper, nickel, aluminium and products derived from them. Containerisation of fertiliser exports is also gradually increasing.

The rise in containerised exports and decline in imports have led to a more balanced container market in terms of the share of laden and empty containers in imports and exports. This is especially noticeable in St. Petersburg (and area), where nearly 70% of containers left the country laden and less than one-third left empty, while in 2012, only 41% of export containers were full. In addition, the decline in imports and increased demand for containers from exporters have led to a deficit of empty containers in numerous regions. As a result, in 2015, imports of empty containers into Russia rose sharply, specifically to accommodate this export demand. In the year, more than 70 thousand TEUs were imported, supporting overall container market volumes.

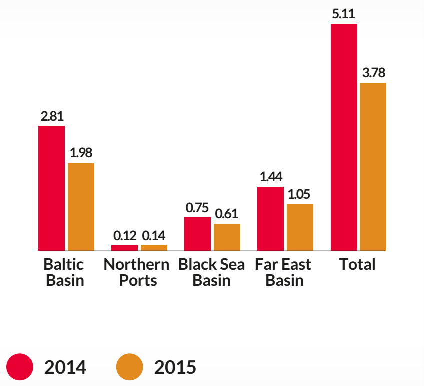
## Forecast for 2016

With 2016 looking set to be a volatile year, the short-term outlook is uncertain and difficult to predict.

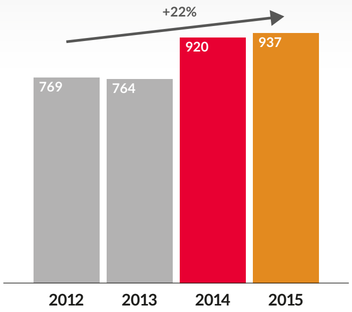
Against this background, competition between terminals has intensified, as the decrease in overall throughput creates excess capacity for all players. At the same time, Bronka, the new port near St. Petersburg, will begin operating in 2016.

While volatility is likely to be high and competition greater in 2016, the container market continues to have strong potential. Containerisation of both exports and imports in Russia remains much lower than global levels. In 2015, the ratio of containers per 1,000 capita was 26 in Russia, while the world average was 95. Only 7.3% of total Russian exports (excluding oil and oil products) are containerised, compared with over 20% for the rest of the world.

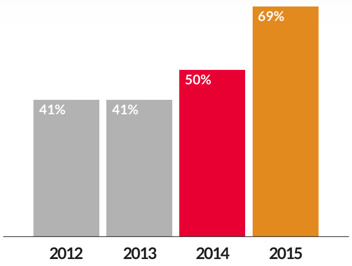
**RUSSIAN CONTAINER MARKET VOLUMES BY BASIN, 2014-2015, M TEUs[2]**




**LADEN EXPORT CONTAINER THROUGHPUT, 2012-2015, K TEUs[2]**




**SHARE OF LADEN EXPORT CONTAINER THROUGHPUT IN ST. PETERSBURG (AND AREA), 2012-2015, %[2]**



# STRONG RESULTS

Following a period of rapid growth and investment that made Global Ports the number one in Russia, the Group is now focused on its core strategy of extracting value from existing infrastructure, deleveraging and improving efficiency and control.

| Strategic objectives | Actions in 2015 |
|---|---|
| **FULLY UTILISE CORE ASSETS AND EXISTING INFRASTRUCTURE** | |
| – Focus on core (maritime) activity<br>– Maintain disciplined commercial strategy<br>– Value extraction from core assets<br>– Generate new revenue streams<br>– Prioritise safety throughout | – Continued with "price over volumes" commercial strategy<br>– Disposed of unused land and equipment<br>– Focused on bulk cargos to use terminal space better<br>– Conducted design reviews and two safety audits at all terminals |
| **MAXIMISE EFFICIENCY AND COST CONTROL** | |
| – Scrutinise all expenses and processes<br>– Focus on greater productivity | – Optimised workforce<br>– Reviewed costs<br>– Pursued operating efficiency drives |
| **FOCUS ON CASH FLOW AND DEBT REPAYMENT** | |
| – Optimise CAPEX, supported by well invested terminals<br>– Preserve cash where possible<br>– Use free cash flow to repay debt | – Revised CAPEX<br>– Generated strong cash flow<br>– Repaid and optimised debt |

## Results in 2015

- Strong pricing limited the effect of lower volumes on the top line
- Raised USD 8.7 million from sales of PPE
- Handled 1.4 million tonnes of bulk cargo, up 81.7% year-on-year
- In terms of compliance with global minimum safety requirements, scored 90% overall

**+81.7%**

**Handled 1.4 million tonnes of bulk cargo, up 81.7% year-on-year**

- Streamlined headcount by 9%[1] year-on-year, optimised outsourcing, introduced reduced working week
- Decreased operating peaks, optimised maintenance, centralised procurement, reduced transport outsourcing
- Cut Total Operating Cash Costs by 38% year-on-year, supported by favourable FX impact, boosted Adjusted EBITDA margin to 71.7%

**–38%**

**Decrease in Operating Cash Costs**

- Reduced cash CAPEX by 50% year-on-year
- Annual CAPEX of USD 25-30 million targeted for the next few years
- Generated free cash flow of USD 236.3 million
- Decreased Net Debt by USD 160 million
- Issued a rouble bond and swapped into US dollars, raising more than USD 200 million[2] to refinance debt

**USD 160m**

**Decrease in Net Debt**

1. In three main terminals: FCT, PLP, VSC.
2. Three tranches RUB 5 billion each were issued in December 2015, February and March 2016.

# SOLID PERFORMANCE IN A TOUGH MARKET

A focus on efficiency, cash flow and strong pricing was the right strategy to face the challenging conditions of 2015.

In 2015, Global Ports proactively responded to the conditions in both its industry and the broader economy. This included an even greater focus on operational cash costs and efficiency, emphasis on maintaining pricing discipline, as well as a pragmatic review of CAPEX plans. As a result of these actions, the Group increased its Adjusted EBITDA margin by 488 basis points* to a record 71.7%* and generated strong Free Cash Flow of USD 236 million*. The Group continued prioritising further deleveraging its balance sheet and decreased its Net Debt by USD 160 million*.

## Group financial and operational highlights for 2015

- Against the backdrop of a macroeconomic slowdown and a sharp devaluation of the Russian rouble negatively impacting imports, Global Ports' Marine Container Throughput declined 31%[1] year-on-year to 1,834 thousand TEUs* in 2015.
- Revenue was 27.9% lower than in 2014 at USD 405.7 million, the decline was mainly driven by lower container throughput.
- The Group achieved a record Adjusted EBITDA margin of 71.7%* as continued focus on efficiency and cost control, supported by the devaluation of the Russian rouble, enabled the Group to reduce Total Operating Cash Costs by 38%* and to expand the margin by 488 basis points*.
- Adjusted EBITDA in 2015 declined 22.6%* to USD 291.0 million*, with growth in the Adjusted EBITDA margin partly offsetting the impact of the revenue decline on Adjusted EBITDA.
- The Group reduced its capital expenditures on a cash basis in 2015 by 50.2% to USD 11.7 million. CAPEX reduction was achieved without compromising service quality, reliability and safety of operations at the Group's already well invested terminals.
- The Group generated a high level of Free Cash Flow of USD 236.3 million* during the period, 24.2%* below what was achieved in 2014.
- The Group continued to focus on deleveraging: Net Debt[2] reduced by USD 160 million* in 2015. The Group's Total Debt has decreased by over USD 290 million* since the NCC Group acquisition at the end of 2013.
- At the end of 2015 and during 1Q 2016, the Group successfully refinanced part of its debt portfolio by issuing three five-year tranches of Russian rouble-denominated bonds[3] swapped to USD for the aggregate amount of more than USD 200 million*. In April 2016 the Group successfully placed its inaugural Eurobond in the amount of USD 350 million. This allowed Global Ports to achieve greater financial flexibility, extend its maturity profile, decrease its average cost of borrowings and increase the share of fixed-rate borrowing in its portfolio.
- In line with statements made a year ago, the Group continues to prioritise deleveraging over dividend distribution in order to ensure the long-term financial flexibility of the Group in the current market environment.

*"The macroeconomic backdrop in Russia remains challenging and the container market has inevitably felt the effects of this. At the same time, by focusing on disciplined commercial strategy, cost cutting and efficiency, Global Ports increased its Adjusted EBITDA margin to a record 72%* and generated healthy free cash flow of USD 236 million in 2015. In addition, since the NCC acquisition, the Group has repaid more than USD 290 million. As a team, we feel well prepared to face even the toughest of environments, as our track record is one of navigating our way through difficult cycles successfully."*

**VLADISLAV BAUMGERTNER**
**CEO OF GLOBAL PORTS MANAGEMENT**

1. Russian and Finnish Ports' throughput.
2. Including derivative financial instruments used for economic hedge of the Group's borrowings.
3. Three tranches of RUB 5 billion each were issued in December 2015, February 2016 and March 2016.
4. In 2015, the rouble devalued by 59% to 61.32 RUB/USD from 38.60 RUB/USD in 2014 (average exchange rates according to the Central Bank of Russia).
5. Rounding adjustments have been made in calculating some of the financial and operational information included in this report. As a result, numerical figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.
6. On a 100% basis, total revenue of the Russian Ports segment amounted to USD 439.2 million*, of which USD 368.4 million* came from container handling and USD 70.8 million* from other services.

* Certain financial and operational information which is derived from the management account is marked with an asterisk.

## Results of operations of Global Ports for the 12-month period ended 31 December 2014 and 2015

The following table sets out the principal components of the Global Ports consolidated income statement for 2015[4].

### Table 1 – Consolidated Income Statement for 2015[5]

| | 2015 USD million | 2014 USD million | Change USD million | Change % |
|---|---|---|---|---|
| **Selected consolidated financial information** | | | | |
| Revenue | 405.7 | 562.4 | (156.7) | (27.9%) |
| Cost of sales | (176.4) | (231.5) | 55.1 | (23.8%) |
| Gross profit | 229.3 | 330.9 | (101.6) | (30.7%) |
| Administrative, selling and marketing expenses | (42.3) | (55.2) | 12.8 | (23.2%) |
| Share of profit/(loss) of joint ventures accounted for using the equity method | 3.8 | (7.7) | 11.5 | (149.8%) |
| Other (losses)/gains – net | (6.0) | 10.5 | (16.6) | (157.3%) |
| Operating profit | 184.8 | 278.6 | (93.9) | (33.7%) |
| Finance income | 1.6 | 1.3 | 0.3 | 22.3% |
| Finance costs | (60.1) | (90.5) | 30.3 | (33.5%) |
| Change in fair value of derivative | (5.5) | – | | |
| Net foreign exchange losses on financial activities | (151.0) | (418.5) | 267.5 | (63.9%) |
| Finance costs – net | (215.1) | (507.7) | 292.7 | (57.6%) |
| Loss before income tax | (30.3) | (229.1) | 198.8 | (86.8%) |
| Income tax (expense)/credit | (3.4) | 31.8 | (35.2) | (110.6%) |
| Loss for the year | (33.7) | (197.3) | 163.6 | (82.9%) |
| Attributable to: | | | | |
| Owners of the Group | (25.1) | (193.1) | 168.0 | (87.0%) |
| Non-controlling interest | (8.5) | (4.2) | (4.4) | 104.2% |
| **Key Non-IFRS financial information** | | | | |
| Gross Profit Margin | 56.5%* | 58.8%* | | |
| Adjusted EBITDA | 291.0* | 375.9* | (84.9)* | (22.6%)* |
| Adjusted EBITDA Margin | 71.7%* | 66.8%* | | |
| Cost of Sales Adjusted For Impairment | 129.7* | 231.5* | (101.8)* | (44.0%)* |
| Total Operating Cash Costs | 114.7* | 186.5* | (71.7)* | (38.5%)* |
| Operating Profit Adjusted For Impairment | 231.4* | 278.6* | (47.2)* | (16.9%)* |
| Profit/(Loss) For the Period Adjusted For Impairment | 13.0* | (197.3)* | 210.3* | (106.6%)* |
| Cash Cost of Sales | 73.1* | 132.5* | (59.4)* | (44.8%)* |
| Free Cash Flow | 236.3* | 311.6* | (75.4)* | (24.2%)* |

### Revenue

Revenue decreased by USD 156.7 million, or 27.9%, from USD 562.4 million in 2014 to USD 405.7 million in 2015. This decrease was primarily due to a decrease in key cargoes throughput, which was partly offset by an increase in revenue per TEU in container handling[6].

### Cost of sales

Cost of sales decreased by USD 55.1 million, or 23.8%, from USD 231.5 million in 2014 to USD 176.4 million in 2015, principally due to cash cost of sales decreasing by USD 59.4 million*, or 44.8%*, partly offset by an increase in impairment of property, plant and equipment of USD 46.7 million in connection with ULCT.

Depreciation of property, plant and equipment also decreased by USD 32.6 million, or 43.7%, and amortisation of intangible assets decreased by USD 9.8 million.

The decrease in cash cost of sales was driven by a 41.7 % decrease in staff costs of USD 26.3 million, a 48.5% reduction in fuel, electricity and gas expenses of USD 5.9 million, a 44.7% decrease in repair and maintenance of property, plant and equipment of USD 5.2 million, a 41.8% decrease in transportation costs of USD 4.5 million as well as a 67.7% decrease in other operating expenses of USD 8.3 million. These decreases were driven by a combination of depreciation of the rouble, efficiency improvements and strong cost control and an overall decline in throughput.

*"The Group reduced its capital expenditures on a cash basis by 50.2% to USD 11.7 million in 2015. CAPEX was reduced without compromising service quality or the reliability or safety of operations at the Group's already well invested terminals."*

**EVGENY ZALTSMAN**
**HEAD OF BUSINESS DEVELOPMENT**

## Gross profit
Gross profit decreased by USD 101.6 million, or 30.7%, from USD 330.9 million in 2014 to USD 229.3 million in 2015. This decrease was due to the factors described above.

## Administrative, selling and marketing expenses
Administrative, selling and marketing expenses decreased by USD 12.8 million, or 23.2%, from USD 55.2 million in 2014 to USD 42.3 million in 2015. This decrease was primarily due to a decrease of USD 9.2 million, or 26.3%, in staff costs.

## Share of profit/(loss) of joint ventures accounted for using the equity method
Table 2 sets out the principal components of Global Ports' share of profit/(loss) of joint ventures accounted for using the equity method for 2015 compared with 2014.

Share of profit/(loss) of joint ventures accounted for using the equity method amounted to a profit of USD 3.8 million in 2015, compared with a loss of USD 7.7 million in 2014. This change was primarily driven by a change in the Group's share of results of CD Holding from a loss of USD 23.7 million in 2014 to a loss of USD 8.7 million in 2015 and a decline in the Group's share of profits of VEOS from USD 8.8 million in 2014 to USD 3.9 million in 2015. VEOS' profits decrease was driven by difficult market environment for Russian fuel oil exports.

## Other (losses)/gains – net
Other (losses)/gains—net changed from a profit of USD 10.5 million in 2014 to a loss of USD 6.0 million in 2015. This change was primarily due to a change in foreign exchange gains on non-financing activities—net from a profit of USD 12.5 million in 2014 to a loss of USD 5.7 million in 2015.

## Operating profit
Operating profit decreased by USD 93.9 million, or 33.7%, from USD 278.6 million in 2014 to USD 184.8 in 2015. This decrease was due to the factors described above.

## Finance costs – net
Finance costs—net decreased by USD 292.7 million, or 57.6%, from a loss of USD 507.7 million in 2014 to a loss of USD 215.1 million in 2015. This decrease was primarily due to the decrease in foreign exchange losses on financing activities from USD 418.5 million in 2014 to USD 151.0 million, resulting mostly from the revaluation on consolidation of US dollar-denominated borrowings in the Group's subsidiaries that do not have US dollar as their functional currency.

## Loss before income tax
Loss before income tax changed from a loss of USD 229.1 million in 2014 to a loss of USD 30.3 million in 2015 due to the factors described above.

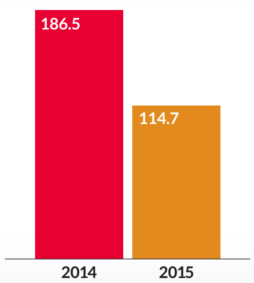
## Income tax (expense)/credit
In 2015, income tax expense was USD 3.4 million. In 2014, the Group had an income tax credit of USD 31.8 million, which was mainly due to losses carried forward originating from foreign exchange losses on US dollar-denominated borrowings which do not have the US dollar as their functional currency.

## Loss for the year
Loss for the year amounted to USD 33.7 million in 2015, compared with a loss of USD 197.3 million in 2014, due to the factors described above.

## Free Cash Flow
The Group generated USD 236.3 million* of Free Cash Flow in 2015, compared with USD 311.6 million* in 2014. The decline in Free Cash Flow was USD 75.4 million* or 24.2%*.

TOTAL OPERATING CASH COSTS (USD million)

-38%




## Table 2 – Share of profit/(loss) of joint ventures accounted for using the equity method

| | 2015 USD million | 2014 USD million | Change USD million | % |
|---|---|---|---|---|
| VEOS | 3.9 | 8.8 | (4.9) | (55.5%) |
| MLT | 8.6 | 7.3 | 1.3 | 17.5% |
| CD Holding | (8.7) | (23.7) | 15.1 | (63.5%) |
| **Total share of profit/(loss) of joint ventures** | **3.8** | **(7.7)** | **11.5** | **(149.8%)** |

## Non-IFRS measures: Adjusted EBITDA and Adjusted EBITDA Margin

Table 3 sets out the adjustments made to Global Ports' profit for the year to calculate Global Ports' Adjusted EBITDA for 2015 and 2014.

Adjusted EBITDA in 2015 decreased by USD 84.9 million*, or 22.6%*, from USD 375.9 million* in 2014 to USD 291.0 million*, mainly as a result of a decrease in Revenue which was partly compensated by the decrease in Cash Cost of Sales and Administrative, selling and marketing expenses (excluding depreciation of PPE, amortisation of intangible assets and impairment of PPE).

The Group's Adjusted EBITDA Margin increased to a record 71.7%* in 2015, compared with 66.8%* in 2014, due to the factors discussed above.

## Liquidity and capital resources

### General

As at 31 December 2015, the Group had USD 123.1 million in cash and cash equivalents. The Group's liquidity needs arise primarily in connection with repayments of principal and interest of borrowings, the capital investment programmes of each of its operations as well as their operating costs. In the period under review, the Group's liquidity needs were met primarily by cash flows generated from operating activities as well as through borrowings. The management of the Group expects to fund its liquidity requirements in both the short and medium term with cash generated from operating activities and borrowings.

As a result of the shareholding or joint venture agreements at Moby Dik, the Finnish Ports, Yanino and VEOS, the cash generated from the operating activities of each of the entities in those businesses is not freely available to fund the other operations and capital expenditures of the Group or any other businesses within the Group and can only be lent to an entity or distributed as a dividend with the consent of the other shareholders' to those arrangements.

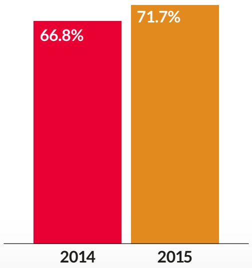
As at 31 December 2015, the Group had USD 1,165.4 million of total borrowings, of which USD 103.0 million comprised current borrowings, USD 1,062.4 million comprised non-current borrowings. See also "Capital resources".

### Cash flows for 2014 and 2015

Table 4 sets out the principal components of the Group's consolidated cash flow statement for 2014 and 2015.

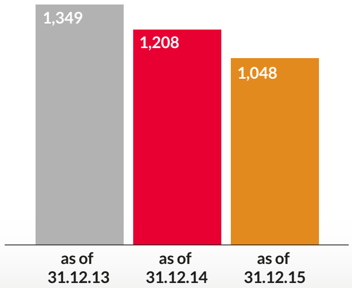
ADJUSTED EBITDA MARGIN (%)

+488 bps



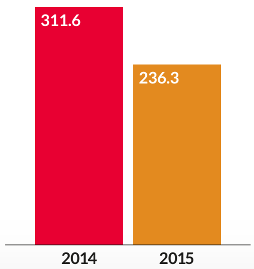

NET DEBT (USD million)

-302m (2013-2015)




FREE CASH FLOW (USD million)

-24%




### Table 3 – Non-IFRS measures: adjusted EBITDA and adjusted EBITDA margin

| | 2015 USD million | 2014 USD million | Change USD million | % |
|---|---|---|---|---|
| Loss for the year | (33.7) | (197.3) | 163.6 | (82.9%) |
| *Adjusted for* | | | | |
| Income tax expense/(credit) | 3.4 | (31.8) | 35.2 | (110.6%) |
| Finance costs – net | 215.1 | 507.7 | (292.7) | (57.6%) |
| Amortisation of intangible assets | 14.5 | 24.3 | (9.8) | (40.3%) |
| Depreciation of property, plant and equipment | 42.8 | 75.9 | (33.1) | (43.6%) |
| Impairment of property, plant and equipment | 46.7 | – | 46.7 | |
| Other losses/(gains) – net | 6.0 | (10.5) | 16.6 | (157.3%) |
| Share of (profit)/loss of joint ventures accounted for using the equity method | (3.8) | 7.7 | (11.5) | (149.8%) |
| Adjusted EBITDA | 291.0* | 375.9* | (84.9)* | (22.6%)* |

### Table 4 – Cash flows for 2014 and 2015

| | 2015 USD million | 2014 USD million | Change USD million | % |
|---|---|---|---|---|
| Net cash from operating activities | 248.0 | 335.2 | (87.2) | (26.0%) |
| Net cash used in investing activities | (9.8) | (93.3) | 83.5 | (89.5%) |
| Net cash used in financing activities | (192.4) | (233.6) | 41.2 | (17.6%) |
| Net increase in cash and cash equivalents | 45.8 | 8.3 | 37.5 | 453.2% |
| Cash and cash equivalents at beginning of the year | 78.8 | 113.2 | (34.4) | (30.4%) |
| Exchange losses on cash and cash equivalents | (1.5) | (42.7) | 41.2 | (96.5%) |
| Cash and cash equivalents at end of the year | 123.1 | 78.8 | 44.3 | 56.2% |

## Net cash from operating activities

Net cash from operating activities decreased by USD 87.2 million, or 26.0%, from USD 335.2 million in 2014 to USD 248.0 million in 2015. The decrease in net cash from operating activities was primarily due to a USD 91.1 million, or 23.4%, decline in the cash generated by operations in 2015 compared with 2014.

## Net cash used in investing activities

Net cash used in investing activities in 2015 was USD 9.8 million. This consisted primarily of purchases of property, plant and equipment of USD 11.7 million and other cash flows used in investing activities of USD 6.8 million, offset in part by proceeds from sale of property, plant and equipment of USD 8.7 million.

## Net cash used in financing activities

Net cash used in financing activities in 2015 amounted to cash outflow of USD 192.4 million. This consisted primarily of net decrease in borrowings and finance leases of USD 118.0 million and interest paid of USD 74.4 million.

## Capital resources

The Group's financial indebtedness consists of bank borrowings, bonds, loans from third parties, finance leases liabilities and derivative financial instruments of USD 1,170.8 million as at 31 December 2015. At 31 December 2015, all bank borrowings were secured by pledges of property, plant and equipment, equity interests in certain Group members, assignments of certain contractual rights and by guarantees and suretyships granted by certain Group members. Some of these borrowings contain covenants requiring the Group and the borrower to maintain specified indebtedness to Adjusted EBITDA and other ratios, as well as covenants having the effect of restricting the ability of the borrower to transfer assets, make loans and pay dividends to other members of the Group. For more information concerning these borrowings see Note 22 to the 2015 Annual Consolidated Financial Statements.

The following table sets forth the maturity profile of the Group's discounted borrowings (including finance leases and derivative financial instruments) as at 31 December 2015.

| | USD million |
|---|---|
| H1 2016 | 44.5* |
| H2 2016 | 54.8* |
| 2017 | 129.4* |
| 2018 | 249.0* |
| 2019 and later | 693.2* |
| Total | 1,170.8* |

As at 31 December 2015, the carrying amounts of the Group's borrowings were denominated in the following currencies:

| | USD million |
|---|---|
| Rouble | 78.0 |
| US dollar | 1,087.4 |
| Total | 1,165.4 |

In December 2015, the carrying amounts of the Group's borrowings denominated in roubles in the amount of USD 68.7 million were swapped into US dollars so that at the reporting date the Group has US dollar exposure with respect to all of its borrowings.

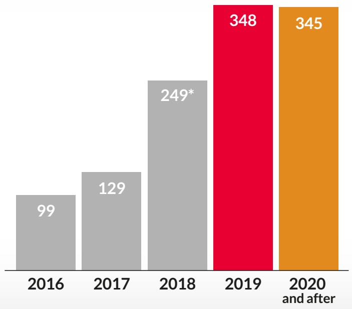
As at 31 December 2015, the Group had no undrawn borrowing facilities.

The weighted average effective interest rates of the Group's borrowings as of 31 December 2015 amounted to 6.1%.

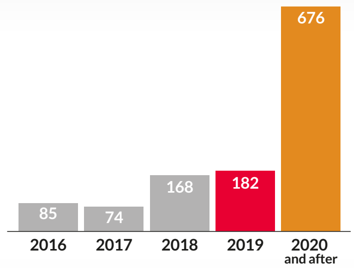
## Events after the balance sheet date

In February and March 2016, First Container Terminal, the Group's 100% Russian subsidiary, issued 2 further tranches RUB 5 billion each of five-year Russian rouble-denominated bonds at fixed coupon rates of 13.1% and 12.5% per annum respectively. As with a previous tranche issued in December 2015, the proceeds of the bonds were swapped using a cross-currency swap instrument into USD with the total amount of approximately USD 139 million.

### DEBT MATURITY PROFILE AS AT 31 DECEMBER 2015 (USD million)




### DEBT MATURITY PROFILE AS OF APRIL 2016* (USD million)




* Following two tranches of RUB bonds issued in February and March 2016 and Eurobonds issued in April 2016.

*"In late 2015 and early 2016, we successfully entered the public debt market, issuing both RUB 15 billion in local bonds, then swapped into US dollars, and USD 350 million in five-year Eurobonds. This is a tremendous achievement and testament to the trust that both local and foreign fixed income investors have in the Group. This also allowed us to refinance a substantial part of our debt, increase the share of fixed-rate borrowings to almost 70% of the debt portfolio and further diversify our sources of funding."*

**MIKHAIL LOGANOV**
**CHIEF FINANCIAL OFFICER**

## Table 5 – Net cash from operating activities

| | 2015 USD million | 2014 USD million | Change USD million | % |
|---|---|---|---|---|
| Operating cash flows before working capital changes | 292.2 | 409.8 | (117.6) | (28.7%) |
| Inventories | 0.04 | (0.05) | 0.1 | (177.6%) |
| Trade and other receivables | 6.4 | (2.9) | 9.3 | (319.6%) |
| Trade and other payables | (1.4) | (18.5) | 17.1 | (92.6%) |
| Net change in working capital | 5.1 | (21.5) | 26.6 | (123.7%) |
| Cash generated from operations | 297.3 | 388.4 | (91.1) | (23.4%) |
| Dividends received from joint ventures | 10.4 | 9.5 | 0.9 | 9.1% |
| Tax paid | (59.7) | (62.7) | 3.0 | (4.8%) |
| Net cash from operating activities | 248.0 | 335.2 | (87.2) | (26.0%) |

In April 2016, Global Ports (Finance) PLC, a 100% indirect subsidiary of Global Ports Investments PLC, issued USD 350 million Reg S/Rule 144A Eurobonds maturing in January 2022 with the coupon rate of 6.872% per annum paid semi-annually.

These issues enable the Group to further diversify its sources of funding. The net proceeds of the offerings will be used for refinancing of existing indebtedness of the Group. As of the end of April 2016, the share of public borrowing in the Group's debt portfolio had increased to approximately 50%, while the share of fixed rate borrowing had increased to almost 70%.

## Capital expenditures

The Group's capital expenditures for the years ended 2014 and 2015 were USD 23.6 million and USD 11.7 million, respectively, and were made primarily to finance purchase and renovate property, plant and equipment, and in connection with maintenance expenditures and investments in safety of operations.

The Group expects capital expenditures over the next few years of between USD 25 million and USD 30 million per annum, with a focus on maintaining its current reliability, safety and quality of services.

## Impairment

The Group follows its accounting policies to test goodwill and other non-financial assets for possible impairment or reversal of impairment. In the course of preparation of the financial information as of and for the year ended 31 December 2015, forecasts used for estimating discounted future cash flows for impairment testing purposes have been updated.

Based on the results of the impairment tests carried out, the Board of Directors believes that, for all units except ULCT, there is no requirement for further impairments or indications for reversal of impairments recognised in previous periods for non-financial assets other than goodwill. For ULCT, an impairment charge of USD 46.7 million was recognised. The impairment charge was fully allocated to property, plant and equipment.

## OPERATING INFORMATION

The table below sets out the total gross container throughput of the Group's terminals for 2014 and 2015. Gross throughput is shown on a 100% basis for each terminal, including terminals held through joint ventures and accounted for using the equity method.

### Table 6 – Operating Information

| | | | Change | |
|---|---|---|---|---|
| | 2015 | 2014 | Abs | % |
| **Terminal** | | | | |
| ***Marine terminals*** | | | | |
| ***Containerised cargo ('000 TEUs)*** | | | | |
| PLP[1] | 376.3 | 657.8 | (281.5) | (42.8%) |
| VSC[1] | 353.2 | 474.7 | (121.5) | (25.6%) |
| Moby Dik[2] | 168.8 | 227.5 | (58.8) | (25.8%) |
| FCT[1] | 577.6 | 940.8 | (363.2) | (38.6%) |
| ULCT[3] | 85.9 | 103.5 | (17.7) | (17.0%) |
| Finnish Ports[2] | 272.3 | 250.8 | 21.5 | 8.6% |
| ***Non-containerised cargo*** | | | | |
| Ro-Ro (units) | 13.1 | 22.5 | (9.4) | (41.8%) |
| Cars ('000 units) | 100.5 | 113.5 | (13.0) | (11.5%) |
| Other bulk cargo[4] ('000 tonnes) | 1 364.0 | 750.6 | 613.4 | 81.7% |
| ***Inland terminals*** | | | | |
| Yanino[2] | | | | |
| Containerised cargo ('000 TEUs) | 106.7 | 89.2 | 17.5 | 19.6% |
| Bulk cargo throughput ('000 tonnes) | 308.5 | 319.4 | (10.9) | (3.4%) |
| LT[1] | | | | |
| Containerised cargo ('000 TEUs) | 109.9 | 89.4 | 20.6 | 23.0% |
| Bulk cargo throughput ('000 tonnes) | 273.2 | 285.2 | (12.0) | (4.2%) |
| VEOS[5] (millions tonnes) | 4.9 | 6.9 | (1.9) | (27.8%) |

1. 100% effective ownership interest, results fully consolidated for the period under review, except for FCT which is fully consolidated from 1 January 2014.
2. 75% effective ownership interest, accounted for using the equity method.
3. 80% effective ownership interest, results fully consolidated from 1 January 2014.
4. Other bulk cargo handled includes coal, timber, steel, scrap metal and other types of cargo.
5. 50% effective ownership interest in VEOS, accounted for using the equity method.
6. Based on illustrative combined financial metrics (including the results of NCC Group).

The reduction of container throughput for the Group in 2015 was mainly driven by the decrease in container throughput in the Russian container market.

Primarily as a result of changes in the macro-economic environment, the throughput at container terminals in Russia declined by 26%* in 2015 compared with 2014. However the throughput of laden export containers at Russian container terminals increased by 1.8%* in 2015 compared with 2014. This growth in laden export was due to the increased use of containers in Russia and increased exports driven by the depreciation of the rouble.

The decline of throughput in the Russian Baltic Basin, where four of the Group's five marine container terminals in Russia are located, in 2015 was 37.4%* year-on-year. The throughput in the Russian Far Eastern Basin, where the other Group marine terminal is located, declined by 25.6%* in the same period.

The Group's gross marine container throughput in Russia declined by 35%* to 1,562 thousand TEUs* in 2015 compared with 2,404 thousand TEUs* in 2014. The decline in throughput was largely driven by the decline of overall market volumes as well as the commercial strategy of the Group.

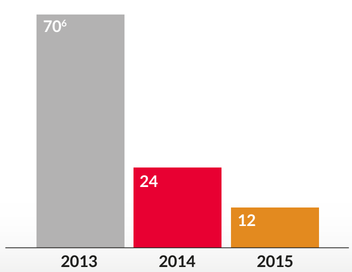
In order to improve the utilisation of the available space at its terminals the Group focused on increasing bulk cargo volumes in its terminals in 2015. As a result, the handling of bulk cargo at marine terminals increased in 2015 by 613 thousand tonnes*, or 81.7%*, to 1,364 thousand tonnes*, compared with 751 thousand tonnes* in 2014.

The Group's car handling volumes decreased by 11.5%* in 2015 to 101 thousand cars*. Traditional Ro-Ro handling declined by 42%* to 13 thousand units* in 2015, compared with 23 thousand units* in 2014.

Container cargo throughput at the Group's inland terminals increased in 2015 by 21.3%* year on year to 217 thousand TEUs*, due to ongoing containerisation in Russia and increased exports.

**CASH CAPEX (USD million)**

**-83% (2013-2015)**



# INVESTING IN PEOPLE, COMMUNITIES, SOCIETY AND THE ENVIRONMENT

Global Ports seeks to contribute to the regions in which it operates and is equally committed to working safely and protecting the environment.

All of the Group's companies adhere to the principle of corporate social responsibility (CSR), taking into account the interests of all stakeholders, including employees, customers, communities and local authorities. In every region in which its terminals operate, it finances and supports initiatives aimed at supporting their social, cultural and economic development.

The Group channels its CSR efforts into key areas: health and safety, environment, charity and local community sponsorship and people.

We consider honest and constructive collaboration with all stakeholders to be central to our success in the international business community and to sustainable social development. We recognise that community issues are key issues for our business both now and in the future, and that we cannot operate independently of them. We encourage all parts of our business to take a proactive and business-oriented approach to charitable donations and community investments.

## HEALTH AND SAFETY

The health and safety of our employees is one of the Group's overriding priorities. Global Ports continues to promote a safety culture in every aspect of the business. Over 2015, the Group made several further occupational safety improvements.

### Safety design reviews

In 2014 and 2015, all terminals underwent significant design reviews. We invested in improved layouts, state-of-the-art handling equipment and revised work traffic. The design reviews were based on international experience and focused on ensuring full compliance with our minimum safety requirements.

### Minimum safety requirements and safety manual

In the industry, the level of safety compliance at all of Global Ports' terminals is considered high. Despite this, significant risks still need to be addressed to ensure continuous improvement in the industry.

In 2015, two safety audits were carried out at each of the Group's terminals and significant improvements were made in implementing Global Ports' global minimum requirements (GMRs). The overall score for Global Ports was 90% compliance, and the progress at each facility is considered extremely positive. GMRs cover four main areas of risk in the industry:

- traffic;
- working at heights;
- falling objects; and
- compressed energy.

All of the Group's companies adhere to three major health and safety principles: provide safe working conditions, involve employees in safety rules and policies and conduct training in safe behaviour. Each of these includes special tools or detailed procedures, such as:

- Regular monitoring of occupational health and safety (OHS) measures at divisions for compliance with statutory federal and local requirements.
- Proper medical examinations and regular reviews of employee health to improve their wellbeing.
- Preventative medical action to reduce the occurrence of occupational diseases.
- Regular workplace reviews for compliance with working environment standards.
- Improvement of training and skills for OHS specialists, training of workers in employing safe methods of operation, Group-wide OHS briefings and information circulation.
- Measures to increase personnel motivation to uphold strict compliance with OHS requirements and promote greater labour discipline.

*"Health and safety remains a key priority and an ongoing challenge for the Group. While all of Global Ports' terminals are considered to have achieved a high level of safety compliance in the industry, we continued to promote a safety culture in every aspect of the business during 2015."*

**DOUGLAS SMITH**
**CHIEF OPERATING OFFICER**

## ENVIRONMENT

Maintaining a responsible attitude towards the environment is one of Global Ports' key CSR components and an important factor in the Group's sustainable, long-term development. The Group aims to comply strictly with all applicable requirements of environmental laws in the regions where it operates.

Responsibility towards the environment is embedded in all of Global Ports' investment programmes. The Group also finances key projects aimed at helping to protect the environment, such as the construction of new local cleaning facilities at terminals and modernisation of existing cleaning equipment.

Vopak EOS partners with the Estonian Nature Protection Organisation, providing financial support to its programmes.

## CHARITY AND LOCAL COMMUNITY SPONSORSHIP

Global Ports' social work with regions is based on strategic programmes in areas such as employment and occupational guidance, health care, culture, sport and socially or physically disadvantaged people.

All Group companies play an important role in the society and economy of their respective towns and regions. They invest in the development of social infrastructure and cooperate with the local authorities and social institutions of their regions.

In 2015, the Group adopted a Charity and Sponsorship Policy. It defines: the key areas of charity and sponsorship activity by its companies; the procedure for determining the charity and sponsorship budget; the procedure for providing charity and sponsor support; and the approach to monitoring and controlling the relevant spending.

The Board of Directors is responsible for reviewing the use of charity and sponsorship funds on a semi-annual basis.

Global Ports is committed to charitable support:

- Petrolesport and VSC both support the development and restoration of churches.
- In 2015, PLP, FCT and VSC continued to donate to their chosen charity, the Lifeline Charity Fund, which provides financial support for complex medical treatment for children with cardiac diseases.

One CSR priority for Global Ports is to maintain and support local sports and cultural events in the regions in which it operates. The Group's sponsorship programmes are also aimed at preserving local heritage and supporting schools, hospitals and orphanages:

- VSC currently supports Nakhodka Hospital and a house for orphans with disabilities in Nakhodka.
- In 2015, Vopak EOS sponsored the Estonian Nature Protection Organisation.
- In 2015, Vopak EOS continued its sponsorship of the Maardu city youth centre, focusing on various educational, cultural and sports programmes.
- Moby Dik continued to support a rehabilitation centre for disabled people in St. Petersburg, as well as disabled children in the Kronstadt district.

## PEOPLE

Global Ports employs around 3,600[1] people and considers its employees to be one of its greatest assets. The Group strives to foster a working environment that stimulates and realises the creative potential of its employees and shape a corporate culture based on professionalism, personal initiative and responsibility.

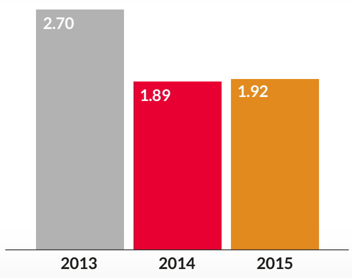
For employees, the Group undertakes a extensive range of initiatives, including basic training, support for working mothers and their children, catering and recreation activities for workers, individual development and professional training, performance incentives, social support for retirees and veterans, insurance and many other benefits.

The Group companies rely on the following fundamental principles to look after employees adequately over the long term:

- Provide adequate wages and ensure a positive social environment.
- Offer professional training programmes to acquire and develop skills in all areas of expertise.
- Create a safe and comfortable operating environment.
- Offer health improvement programmes for employees, providing preventive treatment for those who need it.
- Provide financial assistance, medical and special-purpose charitable support for retirees.

**LOST-TIME INJURY FREQUENCY RATE (LTIFR)**

**-29%**




1. On a 100% basis (including JVs).

# GOVERNANCE

Effective governance is central to Global Ports' long-term success. The Group has assembled a skilled, diverse Board of Directors to help deliver high standards.

# STRONG INSTITUTIONS, RIGOROUS OVERSIGHT, BEST PRACTICES

Global Ports has placed great importance on effective corporate governance from the outset, and the decision to list on the London Stock Exchange was motivated by its pursuit of the highest international standards of oversight.

*"The first year as Chairman of Global Ports has only reinforced my belief in the rigorousness of corporate governance at the Group. Accountability and control become even more important in more turbulent times, and our system is proving the right one for managing the business responsibly and transparently as we demonstrate exceptional financial discipline, while promoting safety, corporate values and excellence."*

**TIEMEN MEESTER**
**CHAIRMAN**

It is my steadfast belief that effective corporate governance is the bedrock of long-term sustainability. As the Chairman of the Board, I am committed to ensuring the Global Ports works to continuously review, refine and reinforce its system of oversight with a view to serving the interests of investors and all stakeholders equitably and fairly.

After the reporting period, Constantinos Economides stepped down from the Board of Directors. On behalf of the Board, I would like to thank him for his contribution to the Group and wish him well in his future endeavours. Mr. Economides was replaced by Gerard Jan van Spall, whom I would like to welcome to the Board.

As such, the Global Ports Board of Directors retains the right mix of international expertise, skills and knowledge needed to oversee a public company with global operations. Given the ownership structure and commitment to shareholders, we are also always mindful of balance. I am pleased to say that relations between the co-controlling shareholders remain solid, and all parties are committed to harnessing the Group's potential over the long term. All Board committees are chaired by independent Non-Executive Directors, which helps to provide a transparent check on decision-making.

Having completed my first year as Chairman of the Board, I am impressed by the standards of corporate governance at Global Ports. By creating a cohesive team of professionals from the industry, other sectors and professional services, and ensuring the right balance of representation, the Group is demonstrating a clear commitment to shareholders, customers, employees, suppliers and all other stakeholders alike.

*"The effectiveness of corporate governance at Global Ports stems from two factors, I believe: the strength of the underlying system, and the commitment of the Group to streamlining and improving procedures and standards wherever possible. The two co-controlling shareholders have worked hard to introduce international standards of oversight, and cooperation between them remains excellent."*

**NIKITA MISHIN**
**VICE CHAIRMAN OF THE BOARD**

*"The presence of two Independent Directors at Global Ports underscores the Group's commitment to effective oversight, providing a check on a Board composed to serve the interests of the shareholders and all stakeholders in a balanced way."*

**CAPTAIN BRYAN SMITH**
**MEMBER OF THE BOARD OF DIRECTORS, INDEPENDENT NON-EXECUTIVE DIRECTOR**

*"Good governance is central to Global Ports' long-term sustainability: by promoting responsible conduct throughout every aspect of the business, we are investing in the future of the Group, our employees and the regions in which we operate."*

**SIOBHAN WALKER**
**MEMBER OF THE BOARD OF DIRECTORS, INDEPENDENT NON-EXECUTIVE DIRECTOR**

# A UNIQUE MIX OF SKILLS AND EXPERIENCE

## TIEMEN MEESTER

### CHAIRMAN OF THE BOARD OF DIRECTORS, NON-EXECUTIVE DIRECTOR

Mr. Meester was appointed as a non-executive member of the Board of Directors of Global Ports in January 2013, and was elected as its chairman in December 2014.

**Skills and Experience**

Mr. Meester was named Vice President and Head of Business Implementation of APM in July 2011. He has held various management positions within APM Terminals across Europe, the Middle East and CEE, including Country Manager for Russia; Area Manager for Eastern Europe for Maersk Line; CEO of the Port of Salalah, Oman, and regional manager for the West and Central Asia region for APM Terminals. At APM Terminals, he became CCO in 2007 and Head of Human Resources and Labour Relations in 2008. He began his industry career in 1992 at Sea-Land Service Inc. and served in operational managerial positions in Latvia, Russia and Pakistan before the acquisition by A.P. Moller in 1999.

After graduation from the Dutch Naval College as an engineer and merchant marine officer, Mr. Meester served as a ship's officer, spending five years with the merchant fleet and rising to the rank of first officer before joining Sea-Land Service in 1992. His post-graduate education includes advanced Management and Business coursework at the University of Groningen in the Netherlands, Columbia University in New York City and Harvard Business School in Cambridge, Massachusetts.

**External Appointments**

Vice President, Business Implementation Russia and Baltics Portfolio Manager of APM Terminals.

**Committee Membership**

Member of the Nominations and Remuneration Committees.

## NIKITA MISHIN

### VICE CHAIRMAN OF THE BOARD OF DIRECTORS, NON-EXECUTIVE DIRECTOR

Mr. Mishin was appointed as a non-executive member of the Board of Directors of Global Ports and served as its chairman from December 2008 to January 2014.

**Skills and Experience**

In addition, Mr. Mishin has served as chairman of the Board of Directors of Petrolesport since 2007 and the Chairman of the Board of Directors of VSC since October 2005. Mr. Mishin is one of the controlling shareholders of TIHL.

He graduated from the Lomonosov Moscow State University where he studied philosophy.

**External Appointments**

Member of the Board of Directors of SOLLERS, PJSC.

**Committee Membership**

Member of the Nominations and Remuneration Committees.

## CAPTAIN BRYAN SMITH

### MEMBER OF THE BOARD OF DIRECTORS, SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Captain Smith was appointed as a non-executive member of the Board of Directors of Global Ports in August 2008.

**Skills and Experience**

Captain Smith served as vice president and managing director for South East Asia at DP World until his retirement from this position in July 2008. He also served as a member of the Board of Directors of VSC and VICS from 1999 until 2008 and that of Railfleet Holdings Limited from 2005 until 2008. He was a director and chairman of Sydney Ports Corporation from 2009 to 2013.

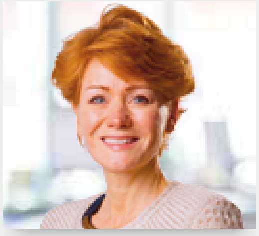
Captain Smith received his Master Mariner qualification from the University of Technology, Sydney, and is a graduate of the Advanced Management Program from the Macquarie Graduate School of Management at Macquarie University, Sydney.

**External Appointments**

Does not hold positions in other companies.

**Committee Membership**

Chairman of the Nominations and Remuneration Committees.



## SIOBHAN WALKER

### MEMBER OF THE BOARD OF DIRECTORS, INDEPENDENT NON-EXECUTIVE DIRECTOR

Mrs. Walker was appointed as a non-executive member of the Board of Directors of the Company in May 2011.

**Skills and Experience**

Mrs. Walker has over 20 years of banking experience across multiple disciplines and geographies. She is currently managing director with the UK Corporate Coverage division of ING Bank N.V., London. Prior to this, she held numerous senior managerial positions in the Moscow office of ING Bank Eurasia over 13 years, including Head of Clients and Co-Head of Investment Banking.

Mrs. Walker graduated with honours from the University of Sussex with a BA in International Relations.

**External Appointments**

Managing Director with the UK Corporate Coverage Division of ING Bank N.V., London.

**Committee Membership**

Chairman of the Audit and Risk Committee.

## DR. ALEXANDER NAZARCHUK

### MEMBER OF THE BOARD OF DIRECTORS, NON-EXECUTIVE DIRECTOR

Dr. Nazarchuk was appointed as an executive member of the Board of Directors and the Chief Executive Officer of the Company in December 2008. Following the resignation from the position of CEO in August 2015 he became the Non-Executive Director.

**Skills and Experience**

Dr. Nazarchuk held the positions of chairman of the council of Vopak EOS (earlier EOS) from December 2004 till August 2015 and member of the Board of Directors of Petrolesport from December 2007 till August 2015, of VSC from October 2005 till August 2015 and of FCT from December 2013 till September 2015.

Dr. Nazarchuk served as a member of the Board of Directors of New Forwarding Company from June 2003 to August 2008, of Sevtekhnotrans from September 2007 to August 2008, and of AS Spacecom from April 2003 to June 2008. He was a senior scientist in the International Centre of Scientific and Technical Information in Moscow from December 1996 until December 1998.

Dr. Nazarchuk graduated from Moscow State University with a doctorate in Philosophy. He is the author of four books and numerous articles.

**External Appointments**

Does not hold positions in other companies.

**Committee Membership**

Member of the Nominations and Remuneration Committees.

## MIKHAIL LOGANOV

### MEMBER OF THE BOARD OF DIRECTORS, EXECUTIVE DIRECTOR

Mr. Loganov was appointed as a non-executive member of the Board of Directors of the Company in December 2008. Following the appointment to the position of CFO of Global Ports Management LLC he became the Executive Director in October 2013.

## KIM FEJFER

### MEMBER OF THE BOARD OF DIRECTORS, NON-EXECUTIVE DIRECTOR

Mr. Fejfer was appointed as a non-executive member of the Board of Directors of Global Ports, and served as its Vice Chairman from January 2013 to December 2014.

## ALEXANDER IODCHIN

### MEMBER OF THE BOARD OF DIRECTORS, EXECUTIVE DIRECTOR

Mr. Iodchin was appointed as an executive member of the Board of Directors and the Managing Director of the Company with the functions of the Secretary of the Board of Directors in 2008.

## GERARD JAN VAN SPALL

### MEMBER OF THE BOARD OF DIRECTORS, NON-EXECUTIVE DIRECTOR

Mr. van Spall was appointed as a non-executive member of the Board of Directors of the Company in April 2016.

## MICHALAKIS CHRISTOFIDES

### MEMBER OF THE BOARD OF DIRECTORS, NON-EXECUTIVE DIRECTOR

Mr. Christofides was appointed as a non-executive member of the Board of Directors of the Company in July 2014.

#### Skills and Experience

**Mikhail Loganov**

Mr. Loganov has extensive experience in corporate finance, risk management and business administration acquired during a career primarily across the transportation and logistics industry in Russia. He served as a managing director and executive member of the Board of Directors of Globaltrans Investment PLC from April 2008 to October 2013. In that role, he was responsible for its financial and reporting activities and had oversight of capital markets and M&A transactions, among other areas. Prior to that, Mr. Loganov held other senior finance positions within the Globaltrans group. He started his career with American Express (Europe) Ltd in the UK as a financial analyst in 2001.

Mr. Loganov graduated with honours from the University of Brighton in the UK with a degree in Business Studies with Finance.

**Kim Fejfer**

Mr. Fejfer was appointed as CEO of APM Terminals in June 2004, and is based at the company headquarters in The Hague, Netherlands. He has been a member of the Maersk Group's executive board since January 2011.

Mr. Fejfer first joined the A.P. Moller-Maersk Group in 1992 and has held numerous roles within the company, including positions based in Denmark, Jakarta and Tokyo. He became senior vice president and CFO of Maersk Inc., Maersk Line's US operating arm, in 2000.

Mr. Fejfer graduated from the University of Aarhus, Denmark, with a Master's degree in Finance and Economics. He served as an officer in the Danish Army, and has attended management programmes at IMD, Switzerland, the Cranfield School of Management in the UK and the Harvard Business School in Cambridge, Massachusetts.

**Alexander Iodchin**

Mr. Iodchin currently also serves as a Secretary of the Boards of Directors of the Group Companies and as a member of the Boards of Vostochnaya Stevedoring Company Limited, NCC Group Limited, and some other companies of the Group. Mr. Iodchin has been the internal auditor of Global Ports since 2008 till 2011.

Mr. Iodchin graduated from Moscow State University with a Master's degree in Economics. He also completed a post-graduate programme at the Moscow Institute for Economics and Linguistics and Moscow State University, where he obtained a PhD in Economics. Mr. Iodchin was a teaching assistant in the Economics faculty of Moscow State University from 2004 to June 2008. He has a diploma in international finance, reporting standards and corporate finance.

**Gerard Jan van Spall**

Mr. van Spall serves as the Managing Director of Vistra Cyprus Ltd since October 2015.

He joined Vistra in February 2010, heading up the Vistra Curaçao operation as Managing Director. In August 2013, Mr. van Spall took up a new challenge and moved to Vistra Malta to take up the new role of Director of Business Development and deputy Managing Director.

Mr. van Spall obtained his law degree at the University of Leiden where he specialised in corporate law.

**Michalakis Christofides**

Mr. Christofides has extensive banking experience starting in 1969. As a senior manager in International Business Services at the Bank of Cyprus, he was responsible for the development and growth of its international business units in Cyprus and its representative offices in Russia, Ukraine, the US, Canada, South Africa and Romania. From January 2012 to January 2013, he was a member of the supervisory board of Kreditprombank-Kiev.

Mr. Christofides holds an Advanced Diploma in Business Administration (Cyprus Institute of Marketing). He also attended a Senior Manager course at Manchester Business School (the University of Manchester).

#### External Appointments

**Mikhail Loganov:** Does not hold positions in other companies.

**Kim Fejfer:** Chief Executive Officer of APM Terminals.

**Alexander Iodchin:** Does not hold positions in other companies.

**Gerard Jan van Spall:** Managing Director of Vistra Cyprus Ltd.

**Michalakis Christofides:** Does not hold positions in other companies.

#### Committee Membership

**Mikhail Loganov:** Does not serve on any Board committees.

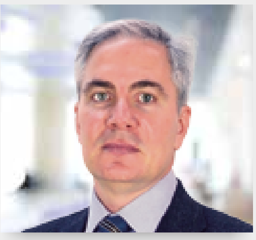
**Kim Fejfer:** Member of the Audit and Risk and the Nominations and Remuneration Committees.

**Alexander Iodchin:** Does not serve on any Board committees.

**Gerard Jan van Spall:** Does not serve on any Board committees.

**Michalakis Christofides:** Does not serve on any Board committees.

# BOARD OF DIRECTORS
CONTINUED



## VADIM KRYUKOV

### MEMBER OF THE BOARD OF DIRECTORS, NON-EXECUTIVE DIRECTOR

Mr. Kryukov was appointed as a non-executive member of the Board of Directors of the Company in July 2014.

**Skills and Experience**

Mr. Kryukov has extensive experience in transportation, logistics, financial planning and budgeting. He was a member of the Board of Directors of NCC Group Limited from 2006 to 2013. He has been responsible for the development and support of several significant logistics projects in St. Petersburg.

Mr. Kryukov graduated from the Admiral Makarov State Maritime Academy in St. Petersburg.

**External Appointments**

Member of the Boards of Directors of Ilibrinio Establishment Limited and Polozio Enterprises Limited.

**Committee Membership**

Does not serve on any Board committees.

## LAURA MICHAEL

### MEMBER OF THE BOARD OF DIRECTORS, NON-EXECUTIVE DIRECTOR

Mrs. Michael was appointed as a non-executive member of the Board of Directors of the Company in January 2013.

**Skills and Experience**

Mrs. Michael is a Director of Orangefield (Cyprus) Limited (ex Orangefield Fidelico Limited), the Cyprus office of Orangefield Group. Before joining Orangefield in 2011, she worked at Deloitte Ltd (Cyprus) from 2009 to 2011 and Ernst and Young (London), where she started her career, from 2006 to 2009.

Mrs. Michael has a BSc in Accounting and Management from the University of Bristol, UK. She is a member of the Institute of Chartered Accountants of Scotland (ICAS) and the Certified Public Accountants of Cyprus (ICPAC).

**External Appointments**

Finance Manager of Orangefield-Cyprus.

**Committee Membership**

Does not serve on any Board committees.

## KONSTANTIN SHIROKOV

### MEMBER OF THE BOARD OF DIRECTORS, NON-EXECUTIVE DIRECTOR

Mr. Shirokov was appointed as a non-executive member of the Board of Directors of the Company in December 2008.

**Skills and Experience**

Mr. Shirokov has more than 10 years of experience in financial planning, budgeting and auditing. He is currently financial manager and a member of the revision committees of numerous companies in TIHL's group, positions that he has held since 2005 and 2007, respectively. He has served as a member of the Board of Directors and an internal auditor for Globaltrans since 2008.

Mr. Shirokov graduated from the Finance Academy under the Russian government, where he studied International Economic Relations. He has also completed a course in Business Management at the Business School of Oxford Brookes University, UK.

**External Appointments**

Financial Manager and a member of revision committees of a number of companies of TIHL's group.

**Committee Membership**

Member of the Audit and Risk Committee.

## CHRYSTALLA STYLIANOU

### MEMBER OF THE BOARD OF DIRECTORS, NON-EXECUTIVE DIRECTOR

Mrs. Stylianou was appointed as a non-executive member of the Board of Directors of the Company in January 2013.

**Skills and Experience**

Mrs. Stylianou is a qualified certified accountant currently working at Orangefield (Cyprus) Limited (ex Orangefield Fidelico Limited), the Cyprus office of Orangefield Group. Prior to joining Orangefield, she worked at IronFX Financial Services Ltd, Baker Tilly Klitou and DJC Certified Public Accountants in Cyprus.

Mrs. Stylianou studied accounting at the University of Northumbria in Newcastle, UK, and is a member of the UK Association of Chartered Certified Accountants (ACCA).

**External Appointments**

Chartered Accountant at Orangefield-Cyprus.

**Committee Membership**

Does not serve on any Board committees.

# STRONG MANAGEMENT TEAM

**VLADISLAV BAUMGERTNER**

**CHIEF EXECUTIVE OFFICER OF GLOBAL PORTS MANAGEMENT LLC**

**MIKHAIL LOGANOV**

**CHIEF FINANCIAL OFFICER OF GLOBAL PORTS MANAGEMENT LLC**

**EVGENY ZALTSMAN**

**HEAD OF BUSINESS DEVELOPMENT OF GLOBAL PORTS MANAGEMENT LLC**

**DOUGLAS SMITH**

**CHIEF OPERATING OFFICER OF GLOBAL PORTS MANAGEMENT LLC**

**VASILY SHULTSEV**

**ACTING CHIEF COMMERCIAL OFFICER OF GLOBAL PORTS MANAGEMENT LLC**

## Skills and Experience

Mr. Vladislav Baumgertner was appointed as CEO of Global Ports Management in August 2015.

Prior to joining the Group, Mr. Baumgertner worked at Uralkali for a decade from 2003, starting as commercial director and rising to become the CEO and a member of the Board of Directors. From 1998 to 2003, he served as general manager of a Russian subsidiary of ABB, an international leader in power and automation technologies.

Mr. Baumgertner graduated from the Urals State Technical University and has a Master's degree in Financial Management from the University of London. He also holds an MBA from Kingston Business School.

Mr. Loganov was appointed as CFO of Global Ports in October 2013. He has served as a member of the Board of Directors since December 2008 and as a member of the Audit and Risk and the Remuneration Committees from December 2008 to October 2013.

Mr. Loganov has extensive experience in corporate finance, risk management and business administration acquired during a career primarily across the transportation and logistics industry in Russia. He served as a managing director and executive member of the Board of Directors of Globaltrans Investment PLC from April 2008 to October 2013. In that role, he was responsible for its financial and reporting activities and had oversight of capital markets and M&A transactions, among other areas. Prior to that, Mr. Loganov held other senior finance positions within the Globaltrans Group. He started his career with American Express (Europe) Ltd in the UK as a financial analyst in 2001.

Mr. Loganov graduated with honours from the University of Brighton in the UK with a degree in Business Studies with Finance.

Mr. Zaltsman has served as the Business Development Director of Global Ports since 2008.

Mr. Zaltsman has extensive experience in all aspects of mergers and acquisitions and capital markets transactions. He has participated in numerous landmark domestic and cross-border transactions involving financial institutions, industrial companies and the transportation industry. Prior to joining the Group, he worked for four years in Deutsche Bank in the Corporate Finance department in Moscow.

Mr. Zaltsman graduated from the Finance Academy under the Russian government with a degree in International Economic Relations. He also attended the MSc in Management programme in EM Lyon Business School.

Mr. Smith was appointed COO of Global Ports in March 2016.

Mr. Smith has over 20 years of experience in port terminal management. Most recently, he was APM Terminals' Regional Chief Operating Officer in Africa and the Middle East. Prior to that, he was Director of Global Field Safety at APM Terminals, driving the corporate safety programme across the group's 238 global marine and inland container facilities around the world. Mr. Smith joined AP Moller-Maersk group in 1994 and held a number of managerial positions with APM Terminals in the US, Nigeria, UAE, and the Netherlands.

Mr. Smith is a graduate of the United States Merchant Marine Academy and also holds an MBA in Global Management.

Mr. Shultsev was appointed as acting Chief Commercial Officer of Global Ports Management in November 2015.

Mr. Shultsev joined the Group as Director of Customer Relations at Petrolesport in 2010, before becoming head of Sales and Marketing for Northwestern Russia in September 2014. Prior to Global Ports, he was Country Sales Manager for Russia at Safmarine Container Lines, where he worked from 2007.

Mr. Shultsev began his career in the airline industry, joining the St. Petersburg office of British Airways in his final year at university. For the next 12 years, he held various positions at numerous airlines, including Overseas Station Manager for British Airways, Customer Service Manager for Swissair and Manager for Northwestern Russia for Finnair Cargo.

Mr. Shultsev holds a degree in Transport Management from St. Petersburg Transport University.

## TERMINAL DIRECTORS

# STRONG MANAGEMENT TEAM

### EDUARD CHOVUSHYAN

**MANAGING DIRECTOR OF PETROLESPORT**

### ALEXANDER TIKHOV

**MANAGING DIRECTOR OF FIRST CONTAINER TERMINAL**

### ALEXANDER DUDKO

**MANAGING DIRECTOR OF VOSTOCHNAYA STEVEDORING COMPANY**

### ARNOUT DIRK LUGTMEIJER

**GENERAL MANAGER OF VOPAK EOS**

#### Skills and Experience

Mr. Chovushyan was appointed the managing director of Petrolesport in August 2013. From March 2007, he served as the general director of Petrolesport.

Mr. Chovushyan has more than 15 years' experience in various managerial positions in the N-Trans group of companies. In August 2007, he became chairman of the Board of Directors of Porttransservis. From April 2006 to March 2007, he was vice president for development at NCC. He served as a deputy CEO of Tuapse Commercial Sea Port from November 2003 and was appointed CEO in June 2004. Prior to that, he was the deputy general director of Tuapse Ship Repair Yard for a year.

Mr. Chovushyan graduated from Moscow State University, where he studied Philosophy.

Mr. Tikhov was appointed as the managing director of First Container Terminal in 2007, while it was part of NCC.

Mr. Tikhov has extensive experience in the transportation and logistics industry in Russia. From 2003 to 2004, he was CEO and chairman of the Board of Directors of St. Petersburg Seaport, where he joined as sales director in 2000. From 1991 to 2000, he was CEO at MCT St. Petersburg. From 1984 to 1991, he worked for Leningrad Sea Commercial Port (St. Petersburg Seaport from 1992).

Mr. Tikhov graduated from the Admiral Makarov State Maritime Academy.

Mr. Dudko was appointed as managing director of VSC in February 2015.

Before that, Mr. Dudko was the general director of Moby Dik, one of the Group's container terminals in St. Petersburg Seaport, for three years, and director for operations at VSC from 2011 to 2012. He joined the Company from DP World Southampton (UK), where he spent three years in various positions. He started his career in the ports industry with First Container Terminal in St. Petersburg, where he had a role in the Finance department from 2004 to 2006.

Mr. Dudko has a degree from the State Marine Technical University of St. Petersburg and an MSc in Logistics, Trade and Finance from Cass Business School, London. He graduated from the APM Terminals MAGNUM programme, a corporate-led programme in partnership with ESADE Business School, Barcelona in 2014.

Mr. Lugtmeijer has served as the chairman of the Management Board of Vopak EOS since 1996, having joined as a member in 1994.

Mr. Lugtmeijer has served as a member of the Management Board of E.R.S. since April 2008. He has also been a member of the Supervisory Board of Stivterminal (a subsidiary merged into Vopak EOS in 2011) since June 2006 and of Pakterminal (which Vopak EOS acquired in May 2008 and merged with in May 2010) since June 2008.

Mr. Lugtmeijer graduated from Delft Technical University in Holland in 1991.

## ANDREY BOGDANOV

### GENERAL MANAGER OF UST-LUGA CONTAINER TERMINAL

## VITALY MISHIN

### GENERAL MANAGER OF MOBY DIK

## VICTORIA SCHERBAKOVA-SLUSARENKO

### GENERAL MANAGER OF YANINO LOGISTIC PARK AND LOGISTICA TERMINAL

## DIRK VAN ASSENDELFT

### GENERAL MANAGER OF MULTI-LINK TERMINALS

#### Skills and Experience

Mr. Bogdanov was appointed as the general manager of Ust-Luga Container Terminal in 2012, while it was part of NCC.

For five years prior to that, Mr. Bogdanov was the commercial director of First Container Terminal. From 2003, he was director for operations in St. Petersburg Seaport. From 2000 to 2003, he was CEO of MCT PORT. From 1993, he was head of department of MCT St. Petersburg, before being promoted to COO. From 1984 to 1993, he worked for Leningrad Sea Commercial Port (St. Petersburg Seaport from 1992).

Mr. Bogdanov graduated from the Admiral Makarov State Maritime Academy.

Mr. Mishin was appointed as general manager of Moby Dik in 2015.

Prior to that, from 2010 to 2014, Mr. Mishin served as general director of Logistika-Terminal. From 2006 to 2010, he was operations manager and managing director at St. Petersburg Seaport. From 1999 to 2006, he served as CEO of Fourth Stevedoring Company. Between 1994 and 1999, he was CEO at First Stevedoring Company. He began his career in 1980 at Leningrad Sea Commercial Port (St. Petersburg Seaport from 1992).

Mr. Mishin graduated from the Admiral Makarov State Maritime Academy.

Ms. Scherbakova-Slusarenko was appointed as general director of Yanino Logistics Park in 2013 and has been working with Global Ports as director of Forwarding Companies since 2009.

Ms. Scherbakova-Slusarenko has over 20 years' experience in the transport industry. Prior to joining the Group, she held executive positions in some of Russia's largest transport companies, including Concern SVT (Moscow) and Magistral Container Lines (Moscow).

Ms. Scherbakova-Slusarenko graduated from Odessa State Academy of Refrigeration, where she majored in Thermal Physics; she also holds a degree in Economics and Psychology. Since 2005, she has been a senior lecturer in economics at the Moscow State Academy of Water Transport.

Mr. van Assendelft has served as the managing director of Multi-Link Terminals Ltd Oy since December 2004. He has also been a member of the Board of Directors of Niinisaaren Portti Osakeyhtio Oy (NiPO) since April 2007.

Mr. van Assendelft was the CEO of Moby Dik from June 2004 until July 2010. Prior to his appointment as the managing director of Multi-Link Terminals Ltd Oy, he worked for Container-Depot Ltd Oy as a director until December 2005.

Mr. van Assendelft studied at the Helsinki University of Technology and the Kotka Svenska Samskola.

# RISK MANAGEMENT

Global Ports has implemented a rigorous risk management system that seeks to identify, monitor, mitigate and, where possible, eliminate threats to the business, and the Group reviews it continuously.

## Overview

We believe that identifying and managing risks is central to achieving the corporate objective of delivering long-term growth and added value to shareholders. Global Ports' risk management process is focused on mitigating or, to the extent possible, eliminating the potential negative impact on the business caused by changes in the external and internal business, financial, regulatory and operating environment. The Group's risk management activity is based on a series of well defined risk management principles, derived from experience, best practice and corporate governance principles. The Group updates and improves its risk management system regularly.

The Board has established risk management rules and procedures for identifying risks at an early stage, and taking proactive steps to assess, monitor and manage the risks inherent to any commercial activity. The Board systematically monitors and conducts assessment of the risks critical to the Group's performance and delivery of its strategy. After identifying and assessing a risk, the Group defines control measures aimed at reducing the likelihood of its occurrence and/or the potential impact.

The Board delegates to the CEO responsibility for the effective and efficient implementation and maintenance of the risk management system. The Audit and Risk Committee of the Board is in charge of the routine oversight of risk management and review of the effectiveness of the systems that have been established for this purpose.

The Group's business involves a number of risks, the most notable of which are listed below. The order in which the risks are presented is not intended to be an indication of the probability of their occurrence or the magnitude of their potential effects. Additional risks that are not known to the Group or recognised as risks at this time, or that it currently believes are immaterial, could also have a material adverse effect on the Group's business, financial position, results of operations or future prospects and the trading price of the GDRs.

For more detail on some of the risks detailed here, see the notes to the financial statements, attached to this report.

| RISK | DESCRIPTION |
|---|---|
| **Strategic risks** | – The Group is dependent on trade volumes, in particular container volumes, and, accordingly, on the strength of the economy in Russia. The country's container market throughput has historically demonstrated a very strong correlation with the volume of imports of goods into Russia, which in turn is driven by domestic consumer demand. The Group has and may continue to be subject to significant container market deterioration as economic growth and consumer demand in Russia deteriorate.<br>– The Group may be subject to increasing competition from other container and oil product terminals. The introduction of significant new capacity by or consolidation between the Group's existing competitors and new market entrants could result in surplus capacity and subject the Group to intensified price competition, lower utilisation and a potential reduction of profitability. In a market contraction environment, commercial policies and approaches of the Group's competitors may be irrational, and this may lead to significant price competition. The Group's competitors are increasingly experienced and professional, enabling them to compete more effectively, and some may have greater resources or different capacities or approaches than the Group that could enable them to accommodate customers more effectively. Development of alternative logistics solutions, such as rail delivery of containers from the point of origin to the point of destination, could also in the future present a competition threat to the Group.<br>– Further consolidation or alliances among container shipping companies could enable the Group's customers to exercise greater bargaining power when negotiating with the Group.<br>– The Group's ability to maintain or increase throughput volumes depends on the ongoing improvement, development and maintenance of railway and road infrastructure at or connected to its terminals, and the ability of private and state-controlled rail and truck operators to arrange inbound and outbound transportation of sufficient cargo flows.<br>– Russia's physical infrastructure is in poor condition, which could disrupt or impair the Group's normal business activity, and any efforts by the Russian government to improve such infrastructure may increase the Group's costs.<br>– The Group's ability to discover, evaluate and select among alternatives to allocate financial and human resources for the effective development and execution of strategic plans to achieve its strategic objectives.<br>– Instability in the Russian economy and exposure to social and political factors could create an uncertain operating environment and affect the Group's ability to sell its services due to significant economic, political, legal and legislative risks.<br>– Certain government policies or the selective and arbitrary enforcement of such policies could make it more difficult for the Group to compete effectively or impact its profitability.<br>– The political instability in Ukraine, heightened levels of tension between Russia and other states, increased military activity on the border between Russia and Ukraine and the imposition by the US, the European Union and other countries of sanctions, asset freezes, travel limitations and certain other restrictive measures against specified Ukrainian and Russian individuals and legal entities, including a number of Russian banks, and the imposition by Russia of sanctions, including import and travel restrictions, has had in the past, and may continue to have in the future, an adverse effect on the Russian economy and demand for commodities. Such factors also could adversely affect the Group's ability to obtain financing on favourable terms and to deal with certain persons and entities in Russia or in other countries.<br>– The Group's operations depend on the dredging and maintenance of quay drafts, which are governed by port and other governmental authorities and are outside of the Group's control. |

| RISK | DESCRIPTION |
|---|---|
| **Operational risks** | – The Group is dependent on a limited number of shipping lines and customers for a significant portion of its business.<br>– The Group is subject to a wide variety of regulations, standards and requirements and may face substantial liability if it fails to comply with existing or future regulations applicable to its businesses.<br>– The Group leases a significant amount of the land and quays required to operate its terminals from government agencies and any revision or alteration of the terms of these leases or the termination of these leases, or changes to the underlying property rights under these leases, could adversely affect the Group's business.<br>– The Group is dependent on the performance of services by third parties outside its control, including the performance by all other participants in the logistics chain, such as customs inspectors (delays in customs inspections could materially affect the flow of trade at the Group's terminals), supervisory authorities and others, and the performance of security procedures carried out at other port facilities and by its shipping line customers.<br>– Changes in costs in any part of the logistics chain in which the Group operates could affect the Group's competitive position.<br>– Inflation could increase the Group's cost base and the Group may be adversely affected by wage increases in Russia.<br>– The Group's oil products business could be affected by changes in Russia's exports of oil products and handling of such exports at its oil products terminal in Estonia, a decline in global demand for oil products or in Russian oil product export volumes or any change in trade relationships with Estonia.<br>– Tariffs for certain services at certain of the Group's terminals were regulated in the past by the Russian federal government and tariffs charged for services were subject to a maximum tariff rate. The Russian federal government may reintroduce such tariff regulation or new tariff regulation and the Group might need to obtain permission from the regulatory authorities to increase the maximum tariff rate. The Russian federal government may also set any maximum allowed tariffs in Russian roubles.<br>– The Group's insurance policies may be insufficient to cover certain losses.<br>– The Group's competitive position and prospects depend on the expertise and experience of its key managers and its ability to continue to attract, retain and motivate qualified personnel.<br>– Failure of the operational information and technology systems at the Group's terminals could result in disruptions to the services it provides.<br>– Accidents involving the handling of hazardous materials and oil products at the Group's terminals could disrupt its business and operations and/or subject the Group to environmental and other liabilities.<br>– The risk of safety incidents is inherent in the Group's businesses.<br>– The Group's operations could be adversely affected by terrorist attacks, natural disasters or other catastrophic events beyond its control. |

| RISK | DESCRIPTION |
|---|---|
| **Compliance and shareholder risks** | – The Group's controlling joint shareholders may have interests that conflict with those of the holders of the GDRs.<br>– The Group is exposed to risks in connection with its interests in joint venture and strategic partnership businesses.<br>– Adverse determination of pending and potential legal actions involving the Group's subsidiaries could have an adverse effect on the Group's business, revenues and cash flows and the price of the GDRs.<br>– Weaknesses relating to the Russian legal system and Russian law create an uncertain environment for investment and business activity and Russian legislation may not adequately protect against expropriation and nationalisation.<br>– The lack of independence of certain members of the judiciary, the difficulty of enforcing court decisions and governmental discretion in instigating, joining and enforcing claims could prevent the Group from obtaining effective redress in court proceedings. |

| RISK | DESCRIPTION |
|---|---|
| **Financial risks** | – The Group is a holding company and its ability to pay dividends or meet costs depends on the receipt of funds from its subsidiaries.<br>– The Group is subject to foreign-exchange risk arising from various currency exposure, primarily the Russian rouble and the US dollar. Foreign-exchange risk is the risk to profits and cash flows of the Group arising from movement of foreign-exchange rates due to inability to appropriately plan for and react to fluctuations in foreign-exchange rates. Risk arises from revaluation of assets and liabilities (mainly debt) denominated in foreign currency.<br>– The Group is subject to interest-rate risk due to floating rate liabilities in relation to its leases and long-term borrowings. Increases in interest rates may adversely affect the Group's financial condition.<br>– The Group may be subject to credit risk due to its dependence on key customers and suppliers.<br>– The Group's indebtedness or the enforcement of certain provisions of its financing arrangements could affect its business or growth prospects.<br>– The Group has high leverage and a substantial amount of its borrowings are secured and subject to covenants, which could be breached. |

| RISK | DESCRIPTION |
|---|---|
| **General business risks** | – The Group's inability to maintain and monitor labour relations with labour unions.<br>– Failure of information systems to adequately protect critical data and infrastructure from theft, corruption and unauthorised usage. |

# CORPORATE GOVERNANCE

## Corporate Governance

The Board of Directors believes that Global Ports' status as a listed company on an established investment market carries significant responsibility to manage the Group transparently and in a manner appropriate to a successful business. Accordingly, the Board seeks to adhere to international corporate governance standards and ensure that its corporate governance framework is in line with the interests of shareholders and other stakeholders.

## Role of the Board of Directors

Global Ports is governed by its Board of Directors ("the Board"), which is collectively responsible to the shareholders for the Group's successful performance.

The Board's role is to provide entrepreneurial leadership to the Group by setting the corporate strategic objectives, ensuring that the necessary financial and human resources are in place to meet those objectives and reviewing management performance. The Board sets the Group's values and standards and ensures that employees understand and meet all obligations to shareholders. The Board maintains a sound system of internal control and enterprise risk management to safeguard the Group's assets and shareholders' investments.

The latest version of the Terms of Reference of the Board of Directors was approved by the shareholders on 16 October 2012 and came into force on 28 November 2012. It is available on the Global Ports website.

## Code of ethics and conduct

Global Ports' code of ethics and conduct outlines the general business ethics and acceptable standards of professional behaviour that we expect of all our Directors, employees and contractors. This code, given to all new staff as part of their induction, means that everyone at Global Ports is accountable for their own decisions and conduct. As well as general standards of behaviour, the code covers fraud and corruption (including approaches on acceptance of gifts and benefits), ethics and conflicts of interest. Employees are encouraged to report any suspected breaches.

The code is available to all staff on Global Ports' website (in the Corporate Governance section) and in the HR department at every operating facility. There are also other more detailed rules concerning our anti-fraud and whistleblowing policies.

The Board is updated on a quarterly basis on any breaches of the code and resulting actions, although significant breaches have to be reported to the Board immediately.

For other corporate governance policies, see the Group's website.

## Members of the Board of Directors

The Board of Directors leads the process of making new Board member appointments and recommends new members to shareholders. For further details, please refer to the report of the Board of Directors in the financial statements.

There were no significant changes in the responsibilities of the Directors during 2015, except for the resignation of Dr. Nazarchuk as Chief Executive Officer (CEO) and his appointment to Nominations and Remuneration Committees.

The Board reviews the size of the Board on an annual basis and considers the present Board size as appropriate for the current scope and nature of the Group's operations.

## Chairman of the Board of Directors

Mr. Tiemen Meester is the current Chairman of the Board.

The role of the Chairman of the Board of Directors is to ensure that Board meetings are held as and when necessary, lead the Directors, ensure their effectiveness and approve the agenda of Board meetings. The chairman reviews all Board materials before they are presented to the Board and ensures that Board members are provided with accurate, timely and clear information. The members of the management team who have prepared the papers, or who can provide additional insight into the issues being discussed, are invited to present papers or attend the Board meeting at the relevant time. Board members regularly hold meetings with the Group's management to discuss their work and evaluate their performance.

The Chairman monitors communications and relations between the Group and its shareholders, the Board and management, and Independent and Non-Independent Directors, with a view to encouraging dialogue and constructive relations. The Chairman also works with the Non-Executive Directors.

The Group separates the positions of the chairman and CEO to ensure an appropriate segregation of roles and duties.

## Non-Executive and Independent Directors

There are 12 Non-Executive Directors (including the Chairman).

Captain Bryan Smith (Senior Independent Director) and Siobhan Walker are Independent Directors, and have no relationship with the Group, its related companies or their officers. This means they can exercise objective judgment on corporate affairs independently from management.

Although all Directors have an equal responsibility for the Group's operations, the role of the Independent Non-executive Directors is particularly important in ensuring that the management's strategies are constructively challenged. As well as ensuring the Group's strategies are fully discussed and examined, they must take into account the long-term interests, not only of the major shareholders, but also of employees, customers, suppliers and the communities in which the Group conducts its business.

## Managing Director

The Board nominated Alexander Iodchin to the position of Managing Director and granted him the powers to carry out all business related to the Group's business up to a total value per transaction of USD 500,000. It also granted him powers to discharge other managerial duties related to the ordinary course of business of the Group, including representing the Group before any government or government-backed authority.

The decisions for all other matters are reserved for the Board. The terms of reference of the Board of Directors contains the list of such reserved matters.

In addition, Mr. Iodchin has been acting as the Board Secretary since December 2008.

## Board committees

In December 2008, the Board of Directors established three committees: an Audit and Risk Committee, a Nomination Committee and a Remuneration Committee.

For further details on the Board committees, please refer to the report of the Board of Directors in the financial statements.

## Board and management remuneration

Directors serve on the Board pursuant to letters of appointment, which specify the terms of their appointment and remuneration.

Levels of remuneration for Non-Executive Directors reflect the time commitment, responsibilities of the role and membership of the respective committees of the Board. Directors are also reimbursed for expenses associated with discharge of their duties. Non-Executive Directors are not eligible for bonuses, retirement benefits or to participate in any incentive plans operated by the Group.

The shareholders of the Group approved the remuneration of the members of the Board on 29 April 2013.

The total remuneration of the members of the Board of Directors paid by the Group and its subsidiaries in 2015 amounted to USD 727 thousand (2014: USD 847 thousand).

## Internal audit

The internal audit function is carried out by Group's Internal Audit Service (IAS). It is responsible for analysing the systems of risk management, internal control procedures and the corporate governance process for the Group with a view to obtaining a reasonable assurance that:

- risks are appropriately identified, assessed, responded to and managed;
- there is interaction with the various governance groups occurs as needed;
- significant financial, managerial, and operating information is accurate, reliable and timely;
- employee's actions are in compliance with policies, standards, procedures and applicable laws and regulations;
- resources are acquired economically, used efficiently and adequately protected;
- programs, plans and objectives are achieved;
- quality and continuous improvement are fostered in the Group's control process; and
- significant legislative or regulatory issues impacting the Group are recognised and addressed properly.

The Head of the IAS, Mr. Mogens Petersen, reports directly to the Audit and Risk Committee.

## External auditors

At the Global Ports AGM, an external auditor is appointed on an annual basis to review the Group's financial and operating performance.

This follows proposals drafted by the Audit and Risk Committee for the Board of Directors regarding the nomination of the external auditor of the Group, selected from a list of recognised independent auditors of high professional repute. While drafting its proposals, the Audit and Risk Committee is guided by the following principles:

- qualifications of the external auditor and its professional reputation;
- quality of services; and
- compliance with requirements for external auditor independence.

In 2015, the shareholders of Global Ports re-appointed PricewaterhouseCoopers as the external auditor for the purposes of auditing the Group's IFRS financial statements for 2015. PricewaterhouseCoopers Limited were re-appointed as the auditor for 2016 at the Annual General Meeting on 22 April 2016.

## Investor relations/disclosures

The Group's external relations are guided by its information policy, which is consistent with best international practice applicable to shareholder relations. Given that the Group became public in June 2011 upon placing 25% of its shares on the London Stock Exchange (LSE) in the form of Global Depositary Receipts (GDRs), all of its companies should meet information disclosure standards set forth by the LSE.

The main principles of the Group's information policy are regularity, efficiency, availability, reliability, completeness, balance, equality and safety of information resources.

The Group maintains a Company Secretary, who is responsible for safeguarding the rights and interests of shareholders, including the establishment of effective and transparent arrangements for securing the rights of shareholders.

Team Nominees Limited has been acting as the Company Secretary since the Group's incorporation in February 2008.

The Company Secretary's responsibilities include ensuring compliance by the Group, its management bodies and officers with the law and the Group's charter and internal documents. The Company Secretary organises the communication process between the parties to corporate relations, including: the preparation and holding of general meetings; storage, maintenance and dissemination of information about the Group; and review of communications from shareholders.

The investor relations ('IR') department interacts with the investor community on a regular basis, reporting on the most important matters to the Group's senior management. The IR team maintains a continuous dialogue with the investor and analyst community by arranging teleconferences to discuss the Group's financial performance, one-on-one meetings and participation in international investor conferences. The Group also organises regular visits to its production facilities, thus providing investors with the opportunity to see the assets first-hand and meet senior management. Members of the Board of Directors and senior management participate in regular meetings with current and potential investors. During these meetings, the Group's representatives inform them of strategic areas of development and take into account shareholders' opinions on key strategic matters when making important decisions.

# FINANCIAL STATEMENTS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# DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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# BOARD OF DIRECTORS AND OTHER OFFICERS

## Board of Directors

**Mr. Tiemen Meester** (appointed 23 January 2013)
(Mrs. Iana Boyd Penkova is the alternate to Mr. Tiemen Meester)
*Chairman of the Board of Directors from 17 December 2014*
*Non-Executive Director*
*Member of Remuneration and Nomination Committees*

**Mr. Nikita Mishin** (appointed 15 December 2008)
(Mr. Mikhail Loganov is the alternate to Mr. Nikita Mishin)
*Vice-Chairman of the Board of Directors*
*Chairman of the Board of Directors until 16 December 2014*
*Non-Executive Director*
*Member of Remuneration and Nomination Committees*

**Mr. Kim Fejfer** (appointed 23 January 2013)
(Mrs. Iana Boyd Penkova is the alternate to Mr. Kim Fejfer)
*Non-Executive Director*
*Member of Remuneration, Nomination and Audit and Risk Committees*

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

**Mrs. Siobhan Walker** (appointed 30 May 2011)
*Independent Non-Executive Director*
*Chairman of Audit and Risk Committee*

**Dr. Alexander Nazarchuk** (appointed 15 December 2008)
(Mr. Alexander Iodchin is the alternate to Dr. Alexander Nazarchuk)
*Non-Executive Director*
*Member of Remuneration and Nomination Committees*

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

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

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

**Ms. Laura Michael** (appointed 23 January 2013)
*Non-Executive Director*

# BOARD OF DIRECTORS AND OTHER OFFICERS
CONTINUED

## Board of Directors (continued)

**Ms. Chrystalla Stylianou** (appointed 23 January 2013)
*Non-Executive Director*

**Mr. Constantinos Economides** (appointed 27 September 2013)
(Mr. Gerard Jan van Spall is the alternate to Mr. Constantinos Economides since 14 January 2016)
*Non-executive Director*

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

**Mr. Vadim Kryukov** (appointed 30 July 2014)
*Non-Executive Director*

## Board support

The Company Secretary is available to advise all Directors to ensure compliance with the Board procedures. Also a procedure is in place to enable Directors, if they so wish, to seek independent professional advice at the Company's expense.

## Company Secretary

**Team Nominees Limited**
20 Omirou Street
Ayios Nicolaos
CY-3095 Limassol
Cyprus

## Registered office

20 Omirou Street
Ayios Nicolaos
CY-3095 Limassol
Cyprus

# REPORT OF THE BOARD OF DIRECTORS

1. The Board of Directors presents its report together with the audited consolidated financial statements of Global Ports Investments Plc (hereafter also referred to as "GPI" or the "Company") and its subsidiaries and joint-ventures (hereafter collectively referred to as the "Group") for the year ended 31 December 2015. The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (hereafter also referred as "IFRS") as adopted by the European Union ("EU") and the requirements of Cyprus Companies Law, Cap. 113.

## Principal activities

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

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

3. The macro-economic backdrop in Russia remained challenging throughout 2015 affecting consumer demand. Against the backdrop of a macroeconomic slowdown and a sharp devaluation of the Russian rouble, Marine Container Throughput of Russian Ports (on a 100% basis) declined 35% year on year to 1,834 thousand TEUs in 2015.

4. The net loss of the Group for the year ended 31 December 2015 was US$(33,679) thousand (2014: net loss US$(197,322) thousand). On 31 December 2015 the total assets of the Group were US$1,519,778 thousand (2014: US$1,913,562 thousand) and the net assets were US$171,932 thousand (2014: US$391,727 thousand). The financial position, development and performance of the Group as presented in these consolidated financial statements are considered satisfactory.

## Principal Risks and Uncertainties

5. The Group's financial risk management and critical accounting estimates and judgments are disclosed in Notes 3 and 4 to the consolidated financial statements.

6. The Group's contingencies are disclosed in Note 27 to the consolidated financial statements.

7. The Board has adopted a formal process to identify, evaluate and manage significant risks faced by the Group.

## Future Developments of the Group

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

## Results

9. The Group's results for the year are set out on pages 14 and 15.

## Dividends

10. Pursuant to the Articles of Association the Company may pay dividends out of its profits. To the extent that the Company declares and pays dividends, owners of Global Depositary Receipts (hereafter also referred as "GDRs") on the relevant record date will be entitled to receive dividends payable in respect of Ordinary Shares underlying the GDRs, subject to the terms of the Deposit Agreement. The Company expects to pay dividends in US Dollars. If dividends are not paid in US Dollars, they will be converted into US Dollars by the Depositary and paid to holders of GDRs net of currency conversion expenses.

# REPORT OF THE BOARD OF DIRECTORS
CONTINUED

## Dividends (continued)

11. The Company is a holding company and thus its ability to pay dividends depends on the ability of its subsidiaries and joint-ventures to pay dividends to the Company in accordance with the relevant legislation and contractual restrictions. The payment of such dividends by its subsidiaries and joint-ventures is contingent upon the sufficiency of their earnings, cash flows and distributable reserves. The maximum dividend payable by the Company's subsidiaries and joint-ventures is restricted to the total accumulated retained earnings of the relevant subsidiary or joint-venture, determined according to the law applicable to each entity.

12. During the year 2015 the Company did not declare and pay any dividends.

13. The Board of Directors of the Company does not recommend the payment of a final dividend for the year 2015.

14. During the year 2014 the Company declared dividends in the total amount of US$34.39 million (US$0.06 per share). Dividends amounting to US$48.49 million were paid during 2014 including US$14.1 million dividends declared in 2013 and paid in 2014.

## Share Capital

### Authorised share capital

15. On 29 April 2015 the Company increased its authorised share capital from 431,128,048 ordinary shares and 150,457,316 ordinary non-voting shares to 750,000,000 ordinary shares and 1,000,000,000 ordinary non-voting shares with a par value of US$0.10 each.

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

### Issued share capital

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

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

## The Role of the Board of Directors

19. GPI is governed by its Board of Directors (hereafter also referred as "the Board") which is collectively responsible to the shareholders for the short- and long-term successful performance of the Group.

20. The Board of Directors' role is to provide entrepreneurial leadership to the Group through setting the corporate strategic objectives, ensuring that the necessary financial and human resources are in place for the Group to meet its objectives and reviewing management performance. The Board sets the Group's values and standards and ensures all obligations to shareholders are understood and met. The Board maintains a sound system of internal control and enterprise risk management to safeguard the Group's assets and shareholders' investments in the Group.

## Members of the Board of Directors

21. The Board of Directors leads the process in making new Board member appointments and makes recommendations on appointments to shareholders. In accordance with the Terms of Reference of the Board, all Directors are subject to election by shareholders at the first Annual General Meeting after their appointment, and to re-election at intervals of no more than three years. Any term beyond six years for a Non-Executive Director is subject to particularly rigorous review, and takes into account the need to refresh the Board on a regular basis.

22. The Board currently has 14 members and they were appointed as shown on pages 2 and 3.

23. All Directors were members of the Board throughout the year ended 31 December 2015.

24. There is no provision in the Company's Articles of Association for retirement of Directors by rotation. However in accordance with the Terms of Reference of the Board of Directors and the resolutions adopted by the Shareholders at the Annual General Meetings held 29 April 2013 and 29 April 2015 Mr. Michalakis Christofides and Mr. Vadim Kryukov will continue in office and Mr. Tiemen Meester, Mr. Nikita Mishin, Mr. Kim Fejfer, Capt. Bryan Smith, Mrs. Siobhan Walker, Dr. Alexander Nazarchuk, Mr. Alexander Iodchin, Mr. Mikhail Loganov, Mr. Konstantin Shirokov, Ms. Laura Michael and Ms. Chrystalla Stylianou will be offered for re-election at the next Annual General Meeting of the Shareholders of the Company.

25. Mr. Constantinos Economides has tendered his resignation at the next Annual General Meeting. The Board recommends Mr. Gerard Jan van Spall to be elected as the new member of the Board.

26. Team Nominees Limited has been acting as the Company Secretary since its incorporation in February 2008. Mr. Alexander Iodchin has been acting as the Board Secretary since December 2008.

27. There were no significant changes in the responsibilities of the Directors during 2015 except for resignation of Dr. Alexander Nazarchuk from the position of the Chief Executive Officer and his appointment as a Non-Executive Member of Nominations and Remuneration Committee. Mr. Alexander Iodchin resigned from the Nominations Committee.

## Directors' Interests

28. The interests in the share capital of Global Ports Investments Plc, both direct and indirect, of those who were Directors as at 31 December 2015 and 31 December 2014 are shown below:

| Name | Type of holding | Shares held at 31 December 2015 | Shares held at 31 December 2014 |
|---|---|---|---|
| Nikita Mishin | Through shareholding in Transportation Investments Holding Limited and other related entities | **39,731,086 ordinary shares** | 39,731,086 ordinary shares |
| | | **15,488,390 ordinary non-voting shares** | 15,488,390 ordinary non-voting shares |

# REPORT OF THE BOARD OF DIRECTORS
CONTINUED

## Board Performance

29. The Board meets at least four times a year. Fixed meetings are scheduled at the start of each year. Ad hoc meetings are called when there are pressing matters requiring the Board's consideration and decision in between the scheduled meetings.

30. In 2015 the Board met formally 19 (2014: 15) times to review current performance and to discuss and approve important business decisions.

31. In 2015 the Board met to discuss and approve important business decisions:

   a. FY2014 financial statements, 1H2015 interim financial statements and Annual Report;
   b. Changes in Group management;
   c. Management remuneration guidelines;
   d. Review of segments financial and operational performance;
   e. Consideration and approval of 2016 financial budget;
   f. Consideration and approval of major capital expenditures and operating expenditures;
   g. Consideration and approval of various resolutions related to the operations of the Company's subsidiaries and joint-ventures.

32. The number of Board and Board Committee meetings held in the year 2015 and the attendance of directors during these meetings is as follows:

| | Board of Directors | | Nomination Committee | | Remuneration Committee | | Audit and Risk Committee | |
|---|---|---|---|---|---|---|---|---|
| | A | B | A | B | A | B | A | B |
| Alexander Iodchin | 19 | 19 | 3 | 3 | – | – | – | – |
| Bryan Smith | 18 | 19 | 3 | 3 | 7 | 7 | – | – |
| Nikita Mishin | 13 | 19 | 3 | 3 | 7 | 7 | – | – |
| Alexander Nazarchuk | 19 | 19 | 0 | 0 | 1 | 1 | – | – |
| Mikhail Loganov | 11 | 19 | – | – | – | – | – | – |
| Konstantin Shirokov | 19 | 19 | – | – | – | – | 7 | 7 |
| Siobhan Walker | 18 | 19 | – | – | – | – | 7 | 7 |
| Kim Fejfer | 15 | 19 | 3 | 3 | 6 | 7 | 7 | 7 |
| Tiemen Meester | 16 | 19 | 3 | 3 | 7 | 7 | – | – |
| Laura Michael | 19 | 19 | – | – | – | – | – | – |
| Chrystalla Stylianou | 18 | 19 | – | – | – | – | – | – |
| Constantinos Economides | 10 | 19 | – | – | – | – | – | – |
| Vadim Kryukov | 18 | 19 | – | – | – | – | – | – |
| Michalakis Christofides | 18 | 19 | – | – | – | – | – | – |

A = Number of meetings attended.
B = Number of meetings eligible to attend during the year.

33. The operation of the Board, its Committees and individual Directors is subject to regular evaluation. The evaluation of the Board and individual Directors' performance is conducted through self-assessment, cross-assessment or by an external third party. The Non-Executive Directors, led by the Senior Independent Director, are responsible for the performance evaluation of the Chairman of the Board.

## The Board Committees

34. Since December 2008 the Board of Directors established the operation of three committees: an Audit and Risk Committee, a Nomination Committee and a Remuneration Committee.

35. The Audit and Risk Committee comprises of three Non-Executive Directors, and meets at least four times a year. The Audit and Risk Committee is chaired by Mrs. Siobhan Walker (an Independent Non-Executive Director) and the other members are Mr. Konstantin Shirokov and Mr. Kim Fejfer. The Committee is responsible for considering, among other matters: (i) the integrity of the Company's financial information, including its annual and interim condensed consolidated financial information, and the effectiveness of the Company's internal controls, risk management systems and the work of the Internal Auditor; (ii) auditors' reports; and (iii) the terms of appointment and remuneration of the auditor. The Committee supervises and monitors, and advises the Board of Directors on risk management and control systems and the implementation of codes of conduct. In addition, the Committee supervises the submission of financial information by the Company. The Committee recommends the Board on appointment, re-appointment and removal of the external auditor, reviews its independence, objectivity and effectiveness of the audit process. In addition the Committee implements the policy on the engagement of the external auditors to perform non-audit services.

36. In the year 2015 the Audit and Risk Committee met 7 times to review and discuss inter alia:

   a. Review of the parent financial statements of Global Ports Investments Plc and consolidated financial statements of the Group for 2014 and recommendation for approval of the same to the Board;
   b. Review of the interim condensed consolidated financial statements for the six month period ended 30 June 2015 and recommendation for approval to the Board;
   c. Review of the press releases containing financial information;
   d. Review of the reports prepared by external auditors on significant matters arising from their audit and review procedures;
   e. Review of the fees and terms of engagement of external auditors and recommendation for their approval;
   f. Consideration and approval of non-audit services provided by the external auditors and their fees;
   g. Consideration of the independence of the external auditors and performance and recommendation to the Board to recommend to shareholders to reappoint the external auditor for the next year.

37. The Nomination Committee as of the date of this report comprises five Directors, one of whom is independent. The Committee meets at least once each year. Currently the Nomination Committee is chaired by Capt. Bryan Smith (an Independent Non-Executive Director) and the other members are Mr. Nikita Mishin, Dr. Alexander Nazarchuk (appointed on 11 September 2015), Mr. Kim Fejfer and Mr. Tiemen Meester. Mr. Alexander Iodchin resigned from the position of the member of the Nomination Committee in September 2015. The Committee's role is to prepare selection criteria and appointment procedures for members of the Board of Directors and to review on a regular basis the structure, size, diversity and composition of the Board. In undertaking this role, the Committee refers to the skills, knowledge and experience required of the Board given the Company's stage of development and makes recommendations to directors as to any changes. The Committee also considers future appointments in respect to the composition of the Board of Directors as well as making recommendations regarding the membership of the Audit and Risk Committee and the Remuneration Committee. In addition to it the Committee advises the Board on the appointment of the senior management of the Company.

# REPORT OF THE BOARD OF DIRECTORS
CONTINUED

## The Board Committees (continued)

38. In 2015 the Nomination Committee met three times to discuss and recommend to the Board the appointment of senior management of the Group companies.

39. The Remuneration Committee as of the date of this report comprises five Directors, one of whom is independent. The Committee meets at least once each year. Currently the Remuneration Committee is chaired by Capt. Bryan Smith (an Independent Non-Executive Director), and the other members are Mr. Nikita Mishin, Dr. Alexander Nazarchuk (appointed on 11 September 2015), Mr. Kim Fejfer and Mr. Tiemen Meester. The Committee is responsible for determining and reviewing the remuneration of the executive directors, Chairman and the executive management and the Company's remuneration policies. The remuneration of independent Directors is a matter for the chairman of the Board of Directors and the executive directors. No director or manager may be involved in any decisions as to his or her own remuneration.

40. In 2015 the Remuneration Committee met seven times to discuss and recommend to the Board the Group management remuneration guidelines and the remuneration for the executive management of the Group.

## Corporate Governance

41. Improving its corporate governance structure in accordance with the internationally recognised best practices the Company adopted in 2008, 2012 and 2015 important policies and procedures.

42. The Company's corporate governance policies and practices are designed to ensure that the Company is focused on upholding its responsibilities to the shareholders. They include, inter alia:

- Appointment policy;
- Terms of reference of the Board of Directors;
- Terms of reference of the Audit and Risk Committee;
- Terms of reference of the Nomination Committee;
- Terms of reference of the Remuneration Committee;
- Code of Ethics and Conduct;
- Antifraud policy;
- Anti-Corruption Policy;
- Foreign Trade Controls Policy;
- Insurance Standard; and
- Charity and Sponsorship Policy.

## Board and Management Remuneration

43. Non-Executive Directors serve on the Board pursuant to the letters of appointment. Such letters of appointment specify the terms of appointment and the remuneration of Non-Executive Directors.

44. Levels of remuneration for the Non-Executive Directors reflect the time commitment, responsibilities of the role and membership of the respective committees of the Board. Directors are also reimbursed for expenses associated with discharge of their duties.

45. The shareholders of the Company approved the remuneration of the members of the Board on 29 April 2013.

46. Refer to Note 30(g) to the consolidated financial statements for details of the remuneration paid to the members of the Board and key management.

## Events after the balance sheet date

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

## Branches

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

## Treasury shares

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

## Going Concern

50. Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the consolidated financial statements based on the fact that, after making enquiries and following a review of the Group's budget for 2016 and the latest forecasts, including cash flows and borrowing facilities, the Directors consider that the Group has adequate resources to continue in operation for the foreseeable future.

## Auditors

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

By Order of the Board

**Tiemen Meester**
Chairman of the Board of Directors

10 March 2016

# DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of Global Ports Investments Plc ("Company") is responsible for preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and the requirements of the Cyprus Companies Law, Cap. 113.

This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Each of the Directors confirms to the best of his or her knowledge that the consolidated financial statements which are presented on pages 14 to 79 have been prepared in accordance with IFRS as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113, and give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as whole.

By Order of the Board

**Konstantin Shirokov**
Director

**Alexander Iodchin**
Director

Limassol
10 March 2016

# INDEPENDENT AUDITOR'S REPORT
## TO THE MEMBERS OF GLOBAL PORTS INVESTMENTS PLC

### Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of parent company Global Ports Investments Plc (the "Company"), its subsidiaries and joint ventures (together with the Company, the "Group"), which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Board of Directors' responsibility for the consolidated financial statements

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

### Auditor's responsibility

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

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

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

# INDEPENDENT AUDITOR'S REPORT
# TO THE MEMBERS OF GLOBAL PORTS INVESTMENTS PLC
CONTINUED

## Opinion
In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

## Report on other legal requirements
Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the consolidated financial statements.

## Other matter
This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

**Tasos Nolas**
Certified Public Accountant and Registered Auditor

For and on behalf of

**PricewaterhouseCoopers Limited**
Certified Public Accountants and Registered Auditors

Limassol
10 March 2016

# CONSOLIDATED INCOME STATEMENT
## FOR THE YEAR ENDED 31 DECEMBER 2015

| (in thousands of US dollars) | Note | For the year ended 31 December 2015 | 2014 |
|---|---|---|---|
| Revenue | 5 | **405,692** | 562,382 |
| Cost of sales | 6 | **(176,367)** | (231,476) |
| *incl. impairment of property, plant and equipment* | | **(46,686)** | – |
| Gross profit | | **229,325** | 330,906 |
| | | | |
| Administrative, selling and marketing expenses | 6 | **(42,343)** | (55,169) |
| Share of profit/(loss) of joint ventures accounted for using the equity method | 26 | **3,812** | (7,653) |
| Other (losses)/gains – net | 7 | **(6,039)** | 10,539 |
| Operating profit | | **184,755** | 278,623 |
| | | | |
| Finance income | 9 | **1,560** | 1,276 |
| Finance costs | 9 | **(60,146)** | (90,481) |
| Change in fair value of derivative | 9 | **(5,488)** | – |
| Net foreign exchange losses on financial activities | 9 | **(150,995)** | (418,543) |
| Finance costs – net | 9 | **(215,069)** | (507,748) |
| | | | |
| Loss before income tax | | **(30,314)** | (229,125) |
| Income tax (expense)/credit | 10 | **(3,365)** | 31,803 |
| Loss for the year | | **(33,679)** | (197,322) |
| | | | |
| *Attributable to:* | | | |
| Owners of the Company | | **(25,138)** | (193,140) |
| Non-controlling interest | | **(8,541)** | (4,182) |
| | | **(33,679)** | (197,322) |
| | | | |
| Basic and diluted earnings per share for profit attributable to the owners of the parent of the Company during the year (expressed in US$ per share) | 12 | **(0.04)** | (0.34) |

The notes on pages 19 to 79 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 DECEMBER 2015

| (in thousands of US dollars) | Note | For the year ended 31 December 2015 | 2014 |
|---|---|---|---|
| Loss for the year | | **(33,679)** | (197,322) |
| Other comprehensive loss | | | |
| *Items that may be subsequently reclassified to profit or loss* | | | |
| Currency translation differences | | **(123,463)** | (478,746) |
| Share of currency translation differences of joint ventures accounted for using the equity method | 26 | **(24,711)** | (52,213) |
| Fair value losses on cash flow hedge | | **(20,577)** | (84,088) |
| Reclassification to income statement of realised gains on cash flow hedge | 23 | **(235)** | (391) |
| Reclassification to income statement of a gain on cash flow hedge termination | 23 | **(13,491)** | – |
| Total items that can be reclassified subsequently to profit or loss | | **(182,477)** | (615,438) |
| *Items that may not be subsequently reclassified to profit or loss* | | | |
| Share of currency translation differences attributable to non-controlling interest | | **(3,639)** | (12,756) |
| Total items that cannot be reclassified subsequently to profit or loss | | **(3,639)** | (12,756) |
| Other comprehensive loss for the year, net of tax | | **(186,116)** | (628,194) |
| Total comprehensive loss for the year | | **(219,795)** | (825,516) |
| *Total comprehensive loss attributable to:* | | | |
| Owners of the Company | | **(207,615)** | (808,578) |
| Non-controlling interest | | **(12,180)** | (16,938) |
| Total comprehensive loss for the year | | **(219,795)** | (825,516) |

Items in the statement above are disclosed net of tax. There is no income tax relating to the components of other comprehensive income above.

The notes on pages 19 to 79 are an integral part of these consolidated financial statements.

# CONSOLIDATED BALANCE SHEET
## AS AT 31 DECEMBER 2015

| (in thousands of US dollars) | Note | As at 31 December 2015 | As at 31 December 2014 |
|---|---|---|---|
| *ASSETS* | | | |
| Non-current assets | | **1,360,300** | 1,780,039 |
| Property, plant and equipment | 14 | **499,145** | 732,235 |
| Intangible assets | 15 | **622,686** | 822,247 |
| Investments in joint ventures | 26 | **167,815** | 188,340 |
| Prepayments for property, plant and equipment | 14 | **3,357** | 4,431 |
| Deferred tax assets | 24 | **66,021** | 30,701 |
| Trade and other receivables | 19 | **1,276** | 2,085 |
| Current assets | | **159,478** | 133,523 |
| Inventories | 18 | **3,825** | 4,996 |
| Trade and other receivables | 19 | **29,800** | 41,258 |
| Income tax receivable | | **2,718** | 8,461 |
| Cash and cash equivalents | 20 | **123,135** | 78,808 |
| TOTAL ASSETS | | **1,519,778** | 1,913,562 |
| | | | |
| *EQUITY AND LIABILITIES* | | | |
| Total equity | | **171,932** | 391,727 |
| Equity attributable to the owners of the Company | | **158,701** | 366,316 |
| Share capital | 21 | **57,317** | 57,317 |
| Share premium | 21 | **923,511** | 923,511 |
| Capital contribution | | **101,300** | 101,300 |
| Currency translation reserve | | **(834,935)** | (686,761) |
| Cash flow hedge reserve | 23 | **(118,782)** | (84,479) |
| Transactions with non-controlling interest | | **(209,122)** | (209,122) |
| Retained earnings | | **239,412** | 264,550 |
| Non-controlling interest | | **13,231** | 25,411 |
| Total liabilities | | **1,347,846** | 1,521,835 |
| Non-current liabilities | | **1,217,605** | 1,376,266 |
| Borrowings | 22 | **1,062,371** | 1,073,668 |
| Derivative financial instruments | 23 | **5,360** | 102,840 |
| Deferred tax liabilities | 24 | **149,874** | 199,758 |
| Current liabilities | | **130,241** | 145,569 |
| Borrowings | 22 | **103,029** | 109,975 |
| Trade and other payables | 25 | **26,897** | 24,675 |
| Current income tax liabilities | | **315** | 10,919 |
| TOTAL EQUITY AND LIABILITIES | | **1,519,778** | 1,913,562 |

On 10 March 2016 the Board of Directors of Global Ports Investments Plc authorised these consolidated financial statements for issue.

**Alexander Iodchin**
Director

**Konstantin Shirokov**
Director

The notes on pages 19 to 79 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2015

| | | Attributable to the owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| (in thousands of US dollars) | Note | Share capital | Share premium | Capital contribution | Translation reserve | Cash flow hedge reserve | Transactions with non-controlling interest | Retained earnings* | Total | Non-controlling interest | Total |
| Balance at 1 January 2014 | | 57,317 | 923,511 | 101,300 | (155,802) | – | (210,376) | 492,080 | 1,208,030 | (15,353) | 1,192,677 |
| Total other comprehensive loss | | – | – | – | (530,959) | (84,479) | – | – | (615,438) | (12,756) | (628,194) |
| Loss for the year | | – | – | – | – | – | – | (193,140) | (193,140) | (4,182) | (197,322) |
| Total comprehensive loss for the year ended 31 December 2014 | | – | – | – | (530,959) | (84,479) | – | (193,140) | (808,578) | (16,938) | (825,516) |
| Transactions with non-controlling interest | 29 | – | – | – | – | – | 1,254 | – | 1,254 | (1,257) | (3) |
| Conversion of borrowings to share capital in a subsidiary with non-controlling interest | 29 | – | – | – | – | – | – | – | – | 58,959 | 58,959 |
| Distributions to shareholders | 13 | – | – | – | – | – | – | (34,390) | (34,390) | – | (34,390) |
| Total transactions with owners for the year ended 31 December 2014 | | **–** | **–** | **–** | **–** | **–** | **1,254** | **(34,390)** | **(33,136)** | **57,702** | **24,566** |
| Balance at 31 December 2014 | | **57,317** | **923,511** | **101,300** | **(686,761)** | **(84,479)** | **(209,122)** | **264,550** | **366,316** | **25,411** | **391,727** |
| Total other comprehensive loss | | **–** | **–** | **–** | **(148,174)** | **(34,303)** | **–** | **–** | **(182,477)** | **(3,639)** | **(186,116)** |
| Loss for the year | | **–** | **–** | **–** | **–** | **–** | **–** | **(25,138)** | **(25,138)** | **(8,541)** | **(33,679)** |
| Total comprehensive loss for the year ended 31 December 2015 | | **–** | **–** | **–** | **(148,174)** | **(34,303)** | **–** | **(25,138)** | **(207,615)** | **(12,180)** | **(219,795)** |
| Balance at 31 December 2015 | | **57,317** | **923,511** | **101,300** | **(834,935)** | **(118,782)** | **(209,122)** | **239,412** | **158,701** | **13,231** | **171,932** |

* Retained earnings in the separate financial statements of the Company is the only reserve that is available for distribution in the form of dividends to the Company's shareholders.

The notes on pages 19 to 79 are an integral part of these consolidated financial statements.

# CONSOLIDATED CASH FLOW STATEMENT
## FOR THE YEAR ENDED 31 DECEMBER 2015

| (in thousands of US dollars) | Note | For the year ended 31 December 2015 | 2014 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before income tax | | **(30,314)** | (229,125) |
| *Adjustments for:* | | | |
| Depreciation of property, plant and equipment | 14 | **42,794** | 75,902 |
| Impairment of property, plant and equipment | 14 | **46,686** | – |
| (Profit)/loss on sale of property, plant and equipment | 14 | **(2,722)** | 323 |
| Write off of property, plant and equipment | 14 | **950** | 2,413 |
| Amortisation of intangible assets | 15 | **14,498** | 24,268 |
| Interest income | 9 | **(1,560)** | (1,276) |
| Interest expense | 9 | **60,146** | 90,481 |
| Share of (profit)/loss in jointly controlled entities | 26 | **(3,812)** | 7,653 |
| Change in fair value of swap | 9 | **5,488** | |
| Foreign exchange differences on non-operating activities | | **160,354** | 438,029 |
| Other non-cash items | | **(289)** | 1,170 |
| Operating cash flows before working capital changes | | **292,219** | 409,838 |
| *Changes in working capital* | | | |
| Inventories | | **38** | (49) |
| Trade and other receivables | | **6,421** | (2,924) |
| Trade and other payables | | **(1,362)** | (18,495) |
| Cash generated from operations | | **297,316** | 388,370 |
| Dividends received from joint ventures | | **10,406** | 9,535 |
| Income tax paid | | **(59,699)** | (62,690) |
| **Net cash from operating activities** | | **248,023** | 335,215 |
| **Cash flows from investing activities** | | | |
| Contingent consideration paid | | **–** | (61,603) |
| Purchase of shareholdings from non-controlling interests | 29 | **–** | (3) |
| Purchases of intangible assets | 15 | **(100)** | (211) |
| Purchases of property, plant and equipment | 14 | **(11,733)** | (23,568) |
| Proceeds from sale of property, plant and equipment | 14 | **8,708** | 1,743 |
| Loans granted to related parties | 30(h) | **(8,690)** | (12,486) |
| Loan repayments received from related parties | | **477** | 504 |
| Interest received | | **1,528** | 1,308 |
| **Cash from bank deposits with maturity over 90 days** | | **–** | 989 |
| **Net cash used in investing activities** | | **(9,810)** | (93,327) |
| *Cash flows from financing activities* | | | |
| Proceeds from borrowings | | **285,061** | 367,308 |
| Repayments of borrowings | | **(398,624)** | (460,812) |
| *incl. payment under interest rate and cross-currency exchange rate swap linked to the bank loan repaid* | | ***(125,580)*** | – |
| Interest paid | | **(74,406)** | (92,151) |
| Proceeds from the issue of shares by a subsidiary to non-controlling interest | 29 | **–** | 12,827 |
| Finance lease principal payments (third parties) | | **(4,426)** | (12,288) |
| Dividends paid to the owners of the Company | 13 | **–** | (48,490) |
| **Net cash used in financing activities** | | **(192,395)** | (233,606) |
| **Net increase in cash and cash equivalents** | | **45,818** | 8,282 |
| **Cash and cash equivalents at beginning of the year** | | **78,808** | 113,219 |
| Exchange losses on cash and cash equivalents | | **(1,491)** | (42,693) |
| **Cash and cash equivalents at end of the year** | 20 | **123,135** | 78,808 |

The notes on pages 19 to 79 are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 General information

### Country of incorporation

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

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

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

On 27 December 2013, GPI completed the acquisition of 100% of the share capital of NCC Group Limited, (together with its subsidiaries, "NCC Group").

### Approval of the consolidated financial statements

These consolidated financial statements were authorised for issue by the Board of Directors on 10 March 2016.

### Principal activities

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

### Composition of the Group and its joint ventures

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

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

See also Note 5 for the description of segmental information of the Group.

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

- MLT and CD Holding groups are joint ventures with Container Finance OY where the Company has 75% effective ownership interest (Note 26). Moby Dik (a container terminal in the vicinity of St Petersburg) and Multi-Link Terminals (a container terminal in Vuosaari (near Helsinki, Finland) and a container terminal in Kotka, Finland) constitute the MLT group. Yanino Logistics Park (an inland container terminal in the vicinity of St Petersburg), CD Holding and some other entities constitute the CD Holding group.
- AS Vopak E.O.S. and its subsidiaries (VEOS) is a joint venture with Royal Vopak, the world's largest independent tank storage provider, specialising in the storage and handling of liquid chemicals, gasses and oil products, where the Company has a 50% effective ownership interest (Note 26). VEOS facilities are located in Estonia.
- Ust-Luga Container Terminal (located in Ust-Luga, North-West Russia) is an 80% subsidiary where Eurogate, one of the leading container terminal operators in Europe has a 20% non-controlling interest (Note 29).

## 2 Basis of preparation and summary of significant accounting policies

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

### Basis of preparation

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

As of the date of the authorisation of these consolidated financial statements all International Financial Reporting Standards issued by International Accounting Standards Board (IASB) that are effective as at 1 January 2015 have been adopted by the EU through the endorsement procedure established by the European Commission with the exception of certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting.

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of derivatives.

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

### New and amended standards adopted by the Group

The Group adopted all the new and revised IFRS as adopted by the EU that are relevant to its operations and are effective for accounting periods beginning on 1 January 2015. The adoption did not have a material effect on the accounting policies of the Group.

### New standards and interpretations not yet adopted by the Group

At the date of approval of these financial statements a number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on these consolidated financial statements, except the following set out below:

#### (a) Adopted by the European Union

– Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016; EU effective date 1 January 2016). This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The Group is currently assessing the impact of the new standard on its financial statements.
– Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016; EU effective date 1 January 2016). In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Group is currently assessing the impact of the new standard on its financial statements.
  Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016; EU effective date 1 January 2016). The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards. The Group is currently assessing the impact of the new standard on its financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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

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

- Annual Improvements to IFRSs 2012-2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016; EU effective date 1 February 2016). The amendments impact 4 standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale ore distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The Group is currently assessing the impact of these changes on its financial statements.
- Annual Improvements to IFRSs 2010-2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below; EU effective date 1 January 2016). The improvements consist of changes to seven standards. IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014. IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014. IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported. The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial. IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. The Group is currently assessing the impact of these changes on its financial statements.

### (b) Not yet adopted and not yet endorsed by the European Union

- IFRS 9 "Financial Instruments: Classification and Measurement" (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:
  - Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
  - Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
  - Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
  - Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
  - IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
  - Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.
- IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.
- 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 1 January 2016). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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

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

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

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

There are no other IFRSs or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Group.

**Basis of consolidation**

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully included in the consolidated financial statements from the date on which control was transferred to the Group or to the extent that the subsidiaries were obtained through a transaction between entities under common control from the date which control was transferred to its shareholders. They are derecognised from the financial statements from the date that control ceases.

Business combinations involving entities under common control (ultimately controlled by the same party, before and after the business combination, and that control is not transitory) are accounted using the predecessor basis of accounting. Under this method, the financial statements of the acquiree are included in the consolidated financial statements using pre-acquisition IFRS carrying amounts using uniform accounting policies, on the assumption that the Group was in existence from the date where common control was established. For these transactions, the excess of the cost of acquisition over the carrying amount of the Group's share of identifiable net assets acquired, including goodwill, arising at the date of acquisition by the shareholders, is recorded in equity in retained earnings at the date of the legal restructuring.

The purchase method of accounting is used for acquisitions of subsidiaries that do not involve entities or businesses under common control with the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Goodwill is initially measured as the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated income statement.

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

### (b) Transactions with non-controlling interests

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

### (c) Joint arrangements

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

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

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

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

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

### Segment reporting

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

### Transactions with equity holders

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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

### Revenue recognition

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

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

Revenues earned by the Group are recognised on the following bases:

#### (a) Sales of services

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

#### (b) Sales of goods

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

#### (c) Rental income

See accounting policy for leases below.

#### (d) Interest income

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

#### (e) Dividend income

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

### Foreign currency translation

#### (a) Functional and presentation currency

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

#### (b) Transactions and balances

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

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

## (c) Group companies

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

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

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. On disposal of a foreign operation (including partial disposals which result in loss of control, significant influence or joint control of a subsidiary, associate or joint venture respectively, that include a foreign operation), the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss is recognised. In these cases, the cumulative amount of exchange differences relating to the foreign operation sold that have been attributed to the non-controlling interests are derecognised but are not reclassified to profit or loss.

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

### Property, plant and equipment ("PPE")

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

Land is not depreciated.

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

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

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

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

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

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

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

### Property, plant and equipment ("PPE") (continued)

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

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

### Intangible assets

#### (a) Goodwill

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

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

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

#### (b) Computer software

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

#### (c) Client base

Client base (mainly customer relationships) acquired as a result of business combinations is at the cost of acquisition. Client base have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of client base over their estimated useful lives (11 years).

#### (d) Contractual rights

Contractual rights acquired as a result of business combinations are shown at the cost of acquisition. Contractual rights relate primarily to quay and land lease agreements. These contractual rights are renewable. Contractual rights have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of contractual rights over their estimated useful lives (being up to 57 years as of 31 December 2015) which are in accordance with the underlying agreements, including renewal periods whenever renewal is at no significant cost and the Group has evidence, based on past experience that the contract will be renewed.

### Impairment of non-financial assets

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

### Leases

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

#### The Group is the lessee

(a) Finance leases

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

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

(b) Operating leases

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

#### The Group is the lessor

Operating leases

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

### Loans and receivables

The Group classifies its financial assets as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the balance sheet date.

These are classified as non-current assets. The Group's loans and receivables comprise cash and cash equivalents, bank deposits with maturity over 90 days, trade and other receivables and loans to related and third parties.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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

### Loans and receivables (continued)

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

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor/borrower, probability that the debtor/borrower will enter bankruptcy or financial difficulty, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the income statement against 'administrative, selling and marketing expenses'.

### Derivative financial instruments and hedging activities

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

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

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

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

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

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

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

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

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

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

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

### Share capital, share premium and capital contribution
Ordinary shares are classified as equity.

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

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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

### Provisions and contingent liabilities (continued)

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

### Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

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

### Dividend distribution

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

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

### Financial guarantee contracts

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

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

### Income taxes

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

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

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

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

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

### Value Added Tax ("VAT")

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

### Employee benefits

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

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

### Offsetting financial instruments

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

## 3 Financial risk management

### Financial risk factors

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

### (a) Market risk

#### (i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in the currency different from the functional currency of each of the entities of the Group.

The Group uses from time to time interest and foreign currency swaps (derivatives) to manage its exposures to foreign exchange risk. The Group may designate such derivatives as hedges of probable forecasted sales.

The Group will continue to review its borrowing policy in order to maintain a balance between term and interest rate of available financing and its currency.

The below tables demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results. The sensitivity analysis does not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion. Currently the long-term debt of the Group is denominated in US dollars and Russian Roubles. The US dollar and Euro interest rates are relatively more attractive compared with the Russian Rouble interest rate. The whole amount of the long-term debt of the Group originates from companies operating in Russia (Russian operations). The revenues of Russian operations are mainly priced in US Dollars and Russian Roubles, whereas most of expenses are denominated and settled in Russian Roubles.

The analysis below does not cover borrowings in joint ventures as they are not included in the financial position of the Group.

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

| | As at 31 December | |
|---|---|---|
| (in thousands of US dollars) | 2015 | 2014 |
| Assets | **110,001** | 66,461 |
| Liabilities | **1,174,513** | 1,056,599 |
| Capital commitments | **–** | – |

Had US dollar exchange rate strengthened/weakened by 30% against the Russian Rouble and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2015, would have (decreased)/increased by US$255,483 thousand (2014: 30% change, effect US$237,633 thousand) and the equity would have (decreased)/increased by US$255,483 thousand (2014: 30% change, effect US$266,950 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of lease liabilities, loans, borrowings, cash and cash equivalents and accounts receivable denominated in US dollars.

The carrying amount of financial assets and liabilities in Russian operations denominated in Euros as at 31 December 2015 and 31 December 2014 are as follows:

| | As at 31 December | |
|---|---|---|
| (in thousands of US dollars) | 2015 | 2014 |
| Assets | **3,654** | 372 |
| Liabilities | **–** | – |
| Capital commitments | **6,717** | 7,870 |

Had Euro exchange rate strengthened/weakened by 30% against the Russian Rouble and all other variables remained unchanged, the post-tax profit and the equity of the Group for the year ended 31 December 2015, would have (decreased)/increased by US$877 thousand (2014: 30% change, effect US$89 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of lease liabilities, loans, borrowings, cash and cash equivalents and accounts receivable denominated in Euros.

### (ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are exposed to changes in market interest rates arising mainly from floating rate cash and cash equivalents and borrowings. In addition the Group is exposed to fair value interest rate risk through market value fluctuations of loans receivable, borrowings and lease liabilities with fixed rates.

Lease and long-term borrowing contracts of the Group are concluded to finance the purchase of property, plant and equipment. While analysing new investment projects and concluding credit facility agreements, loan agreements and lease contracts, various scenarios are developed taking into account terms of refinancing and alternative financing sources. Based on these scenarios the Group measures the impact of a definite change in interest rate on profit or loss and selects the financing model that allows maximising the estimated future profit.

Had market interest rates on US dollars, Euro and Russian Rouble denominated floating interest bearing financial assets and liabilities shift by 100 basis points and all other variables remained unchanged, the post tax profit of the Group would have decreased by US$8,412 thousand for the year ended 31 December 2015 (2014: US$10,042 thousand).

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

Management monitors changes in interest rates and takes steps to mitigate these risks as far as practicable and economically feasible by ensuring the Group has financial liabilities with both floating and fixed interest rates.

## (b) Credit risk

Financial assets, which potentially subject the Group to credit risk, consist principally of trade receivables and loans receivable (Note 19) and cash and cash equivalents (Note 20). The Group has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history. These policies enable the Group to reduce its credit risk significantly. However, the Group's business is heavily dependent on several large key customers accounting for 62% and 56% of the Group's revenue for the year ended 31 December 2015 and 2014, respectively.

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

| (in thousands of US dollars) | Fully performing | Past due | Impaired | Impairment provision | Total |
|---|---|---|---|---|---|
| *As at 31 December 2015* | | | | | |
| Trade receivables | **14,798** | **3,997** | **–** | **–** | **18,795** |
| Loans receivable | **1,638** | **174** | **–** | **–** | **1,812** |
| Other receivables | **4,559** | **–** | **–** | **–** | **4,559** |
| Total | **20,995** | **4,171** | **–** | **–** | **25,166** |
| *As at 31 December 2014* | | | | | |
| Trade receivables | 22,061 | 2,411 | – | – | 24,472 |
| Loans receivable | 2,464 | – | – | – | 2,464 |
| Other receivables | 7,366 | – | – | – | 7,366 |
| Total | 31,891 | 2,411 | – | – | 34,302 |

## 3 Financial risk management (continued)

### Financial risk factors (continued)

### (c) Liquidity risk

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

Cash flow forecasting is performed at the level of operating entities of the group and at consolidated level by group finance. Group finance monitors forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs as well as scheduled debt service while maintaining sufficient headroom to ensure that the group does not breach covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration potential variations in operating cash flows due to market conditions, the group's debt repayments and covenant compliance. Taking into account expected levels of operating cash flows, availability of cash and cash equivalents amounting to US$123,135 thousand (31 December 2014: US$78,808 thousand) (Note 20) the Group has the ability to meet its liabilities as they fall due and mitigate risks of adverse changes in the financial markets environment.

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

The table below summarises the analysis of financial liabilities by maturity as of 31 December 2015 and 2014. The amounts in the table are contractual undiscounted cash flows. Trade and other payables balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| (in thousands of US dollars) | Less than 1 month | 1-3 months | 3-6 months | 6 months – 1 year | 1-2 years | 2-5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|
| *As at 31 December 2015* | | | | | | | | |
| Borrowings | **4,983** | **22,787** | **53,392** | **92,205** | **198,617** | **1,037,709** | **44,062** | **1,453,755** |
| Trade and other payables | **3,273** | **15,444** | **–** | **1,019** | **–** | **–** | **–** | **19,736** |
| Derivative financial instruments | **–** | **–** | **(1,982)** | **(1,792)** | **(3,116)** | **12,250** | **–** | **5,360** |
| Total | **8,256** | **38,231** | **51,410** | **91,432** | **195,501** | **1,049,959** | **44,062** | **1,478,851** |
| *As at 31 December 2014* | | | | | | | | |
| Borrowings | 6,081 | 32,195 | 36,134 | 70,224 | 157,016 | 805,729 | 272,410 | 1,379,789 |
| Trade and other payables | 4,533 | 9,694 | – | – | – | – | – | 14,227 |
| Derivative financial instruments | – | (5,248) | (3,756) | (6,074) | 55,176 | 62,742 | – | 102,840 |
| Total | 10,614 | 36,641 | 32,378 | 64,150 | 212,192 | 868,471 | 272,410 | 1,496,856 |

### (d) Capital risk management

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

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

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

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

The rate of borrowings to total capitalisation is as follows:

| | As at 31 December | |
|---|---|---|
| (in thousands of US dollars) | 2015 | 2014 |
| Total borrowings | **1,165,400** | 1,183,643 |
| Total capitalisation | **1,337,332** | 1,575,370 |
| Total borrowings to total capitalisation ratio (percentage) | **87%** | 75% |

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

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

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

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

Financial instruments carried at fair value are valued by the following valuation methods:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on Group's specific estimates.
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Group's only financial instrument carried at fair value is disclosed in Note 23. It is valued using Level 2 from the table above.

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

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

#### (i) Determination of useful lives and residual value of property, plant and equipment and intangible assets
The estimation of the useful lives and residual values of items of property, plant and equipment is a matter of judgement based on experience with similar assets. 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 and residual values in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions. Reviews at each balance sheet date indicate whether there is a need for changes in estimations and assumptions as a result of which the useful lives and residual values need to be adjusted accordingly. The carrying amount of property, plant and equipment of the Group was US$499,145 thousand (31 December 2014: US$732,235 thousand). If depreciation rates were increased by 10%, the carrying amount of property, plant and equipment would decrease by around US$4,279 thousand (2014: US$7,590 thousand).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

## 4 Critical accounting estimates and judgements (continued)
### (a) Critical accounting estimates and assumptions (continued)
### (ii) Estimated impairment of goodwill and property, plant and equipment and investments in joint ventures
The Group follows its accounting policies to test goodwill and other non-financial assets for possible impairment or reversal of impairment.

Estimating discounted future cash flows requires making judgments about long-term forecasts of future revenues and costs related to the assets subject to review. These forecasts are uncertain as they require assumptions about volumes, prices for the products and services, discount rates, future market conditions and future technological developments. Significant and unanticipated changes in these assumptions could require a provision for impairment in a future period. Based on the current world-wide economic circumstances and also taking into account developments within the Russian Federation, the Group performed a test of the estimated recoverable amount of the cash-generating units (CGUs), compared with their carrying value.

In the course of the preparation of the interim condensed financial information for the six month period ended 30 June 2015 forecasts used for estimating discounted future cash flows for impairment testing purposes as of 31 December 2014 have been updated.

Based on the results of the impairment tests carried out an impairment charge of US$46,686 thousand for ULCT CGU was recognised resulting in the carrying amount of the CGU being written down to its recoverable amount. The impairment charge was fully allocated to property, plant and equipment (Note 14).

In the course of the preparation of the current consolidated financial statements the impairment test models have been revised.

For all CGUs, except for ULCT, cash flow projections cover a period of five years based on the assumptions of the next 12 months. In case of ULCT cash flow projections cover a nine year period reflecting the fact that this terminal started its operations recently and still remains in its ramp-up stage. Cash flows beyond that five-year (nine-year period in case of ULCT) period have been extrapolated using a steady terminal growth rate. The terminal growth rate used does not exceed the long-term average growth rate for the market in which entities operate. For projections prepared for CGUs in Russian ports segments a terminal growth rate of 3 % has been applied (2014: 3%). For projections prepared for VEOS CGU as at 31 December 2015 a terminal growth rate of 2% was applied (2014: 2%). The discount rate applied for Russian ports CGUs in projections prepared as at 31 December 2015 is 12.1% (2014: 12.9%) and for VEOS the discount rate is 9.1% (2014: 10.1%).

Key assumptions for all CGUs are throughput volume, price per unit, growth rates, and discount rates. The projected volumes reflect past experience adjusted by the management view on the prospective market developments. The growth rates for VEOS revenues are conservatively estimated to be very moderate in view of the competitive environment. For CGUs in the Russian ports segment volume growth is estimated to be in line with the long-term market development, position of each terminal on the market and its pricing power. As supported by historical market performance and in view of relatively low containerisation level in Russia, the long-term average throughput growth rate for the Russian container market is higher than in developed markets.

Based on the results of the impairment tests carried out in 2015, the Board of Directors believes that there is no requirement for further impairments or indications for reversal of impairments recognised in previous periods for non-financial assets other than goodwill.

For all units except for ULCT management believes that any reasonably possible change in the key assumptions on which these units' recoverable amounts are based would not cause carrying amounts of these units to exceed their recoverable amounts. For ULCT CGU minor changes in any of the abovementioned parameters may lead to substantial changes in the recoverable amount of this CGU.

For ULCT CGU, if the estimated volumes handled each year are 20% lower, or the revenue per TEU each year 5% lower, then a further impairment of property, plant and equipment would arise amounting to US$4 million and US$19 million respectively. Reasonable changes in discounting rate and terminal rate do not lead to significant additional impairment.

### (iii) Determination of useful lives of contractual rights

The estimation of the useful lives of lease contractual rights is a matter of judgement based on experience with similar occasions. The remaining useful lives of contractual rights is up to 57 years as at 31 December 2015. In determining the useful lives management takes into account several factors such as applicable laws and regulations, the ability of renewal of such contractual rights and the date of expiration of the contractual agreements. If the amortisation period was reduced by 10% the carrying amount would decrease by around US$1,450 thousand (2014: US$2,427 thousand).

### (iv) Tax legislation

Russian tax, currency and customs legislation is subject to varying interpretations (Note 27).

## 5 Segmental information

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

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

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

The Board of Directors assesses the performance of the operating segments based on revenue (both in monetary and quantity terms) major costs items and net profit after the accounting records of business units are converted to be in line with IFRS as adopted by the EU with the exclusion of joint ventures and the netting off of deferred tax assets and liabilities. For the purposes of the internal reporting, joint ventures are assessed on a 100% ownership basis. Therefore there are no changes in the basis of measurement of segment profit or loss compared with prior years.

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

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

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

## 5 Segmental information (continued)

The brief description of segments is as follows:

### Russian ports

The segment consists of the following operating units:

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

### Finnish ports

The segment consists of container terminals in the ports of Vuosaari (Helsinki) and Kotka, Finland owned and operated by Multi-Link Terminals Ltd Oy.

### VEOS

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

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

### Holding companies (all other)

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

### Reconciliation adjustments

Reconciliation adjustments consist of two major components:

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

The Group does not have any regular transactions between segments except for transactions between MD, Finnish ports and YLP. In addition there are transactions between other segments which mainly relate to management and financing activities.

The segment results for the year ended 31 December 2015 are as follows:

| (in thousands of US dollars) | Russian ports | VEOS | Finnish ports | Total operating segments | Holdings | Reconciliation adjustments: Effect of proportionate consolidation | Reconciliation adjustments: Other adjustments | Group as per proportionate consolidation |
|---|---|---|---|---|---|---|---|---|
| Sales to third parties | **439,095** | **86,285** | **19,546** | **544,926** | **–** | **(56,388)** | **–** | **488,538** |
| Inter-segment revenue | **65** | **–** | **45** | **110** | **–** | **(11)** | **(99)** | **–** |
| Total revenue | **439,160** | **86,285** | **19,591** | **545,036** | **–** | **(56,399)** | **(99)** | **488,538** |
| Cost of sales | **(190,721)** | **(66,949)** | **(17,223)** | **(274,893)** | **–** | **41,374** | **34** | **(233,485)** |
| *incl. impairment of property, plant and equipment* | ***(46,686)*** | ***–*** | ***–*** | ***(46,686)*** | ***–*** | ***–*** | ***–*** | ***(46,686)*** |
| Administrative, selling and marketing expenses | **(18,889)** | **(8,504)** | **(1,027)** | **(28,420)** | **(25,380)** | **4,961** | **65** | **(48,774)** |
| Other (losses)/gains – net | **(4,668)** | **73** | **(612)** | **(5,207)** | **8,816** | **125** | **(10,220)** | **(6,486)** |
| Operating profit | **224,882** | **10,905** | **729** | **236,516** | **(16,564)** | **(9,939)** | **(10,220)** | **199,793** |
| | | | | | | | | |
| Finance costs – net | **(220,496)** | **(1,189)** | **(272)** | **(221,957)** | **970** | **2,011** | **71** | **(218,905)** |
| *incl. interest income* | ***2,317*** | ***31*** | ***–*** | ***2,348*** | ***4,198*** | ***(38)*** | ***(4,922)*** | ***1,586*** |
| *incl. interest expenses* | ***(65,861)*** | ***(1,208)*** | ***(261)*** | ***(67,330)*** | ***(1,772)*** | ***1,544*** | ***4,922*** | ***(62,636)*** |
| *incl. net foreign exchange losses on financing activities* | ***(151,464)*** | ***(11)*** | ***(11)*** | ***(151,486)*** | ***(1,457)*** | ***457*** | ***119*** | ***(152,367)*** |
| Profit/(loss) before income tax | **4,386** | **9,716** | **457** | **14,559** | **(15,594)** | **(7,928)** | **(10,149)** | **(19,112)** |
| Income tax expense | **(8,244)** | **(1,946)** | **(336)** | **(10,526)** | **(759)** | **2,469** | **–** | **(8,816)** |
| Profit/(loss) after tax | **(3,858)** | **7,770** | **121** | **4,033** | **(16,353)** | **(5,459)** | **(10,149)** | **(27,928)** |
| | | | | | | | | |
| CAPEX* on cash basis | **12,073** | **2,073** | **3,483** | **17,629** | **66** | **(2,013)** | **–** | **15,682** |

* CAPEX represents purchases of property, plant and equipment.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

## 5 Segmental information (continued)

### Reconciliation adjustments (continued)

The reconciliation of results for the year ended 31 December 2015 calculated with proportional consolidation to the results presented in consolidated income statement above is as follows:

| (in thousands of US dollars) | Group as per proportionate consolidation | Equity method and other adjustments | Group as per equity method consolidation of joint ventures |
|---|---|---|---|
| Sales to third parties | **488,538** | **(82,846)** | **405,692** |
| Inter-segment revenue | **–** | **–** | **–** |
| Total revenue | **488,538** | **(82,846)** | **405,692** |
| Cost of sales | **(233,485)** | **57,118** | **(176,367)** |
| *incl. impairment of property, plant and equipment* | ***(46,686)*** | **–** | ***(46,686)*** |
| Administrative, selling and marketing expenses | **(48,774)** | **6,431** | **(42,343)** |
| Share of profit/(loss) of joint ventures accounted for using the equity method | **–** | **3,812** | **3,812** |
| Other (losses)/gains – net | **(6,486)** | **447** | **(6,039)** |
| Operating profit | **199,793** | **(15,038)** | **184,755** |
| | | | |
| Finance costs – net | **(218,905)** | **3,836** | **(215,069)** |
| *incl. interest income* | **1,586** | **(26)** | **1,560** |
| *incl. interest expenses* | **(62,636)** | **2,490** | **(60,146)** |
| *incl. net foreign exchange losses on financing activities* | **(152,367)** | **1,372** | **(150,995)** |
| Loss before income tax | **(19,112)** | **(11,202)** | **(30,314)** |
| Income tax (expense)/credit | **(8,816)** | **5,451** | **(3,365)** |
| Loss for the year | **(27,928)** | **(5,751)** | **(33,679)** |
| | | | |
| CAPEX on cash basis | **15,682** | **(3,949)** | **11,733** |

The segment items operating expenses for the year ended 31 December 2015 are as follows:

| (in thousands of US dollars) | Russian ports | VEOS | Finnish ports | Total operating segments | Holdings | Reconciliation adjustments: Effect of proportionate consolidation | Reconciliation adjustments: Other adjustments | Group as per proportionate consolidation |
|---|---|---|---|---|---|---|---|---|
| Depreciation of property, plant and equipment | **46,582** | **20,537** | **2,610** | **69,729** | **44** | **(11,878)** | **–** | **57,895** |
| Amortisation of intangible assets | **14,698** | **1,042** | **–** | **15,740** | **–** | **(570)** | **–** | **15,170** |
| Impairment of property, plant and equipment | **46,686** | **–** | **–** | **46,686** | **–** | **–** | **–** | **46,686** |
| Staff costs | **50,319** | **16,503** | **7,323** | **74,145** | **17,576** | **(11,377)** | **–** | **80,344** |
| Transportation expenses | **7,386** | **15,810** | **2,496** | **25,692** | **–** | **(8,801)** | **–** | **16,891** |
| Fuel, electricity and gas | **7,601** | **12,388** | **689** | **20,678** | **7** | **(6,643)** | **–** | **14,042** |
| Repair and maintenance of property, plant and equipment | **9,086** | **3,105** | **1,456** | **13,647** | **69** | **(2,379)** | **–** | **11,337** |
| Total | **182,358** | **69,385** | **14,574** | **266,317** | **17,696** | **(41,648)** | **–** | **242,365** |
| Other operating expenses | **27,252** | **6,068** | **3,676** | **36,996** | **7,684** | **(4,687)** | **(99)** | **39,894** |
| Total cost of sales, administrative, selling and marketing expenses | **209,610** | **75,453** | **18,250** | **303,313** | **25,380** | **(46,335)** | **(99)** | **282,259** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

## 5 Segmental information (continued)

### Reconciliation adjustments (continued)

The reconciliation of operating expenses for the year ended 31 December 2015 calculated with proportional consolidation to the results presented in consolidated income statement above is as follows:

| (in thousands of US dollars) | Group as per proportionate consolidation | Equity method and other adjustments | Group as per equity method consolidation of joint ventures |
|---|---|---|---|
| Depreciation of property, plant and equipment | **57,895** | **(15,101)** | **42,794** |
| Amortisation of intangible assets | **15,170** | **(672)** | **14,498** |
| Impairment of property, plant and equipment | **46,686** | **–** | **46,686** |
| Staff costs | **80,344** | **(17,628)** | **62,716** |
| Transportation expenses | **16,891** | **(10,591)** | **6,300** |
| Fuel, electricity and gas | **14,042** | **(7,538)** | **6,504** |
| Repair and maintenance of property, plant and equipment | **11,337** | **(4,034)** | **7,303** |
| Total | **242,365** | **(55,564)** | **186,801** |
| Other operating expenses | **39,894** | **(7,985)** | **31,909** |
| **Total cost of sales, administrative, selling and marketing expenses** | **282,259** | **(63,549)** | **218,710** |

The segment assets and liabilities as at 31 December 2015 are as follows:

| (in thousands of US dollars) | Russian ports | VEOS | Finnish ports | Total operating segments | Holdings | Reconciliation adjustments: Effect of proportionate consolidation | Reconciliation adjustments: Other adjustments | Group as per proportionate consolidation |
|---|---|---|---|---|---|---|---|---|
| Property, plant and equipment (including prepayments for PPE) | 535,067 | 171,912 | 8,913 | 715,892 | 92 | (96,349) | – | 619,635 |
| Investments in joint ventures | – | – | – | – | 165,844 | – | (165,844) | – |
| Intangible assets | 645,249 | 55,758 | 3,723 | 704,730 | – | (8,981) | – | 695,749 |
| Other non-current assets | 1,151,126 | – | 115,644 | 1,266,770 | 1,156,437 | (30,893) | (2,390,471) | 1,843 |
| Inventories | 4,430 | 2,304 | – | 6,734 | – | (1,303) | – | 5,431 |
| Trade and other receivables (including income tax prepayment) | 72,282 | 26,947 | 3,203 | 102,432 | 18,005 | (14,083) | (58,861) | 47,493 |
| Cash and cash equivalents | 117,883 | 4,248 | 2,934 | 125,065 | 9,944 | (4,028) | – | 130,981 |
| Total assets | 2,526,037 | 261,169 | 134,417 | 2,921,623 | 1,350,322 | (155,637) | (2,615,176) | 1,501,132 |
| Long-term borrowings | 1,145,352 | 12,052 | 4,178 | 1,161,582 | 144,852 | (11,154) | (216,455) | 1,078,825 |
| Other long-term liabilities | 93,634 | 1,957 | 327 | 95,918 | – | (1,940) | (904) | 93,074 |
| Trade and other payables | 21,403 | 21,051 | 2,436 | 44,890 | 18,899 | (10,381) | (16,413) | 36,995 |
| Short-term borrowings | 130,954 | 13,623 | 1,751 | 146,328 | 29,119 | (10,632) | (43,829) | 120,986 |
| Other short-term liabilities | 278 | 2,557 | 98 | 2,933 | 310 | (1,373) | – | 1,870 |
| Total liabilities | 1,391,621 | 51,240 | 8,790 | 1,451,651 | 193,180 | (35,480) | (277,601) | 1,331,750 |
| Non-controlling interest | 13,231 | – | – | 13,231 | – | – | – | 13,231 |

Included within 'Russian ports', 'Finnish ports' and 'Holdings' segments 'Other non-current assets' are investments in subsidiaries and joint ventures in the total amount of US$1,004,924 thousand, US$115,484 thousand and US$1,082,211 thousand respectively (fully eliminated on consolidation).

Included within 'Russian ports' and 'Holdings' segments there are intragroup 'Other non-current assets', 'Trade and other receivables' and 'Borrowings' in the total amount of US$175,240 thousand which are fully eliminated on consolidation.

## 5 Segmental information (continued)

### Reconciliation adjustments (continued)

The reconciliation of total segment assets and liabilities as at 31 December 2015 calculated with proportional consolidation to the results presented in consolidated balance sheet above is as follows:

| (in thousands of US dollars) | Group as per proportionate consolidation | Equity method and other adjustments | Group as per equity method consolidation of joint ventures |
|---|---|---|---|
| Property, plant and equipment (including prepayments for PPE) | **619,635** | **(117,133)** | **502,502** |
| Investments in joint ventures | **–** | **167,815** | **167,815** |
| Intangible assets | **695,749** | **(73,063)** | **622,686** |
| Other non-current assets | **1,843** | **65,454** | **67,297** |
| Inventories | **5,431** | **(1,606)** | **3,825** |
| Trade and other receivables (including income tax prepayment) | **47,493** | **(14,975)** | **32,518** |
| Cash and cash equivalents | **130,981** | **(7,846)** | **123,135** |
| **Total assets** | **1,501,132** | **18,646** | **1,519,778** |
| Long-term borrowings | **1,078,825** | **(16,454)** | **1,062,371** |
| Other long-term liabilities | **93,074** | **62,160** | **155,234** |
| Trade and other payables | **36,995** | **(10,098)** | **26,897** |
| Short-term borrowings | **120,986** | **(17,957)** | **103,029** |
| Other short-term liabilities | **1,870** | **(1,555)** | **315** |
| **Total liabilities** | **1,331,750** | **16,096** | **1,347,846** |
| **Non-controlling interest** | **13,231** | **–** | **13,231** |

The segment results for the year ended 31 December 2014 are as follows:

| (in thousands of US dollars) | Russian ports | VEOS | Finnish ports | Total operating segments | Holdings | Reconciliation adjustments: Effect of proportionate consolidation | Reconciliation adjustments: Other adjustments | Group as per proportionate consolidation |
|---|---|---|---|---|---|---|---|---|
| Sales to third parties | 602,112 | 116,522 | 24,028 | 742,662 | – | (74,210) | – | 668,452 |
| Inter-segment revenue | 125 | – | 102 | 227 | – | (25) | (202) | – |
| **Total revenue** | 602,237 | 116,522 | 24,130 | 742,889 | – | (74,235) | (202) | 668,452 |
| Cost of sales | (274,697) | (87,043) | (21,992) | (383,732) | – | 59,834 | 77 | (323,821) |
| Administrative, selling and marketing expenses | (30,615) | (9,864) | (1,115) | (41,594) | (29,156) | 6,317 | 122 | (64,311) |
| Other (losses)/gains – net | 12,053 | 253 | 166 | 12,472 | 8,058 | (388) | (8,692) | 11,450 |
| **Operating profit** | 308,978 | 19,868 | 1,189 | 330,035 | (21,098) | (8,472) | (8,695) | 291,770 |
| | | | | | | | | |
| **Finance costs – net** | (572,133) | (2,352) | (4,926) | (579,411) | (5,961) | 20,267 | 78 | (565,027) |
| *incl. interest income* | 7,057 | 38 | – | 7,095 | 6,470 | (63) | (12,158) | 1,344 |
| *incl. interest expenses* | (98,383) | (2,470) | (1,699) | (102,552) | (8,679) | 3,605 | 12,158 | (95,468) |
| *incl. net foreign exchange losses on financing activities* | (480,808) | 80 | (3,227) | (483,955) | (3,752) | 16,781 | 21 | (470,905) |
| | | | | | | | | |
| Profit/(loss) before income tax | (263,155) | 17,516 | (3,737) | (249,376) | (27,059) | 11,795 | (8,617) | (273,257) |
| Income tax expense | 25,631 | – | (172) | 25,459 | (1,391) | 1,935 | – | 26,003 |
| **Profit/(loss) after tax** | (237,524) | 17,516 | (3,909) | (223,917) | (28,450) | 13,730 | (8,617) | (247,254) |
| | | | | | | | | |
| CAPEX* on cash basis | 25,183 | 6,768 | 325 | 32,276 | 74 | (3,888) | – | 28,462 |

* CAPEX represents purchases of property, plant and equipment.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

## 5 Segmental information (continued)

**Reconciliation adjustments** (continued)

The reconciliation of results for the year ended 31 December 2014 calculated with proportional consolidation to the results presented in consolidated income statement above is as follows:

| (in thousands of US dollars) | Group as per proportionate consolidation | Equity method and other adjustments | Group as per equity method consolidation of joint ventures |
|---|---|---|---|
| Sales to third parties | 668,452 | (106,070) | 562,382 |
| Inter-segment revenue | – | – | – |
| Total revenue | 668,452 | (106,070) | 562,382 |
| Cost of sales | (323,821) | 92,345 | (231,476) |
| Administrative, selling and marketing expenses | (64,311) | 9,142 | (55,169) |
| Share of profit/(loss) of joint ventures accounted for using the equity method | – | (7,653) | (7,653) |
| Other (losses)/gains – net | 11,450 | (911) | 10,539 |
| Operating profit | 291,770 | (13,147) | 278,623 |
| | | | |
| Finance costs – net | (565,027) | 57,279 | (507,748) |
| *incl. interest income* | *1,344* | *(68)* | *1,276* |
| *incl. interest expenses* | *(95,468)* | *4,987* | *(90,481)* |
| *incl. net foreign exchange losses on financing activities* | *(470,905)* | *52,362* | *(418,543)* |
| | | | |
| Loss before income tax | (273,257) | 44,132 | (229,125) |
| Income tax (expense)/credit | 26,003 | 5,800 | 31,803 |
| Loss for the year | (247,254) | 49,932 | (197,322) |
| | | | |
| CAPEX* on cash basis | 28,462 | (4,894) | 23,568 |

The segment items operating expenses for the year ended 31 December 2014 are as follows:

| (in thousands of US dollars) | Russian ports | VEOS | Finnish ports | Total operating segments | Holdings | Reconciliation adjustments: Effect of proportionate consolidation | Reconciliation adjustments: Other adjustments | Group as per proportionate consolidation |
|---|---|---|---|---|---|---|---|---|
| Depreciation of property, plant and equipment | 82,900 | 25,606 | 2,844 | 111,350 | 53 | (15,277) | – | 96,126 |
| Amortisation of intangible assets | 24,614 | 1,284 | – | 25,898 | – | (729) | – | 25,169 |
| Impairment of property, plant and equipment | 17,960 | – | – | 17,960 | – | (4,490) | – | 13,470 |
| Staff costs | 84,236 | 20,589 | 8,478 | 113,303 | 22,092 | (14,426) | – | 120,969 |
| Transportation expenses | 12,665 | 22,878 | 3,632 | 39,175 | – | (12,807) | – | 26,368 |
| Fuel, electricity and gas | 14,506 | 15,848 | 1,011 | 31,365 | 12 | (8,677) | – | 22,700 |
| Repair and maintenance of property, plant and equipment | 14,914 | 3,093 | 1,649 | 19,656 | 6 | (2,536) | – | 17,126 |
| Total | 251,795 | 89,298 | 17,614 | 358,707 | 22,163 | (58,942) | – | 321,928 |
| Other operating expenses | 53,517 | 7,609 | 5,493 | 66,619 | 6,993 | (7,209) | (199) | 66,204 |
| Total cost of sales, administrative, selling and marketing expenses | 305,312 | 96,907 | 23,107 | 425,326 | 29,156 | (66,151) | (199) | 388,132 |

## 5 Segmental information (continued)

### Reconciliation adjustments (continued)

The reconciliation of operating expenses for the year ended 31 December 2014 calculated with proportional consolidation to the results presented in consolidated income statement above is as follows:

| (in thousands of US dollars) | Group as per proportionate consolidation | Equity method and other adjustments | Group as per equity method consolidation of joint ventures |
|---|---|---|---|
| Depreciation of property, plant and equipment | 96,126 | (20,224) | 75,902 |
| Amortisation of intangible assets | 25,169 | (901) | 24,268 |
| Impairment of property, plant and equipment | 13,470 | (13,470) | – |
| Staff costs | 120,969 | (22,689) | 98,280 |
| Transportation expenses | 26,368 | (15,542) | 10,826 |
| Fuel, electricity and gas | 22,700 | (10,183) | 12,517 |
| Repair and maintenance of property, plant and equipment | 17,126 | (4,513) | 12,613 |
| Total | 321,928 | (87,522) | 234,406 |
| Other operating expenses | 66,204 | (13,965) | 52,239 |
| **Total cost of sales, administrative, selling and marketing expenses** | 388,132 | (101,487) | 286,645 |

The segment assets and liabilities as at 31 December 2014 are as follows:

| (in thousands of US dollars) | Russian ports | VEOS | Finnish ports | Total operating segments | Holdings | Reconciliation adjustments: Effect of proportionate consolidation | Reconciliation adjustments: Other adjustments | Group as per proportionate consolidation |
|---|---|---|---|---|---|---|---|---|
| Property, plant and equipment (including prepayments for PPE) | 781,718 | 206,985 | 12,291 | 1,000,994 | 89 | (117,851) | – | 883,232 |
| Investments in joint ventures | – | – | – | – | 165,836 | – | (165,836) | – |
| Intangible assets | 851,618 | 63,144 | 4,152 | 918,914 | – | (10,878) | – | 908,036 |
| Other non-current assets | 1,097,253 | – | 16,656 | 1,113,909 | 1,157,975 | (6,176) | (2,248,146) | 17,562 |
| Inventories | 5,454 | 2,316 | – | 7,770 | – | (1,272) | – | 6,498 |
| Trade and other receivables (including income tax prepayment) | 71,868 | 40,826 | 3,841 | 116,535 | 7,979 | (21,128) | (33,353) | 70,033 |
| Cash and cash equivalents | 80,099 | 4,687 | 1,467 | 86,253 | 10,367 | (5,624) | – | 90,996 |
| Total assets | 2,888,010 | 317,958 | 38,407 | 3,244,375 | 1,342,246 | (162,929) | (2,447,335) | 1,976,357 |
| Long-term borrowings | 1,208,059 | 43,473 | 5,723 | 1,257,255 | 26,899 | (53,441) | (94,514) | 1,136,199 |
| Other long-term liabilities | 306,977 | – | 296 | 307,273 | (808) | (966) | (30,704) | 274,795 |
| Trade and other payables | 22,586 | 27,154 | 2,831 | 52,571 | 30,155 | (14,221) | (30,346) | 38,159 |
| Short-term borrowings | 137,369 | 19,457 | 1,985 | 158,811 | 16,200 | (13,915) | (29,183) | 131,913 |
| Other short-term liabilities | 11,502 | 2,365 | 1 | 13,868 | 53 | (1,310) | (130) | 12,481 |
| Total liabilities | 1,686,493 | 92,449 | 10,836 | 1,789,778 | 72,499 | (83,853) | (184,877) | 1,593,547 |
| Non-controlling interest | 25,411 | – | – | 25,411 | – | – | – | 25,411 |

Included within 'Russian ports', 'Finnish ports' and 'Holdings' segments 'Other non-current assets' are investments in subsidiaries and joint ventures in the total amount of US$1,004,924 thousand, US$16,550 thousand and US$1,247,285 thousand respectively (fully eliminated on consolidation).

Included within 'Russian ports' and 'Holdings' segments there are intragroup 'trade and other receivables' and 'borrowings' in the total amount of US$147,661 thousand which are fully eliminated on consolidation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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## 5 Segmental information (continued)

### Reconciliation adjustments (continued)

The reconciliation of total segment assets and liabilities as at 31 December 2014 calculated with proportional consolidation to the results presented in consolidated balance sheet above is as follows:

| (in thousands of US dollars) | Group as per proportionate consolidation | Equity method and other adjustments | Group as per equity method consolidation of joint ventures |
|---|---|---|---|
| Property, plant and equipment (including prepayments for PPE) | 883,232 | (146,566) | 736,666 |
| Investments in joint ventures | – | 188,340 | 188,340 |
| Intangible assets | 908,036 | (85,789) | 822,247 |
| Other non-current assets | 17,562 | 15,224 | 32,786 |
| Inventories | 6,498 | (1,502) | 4,996 |
| Trade and other receivables (including income tax prepayment) | 70,033 | (20,314) | 49,719 |
| Cash and cash equivalents | 90,996 | (12,188) | 78,808 |
| **Total assets** | 1,976,357 | (62,795) | 1,913,562 |
| Long-term borrowings | 1,136,199 | (62,531) | 1,073,668 |
| Other long-term liabilities | 274,795 | 27,803 | 302,598 |
| Trade and other payables | 38,159 | (13,484) | 24,675 |
| Short-term borrowings | 131,913 | (21,938) | 109,975 |
| Other short-term liabilities | 12,481 | (1,562) | 10,919 |
| **Total liabilities** | 1,593,547 | (71,712) | 1,521,835 |
| **Non-controlling interest** | 25,411 | – | 25,411 |

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

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

Revenue attributable to domestic and foreign customers for the year ended 31 December 2014 is disclosed below in accordance with their registered address. Major clients of the Group are internationally operating companies. Their registered addresses are usually not relevant to the location of their operations.

| | For the year ended 31 December | |
|---|---|---|
| (in thousands of US dollars) | 2015 | 2014 |
| Revenue from domestic customers – Cyprus | **21,234** | 32,527 |
| Revenue from foreign customers by countries: | | |
| Russia | **237,404** | 306,777 |
| Denmark | **45,970** | 49,643 |
| UK | **28,937** | 49,927 |
| France | **20,393** | 23,876 |
| Other | **51,754** | 96,632 |
| Revenue from foreign customers total | **384,458** | 529,855 |
| Total revenue | **405,692** | 562,382 |

In 2015 and 2014 there were two customers representing more than 10% of consolidated revenue. Both customers originated from Russian ports segment and were domiciled in Russia.

## 6 Expenses by nature

| (in thousands of US dollars) | For the year ended 31 December 2015 | 2014 |
|---|---|---|
| Staff costs (Note 8) | **62,716** | 98,280 |
| Depreciation of property, plant and equipment (Note 14) | **42,794** | 75,902 |
| Amortisation of intangible assets (Note 15) | **14,498** | 24,268 |
| Impairment of property, plant and equipment (Note 14) | **46,686** | – |
| Transportation expenses | **6,300** | 10,826 |
| Fuel, electricity and gas | **6,504** | 12,517 |
| Repair and maintenance of property, plant and equipment | **7,303** | 12,613 |
| Taxes other than on income | **6,190** | 9,234 |
| Legal, consulting and other professional services | **3,126** | 3,615 |
| Auditors' remuneration | **1,848** | 1,763 |
| Operating lease rentals | **5,368** | 7,570 |
| Purchased services | **4,564** | 7,624 |
| Insurance | **1,389** | 2,249 |
| Other expenses | **9,424** | 20,184 |
| Total cost of sales, administrative, selling and marketing expenses | **218,710** | 286,645 |

The auditors' remuneration stated above includes fee of US$452 thousand (2014: US$666 thousand) for audit services charged by the Company's statutory audit firm.

The legal, consulting and other professional services stated above include fees of US$31 thousand (2014: US$30 thousand) for tax consultancy services charged by the Company's statutory audit firm.

The above expenses are analysed by function as follows:

### Cost of sales

| (in thousands of US dollars) | For the year ended 31 December 2015 | 2014 |
|---|---|---|
| Staff costs | **36,779** | 63,109 |
| Depreciation of property, plant and equipment | **42,080** | 74,709 |
| Amortisation of intangible assets | **14,473** | 24,237 |
| Impairment of property, plant and equipment | **46,686** | – |
| Transportation expenses | **6,300** | 10,826 |
| Fuel, electricity and gas | **6,263** | 12,162 |
| Repair and maintenance of property, plant and equipment | **6,454** | 11,669 |
| Taxes other than on income | **4,829** | 8,522 |
| Operating lease rentals | **3,015** | 4,805 |
| Purchased services | **4,564** | 7,624 |
| Insurance | **973** | 1,583 |
| Other expenses | **3,951** | 12,230 |
| Total cost of sales | **176,367** | 231,476 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

## 6 Expenses by nature (continued)

### Administrative, selling and marketing expenses

| (in thousands of US dollars) | For the year ended 31 December 2015 | 2014 |
|---|---|---|
| Staff costs | **25,937** | 35,171 |
| Depreciation of property, plant and equipment | **714** | 1,193 |
| Amortisation of intangible assets | **25** | 31 |
| Fuel, electricity and gas | **241** | 355 |
| Repair and maintenance of property, plant and equipment | **849** | 944 |
| Taxes other than on income | **1,361** | 712 |
| Legal, consulting and other professional services | **3,126** | 3,615 |
| Auditors' remuneration | **1,848** | 1,763 |
| Operating lease rentals | **2,353** | 2,765 |
| Insurance | **416** | 666 |
| Other expenses | **5,473** | 7,954 |
| Total administrative, selling and marketing expenses | **42,343** | 55,169 |

## 7 Other (losses)/gains – net

| (in thousands of US dollars) | For the year ended 31 December 2015 | 2014 |
|---|---|---|
| Foreign exchange (losses)/gains on non-financing activities – net (Note 11) | **(5,702)** | 12,450 |
| Non-recurring donation to a charity which is a related party (Note 30(c), within "other related parties") | **–** | (1,410) |
| Non-recurring donation to a charity | **–** | (736) |
| Other (losses)/gains – net | **(337)** | 235 |
| Total | **(6,039)** | 10,539 |

## 8 Employee benefit expense

| (in thousands of US dollars) | For the year ended 31 December 2015 | 2014 |
|---|---|---|
| Wages and salaries | **49,935** | 78,059 |
| Social insurance costs | **11,381** | 18,489 |
| Other staff costs | **1,400** | 1,732 |
| Total | **62,716** | 98,280 |

Included within 'Social insurance costs' for 2015 are contributions made to the state pension funds in the total amount of US$8,805 thousand (2014: US$15,141 thousand).

## 9 Finance costs – net

| (in thousands of US dollars) | For the year ended 31 December 2015 | 2014 |
|---|---|---|
| *Included in finance income:* | | |
| Interest income on bank balances | **451** | 502 |
| Interest income on short-term bank deposits | **1,036** | 668 |
| Interest income on loans to related parties (Note 30(h)) | **73** | 106 |
| Total finance income | **1,560** | 1,276 |
| | | |
| *Included in finance costs:* | | |
| Interest expenses on bank borrowings – including gains on derivatives used for hedging (see note 23) | **(58,277)** | (87,377) |
| Interest expenses on bonds | **(245)** | – |
| Interest expenses on finance lease | **(1,577)** | (1,805) |
| Interest expenses on loans from third parties | **(47)** | (1,299) |
| Total finance costs | **(60,146)** | (90,481) |
| | | |
| *Included in the change in fair value of derivatives:* | | |
| Interest component | **121** | – |
| Foreign currency exchange component | **(5,609)** | – |
| Total change in fair value of derivatives (Note 23) | **(5,488)** | – |
| | | |
| Net foreign exchange losses on financing activities | **(150,995)** | (418,543) |
| Finance costs – net | **(215,069)** | (507,748) |

## 10 Income tax expense

| (in thousands of US dollars) | For the year ended 31 December 2015 | 2014 |
|---|---|---|
| Current tax | **52,109** | 68,365 |
| Deferred tax credit – origination and reversal of temporary differences (Note 24) | **(48,744)** | (100,168) |
| Total | **3,365** | (31,803) |

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

| (in thousands of US dollars) | For the year ended 31 December 2015 | 2014 |
|---|---|---|
| Loss before tax | **(30,314)** | (229,125) |
| | | |
| Tax calculated at the applicable tax rates – 20%(1) | **(6,063)** | (45,825) |
| Tax effect of expenses not deductible for tax purposes | **14,299** | 14,497 |
| Tax effect of share of profit in jointly controlled entities | **(762)** | 1,531 |
| Withholding tax on undistributed profits | **(1,616)** | (2,006) |
| Tax effect of reduced tax rates of an entity in Russian ports segment(2) | **(2,493)** | – |
| Tax charge/(credit) | **3,365** | (31,803) |

(1) The applicable tax rate used for 2015 and 2014 is 20% as this is the income statutory tax rate applicable to the Russian ports segment, where a substantial part of the taxable income arises.
(2) In 2015 the statutory tax rate in an entity within Russian ports was 18.5% instead of normal tax rate of 20%.

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

The Company is subject to corporation tax on taxable profits at the rate of 12,5%. Under certain conditions, interest may be exempt from income tax and only subject to defence contribution at the rate of 30%. In certain cases dividends received from abroad may be subject to defence contribution at the rate of 17%. In certain cases dividends received from other Cyprus tax resident Companies may also be subject to special contribution for defence.

## 11 Net foreign exchange (losses)/gains

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

| | For the year ended 31 December | |
|---|---|---|
| (in thousands of US dollars) | 2015 | 2014 |
| Included in 'finance costs – net' (Note 9) | **(150,995)** | (418,543) |
| Included in 'other gains/(losses) – net' (Note 7) | **(5,702)** | 12,450 |
| Total | **(156,697)** | (406,093) |

## 12 Basic and diluted earnings per share

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

| | For the year ended 31 December | |
|---|---|---|
| | 2015 | 2014 |
| Profit attributable to the owners of the parent of the Company – in thousands of US dollars | **(25,138)** | (193,140) |
| Weighted average of ordinary shares in issue (thousands) | **573,171** | 573,171 |
| Basic and diluted earnings per share for profit attributable to the owners of the parent (expressed in US$ per share) | **(0.04)** | (0.34) |

## 13 Dividend distribution

During 2015 the Company did not declare or pay dividends to the equity holders of the Company. During 2015 there were no dividend payments from Group companies to non-controlling interests.

During 2014 the Company has declared dividends to the equity holders of the Company amounting to US$34,390 (US$0.06 per share) thousand and paid out of this dividends in the amount of US$48,490 thousand including US$14,100 thousand dividends declared in 2013 and paid in 2014.

During 2014 there were no dividend payments from Group companies to non-controlling interests.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

## 14 Property, plant and equipment

| (in thousands of US dollars) | Land | Buildings and facilities | Assets under construction | Loading equipment and machinery | Other production equipment | Office equipment | Total |
|---|---|---|---|---|---|---|---|
| *At 1 January 2014* | | | | | | | |
| Cost | 334,850 | 676,098 | 72,061 | 365,353 | 67,065 | 3,128 | 1,518,555 |
| Accumulated depreciation and impairment | – | (88,777) | – | (84,920) | (16,195) | (2,325) | (192,217) |
| Net book amount | 334,850 | 587,321 | 72,061 | 280,433 | 50,870 | 803 | 1,326,338 |
| | | | | | | | |
| Additions | – | 7,579 | (176) | 9,260 | 5,563 | 539 | 22,765 |
| Transfers | – | 22,676 | (30,333) | 3,044 | 4,614 | (1) | – |
| Disposals | – | (125) | (1,777) | (30) | (2,396) | (151) | (4,479) |
| Depreciation charge (Note 6) | – | (37,109) | – | (28,279) | (10,049) | (465) | (75,902) |
| Translation reserve | (140,044) | (243,893) | (18,736) | (112,948) | (20,570) | (296) | (536,487) |
| | | | | | | | |
| Closing net book amount | 194,806 | 336,449 | 21,039 | 151,480 | 28,032 | 429 | 732,235 |
| | | | | | | | |
| *At 31 December 2014* | | | | | | | |
| Cost | 194,806 | 456,206 | 21,039 | 257,874 | 48,637 | 3,354 | 981,916 |
| Accumulated depreciation and impairment | – | (119,757) | – | (106,394) | (20,605) | (2,925) | (249,681) |
| Net book amount | 194,806 | 336,449 | 21,039 | 151,480 | 28,032 | 429 | 732,235 |

| (in thousands of US dollars) | Land | Buildings and facilities | Assets under construction | Loading equipment and machinery | Other production equipment | Office equipment | Total |
|---|---|---|---|---|---|---|---|
| *At 1 January 2015* | | | | | | | |
| Cost | **194,806** | **456,206** | **21,039** | **257,874** | **48,637** | **3,354** | **981,916** |
| Accumulated depreciation and impairment | **–** | **(119,757)** | **–** | **(106,394)** | **(20,605)** | **(2,925)** | **(249,681)** |
| Net book amount | **194,806** | **336,449** | **21,039** | **151,480** | **28,032** | **429** | **732,235** |
| | | | | | | | |
| Additions | **861** | **4,574** | **2,141** | **4,127** | **1,095** | **102** | **12,900** |
| Transfers | **–** | **139** | **(526)** | **82** | **283** | **22** | **–** |
| Disposals | **(465)** | **(9)** | **(68)** | **(6,184)** | **(209)** | **(1)** | **(6,936)** |
| Depreciation charge (Note 6) | **–** | **(21,918)** | **–** | **(15,945)** | **(4,684)** | **(247)** | **(42,794)** |
| Impairment charge (Note 6) | **–** | **(45,443)** | **(1,243)** | **–** | **–** | **–** | **(46,686)** |
| Translation reserve | **(44,449)** | **(62,975)** | **(4,714)** | **(31,514)** | **(5,847)** | **(75)** | **(149,574)** |
| | | | | | | | |
| Closing net book amount | **150,753** | **210,817** | **16,629** | **102,046** | **18,670** | **230** | **499,145** |
| | | | | | | | |
| *At 31 December 2015* | | | | | | | |
| Cost | **150,753** | **285,330** | **16,629** | **163,451** | **31,856** | **1,539** | **649,558** |
| Accumulated depreciation and impairment | **–** | **(74,513)** | **–** | **(61,405)** | **(13,186)** | **(1,309)** | **(150,413)** |
| Net book amount | **150,753** | **210,817** | **16,629** | **102,046** | **18,670** | **230** | **499,145** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

## 14 Property, plant and equipment (continued)

In the cash flow statement proceeds from sale of property, plant and equipment comprise of:

| (in thousands of US dollars) | For the year ended 31 December 2015 | 2014 |
|---|---|---|
| Net book amount | **6,936** | 4,479 |
| Less: Non-cash items – write-offs of property, plant and equipment | **(950)** | (2,413) |
| | **5,986** | 2,066 |
| | | |
| Profit/(loss) on sale of property, plant and equipment [1] | **2,722** | (323) |
| | | |
| Proceeds from sale of property, plant and equipment | **8,708** | 1,743 |

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

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

| (in thousands of US dollars) | As at 31 December 2015 | 2014 |
|---|---|---|
| Buildings and constructions | **6,529** | 8,654 |
| Loading equipment | **8,588** | 20,423 |
| Total | **15,117** | 29,077 |

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

| (in thousands of US dollars) | As at 31 December 2015 | 2014 |
|---|---|---|
| Buildings and constructions | **11,150** | 30,288 |
| Loading equipment and machinery | **29,038** | 70,211 |
| Other production equipment | **4,307** | 5,825 |
| Total | **44,495** | 106,324 |

Depreciation expense amounting to US$42,080 thousand in 2015 (2014: US$74,709 thousand) has been charged to 'cost of sales' and US$714 thousand in 2015 (2014: US$1,193 thousand) has been charged to 'administrative, selling and marketing' expenses (Note 6).

The amount of the borrowing costs capitalised during the period was US$nil thousand (2014: US$88 thousand), the average capitalisation rate was nil (2014: 4.4%).

Lease rentals relating to the lease of machinery and property amounting to US$3,015 thousand in 2015 (2014: US$4,805 thousand) have been charged to 'cost of sales' and US$2,353 thousand in 2015 (2014: US$2,765 thousand) has been charged to 'administrative, selling and marketing expenses'.

As at 31 December 2015 the amounts prepaid for equipment not delivered and prepayments for construction works not yet carried out were US$3,357 thousand (2014: US$4,431 thousand).

## 15 Intangible assets

| (in thousands of US dollars) | Goodwill | Contractual rights | Client base | Computer software | Total |
|---|---|---|---|---|---|
| *At 1 January 2014* | | | | | |
| Cost | 17,861 | 1,434,031 | 27,953 | 1,418 | 1,481,263 |
| Accumulated amortisation and impairment | – | (19,020) | (20,350) | (753) | (40,123) |
| Net book amount | 17,861 | 1,415,011 | 7,603 | 665 | 1,441,140 |
| | | | | | |
| Additions | – | – | – | 211 | 211 |
| Amortisation charge (Note 6) | – | (21,833) | (2,236) | (199) | (24,268) |
| Translation reserve | (7,470) | (584,665) | (2,418) | (283) | (594,836) |
| Closing net book amount | 10,391 | 808,513 | 2,949 | 394 | 822,247 |
| | | | | | |
| *At 31 December 2014* | | | | | |
| Cost | 10,391 | 833,192 | 24,191 | 920 | 868,694 |
| Accumulated amortisation and impairment | – | (24,679) | (21,242) | (526) | (46,447) |
| Net book amount | 10,391 | 808,513 | 2,949 | 394 | 822,247 |
| | | | | | |
| Additions | – | – | – | 100 | 100 |
| Amortisation charge (Note 6) | – | (13,001) | (1,364) | (133) | (14,498) |
| Translation reserve | (2,370) | (182,262) | (447) | (84) | (185,163) |
| Closing net book amount | 8,021 | 613,250 | 1,138 | 277 | 622,686 |
| | | | | | |
| *At 31 December 2015* | | | | | |
| Cost | **8,021** | **636,441** | **11,949** | **643** | **657,054** |
| Accumulated amortisation and impairment | **–** | **(23,191)** | **(10,811)** | **(366)** | **(34,368)** |
| Net book amount | **8,021** | **613,250** | **1,138** | **277** | **622,686** |

As at 31 December 2015 the remaining useful lives for contractual rights and client base were up to 57 years and 1 year respectively (2014: up to 58 years and 2 years respectively).

Goodwill is allocated to the Group's cash generating units (CGUs) identified according to their operating segment. An operating segment-level summary of the goodwill allocation is presented below:

| (in thousands of US dollars) | As at 31 December 2015 | 2014 |
|---|---|---|
| PLP (Russian ports segment) | **3,469** | 4,494 |
| VSC (Russian ports segment) | **4,552** | 5,897 |
| Total | **8,021** | 10,391 |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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## 16 Financial instruments by category

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

| (in thousands of US dollars) | As at 31 December 2015 | 2014 |
|---|---|---|
| *Loans and receivables* | | |
| Financial assets as per balance sheet: | | |
| Trade and other receivables [1] | **25,166** | 34,302 |
| Cash and cash equivalents | **123,135** | 78,808 |
| Total | **148,301** | 113,110 |
| | | |
| *Financial liabilities measured at amortised cost* | | |
| Financial liabilities as per balance sheet: | | |
| Borrowings | **1,165,400** | 1,183,643 |
| Trade and other payables [2] | **19,736** | 14,227 |
| Total | **1,185,136** | 1,197,870 |
| | | |
| *Derivatives* | | |
| Financial liabilities as per balance sheet: | | |
| Derivatives used for hedging | **–** | 102,840 |
| Other derivative financial instruments | **5,360** | – |
| Total | **5,360** | 102,840 |

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

## 17 Credit quality of financial assets

The credit quality of financial assets that are neither past due or impaired can be assessed by reference to external and internal sources of information like business reputation, financial position and performance, prior working history records. Customers with longer history of working with the Group are regarded by management as having lower risk of default.

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

| (in thousands of US dollars) | As at 31 December 2015 | 2014 |
|---|---|---|
| *Trade and other receivables* | | |
| Core customers – new (less than one year of working history with the Group) | **787** | 165 |
| Core customers – existing (more than one year of working history with the Group) | **10,260** | 16,290 |
| Related party loans | **1,629** | 2,259 |
| Loans to third parties | **9** | 205 |
| Trade and other receivables from other customers (third parties) | **715** | 1,215 |
| Trade and other receivables from related parties | **7,595** | 11,757 |
| Total | **20,995** | 31,891 |

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

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

| (in thousands of US dollars) Agency | Rating | As at 31 December 2015 | 2014 |
|---|---|---|---|
| International rating agency Moody's Investors Service | A1 – Aa3 | **164** | 1,431 |
| International rating agency Moody's Investors Service | B1 – Baa2 | **105,484** | 74,964 |
| International rating agency Moody's Investors Service | Caa2 | **75** | 183 |
| Fitch Ratings | AAA | **12,064** | 2,149 |
| Standard & Poor's | A- | **5,219** | – |
| * No rating | No rating | **129** | 81 |
| Total | | **123,135** | 78,808 |

* Cash in hand and cash and cash equivalents with banks for which there is no rating. These banks are highly reputable local banks in the country of operation of the respective Group entities.

## 18 Inventories

| (in thousands of US dollars) | As at 31 December 2015 | 2014 |
|---|---|---|
| Spare parts | **3,825** | 4,996 |
| Total | **3,825** | 4,996 |

All inventories are stated at cost.

## 19 Trade and other receivables

| (in thousands of US dollars) | As at 31 December 2015 | 2014 |
|---|---|---|
| Trade receivables – third parties | **14,032** | 19,189 |
| Trade receivables – related parties (Note 30(e)) | **4,763** | 5,283 |
| Total trade receivables | **18,795** | 24,472 |
| | | |
| Other receivables | **569** | 892 |
| Other receivables – related parties (Note 30(e)) | **3,990** | 6,474 |
| Prepayments for goods and services | **4,251** | 6,404 |
| Prepayments for goods and services – related parties (Note 30(e)) | **106** | 161 |
| Loans to third parties | **183** | 205 |
| Loans to related parties (Note 30(h)) | **1,629** | 2,259 |
| VAT and other taxes recoverable | **1,553** | 2,476 |
| Total trade and other receivables | **31,076** | 43,343 |
| | | |
| *Less non-current portion:* | | |
| Loans to related parties | **(1,193)** | (1,791) |
| Other receivables | **(83)** | (294) |
| Total non-current portion | **(1,276)** | (2,085) |
| | | |
| Current portion | **29,800** | 41,258 |

## 19 Trade and other receivables (continued)

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

The effective interest rate on loans receivable from third parties and related parties were 4.2% (2014: 3.8%).

Trade and other receivables amounting to US$19,357 thousand (31 December 2014: US$29,427 thousand), were fully performing.

Trade and other receivables amounting to US$3,997 thousand (31 December 2014: US$2,411 thousand) were past due but not impaired. These relate to a number of independent customers for whom there is no history of either non repayment in the past or renegotiation of the repayment terms due to inability of the customer to repay the balance.

The analysis of past due trade and other receivables is as follows:

| | As at 31 December | |
|---|---|---|
| (in thousands of US dollars) | 2015 | 2014 |
| Less than 1 month overdue | **3,736** | 2,254 |
| From 1 to 3 months overdue | **171** | 155 |
| From 3 to 6 months overdue | **80** | 2 |
| Over 6 months overdue | **10** | – |
| Total | **3,997** | 2,411 |

During 2015 trade receivables amounting to US$32 thousand (2014: US$895 thousand) were impaired and written off in full. These are individually impaired receivables mainly related to customers, which are in a difficult economic situation.

None of loans to third parties (31 December 2014: none) were past due or impaired.

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

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

The fair value of receivables approximates their carrying value as the impact of the discounting is insignificant and is within Level 2 of the fair value hierarchy. The fair value is based on discounting of cash flows using 8% (2014: 8%) discount rate.

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

| | As at 31 December | |
|---|---|---|
| (in thousands of US dollars) | 2015 | 2014 |
| Currency: | | |
| US dollar | **8,513** | 13,514 |
| Russian Rouble | **16,406** | 20,867 |
| Euro | **6,157** | 8,962 |
| Total | **31,076** | 43,343 |

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security for any receivables.

## 20 Cash and cash equivalents

| (in thousands of US dollars) | As at 31 December 2015 | 2014 |
|---|---|---|
| Cash at bank and in hand | **15,844** | 19,219 |
| Short term bank deposits (less than 90 days) | **107,291** | 59,589 |
| Total | **123,135** | 78,808 |

The effective average interest rate on short-term deposits was 0.8% in 2015 (2014: 3.6%) and these deposits have an average maturity of 21 days in 2015 (2014: 8 days).

Cash and cash equivalents include the following for the purposes of the cash flow statement:

| (in thousands of US dollars) | As at 31 December 2015 | 2014 |
|---|---|---|
| Cash and cash equivalents | **123,135** | 78,808 |
| Total | **123,135** | 78,808 |

In 2014 the principal non-cash transaction was the netting off of the amount held in escrow account within trade debtors amounting to US$61,100 thousand (Note 19) with the corresponding contingent consideration included in trade payables (Note 25).

## 21 Share capital, share premium

### Authorised share capital

In 2015 the Company increased its authorised share capital from 431,128,048 ordinary shares and 150,457,316 ordinary non-voting shares to 750,000,000 ordinary shares and 1,000,000,000 ordinary non-voting shares with a par value of US$0.10 each.

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

### Issued share capital

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

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

| (in thousands of US dollars) | Number of shares '000 | Share capital | Share premium | Total |
|---|---|---|---|---|
| At 31 December 2014/31 December 2015 | **573,171** | **57,317** | **923,511** | **980,828** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

## 22 Borrowings

| | As at 31 December | |
|---|---|---|
| (in thousands of US dollars) | 2015 | 2014 |
| *Non-current borrowings* | | |
| Bank loans | **981,489** | 1,056,296 |
| Non-convertible unsecured bonds | **68,497** | – |
| Finance lease liabilities | **11,058** | 15,789 |
| Interest payable for finance lease liabilities | **584** | 672 |
| Loans from third parties | **628** | 814 |
| Interest payable on loans from third parties | **115** | 97 |
| Total non-current borrowings | **1,062,371** | 1,073,668 |
| *Current borrowings* | | |
| Bank loans | **98,343** | 102,369 |
| Interest payable on bank loans | **1,429** | 2,511 |
| Finance lease liabilities | **2,514** | 4,426 |
| Interest payable on finance lease liabilities | **521** | 664 |
| Loans from third parties | **–** | 2 |
| Interest payable on loans from third parties | **–** | 3 |
| Interest payable on non-convertible unsecured bonds | **222** | – |
| Total current borrowings | **103,029** | 109,975 |
| | | |
| Total borrowings | **1,165,400** | 1,183,643 |

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

| | As at 31 December | |
|---|---|---|
| (in thousands of US dollars) | 2015 | 2014 |
| Between 1 and 2 years | **129,546** | 120,379 |
| Between 2 and 5 years | **921,183** | 727,850 |
| Over 5 years | **–** | 208,978 |
| Total | **1,050,729** | 1,057,207 |

Bank borrowings mature until 2020 (31 December 2014: 2020) and loans from other third parties mature until 2018 (31 December 2014: 2018).

In the end of 2015 the Group partly restructured its debt portfolio with the aim of facilitating greater financial flexibility and diversification of the debt portfolio of the Group.

For this purposes the Group has repaid certain bank facilities before their maturity dates, terminated the exiting swap arrangement, issued RUR-denominated bonds and entered in to the new swap agreement (see Note 23). These non-convertible unsecured RUR-denominated bonds in the total amount of RUR 5,000 million were issued on the Moscow Exchange with maturity of 5 years and with fixed coupon rate of 13.1%. Proceeds from the bond issue were effectively swapped to a USD-denominated liability (see Note 23) and used for refinancing of the Group's debt subject to higher interest rates.

Finance lease liabilities – minimum lease payments:

| (in thousands of US dollars) | As at 31 December 2015 | 2014 |
|---|---|---|
| Under 1 year | **3,607** | 5,860 |
| Between 1 and 2 years | **3,513** | 3,843 |
| Between 2 and 5 years | **3,824** | 7,133 |
| Over 5 years | **44,060** | 57,535 |
| Total | **55,004** | 74,371 |
| | | |
| Future finance charges of finance leases | **(40,327)** | (52,820) |
| | | |
| Present value of finance lease liabilities | **14,677** | 21,551 |

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

| (in thousands of US dollars) | As at 31 December 2015 | 2014 |
|---|---|---|
| Under 1 year | **3,035** | 5,090 |
| Between 1 and 2 years | **3,098** | 3,186 |
| Between 2 and 5 years | **1,055** | 3,568 |
| Over 5 years | **7,489** | 9,707 |
| Total | **14,677** | 21,551 |

According to the management's estimates the fair value of bank loans as at 31 December 2015 and as at 31 December 2014 amounts to US$1,088,939 thousand and US$1,126,657 thousand respectively. As at 31 December 2015 the fair value of bonds amounted to US$68,784 thousand and is within Level 1 of the fair value hierarchy. The fair value of other financial liabilities as at 31 December 2015 and as at 31 December 2014 approximates the carrying values. The fair values of bank loans and other financial liabilities are based on cash flows discounted using a rate based on the appropriate Libor and Euribor rates and are within Level 2 of the fair value hierarchy.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows (the table excludes interest payable):

| (in thousands of US dollars) | As at 31 December 2015 | 2014 |
|---|---|---|
| 6 months or less | **842,161** | 1,121,024 |
| 6-12 months | **1,808** | – |
| 1-5 years | **311,056** | 48,953 |
| Over 5 years | **7,504** | 9,719 |
| Total | **1,162,529** | 1,179,696 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

## 22 Borrowings (continued)

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

| | As at 31 December | |
|---|---|---|
| (in thousands of US dollars) | 2015 | 2014 |
| Russian Rouble | **78,045** | 127,394 |
| US Dollar | **1,087,355** | 1,056,249 |
| Total | **1,165,400** | 1,183,643 |

From the above amount of borrowings denominated in RUR, US$68,719 thousand (2014: US$115,163 thousand) are covered by a swap arrangement effectively converting the RUR-denominated obligation into USD-denominated one (see Note 23).

The weighted average effective interest rate on borrowings is 6.5% (2014: 8.0%). The weighted average effective interest rate on borrowings which includes the effect of the swap would be 6.1% (2014: 6.0%).

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

The bank loans and overdrafts are secured as follows:

- by the pledge of the property, plant and equipment with carrying amount as at 31 December 2015 of US$44,495 thousand (31 December 2014: US$106,324 thousand) (see Note 14).
- some bank loans given to a group entities in Russian ports segment are secured also by the pledge of shares of certain group entities.

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

Agreements of the bank loans given to some of the subsidiaries of the Group include certain covenants which set forth certain financial ratios that have to be complied with. There were no breaches of covenants as at 31 December 2015 and 2014.

## 23 Derivative financial instruments

As of 31 December 2015 and as of 31 December 2014 the fair value of derivatives was negative – US$(5,360) thousand and US$(102,840) thousand.

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

### (i) Derivatives used for hedging

Upon acquisition of NCC at the end of 2013 the Group has designated an acquired derivative as a cash flow hedge instrument where it was hedging the variability of the interest rate on an external borrowing of a Group entity and the highly probable forecasted revenues of the same Group entity which were expected to occur in USD (due to USD/RUR exchange rate). According to this derivative, payments under a Rouble-denominated loan are swapped into US dollars and MosPrime based floating interest rate under this loan is swapped to a fixed rate (7%).

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

The termination of the cross-currency interest rate swap arrangement together with the settlement of the related loan has lead to the cancellation of the related interest rate cash flow hedge; and therefore the amount of USD 13,491 thousand was recycled from other comprehensive income to the income statement within finance costs.

In addition in 2015 realised gains related to interest component of the terminated swap (included within interest costs under finance costs) amounted to US$10,810 thousand (2014: US$3,554 thousand) and realised losses related to currency component of the swap (included within currency exchange gains under other gains/losses (net)) amounted to US$10,575 thousand (2014: US$(3,163) thousand).

**(i) Derivatives used for hedging** (continued)
As at 31 December 2015 an amount of US$ 118,782 thousand of derivative losses recognised through other comprehensive income in relation to the cash flow hedge on forecasted sales remained in equity and will be recycled through profit and loss based on the forecasted sales expected to occur during 2016 and 2017.

There was no ineffectiveness to be recorded from cash flow hedges in 2014-2015.

**(ii) Other derivatives**
At the end of 2015 an entity of the Group entered into a cross-currency swap arrangement. According to this arrangement the Group exchanged it's RUR-denominated liabilities related to the newly issued bonds with fixed interest rate of 13.1% in the amount RUR 5,000 million (see Note 22) to USD-denominated debt. The Group decided not to apply hedge accounting rules to the new swap. As a result the change in fair value is presented in the income statement under "change in fair value of derivative" as part of "finance costs – net".

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

| | As at 31 December | |
|---|---|---|
| (in thousands of US dollars) | 2015 | 2014 |
| *Deferred tax assets:* | | |
| Deferred tax asset to be recovered after more than 12 months | **66,021** | 30,701 |
| *Deferred tax liabilities:* | | |
| Deferred tax liability to be recovered after more than 12 months | **(149,874)** | (199,758) |
| Deferred tax liabilities (net) | **(83,853)** | (169,057) |

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

| | For the year ended 31 December | |
|---|---|---|
| (in thousands of US dollars) | 2015 | 2014 |
| At the beginning of the year | **(169,057)** | (421,761) |
| *Income statement charge:* | | |
| Deferred tax credit | **48,744** | 100,168 |
| *Other movements:* | | |
| Currency translation differences | **36,460** | 152,536 |
| At the end of the year | **(83,853)** | (169,057) |

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

| (in thousands of US dollars) | Property, plant and equipment | Withholding tax provision | Intangible assets | Borrowings | Tax losses | Subtotal | Other assets and liabilities | Grand total |
|---|---|---|---|---|---|---|---|---|
| At 1 January 2014 | (130,639) | (13,384) | (280,713) | (1,970) | 420 | (426,286) | 4,525 | (421,761) |
| Income statement (Note 10) | 1,909 | 3,223 | 4,816 | (1,542) | 93,072 | 101,478 | (1,310) | 100,168 |
| Translation differences | 54,013 | 2,107 | 116,038 | 2,105 | (19,911) | 154,352 | (1,816) | 152,536 |
| At 31 December 2014 | (74,717) | (8,054) | (159,859) | (1,407) | 73,581 | (170,456) | 1,399 | (169,057) |
| Income statement (Note 10) | 2,503 | 2,318 | 2,485 | (287) | 39,844 | 46,863 | 1,881 | 48,744 |
| Translation differences | 16,682 | 26 | 36,074 | 352 | (15,964) | 37,170 | (710) | 36,460 |
| At 31 December 2015 | **(55,532)** | **(5,710)** | **(121,300)** | **(1,342)** | **97,461** | **(86,423)** | **2,570** | **(83,853)** |

## 24 Deferred income tax liabilities (continued)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. Such deferred income tax assets amounting to US$97,430 thousand at 31 December 2015 and US$73,581 thousand at 31 December 2014 and expire in 2025 and 2024 respectively. The amount of unremitted earnings of certain subsidiaries and joint ventures on which no withholding tax provision was recognised amounts to US$130,303 thousand (2014: US$108,106 thousand).

## 25 Trade and other payables

| (in thousands of US dollars) | As at 31 December 2015 | 2014 |
|---|---|---|
| Trade payables – third parties | **3,296** | 2,984 |
| Trade payables – related parties (Note 30(f)) | **69** | 232 |
| Payables for property, plant and equipment | **–** | 4 |
| Other payables – third parties | **361** | 692 |
| Other payables – related parties (Note 30(f)) | **1,193** | 921 |
| Payroll payable | **1,091** | 2,245 |
| Accrued expenses and deferred gains | **13,726** | 7,149 |
| Advances received | **3,817** | 5,669 |
| Taxes payable (other than income tax) | **3,344** | 4,779 |
| Total trade and other payables – current | **26,897** | 24,675 |

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

## 26 Joint ventures

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

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

The summarised investments in joint ventures accounted for using the equity method as at 31 December 2015 and 31 December 2014 are as follows:

| (in thousands of US dollars) | VEOS | MLT | CD Holding | Total |
|---|---|---|---|---|
| At 1 January 2015 | **135,686** | **52,654** | **–** | **188,340** |
| Recognised share of profit/(loss) | **3,913** | **8,569** | **(8,670)** | **3,812** |
| Translation differences (through other comprehensive income/(loss)) | **(14,035)** | **(10,676)** | **–** | **(24,711)** |
| Dividends declared by joint venture | **–** | **(8,296)** | **–** | **(8,296)** |
| Share of losses of joint ventures applied against other long-term interests (Note 30(h)) | **–** | **–** | **8,670** | **8,670** |
| At 31 December 2015 | **125,564** | **42,251** | **–** | **167,815** |

As of 31 December 2015 the cumulative unrecognised losses in relation CD Holding group amounted to US$(44,181) thousand (2014: US$(49,932) thousand) and the cumulative unrecognised other comprehensive income amounted to US$41,631 thousand (2014: US$41,015 thousand).

| (in thousands of US dollars) | VEOS | MLT | CD Holding | Total |
|---|---|---|---|---|
| At 1 January 2014 | 144,876 | 86,143 | – | 231,019 |
| Recognised share of profit/(loss) | 8,786 | 7,292 | (23,731) | (7,653) |
| Translation differences (through other comprehensive income/(loss)) | (17,976) | (34,472) | 235 | (52,213) |
| Dividends declared by joint venture | – | (6,309) | – | (6,309) |
| Share of losses of joint ventures applied against other long-term interests (Note 30(h)) | – | – | 23,496 | 23,496 |
| At 31 December 2014 | 135,686 | 52,654 | – | 188,340 |

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

### Selected income statement items

| | For the year ended 31 December 2015 | | |
|---|---|---|---|
| (in thousands of US dollars) | VEOS | MLT | CD Holding |
| Revenue | **86,285** | **45,269** | **7,710** |
| Depreciation and amortisation | **(21,579)** | **(5,624)** | **(1,016)** |
| Interest income | **31** | **90** | **–** |
| Interest expense | **(1,208)** | **(687)** | **(3,266)** |
| Profit before income tax | **9,781** | **16,589** | **(4,432)** |
| Income tax expense | **(1,956)** | **(5,163)** | **(802)** |
| Profit after tax | **7,825** | **11,426** | **(5,234)** |
| Other comprehensive income/(loss) | **(18,740)** | **(7,450)** | **329** |
| Total comprehensive income/(loss) | **(10,915)** | **3,976** | **(4,905)** |
| Dividends declared by joint venture | **–** | **11,061** | **–** |

### Selected balance sheet items

| | As at 31 December 2015 | | |
|---|---|---|---|
| (in thousands of US dollars) | VEOS | MLT | CD Holding |
| Total non-current assets | **186,477** | **34,096** | **14,426** |
| Cash and cash equivalents (including current deposits with maturity over 90 days) | **17,644** | **6,991** | **642** |
| Other current assets | **13,855** | **6,214** | **806** |
| Total current assets | **31,499** | **13,205** | **1,448** |
| Total assets | **217,976** | **47,301** | **15,874** |
| | | | |
| Non-current financial liabilities | **12,052** | **5,371** | **15,145** |
| Other non-current liabilities | **1,957** | **3,168** | **675** |
| Total non-current liabilities | **14,009** | **8,539** | **15,820** |
| Current financial liabilities excluding trade and other payables | **13,623** | **5,018** | **10,263** |
| Other current liabilities including trade and other payables | **21,604** | **3,399** | **401** |
| Total current liabilities | **35,227** | **8,417** | **10,664** |
| Total liabilities | **49,236** | **16,956** | **26,484** |
| | | | |
| Net assets | **168,740** | **30,345** | **(10,610)** |

## 26 Joint ventures (continued)

### Selected income statement items

| (in thousands of US dollars) | For the year ended 31 December 2014 | | |
|---|---|---|---|
| | VEOS | MLT | CD Holding |
| Revenue | 116,522 | 54,065 | 9,730 |
| Depreciation and amortisation | (26,890) | (7,562) | (2,680) |
| Interest income | 38 | 177 | – |
| Interest expense | (2,470) | (1,141) | (8,115) |
| Profit before income tax | 17,571 | 13,811 | (96,131) |
| Income tax expense | – | (4,088) | (3,647) |
| Profit after tax | 17,571 | 9,723 | (99,778) |
| Other comprehensive income/(loss) | (23,673) | (25,630) | 54,920 |
| Total comprehensive income/(loss) | (6,102) | (15,907) | (44,858) |
| Dividends declared by joint venture | – | 8,407 | – |

### Selected balance sheet items

| (in thousands of US dollars) | As at 31 December 2014 | | |
|---|---|---|---|
| | VEOS | MLT | CD Holding |
| Total non-current assets | 224,271 | 47,060 | 19,546 |
| Cash and cash equivalents (including current deposits with maturity over 90 days) | 27,993 | 11,149 | 1,979 |
| Other current assets | 17,606 | 6,830 | 928 |
| Total current assets | 45,599 | 17,979 | 2,907 |
| Total assets | 269,870 | 65,039 | 22,453 |
| | | | |
| Non-current financial liabilities | 43,473 | 10,519 | 116,299 |
| Other non-current liabilities | – | 3,863 | – |
| Total non-current liabilities | 43,473 | 14,382 | 116,299 |
| Current financial liabilities excluding trade and other payables | 19,457 | 6,352 | 10,393 |
| Other current liabilities including trade and other payables | 27,285 | 6,875 | 670 |
| Total current liabilities | 46,742 | 13,227 | 11,063 |
| Total liabilities | 90,215 | 27,609 | 127,362 |
| | | | |
| Net assets | 179,655 | 37,430 | (104,909) |

The information above reflects the amounts presented in the financial statements of the joint ventures adjusted for differences in accounting policies between the group and the joint ventures.

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

| | For the year ended 31 December 2015 | | | |
|---|---|---|---|---|
| (in thousands of US dollars) | VEOS | MLT | CD Holding | Total |
| Opening net assets at the beginning of the year | **179,655** | **37,430** | **(104,909)** | **112,176** |
| Profit/(loss) for the period | **7,825** | **11,426** | **(5,234)** | **14,017** |
| Conversion of loans to equity | **–** | **–** | **99,204** | **99,204** |
| Dividends declared | **–** | **(11,061)** | **–** | **(11,061)** |
| Other comprehensive income/(loss) | **(18,740)** | **(7,450)** | **329** | **(25,861)** |
| Closing net assets at the end of the year | **168,740** | **30,345** | **(10,610)** | **188,475** |
| | | | | |
| Ownership interest | **50%** | **75%** | **75%** | |
| Interest in joint venture | **84,370** | **22,759** | **(7,958)** | **99,171** |
| | | | | |
| Goodwill | **41,194** | **19,492** | **–** | **60,686** |
| Share of losses of joint ventures applied against other long-term interests | **–** | **–** | **7,958** | **7,958** |
| Carrying value on 31 December 2015 | **125,564** | **42,251** | **–** | **167,815** |

| | For the year ended 31 December 2014 | | | |
|---|---|---|---|---|
| (in thousands of USD) | VEOS | MLT | CD Holding | Total |
| Opening net assets at the beginning of the year | 185,758 | 61,743 | (72,697) | 174,804 |
| Profit/(loss) for the period | 17,571 | 9,723 | (99,778) | (72,484) |
| Conversion of loans to equity | – | – | 12,646 | 12,646 |
| Dividends declared | – | (8,412) | – | (8,412) |
| Other comprehensive income/(loss) | (23,674) | (25,624) | 54,920 | 5,622 |
| Closing net assets at the end of the year | 179,655 | 37,430 | (104,909) | 112,176 |
| | | | | |
| Ownership interest | 50% | 75% | 75% | |
| Interest in joint venture | 89,828 | 28,072 | (78,682) | 39,218 |
| | | | | |
| Goodwill | 45,858 | 24,582 | – | 70,440 |
| Share of losses of joint ventures applied against other long-term interests | – | – | 78,682 | 78,682 |
| Carrying value on 31 December 2014 | 135,686 | 52,654 | – | 188,340 |

## 27 Contingencies

### Operating environment of the Group

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretations.

During 2015 the Russian economy was negatively impacted by a decline in oil prices and ongoing political tension in the region and international sanctions against certain Russian companies and individuals. As a result during 2015:

- the Central Bank of the Russian Federation ("CBRF") exchange rate fluctuated between RUB 49.1777 and RUB 72.8827 per USD and between RUB 52.9087 and RUB 81.1533 per EUR;
- Russia's credit rating was downgraded by Fitch Ratings in January 2015 to BBB-, whilst Standard & Poor's cut it to BB+ and in February 2015 Moody's Investors Service downgraded it to Ba1,
- putting it below investment grade for the first time in a decade. Fitch Ratings still have Russia as investment grade. However, all these rating agencies indicated a negative outlook, meaning further downgrades are possible;
- the RTS stock exchange index fluctuated between 708 points and 1,092 points;
- capital outflows increased compared with prior years;
- bank lending activity decreased as banks are reassessing the business models of their borrowers and their ability to withstand the increased interest and exchange rates; and
- the CBRF key interest rate decreased from 17% p.a. to 11% p.a.

These events may have a further significant impact on the Group's future operations and financial position, the effect of which is difficult to predict. 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.

Estonia and Finland represent established market economies with the more stable political systems and developed legislation based on EU directives and regulations.

### Tax legislation in Russia

Russian tax and customs legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods.

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

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

The transfer pricing legislation that is applicable to transactions on or prior to 31 December 2011, also provided the possibility for tax authorities to make transfer pricing adjustments and to impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%. Controllable transactions included transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective of whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differed by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. Significant difficulties exist in interpreting and applying that transfer pricing legislation in practice.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

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

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

### Environmental matters

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

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

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

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

The enforcement of environmental regulation in the countries in which the Group operates is evolving and the enforcement posture of government authorities is 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.

### 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 estimates and both internal and external professional advice, management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

## 28 Commitments

### Capital commitments

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

| | As at 31 December | |
|---|---|---|
| (in thousands of US dollars) | 2015 | 2014 |
| Property, plant and equipment | **7,046** | 8,661 |
| Total | **7,046** | 8,661 |

### Operating lease commitments – Group as lessee

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

| | As at 31 December | |
|---|---|---|
| (in thousands of US dollars) | 2015 | 2014 |
| Not later than 1 year | **2,225** | 2,935 |
| Later than 1 year and not later than 5 years | **8,833** | 10,856 |
| Later than 5 years | **45,150** | 59,080 |
| Total | **56,208** | 72,871 |

## 29 Transactions with non-controlling interest

Pursuant to the provisions of NCC Acquisition in 2013, the Group has agreed, subject to Eurogate's consent and assistance, to procure that, during the period beginning on the closing of the NCC Acquisition and ending on 1 January 2015, the shareholder loans payable by ULCT to Eurogate International Gmbh ("Eurogate"), a 20% shareholder in ULCT, will be converted into the equity of ULCT.

In the course of 2014 the loans mentioned above were converted into the equity of ULCT. In 2014 Eurogate loans in the amount of US$58,959 thousand have been converted to ULCT equity (from that amount, US$12,827 thousand has been repaid by ULCT to Eurogate and then paid in by the later into the equity and US$46,132 thousand have been paid in as a non-monetary contribution).

The GPI Group's effective 80% ownership interest in ULCT has not been affected by the actions described above.

At the end of 2014 the Group acquired the remaining 25% stake in a company whose only assets were several land plots, for cash consideration of US$ 3 thousand. After the acquisition the Group's stake in this company is 100%. The transaction have been accounted for as an acquisition of assets. The difference of US$1,254 thousand between the consideration paid and the carrying value of non-controlling interest was accounted through the 'transactions with non-controlling interest' reserve in equity.

## 30 Related party transactions

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

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

The following transactions were carried out with related parties:

### (a) Sale of services

| (in thousands of US dollars) | For the year ended 31 December 2015 | 2014 |
|---|---|---|
| Entities under control of owners of TIHL or APM Terminals | **107,363** | 116,916 |
| Joint ventures in which GPI is a venture | **48** | 50 |
| Other related parties | **57** | 91 |
| Total | **107,468** | 117,057 |

### (b) Sales of property, plant and equipment

#### Net book amount of sold property, plant and equipment

| (in thousands of US dollars) | For the year ended 31 December 2015 | 2014 |
|---|---|---|
| Joint ventures in which GPI is a venturer | **561** | – |
| Total | **561** | – |

#### Profit on sales of property, plant and equipment

| (in thousands of US dollars) | For the year ended 31 December 2015 | 2014 |
|---|---|---|
| Joint ventures in which GPI is a venturer | **40** | – |
| Total | **40** | – |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

## 30 Related party transactions (continued)
### (c) Purchases of services and incurred expenses

| (in thousands of US dollars) | For the year ended 31 December 2015 | 2014 |
|---|---|---|
| Entities under control of owners of TIHL or APM Terminals | **2,630** | 1,910 |
| Other related parties | **2,237** | 5,115 |
| Total | **4,867** | 7,025 |

### (d) Interest income

| (in thousands of US dollars) | For the year ended 31 December 2015 | 2014 |
|---|---|---|
| Joint ventures in which GPI is a venturer | **73** | 106 |
| Total | **73** | 106 |

### (e) Trade and other receivables and prepayments

| (in thousands of US dollars) | As at 31 December 2015 | 2014 |
|---|---|---|
| Entities under control of owners of TIHL or APM Terminals | **4,867** | 5,437 |
| Joint ventures in which GPI is a venturer | **3,992** | 6,480 |
| Other related parties | **–** | 1 |
| Total | **8,859** | 11,918 |

### (f) Trade and other payables

| (in thousands of US dollars) | As at 31 December 2015 | 2014 |
|---|---|---|
| Entities under control of owners of TIHL or APM Terminals | **1,193** | 921 |
| Other related parties | **69** | 232 |
| Total | **1,262** | 1,153 |

### (g) Key management compensation/directors' remuneration

| (in thousands of US dollars) | For the year ended 31 December 2015 | 2014 |
|---|---|---|
| *Key management compensation:* | | |
| Salaries, payroll taxes and other short term employee benefits | **12,022** | 15,513 |
| | | |
| *Directors' remuneration (included also above):* | | |
| Fees | **384** | 391 |
| Emoluments in their executive capacity | **343** | 456 |
| Total | **727** | 847 |

### (h) Loans to related parties

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

| (in thousands of US dollars) | For the year ended 31 December 2015 | 2014 |
|---|---|---|
| At the beginning of the year | **2,259** | 14,705 |
| Loans advanced during the year | **8,690** | 12,486 |
| Interest charged | **73** | 106 |
| Loan and interest repaid during the year | **(550)** | (622) |
| GPI's share of losses of joint ventures applied against other long-term interests (Note 26) | **(8,670)** | (23,496) |
| Foreign exchange differences | **(173)** | (920) |
| At the end of the year (Note 19) | **1,629** | 2,259 |

The loans are not secured, bear average interest at 4.6% (2014: 3.8%) and are repayable in 2017.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

## 31 Events after the balance sheet date

From the end of 2015 there has been increased volatility in currency markets and the Russian Rouble has depreciated significantly against some major currencies. As of the middle of the March 2016 the Russian Rouble has depreciated against the US Dollar from 72.88 as of 31 December 2015 to approximately 72.38 Russian Roubles (0.7% devaluation). For the period from January 2016 to the middle of March 2016 the lowest values of Russian Rouble to US Dollar and the Euro were 85.59 and 91.18 respectively.

In February 2016 First Container Terminal (“FCT”), the Company’s 100% Russian subsidiary, issued another 5-year Russian rouble denominated non-convertible bond for a total amount of RUB 5 billion at a fixed coupon rate of 13.1% per annum. Proceeds from the bond issuance were swapped using cross currency swap instrument into USD and used for the refinancing of the Group’s existing debt.

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

Independent Auditor’s Report is on pages 12-13.

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# BOARD OF DIRECTORS AND OTHER OFFICERS

## Board of Directors and other officers

### Board of Directors

***Mr. Tiemen Meester*** (appointed 23 January 2013)
(Mrs. Iana Boyd Penkova is the alternate to Mr. Tiemen Meester)
Chairman of the Board of Directors
*Non-Executive Director*
*Member of Remuneration and Nomination Committees*

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

***Mr. Kim Fejfer (***appointed 23 January 2013)
(Mrs. Iana Boyd Penkova is the alternate to Mr. Kim Fejfer)
*Non-Executive Director*
*Member of Remuneration, Nomination and Audit and Risk Committees*

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

***Mrs. Siobhan Walker*** (appointed 30 May 2011)
*Independent Non-Executive Director*
*Chairman of Audit and Risk Committee*

***Dr. Alexander Nazarchuk*** (appointed 15 December 2008)
(Mr. Alexander Iodchin is the alternate to Dr. Alexander Nazarchuk)
*Non-Executive Director*
*Member of Remuneration and Nomination Committees*

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

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

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

***Ms. Laura Michael*** (appointed 23 January 2013)
*Non-Executive Director*

## Board of Directors and other officers (continued)

### Board of Directors (continued)
***Ms. Chrystalla Stylianou*** (appointed 23 January 2013)
*Non-Executive Director*

***Mr. Constantinos Economides*** (appointed 27 September 2013)
(Mr. Gerard Jan van Spall is the alternate to Mr. Constantinos Economides since 14 January 2016)
*Non-executive Director*

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

***Mr. Vadim Kryukov*** (appointed 30 July 2014)
*Non-Executive Director*

### Board support
The Company Secretary is available to advise all Directors to ensure compliance with the Board procedures. Also a procedure is in place to enable Directors, if they so wish, to seek independent professional advice at the Company's expense.

**Company Secretary**
**Team Nominees Limited**
20 Omirou Street
Ayios Nicolaos
CY-3095 Limassol
Cyprus

### Registered office
20 Omirou Street
Ayios Nicolaos
CY-3095 Limassol
Cyprus

# REPORT OF THE BOARD OF DIRECTORS

1. The Board of Directors presents its report together with the audited parent company financial statements of Global Ports Investments Plc (hereafter also referred to as "GPI" or the "Company") for the year ended 31 December 2015. These parent company financial statements have been prepared in accordance with International Financial Reporting Standards (hereafter also referred as "IFRS") as adopted by the European Union ("EU") and the requirements of Cyprus Companies Law, Cap. 113.

## Principal activities

2. The principal activities of the Company, which are unchanged from the previous year, is the holding of investments including any interest earning activities.

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

3. The loss of the Company for the year ended 31 December 2015 was US$108,865 thousand (2014: loss US$70,838 thousand). On 31 December 2015 the total assets of the Group were US$1,023,540 thousand (2014: US$1,131,698 thousand) and the net assets were US$1,001,047 thousand (2014: US$1,109,732 thousand). The financial position, development and performance of the Group as presented in these parent company financial statements are considered satisfactory.

## Principal Risks and Uncertainties

5. The Company's financial risk management and critical accounting estimates and judgments are disclosed in Notes 3 and 4 to the parent company financial statements.

5. The Company's contingencies are disclosed in Note 22 to the parent company financial statements.

6. The Board has adopted a formal process to identify, evaluate and manage significant risks faced by the Company.

## Future Developments of the Company

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

## Results

8. The Company's results for the year are set out on page 13.

## Dividends

9. Pursuant to the Articles of Association the Company may pay dividends out of its profits. To the extent that the Company declares and pays dividends, owners of Global Depositary Receipts (hereafter also referred as "GDRs") on the relevant record date will be entitled to receive dividends payable in respect of Ordinary Shares underlying the GDRs, subject to the terms of the Deposit Agreement. The Company expects to pay dividends in US Dollars. If dividends are not paid in US Dollars, they will be converted into US Dollars by the Depositary and paid to holders of GDRs net of currency conversion expenses.

### Dividends (continued)

10. The Company is a holding company and thus its ability to pay dividends depends on the ability of its subsidiaries and joint-ventures to pay dividends to the Company in accordance with the relevant legislation and contractual restrictions. The payment of such dividends by its subsidiaries and joint-ventures is contingent upon the sufficiency of their earnings, cash flows and distributable reserves. The maximum dividend payable by the Company's subsidiaries and joint-ventures is restricted to the total accumulated retained earnings of the relevant subsidiary or joint-venture, determined according to the law applicable to each entity.

11. During the year 2015 the Company did not declare and pay any dividends.

12. The Board of Directors of the Company does not recommend the payment of a final dividend for the year 2015.

13. During the year 2014 the Company declared dividends in the total amount of US$34.39 million (US$0.06 per share). Dividends amounting to US$48.49 million were paid during 2014 including US$14.1 million dividends declared in 2013 and paid in 2014.

### Share Capital

#### Authorised share capital

14. On 29 April 2015 the Company increased its authorised share capital from 431,128,048 ordinary shares and 150,457,316 ordinary non-voting shares to 750,000,000 ordinary shares and 1,000,000,000 ordinary non-voting shares with a par value of US$0.10 each.

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

#### Issued share capital

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

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

### The Role of the Board of Directors

18. GPI is governed by its Board of Directors (hereafter also referred as "the Board") which is collectively responsible to the shareholders for the short- and long-term successful performance of the Company.

19. The Board of Directors' role is to provide entrepreneurial leadership to the Company through setting the corporate strategic objectives, ensuring that the necessary financial and human resources are in place for the Company to meet its objectives and reviewing management performance. The Board sets the Company's values and standards and ensures all obligations to shareholders are understood and met. The Board maintains a sound system of internal control and enterprise risk management to safeguard the Company's assets and shareholders' investments in the Company.

# REPORT OF THE BOARD OF DIRECTORS
CONTINUED

## Members of the Board of Directors

20. The Board of Directors leads the process in making new Board member appointments and makes recommendations on appointments to shareholders. In accordance with the Terms of Reference of the Board, all Directors are subject to election by shareholders at the first Annual General Meeting after their appointment, and to re-election at intervals of no more than three years. Any term beyond six years for a Non-Executive Director is subject to particularly rigorous review, and takes into account the need to refresh the Board on a regular basis.

21. The Board currently has 14 members and they were appointed as shown on pages 1 and 2.

22. All Directors were members of the Board throughout the year ended 31 December 2015. There is no provision in the Company's Articles of Association for retirement of Directors by rotation.

23. In accordance with the Terms of Reference of the Board of Directors and the resolutions adopted by the Shareholders at the Annual General Meetings held 29 April 2013 and 29 April 2015
Mr. Michalakis Christofides and Mr. Vadim Kryukov will continue in office and Mr. Tiemen Meester,
Mr. Nikita Mishin, Mr. Kim Fejfer, Capt. Bryan Smith, Mrs. Siobhan Walker, Dr. Alexander Nazarchuk,
Mr. Alexander Iodchin, Mr. Mikhail Loganov, Mr. Konstantin Shirokov, Ms. Laura Michael and
Ms. Chrystalla Stylianou will be offered for re-election at the next Annual General Meeting of the Shareholders of the Company.

24. Mr. Constantinos Economides has tendered his resignation at the next Annual General Meeting. The Board recommends Mr. Gerard Jan van Spall to be elected as the new member of the Board.

25. Team Nominees Limited has been acting as the Company Secretary since its incorporation in February 2008. Mr. Alexander Iodchin has been acting as the Board Secretary since December 2008.

26. There were no significant changes in the responsibilities of the Directors during 2015 except for resignation of Dr. Alexander Nazarchuk from the position of the Chief Executive Officer and his appointment as a Non-Executive Member of Nominations and Remuneration Committee. Mr. Alexander Iodchin resigned from the Nominations Committee in September 2015.

## Directors' Interests

27. The interests in the share capital of Global Ports Investments Plc, both direct and indirect, of those who were Directors as at 31 December 2015 and 31 December 2014 are shown below:

| Name | Type of holding | Shares held at 31 December 2015 | Shares held at 31 December 2014 |
|---|---|---|---|
| Nikita Mishin | Through shareholding in Transportation Investments Holding Limited and other related entities | **39,731,086 ordinary shares** | 39,731,086 ordinary shares |
| | | **15,488,390 ordinary non-voting shares** | 15,488,390 ordinary non-voting shares |

## Board Performance

28. The Board meets at least four times a year. Fixed meetings are scheduled at the start of each year. Ad hoc meetings are called when there are pressing matters requiring the Board's consideration and decision in between the scheduled meetings.

29. In 2015 the Board met formally 19 (2014: 15) times to review current performance and to discuss and approve important business decisions.

30. In 2015 the Board met to discuss and approve important business decisions:

(a) FY2014 financial statements, 1H2015 interim financial statements and Annual Report;
(b) Changes in Group management;
(c) Management remuneration guidelines;
(d) Review of segments financial and operational performance;
(e) Consideration and approval of 2016 financial budget;
(f) Consideration and approval of major capital expenditures and operating expenditures;
(g) Consideration and approval of various resolutions related to the operations of the Company's subsidiaries and joint-ventures.

31. The number of Board and Board Committee meetings held in the year 2015 and the attendance of directors during these meetings is as follows:

| | Board of Directors | | Nomination Committee | | Remuneration Committee | | Audit and Risk Committee | |
|---|---|---|---|---|---|---|---|---|
| | A | B | A | B | A | B | A | B |
| Alexander Iodchin | 19 | 19 | 3 | 3 | – | – | – | – |
| Bryan Smith | 18 | 19 | 3 | 3 | 7 | 7 | – | – |
| Nikita Mishin | 13 | 19 | 3 | 3 | 7 | 7 | – | – |
| Alexander Nazarchuk | 19 | 19 | – | – | 1 | 1 | – | – |
| Mikhail Loganov | 11 | 19 | – | – | – | – | – | – |
| Konstantin Shirokov | 19 | 19 | – | – | – | – | 7 | 7 |
| Siobhan Walker | 18 | 19 | – | – | – | – | 7 | 7 |
| Kim Fejfer | 15 | 19 | 3 | 3 | 6 | 7 | 7 | 7 |
| Tiemen Meester | 16 | 19 | 3 | 3 | 7 | 7 | – | – |
| Laura Michael | 19 | 19 | – | – | – | – | – | – |
| Chrystalla Stylianou | 18 | 19 | – | – | – | – | – | – |
| Constantinos Economides | 10 | 19 | – | – | – | – | – | – |
| Vadim Kryukov | 18 | 19 | – | – | – | – | – | – |
| Michalakis Christofides | 18 | 19 | – | – | – | – | – | – |

A = Number of meetings attended.
B = Number of meetings eligible to attend during the year.

32. The operation of the Board, its Committees and individual Directors is subject to regular evaluation. The evaluation of the Board and individual Directors' performance is conducted through self-assessment, cross-assessment or by an external third party. The Non-Executive Directors, led by the Senior Independent Director, are responsible for the performance evaluation of the Chairman of the Board.

# REPORT OF THE BOARD OF DIRECTORS
CONTINUED

## The Board Committees

33. Since December 2008 the Board of Directors established the operation of three committees: an Audit and Risk Committee, a Nomination Committee and a Remuneration Committee.

34. The Audit and Risk Committee comprises of three Non-Executive Directors, and meets at least four times a year. The Audit and Risk Committee is chaired by Mrs. Siobhan Walker (an Independent Non-Executive Director) and the other members are Mr. Konstantin Shirokov and Mr. Kim Fejfer. The Committee is responsible for considering, among other matters: (i) the integrity of the Company's financial information, including its annual and interim condensed consolidated financial information, and the effectiveness of the Company's internal controls, risk management systems and the work of the Internal Auditor; (ii) auditors' reports; and (iii) the terms of appointment and remuneration of the auditor. The Committee supervises and monitors, and advises the Board of Directors on risk management and control systems and the implementation of codes of conduct. In addition, the Committee supervises the submission of financial information by the Company. The Committee recommends the Board on appointment, re-appointment and removal of the external auditor, reviews its independence, objectivity and effectiveness of the audit process. In addition the Committee implements the policy on the engagement of the external auditors to perform non-audit services.

35. In the year 2015 the Audit and Risk Committee met 7 times to review and discuss inter alia:

    (a) Review of the parent company financial statements of Global Ports Investments Plc and consolidated financial statements of the Group for 2014 and recommendation for approval of the same to the Board;
    (b) Review of the interim condensed consolidated financial statements for the six month period ended 30 June 2015 and recommendation for approval to the Board;
    (c) Review of the press releases containing financial information;
    (d) Review of the reports prepared by external auditors on significant matters arising from their audit and review procedures;
    (e) Review of the fees and terms of engagement of external auditors and recommendation for their approval;
    (f) Consideration and approval of non-audit services provided by the external auditors and their fees;
    (g) Consideration of the independence of the external auditors and performance and recommendation to the Board to recommend to shareholders to reappoint the external auditor for the next year.

36. The Nomination Committee as of the date of this report comprises five Directors, one of whom is independent. The Committee meets at least once each year. Currently the Nomination Committee is chaired by Capt. Bryan Smith (an Independent Non-Executive Director) and the other members are Mr. Nikita Mishin, Dr. Alexander Nazarchuk (appointed on 11 September 2015), Mr. Kim Fejfer and Mr. Tiemen Meester. Mr. Alexander Iodchin resigned from the position of the member of the Nomination Committee on 11 September 2015. The Committee's role is to prepare selection criteria and appointment procedures for members of the Board of Directors and to review on a regular basis the structure, size, diversity and composition of the Board. In undertaking this role, the Committee refers to the skills, knowledge and experience required of the Board given the Company's stage of development and makes recommendations to directors as to any changes. The Committee also considers future appointments in respect to the composition of the Board of Directors as well as making recommendations regarding the membership of the Audit and Risk Committee and the Remuneration Committee. In addition to it the Committee advises the Board on the appointment of the senior management of the Company.

## The Board Committees (continued)

37. In 2015 the Nomination Committee met three times to discuss and recommend to the Board the appointment of senior management of the Group Companies.

38. The Remuneration Committee as of the date of this report comprises five Directors, one of whom is independent. The Committee meets at least once each year. Currently the Remuneration Committee is chaired by Capt. Bryan Smith (an Independent Non-Executive Director), and the other members are Mr. Nikita Mishin, Dr. Alexander Nazarchuk (appointed on 11 September 2015), Mr. Kim Fejfer and Mr. Tiemen Meester. The Committee is responsible for determining and reviewing the remuneration of the executive directors, Chairman and the executive management and the Company's remuneration policies. The remuneration of independent Directors is a matter for the chairman of the Board of Directors and the executive directors. No director or manager may be involved in any decisions as to his or her own remuneration.

39. In 2015 the Remuneration Committee met seven times to discuss and recommend to the Board the Group management remuneration guidelines and the remuneration for the executive management of the Group.

## Corporate Governance

40. Improving its corporate governance structure in accordance with the internationally recognised best practices the Company adopted in 2008, 2012 and 2015 important policies and procedures.

41. The Company's corporate governance policies and practices are designed to ensure that the Company is focused on upholding its responsibilities to the shareholders. They include, inter alia:

- Appointment policy;
- Terms of reference of the Board of Directors;
- Terms of reference of the Audit and Risk Committee;
- Terms of reference of the Nomination Committee;
- Terms of reference of the Remuneration Committee;
- Code of Ethics and Conduct;
- Antifraud policy;
- Anti-Corruption Policy;
- Foreign Trade Controls Policy;
- Insurance Standard; and
- Charity and Sponsorship Policy.

## Board and Management Remuneration

42. Non-Executive Directors serve on the Board pursuant to the letters of appointment. Such letters of appointment specify the terms of appointment and the remuneration of Non-Executive Directors.

43. Levels of remuneration for the Non-Executive Directors reflect the time commitment, responsibilities of the role and membership of the respective committees of the Board. Directors are also reimbursed for expenses associated with discharge of their duties.

44. The shareholders of the Company approved the remuneration of the members of the Board on 29 April 2013.

45. Refer to Note 23 (iii) to the parent company financial statements for details of the remuneration paid to the members of the Board and key management.

# REPORT OF THE BOARD OF DIRECTORS
CONTINUED

## Events after the balance sheet date

46. The events after the balance sheet date are disclosed in Note 24 to the parent company financial statements.

## Branches

47. The Company did not have or operate through any branches during the year.

## Treasury shares

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

## Going Concern

49. Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the parent company financial statements based on the fact that, after making enquiries and following a review of the Company's budget for 2016 and the latest forecasts, including cash flows and borrowing facilities, the Directors consider that the Company has adequate resources to continue in operation for the foreseeable future.

## Auditors

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

By Order of the Board

**Tiemen Meester**
Chairman of the Board of Directors

Limassol
10 March 2016

# DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of Global Ports Investments Plc ("Company") is responsible for preparation and fair presentation of these parent company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and the requirements of the Cyprus Companies Law, Cap. 113.

This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Each of the Directors confirms to the best of his or her knowledge that these parent company financial statements which are presented on pages 13 to 38 have been prepared in accordance with IFRS as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113, and give a true and fair view of the assets, liabilities, financial position and profit of the Company.

By Order of the Board

**Konstantin Shirokov**
Director

**Alexander Iodchin**
Director

Limassol
10 March 2016

# INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF GLOBAL PORTS INVESTMENTS PLC

## Report on the financial statements

We have audited the accompanying financial statements of parent company Global Ports Investments Plc (the "Company"), which comprise the balance sheet as at 31 December 2015, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Board of Directors' responsibility for the financial statements

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

### Auditor's responsibility

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

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

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

**Opinion**
In our opinion, the financial statements give a true and fair view of the financial position of parent company Global Ports Investments Plc as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

## Report on other legal requirements
Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the financial statements.

## Other matter
This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2015.
The opinion in that report is not qualified.

**Tasos Nolas**
Certified Public Accountant and Registered Auditor

For and on behalf of

**PricewaterhouseCoopers Limited**
Certified Public Accountants and Registered Auditors

Limassol
10 March 2016

# STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 DECEMBER 2015

| | Note | 2015 US$000 | 2014 US$000 |
|---|---|---|---|
| Dividend income | 23 (i) | **8,381** | 25,972 |
| Finance income – net | 5 | **1,185** | 365 |
| Administrative expenses | 7 | **(6,480)** | (5,453) |
| Other losses net | 6 | **(464)** | (540) |
| Impairment of investments in subsidiaries and joint ventures | 14/15 | **(110,108)** | (85,612) |
| Operating profit/(loss) | | **(107,486)** | (65,268) |
| | | | |
| Finance cost | 9 | **(1,197)** | (5,565) |
| Loss before income tax | | **(108,683)** | (70,833) |
| Income tax expense | 10 | **(2)** | (5) |
| Loss for the year | | **(108,685)** | (70,838) |
| | | | |
| Other comprehensive income | | **–** | – |
| Total comprehensive loss for the year | | **(108,685)** | (70,838) |

The notes on pages 17 to 38 are an integral part of these financial statements.

# BALANCE SHEET
## AT 31 DECEMBER 2015

| | Note | 2015 US$000 | 2014 US$000 |
|---|---|---|---|
| Assets | | | |
| Non current assets | | | |
| Property, plant and equipment | 13 | **20** | 40 |
| Investments in subsidiaries | 14 | **849,731** | 958,251 |
| Investments in joint ventures | 15 | **94,969** | 94,960 |
| Loans receivable | 16 | **71,866** | 67,931 |
| **Total non current assets** | | **1,016,586** | 1,121,182 |
| | | | |
| Current assets | | | |
| Loans receivable | 16 | **2,339** | 1,219 |
| Trade and other receivables | 17 | **4,042** | 6,567 |
| Cash and bank balances | 18 | **573** | 2,730 |
| Total current assets | | **6,954** | 10,516 |
| **Total assets** | | **1,023,540** | 1,131,698 |
| | | | |
| Equity and liabilities | | | |
| Capital and reserves | | | |
| Share capital | 19 | **57,317** | 57,317 |
| Share premium | 19 | **923,511** | 923,511 |
| Capital contribution | | **101,300** | 101,300 |
| (Accumulated losses)/retained earnings | | **(81,081)** | 27,604 |
| **Total equity** | | **1,001,047** | 1,109,732 |
| | | | |
| Non-current liabilities | | | |
| Borrowings | 21 | **21,000** | 21,200 |
| **Total non-current liabilities** | | **21,000** | 21,200 |
| | | | |
| Current liabilities | | | |
| Trade and other payables | 20 | **1,493** | 766 |
| Total current liabilities | | **1,493** | 766 |
| Total liabilities | | **22,493** | 21,966 |
| **Total equity and liabilities** | | **1,023,540** | 1,131,698 |

On 10 March 2016 the Board of Directors of Global Ports Investments Plc authorised these financial statements for issue.

**Alexander Iodchin**
Director

**Konstantin Shirokov**
Director

The notes on pages 17 to 38 are an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER

| Balance at 1 January 2014 | Note | Share capital US$000 | Share premium US$000 | Capital contributions US$000 | Retained earnings[1] US$000 | Total US$000 |
|---|---|---|---|---|---|---|
| | | 57,317 | 923,511 | 101,300 | 132,832 | 1,214,960 |
| Comprehensive income | | | | | | |
| Loss for the year | | – | – | – | (70,838) | (70,838) |
| Transactions with owners | | | | | | |
| Dividends to shareholders | 19 | – | – | – | (34,390) | (34,390) |
| Total transactions with owners | | – | – | – | (34,390) | (34,390) |
| Balance at 31 December 2014/1 January 2015 | | 57,317 | 923,511 | 101,300 | 27,604 | 1,109,732 |
| Comprehensive income | | | | | | |
| Loss for the year | | – | – | – | (108,685) | (108,685) |
| **Balance at 31 December 2015** | | **57,317** | **923,511** | **101,300** | **(81,081)** | **1,001,047** |

(1) Retained earnings is the only reserve that is available for distribution.

The notes on pages 17 to 38 are an integral part of these financial statements.

# STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 DECEMBER 2015

| | Note | For the year ended 31 December 2015 US$000 | 2014 US$000 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Loss before tax | | **(108,683)** | (70,833) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 13 | **20** | 18 |
| Impairment of investments in subsidiaries and joint ventures | 14, 15 | **110,108** | 85,612 |
| Loss on disposal of subsidiary | 6 | **136** | – |
| Dividend income | 23 (i) | **(8,381)** | (25,972) |
| Finance income | 5 | **(2,638)** | (4,188) |
| Finance costs | 9 | **1,197** | 5,565 |
| Fair value gains on initial recognition of financial assets and liabilities | | | |
| Amortisation of financial guarantee | 6 | **(125)** | (144) |
| Foreign exchange losses | | **1,894** | 4,520 |
| | | **(6,472)** | (5,435) |
| Changes in working capital: | | | |
| Trade and other receivables | | **41** | 4,481 |
| Trade and other payables | | **727** | (3,168) |
| *Cash used in operations* | | **(5,704)** | (4,122) |
| Tax paid | | **(2)** | (8) |
| Net cash used in operating activities | | **(5,706)** | (4,130) |
| Cash flows from investing activities | | | |
| Purchases of property, plant and equipment | 13 | **–** | (6) |
| Cash inflow from disposal of subsidiary undertakings | | **–** | 831,947 |
| Purchase of investments in subsidiaries | 14 | **(1,616)** | (104,269) |
| Purchase of investments in joint ventures | 15 | **(117)** | (8) |
| Contingent consideration paid | | **–** | (61,603) |
| Loans advanced to related parties | 23 (vi) | **(5,868)** | (17,525) |
| Loan repayments received from related parties | 23 (vi) | **1,867** | 13,103 |
| Interest received | | **275** | 2,904 |
| Dividends received | | **10,405** | 29,324 |
| Net cash from investing activities | | **4,946** | 693,867 |
| Cash flows from financing activities | | | |
| Proceeds from loans from related parties | 23 (v) | **–** | 184,750 |
| Borrowing repayments to related parties | 23 (v) | **–** | (722,782) |
| Interest paid | 23 (v) | **(1,397)** | (114,560) |
| Dividends paid to Company's shareholders | 19 | **–** | (48,490) |
| Net cash used in financing activities | | **(1,397)** | (701,082) |
| Net decrease in cash and cash equivalents | | **(2,157)** | (11,324) |
| Cash and cash equivalents at beginning of year | | **2,730** | 14,054 |
| Cash and cash equivalents at end of year | 18 | **573** | 2,730 |

The notes on pages 17 to 38 are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

## 1 General information

### Country of incorporation

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

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

During the first half of 2011 the Company has successfully completed an initial public offering ("IPO") of its shares in the form of global depositary receipts ("GDRs"). The Company's GDRs (one GDR representing 3 ordinary shares) are listed on the Main Market of the London Stock Exchange under the symbol "GLPR". For further details please refer to Note 19.

### Approval of the parent financial statements

These parent company financial statements were authorised for issue by the Board of Directors on 10 March 2016.

### Principal activities

The principal activity of the Company, which is unchanged from last year, is the holding of investments, including any interest earning activities.

## 2 Summary of significant accounting policies

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

### Basis of preparation

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

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

The Company has prepared these separate financial statements of the parent company for compliance with the requirements of the Cyprus Income Tax Law and the Disclosure Rules as issued by the Financial Services Authority of the United Kingdom.

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2015 have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting.

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

## 2 Summary of significant accounting policies (continued)

### Consolidated financial statements

The Company has also prepared consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU for the Company and its subsidiaries (the "Group"). A copy of the consolidated financial statements is available at the Company's registered office and at the Company's website at www.globalports.com.

Users of these separate financial statements of the parent company should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2015 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group.

### New Standards, interpretations and amendments adopted by the Company

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) as adopted by the EU that are relevant to its operations and are effective for accounting periods beginning 1 January 2015. This adoption did not have a material effect on the accounting policies of the parent Company.

### New standards, interpretations and amendments not yet adopted by the Company

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these separate financial statements of the parent company. None of these is expected to have a significant effect on these separate financial statements of the parent company, except the following set out below:

### Not yet adopted and not yet endorsed by the European Union

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

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

# NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

## 2 Summary of significant accounting policies (continued)

**Not yet adopted and not yet endorsed by the European Union** (continued)

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

There are no other IFRS or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Group.

**Revenue recognition**

Revenues earned by the Company are recognised on the following bases:

(i) Interest income

Interest income is recognised when it is probable that benefits will flow to the Company and the amount of income can be measured reliably. Interest income is recognised on a time proportion basis using the effective interest method. When a loan receivable is impaired, the Company reduces the carrying amount to its recoverable amount being the estimated future cash flows discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

(ii) Dividend income

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

**Employee benefits**

The Company and the employees contribute to the Cyprus Government Social Insurance Fund based on employees' salaries. The Company's contributions are expensed as incurred and are included in staff costs.

**Foreign currency translation**

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss within "finance cost". Foreign exchange gains and losses that relate to loans receivable and cash and cash equivalents are presented in profit or loss within "finance income". All other foreign exchange gains and losses are presented in profit or loss within "other losses – net".

**Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. The current income tax is calculated in the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country in which the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

## 2 Summary of significant accounting policies (continued)

### Current and deferred income tax (continued)

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the Company where there is an intention to settle the balances on a net basis.

### Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of property, plant and equipment.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values, over their estimated useful lives. The annual depreciation rates are as follows:

| | % |
|---|---|
| Motor vehicles | 20 |
| Office equipment | 50 |

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

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

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

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are recognised in "other losses – net" in profit or loss.

### Investments in subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has control. The Company controls an entity whom the Company is exposed to, or has the rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In its parent company financial statements, the Company carries the investments in subsidiaries at cost less any impairment.

The Company recognises dividend income from investments in subsidiaries to the extent that the Company receives distributions from subsidiaries which constitute return on the cost of investment. Capital reductions and dividend distributions by subsidiaries which constitute return of cost of investment as opposed to return on cost of investment are recognised as a reduction in the cost of investment in subsidiary.

### Investments in joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangements. The Company has assessed the nature of its joint arrangements and determined them to be joint ventures. In its parent company financial statements the Company carries its investments in joint ventures at cost less any impairment.

## 2 Summary of significant accounting policies (continued)

### Impairment of non-financial assets

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

### Loans and receivables

The Company classifies its financial assets as loans and receivables.

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

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

Loans and receivables are initially recognised at fair value plus transaction costs. For loans provided to related parties other than its direct subsidiaries, the difference between the fair value of the loans and their carrying amount on inception is recognised in profit or loss. For loans provided to direct subsidiaries the difference is included in the cost of the investment. Loans and receivables are derecognised when the rights to receive cash flows from the loans and receivables have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor/borrower, probability that the debtor/borrower will enter bankruptcy or financial difficulty, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement against 'administrative expenses'.

### Share capital and share premium

Ordinary shares are classified as equity.

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

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

Capital contribution represents contributions by the shareholders directly in the reserves of the Company. The Company does not have any contractual obligation to repay these amounts.

### Dividend distribution

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

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

## 2 Summary of significant accounting policies (continued)

### Leases

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

### Provisions and contingent liabilities

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

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

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

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

### Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extend there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds, including interest on borrowings, amortisation of discounts or premium relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowings are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

### Financial guarantee contracts

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

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. For financial guarantees provided to related parties other than its direct subsidiaries the difference between the fair value of the financial guarantee and the fee received is treated as an expense. For financial guarantees provided to direct subsidiaries the difference between the fair value of the financial guarantee and the fee received is included in the cost of the investment. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in profit or loss the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of management. Any increase in the liability relating to guarantees is taken to profit or loss in 'other gains/(losses) – net'.

## 2 Summary of significant accounting policies (continued)

### Derivatives

Derivative financial instruments which comprise mainly options for shares are initially recognised in the balance sheet at fair value (excluding transaction costs) and are subsequently remeasured at their fair value. They are classified as financial assets at fair value through profit or loss and they are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period. The resulting gain or loss is recorded in the income statement within "other losses – net". Transaction costs arising on entering into derivatives are recognised in the income statement as incurred. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

### Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

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

### Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash in bank, cash in hand and deposits held at call with banks, with original maturities of three months or less.

## 3 Financial risk management

### (i) Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The Company's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

### Market risk

#### Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities (mainly loans receivable, trade and other receivables, cash and cash equivalents and borrowings) that are denominated in a currency that is not the Company's functional currency.

Had Euro exchange rate strengthened/weakened by 15% (2014: 30%) against the US dollar and all other variables remained unchanged, the post tax profit of the Company for the year ended 31 December 2015, would have increased/(decreased) by US$1,950 thousand (2014: US$1,727 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of dividends receivable, loans receivable, cash in bank and payables denominated in Euros.

Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

#### Cash flow and fair value interest rate risk

The Company is exposed to cash flow interest rate risk arising from changes in market interest rates of cash and cash equivalents. In addition, the Company is exposed to fair value interest rate risk as all its loans receivable and borrowings are at fixed rates.

Had market interest rates on Euro and United States dollar denominated floating interest bearing cash and cash equivalents shift by 100 basic points and all other variables remained unchanged, the post tax profit of the Company would not significantly change for the years ended 31 December 2015 and 31 December 2014. In addition, as all of the Company's fixed rate loans receivable are carried at amortised cost, any reasonably possible change in the interest rates as of 31 December 2015 and 31 December 2014 would not have any significant impact on the Company's post tax profit. Also, the majority of borrowings from related parties were obtained near the end of 2014 and were repaid in 2015. As a result any reasonably possible change in the interest rates as of 31 December 2015 would not have any significant impact on the Company's post tax profit. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

## 3 Financial risk management (continued)

### (i) Financial risk factors (continued)

### Credit risk

Financial assets, which potentially subject the Company to credit risk, consist principally of loans receivable, dividends receivable, other receivable and cash and cash equivalents.

The majority of receivables are with related parties. Management believes that there is no significant risk of loss to the Company. Finally, see Note 12 for credit quality of cash and cash equivalents.

### Liquidity risk

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| | Less than 1 year US$000 | 1 to 2 years US$000 | 2 to 5 years US$000 | Over 5 years US$000 | Total US$000 |
|---|---|---|---|---|---|
| At 31 December 2014 | | | | | |
| Trade and other payables | **638** | **–** | **–** | **–** | **638** |
| Financial guarantee* | **628,747** | **–** | **–** | **–** | **628,747** |
| Borrowings | **–** | **23,594** | **–** | **–** | **23,594** |
| **Total** | **629,385** | **23,594** | **–** | **–** | **652,979** |
| At 31 December 2015 | | | | | |
| Trade and other payables | 1,493 | – | – | – | 1,493 |
| Financial guarantee* | 672,201 | – | – | – | 672,201 |
| Borrowings | – | 23,394 | – | – | 23,394 |
| **Total** | **673,694** | **23,394** | **–** | **–** | **697,088** |

* Full amount payable if the loans and bonds guaranteed are non-performing (Note 23 (ix)).

Management controls current liquidity based on expected cash outflows and expected receipts from dividends and interest.

### Capital risk management

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

The Company monitors capital based on borrowings to total capitalisation ratio. Total capitalisation is calculated as the sum of the total borrowings and equity at the date of calculation.

### (ii) Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to for similar financial instruments.

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

## 3 Financial risk management (continued)

### (ii) Fair value estimation (continued)

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

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

Financial instruments carried at fair value are valued by the following valuation methods:

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

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

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

## 4 Critical accounting estimates and judgments

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

### (i) Critical accounting estimates and assumptions

**Estimated impairment of investments**

The Company reviews investments, long-lived assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the estimated recoverable amount is less than the carrying amount of the asset or group of assets, the asset is not recoverable and the Company recognises an impairment loss for the difference between the estimated recoverable amount (based on value in use) and the carrying value of the asset or group of assets. Events that can trigger assessments for possible impairments include, but are not limited to (a) significant decreases in the market value of an asset, (b) significant changes in the extent or manner of use of an asset, and (c) a physical change in the asset. Models are prepared based on the Company's best estimates and latest budgets available as at the year end. Estimating discounted future cash flows requires making judgments about long-term forecasts of future revenues and costs related to the assets subject to review. These forecasts are uncertain as they require assumptions about volumes, prices for the products and services, future market conditions and future technological developments. Significant and unanticipated changes in these assumptions could require a provision for impairment in a future period.

For all CGUs (refer to notes 14 and 15 for the definition of the CGUs of the Company), except for ULCT, cash flow projections cover a period of five years based on the assumptions of the next 12 months. In case of ULCT cash flow projections cover a nine year period reflecting the fact that this terminal started its operations recently and still remains in its ramp-up stage. Cash flows beyond that five-year (nine-year period in case of ULCT) period have been extrapolated using a steady terminal growth rate. The terminal growth rate used does not exceed the long-term average growth rate for the market in which entities operate. For projections prepared for Russian CGUs a terminal growth rate of 3 % has been applied (2014: 3%). For projections prepared for VEOS as at 31 December 2015 a terminal growth rate of 2% was applied (2014: 2%). The discount rate applied for Russian CGUs in projections prepared as at 31 December 2015 is 12.1% (2014: 12.9%) and for VEOS the discount rate is 9.1% (2014: 10.1%).

Key assumptions for all CGUs are throughput volume, price per unit, growth rates, and discount rates. The projected volumes reflect past experience adjusted by the management view on the prospective market developments. The growth rates for VEOS revenues are conservatively estimated to be very moderate in view of the competitive environment. For Russian CGUs volume growth is estimated to be in line with the long-term market development, position of each terminal on the market and its pricing power. As supported by historical market performance and in view of relatively low containerisation level in Russia, the long-term average throughput growth rate for the Russian container market is higher than in developed markets.

## 4 Critical accounting estimates and judgments (continued)

### (i) Critical accounting estimates and assumptions (continued)

**Estimated impairment of investments** (continued)

Based on the results of the impairment testing carried out in 2015, an impairment charge amounting to US$110,108 thousand (2014: US$85,612 thousand) was recognised – US$110,000 thousand (2014: US$29,000) thousand in relation to the investment in NCC Group Limited (Note 14), US$108 thousand (2014: US$56,585) thousand in relation to the investment in CD Holding Oy and US$Nil (2014: US$27 thousand) in relation to the investment in MLT Container Logistics Limited (Note 15). For all other investments management believes that any reasonable possible change in the key assumptions would not cause the carrying amounts to exceed the recoverable amounts.

The investment in CD Holding Oy is fully impaired and the remaining balance of the investment in MLT Container Logistics Limited is immaterial. For the impairment of NCC Group Limited if the estimated volumes handled are 10% lower or the price per unit is 5% lower, or the terminal growth rate is 1% lower, or the discount rate is 1% higher, then a further impairment charge would arise amounting to US$134 million, US$238 million, US$80 million and US$109 million, respectively.

**Financial guarantees**

The Board of Directors has assessed the exposure of the Company in relation to the guarantees provided to related parties for the loan facilities granted to them (refer to Note 23 (ix)).

### (ii) Critical judgments in applying the Company's accounting policies

There were no critical judgments in applying the Company's accounting policies.

## 5 Finance income – net

| | 2015 US$000 | 2014 US$000 |
|---|---|---|
| Interest income on loans to related parties (Note 23 (i)) | **2,638** | 4,188 |
| Net foreign exchange losses on cash and cash equivalents and loans receivable* | **(1,453)** | (3,823) |
| **Total** | **1,185** | 365 |

* The total net foreign exchange losses recognised in the income statement amounted to US$1,906 thousand (2014: US$4,520 thousand). Refer also to Note 6.

## 6 Other gains – net

| | 2015 US$000 | 2014 US$000 |
|---|---|---|
| Loss from disposal of subsidiary (Note 14) | **(136)** | – |
| Net foreign exchange transaction losses on non-financing activities | **(453)** | (697) |
| Fair value gains on initial recognition of financial assets and liabilities | **–** | 13 |
| Amortisation of financial guarantee | **125** | 144 |
| **Total** | **(464)** | (540) |

# NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

## 7 Expenses by nature

| | 2015 US$000 | 2014 US$000 |
|---|---|---|
| Depreciation of property, plant and equipment (Note 13) | **20** | 18 |
| Insurance | **73** | 75 |
| Auditors' remuneration | **543** | 745 |
| Staff costs (Note 8) | **890** | 1,032 |
| Advertising and promotion | **47** | 83 |
| Travelling expenses | **731** | 1,090 |
| Legal and consulting fees | **2,648** | 1,561 |
| Taxes other than on income | **1,237** | 511 |
| Office rent | **18** | 21 |
| Bank charges | **32** | 40 |
| Other expenses | **241** | 277 |
| **Total administrative expenses** | **6,480** | 5,453 |

The auditor's remuneration stated above include fees of US$412 thousand (2014: US$612 thousand) for audit services charged by the Company's statutory audit firm.

The legal and consulting fees stated above include fees of US$31 thousand (2014: US$29 thousand) for tax consultancy services charged by the Company's statutory audit firm.

## 8 Staff costs

| | 2015 US$000 | 2014 US$000 |
|---|---|---|
| Wages and salaries | **854** | 983 |
| Social insurance costs | **30** | 44 |
| Other staff costs | **6** | 5 |
| **Total** | **890** | 1,032 |

## 9 Finance cost

| | 2015 US$000 | 2014 US$000 |
|---|---|---|
| Interest expense on loans from related parties (Note 23(i)) | **1,197** | 5,565 |

## 10 Income tax expense

| | 2015 US$000 | 2014 US$000 |
|---|---|---|
| Current tax: | | |
| Corporation tax | **2** | – |
| Defence contribution | **–** | 5 |
| **Total** | **2** | 5 |

## 10 Income tax expense (continued)

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

| | 2015 US$000 | 2014 US$000 |
|---|---|---|
| Loss before tax | **(108,683)** | (70,833) |
| Tax calculated at the applicable corporation tax rate of 12,5% | **(13,585)** | (8,854) |
| Tax effect of expenses not deductible for tax purposes | **14,836** | 11,762 |
| Tax effect of allowances and income not subject to tax | **(1,063)** | (3,266) |
| Group relief | **(145)** | 319 |
| Losses for which no deferred tax asset has been recognised | **(41)** | 39 |
| Special contribution for defence | **–** | 5 |
| **Total** | **2** | 5 |

The Company is subject to corporation tax on taxable profits at the rate of 12.5%.

Under certain conditions, interest may be exempt from income tax and only subject to defence contribution at the rate of 30%.

In certain cases dividends received from abroad may be subject to defence contribution at the rate of 17%. In certain cases dividends received from other Cyprus tax resident Companies may also be subject to special contribution for defence.

## 11 Financial instruments by category

| 31 December 2015 | Loans and receivables US$000 | Total US$000 |
|---|---|---|
| Assets as per balance sheet | | |
| Non current receivables | **71,866** | 73,258 |
| Current portion of loans receivable | **2,339** | 947 |
| Trade and other receivables | **4,010** | 4,010 |
| Cash and bank balances | **573** | 573 |
| **Total** | **78,788** | 78,788 |

| | Other financial liabilities US$000 | Total US$000 |
|---|---|---|
| Liabilities as per balance sheet | | |
| Trade and other payables | **1,493** | 1,493 |
| Borrowings | **21,000** | 21,000 |
| **Total** | **22,493** | 22,493 |

# NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

## 11 Financial instruments by category (continued)

| 31 December 2014 | Loans and receivables US$000 | Total US$000 |
|---|---|---|
| Assets as per balance sheet | | |
| Non current receivables | **67,931** | 67,931 |
| Current portion of loans receivable | **1,219** | 1,219 |
| Trade and other receivables | **6,567** | 6,567 |
| Cash and bank balances | **2,730** | 2,730 |
| **Total** | **78,447** | 78,447 |

| | Loans and receivables US$000 | Total US$000 |
|---|---|---|
| Liabilities as per balance sheet | | |
| Trade and other payables | **766** | 766 |
| Borrowings | **21,200** | 21,200 |
| **Total** | **21,966** | 21,966 |

## 12 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

| | 2015 US$000 | 2014 US$000 |
|---|---|---|
| Fully performing trade and other receivables | | |
| Counterparties without external credit rating | | |
| Group 1 | **74,030** | 68,956 |
| Group 2 | **3,990** | 6,474 |
| Group 3 | **195** | 287 |
| Total | **78,215** | 75,717 |

| | 2015 US$000 | 2014 US$000 |
|---|---|---|
| Cash at bank and short term bank deposits | | |
| A1 (Moody's) | **3** | 1 |
| A – (S & P) | **99** | – |
| Baa1 (Moody's) | **–** | 2,716 |
| Baa2 (Moody's) | **463** | – |
| Caa2 (Moody's) | **8** | – |
| Caa3 (Moody's) | **–** | 13 |
| Total | **573** | 2,730 |

Group 1 – Loans receivable from related parties with no defaults in the past.
Group 2 – Dividends receivable from related parties.
Group 3 – Other receivables with no defaults in the past.

## 13 Property, plant and equipment

| | Motor vehicles and other equipment US$000 | Total US$000 |
|---|---|---|
| Year ended 31 December 2014 | | |
| Opening net book amount | **52** | 52 |
| Additions | **6** | 6 |
| Depreciation charge | **(18)** | (18) |
| **Closing net book amount** | **40** | **40** |
| | | |
| At 31 December 2014 | | |
| Cost | **110** | 110 |
| Accumulated depreciation | **(70)** | (70) |
| **Net book amount** | **40** | **40** |
| | | |
| Year ended 31 December 2015 | | |
| Opening net book amount | **40** | 40 |
| Depreciation charge | **(20)** | (20) |
| **Closing net book amount** | **20** | **20** |
| | | |
| At 31 December 2015 | | |
| Cost | **110** | 110 |
| Accumulated depreciation | **(90)** | (90) |
| **Net book amount** | **20** | **20** |

## 14 Investments in subsidiaries

| | 2015 US$000 | 2014 US$000 |
|---|---|---|
| At beginning of year | **958,251** | 1,881,553 |
| Additions | **1,616** | 104,269 |
| Disposals | **(136)** | (998,571) |
| Impairment charge (Note 4 (i)) | **(110,000)** | (29,000) |
| **At end of year** | **849,731** | **958,251** |

In January 2014, as part of the internal restructuring of the Group, NCC Group Limited disposed 75% of the share capital of its wholly owned subsidiary First Container Terminal Incorporated ("FCT") to JSC Petrolesport for a consideration of US$997 million, paid interim dividends to the Company amounting to US$772,000 thousand and made a capital reduction for an amount of US$225,000 thousand. The dividends received and the capital reduction were treated as a reduction in the cost of investment in NCC Group Limited.

# NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

## 14 Investments in subsidiaries (continued)

The Company's direct interests in subsidiaries, all of which are unlisted, were as follows:

| Name | Principal activity | Country of incorporation | 2015 % holding | 2014 % holding |
|---|---|---|---|---|
| Arytano Holdings Limited | Holding company | Cyprus | 100 | 100 |
| Intercross Investments B.V. | Holding company | Netherlands | 100 | 100 |
| NCC Pacific Investments Limited | Holding company | Cyprus | 100 | 100 |
| NCC Group Limited | Holding company | Cyprus | 100 | 100 |
| Global Ports Advisory Eesti OU | Consulting company | Estonia | 100 | 100 |
| Global Ports Management OOO* | Management and consulting company | Russia | 100 | 100 |
| Railfleet Holdings Limited** | Holding company | Cyprus | – | 0.05 |

* During 2015, Transportation Advisory OOO was renamed to Global Ports Management OOO.

** Railfleet Holdings Limited is accounted for as a subsidiary because the Company has indirect control, since its subsidiaries hold the remaining shareholding.

The principal activities of the indirect subsidiaries and joint ventures held by the direct subsidiaries listed above, which represent separate CGUs, are the operation of four container terminals in Russia (Petrolesport (PLP), First Container Terminal (FCT), Ust-Luga Container Terminal (ULCT), and Vostochnaya Stevedoring Company (VSC)); a Logistika-Terminal (LT) – inland terminal; and an oil product terminal AS Vopak E.O.S (VEOS). All of the above terminals are 100% subsidiaries except ULCT (a subsidiary which the Group controls 80%) and VEOS (a 50% joint venture).

## 15 Investments in joint ventures

| | 2015 US$000 | 2014 US$000 |
|---|---|---|
| At beginning of year | **94,960** | 143,013 |
| Additions | **117** | 8,559 |
| Impairment charge (Note 4 (i)) | **(108)** | (56,612) |
| **At end of year** | **94,969** | **94,960** |

The Company's interests in joint ventures, all of which are unlisted, are as follows:

| Name | Principal activity | Country of incorporation | 2015 % holding | 2014 % holding |
|---|---|---|---|---|
| CD Holding OY | Holding company | Finland | 75 | 75 |
| Multi-Link Terminals Limited | Holding company | Ireland | 75 | 75 |
| M.L.T Container Logistics Ltd | Holding company | Cyprus | 75 | 75 |

The principal activities of the joint ventures listed above are the operation of two container terminals in Finland, a container terminal in Russia (Moby Dik) and an inland container terminal in Russia (Yanino Logistics Park (YLP)).

## 16 Loans receivable

| | 2015 US$000 | 2014 US$000 |
|---|---|---|
| Non-current | | |
| Loans to related parties (Note 23 (vi)) | **71,866** | 67,931 |
| Current | | |
| Loans to related parties (Note 23 (vi)) | **2,165** | 1,025 |
| Loans to third parties | **174** | 194 |
| | **2,339** | 1,219 |
| **Total** | **74,205** | **69,150** |

## 16 Loans receivable (continued)

All non-current loans receivable are due within five years from the balance sheet date.

The fair values of non-current receivables are as follows:

| | Fair values | |
|---|---|---|
| | 2015<br>US$000 | 2014<br>US$000 |
| Loans to related parties | **71,045** | 67,999 |

The fair values are based on discounted cash flows using a discount rate based upon market interest rates prevailing for similar instruments at the balance sheet date, amounting to 2.48% for Euro loans and 6% for US Dollar loans (2014: 4.5% for Euro loans, 7% for US Dollar loans and 30% for Russian Rouble loans). The discount rate equals the weighted average of external bank borrowings obtained by subsidiaries of the Group plus appropriate margin reflecting the credit rating of the borrower. The fair values are within level 2 of the fair value hierarchy.

The weighted average effective interest rates on loans receivable at the balance sheet date were as follows:

| | 2015<br>% | 2014<br>% |
|---|---|---|
| Loans to related parties | **5.7** | 5.7 |

The carrying amounts of the Company's loans receivable are denominated in the following currencies:

| | 2015<br>US$000 | 2014<br>US$000 |
|---|---|---|
| Euro | **11,772** | 13,300 |
| Russian Rouble | **–** | 905 |
| US Dollar | **62,433** | 54,946 |
| **Total** | **74,205** | **69,151** |

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral as security. None of the loans receivable is either past due or impaired.

## 17 Trade and other receivables

| | 2015<br>US$000 | 2014<br>US$000 |
|---|---|---|
| Dividends receivable from related parties (Note 23 (vii)) | **3,990** | 6,474 |
| Prepayments | **32** | 61 |
| Other debtors | **20** | 32 |
| **Total** | **4,042** | **6,567** |

The fair values of trade and other receivables approximate their carrying amounts. The carrying amount of the Company's trade and other receivables is Euros.

# NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

## 18 Cash and bank balances

| | 2015 US$000 | 2014 US$000 |
|---|---|---|
| Cash at bank | **573** | 2,730 |
| **Total** | **573** | **2,730** |

Cash and cash equivalents are denominated in the following currencies:

| | 2015 US$000 | 2014 US$000 |
|---|---|---|
| Euro | **18** | 2,036 |
| US Dollar | **555** | 694 |
| **Total** | **573** | **2,730** |

### Non-cash transaction
The principal non-cash transactions during the prior year were: (1) the partial settlement of the amount receivable by the Company amounting to US$225,000 thousand from its wholly owned subsidiary NCC Group Limited due to the reduction of the subsidiary's capital with loans due to NCC Group Limited amounting to US$165,064 thousand (Notes 14 and 23(v)); and (2) the netting off of the amount held in escrow account within trade debtors amounting to US$61,100 thousand with the corresponding contingent consideration included in trade payables.

## 19 Share capital, share premium and dividends

| | Share capital US$000 | Share Premium US$000 | Total US$000 |
|---|---|---|---|
| **At 1 January 2014/31 December 2014/31 December 2015** | **57,317** | **923,511** | **980,828** |

### Authorised share capital
On 29 April 2015 the Company increased its authorised share capital from 431,128,048 ordinary shares and 150,457,316 ordinary non-voting shares to 750,000,000 ordinary shares and 1,000,000,000 ordinary non-voting shares with a par value of US$0.10 each.

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

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

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

### Dividends
During the year 2014 the Company has declared dividends in the total amount of US$34,4 million (US$0,06 per share). All dividends were paid during 2014. There were no dividends declared and paid in 2015.

## 20 Trade and other payables

| | 2015 US$000 | 2014 US$000 |
|---|---|---|
| Other payables | **502** | 355 |
| Accrued expenses | **991** | 286 |
| Financial guarantee (Note 23 (ix)) | **–** | 125 |
| **Total** | **1,493** | **766** |

The fair value of trade and other payables which are due within one year approximates their carrying amount at the balance sheet date. The carrying amount of the Company's trade and other payables is Euros.

## 21 Borrowings

| | 2015 US$000 | 2014 US$000 |
|---|---|---|
| Non-current | | |
| **Loans from related parties (Note 23 (v))** | **21,000** | 21,200 |
| | | |
| Maturity of non-current borrowings | | |
| **Between 1 and 2 years** | **21,000** | **21,200** |

The weighted average effective interest rates at the balance sheet date were as follows:

| | 2015 % | 2014 % |
|---|---|---|
| **Loans from subsidiaries (Note 23 (v))** | **5.7** | **5.7** |

The carrying amounts of borrowings approximate their fair value as the impact of discounting is not significant.

The carrying amounts of the Company's borrowing are denominated in US$.

## 22 Contingencies and commitments

### 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 varying interpretations. During 2015 the Russian economy was negatively impacted by decline in oil prices and ongoing political tension in the region and international sanctions against certain Russian companies and individuals.

As a result during 2015:

- the Central Bank of the Russian Federation ("CBRF") exchange rate fluctuated between RUB 49.1777 and RUB 72.8827 per USD and between RUB 52.9087 and RUB 81.1533 per EUR;
- Russia's credit rating was downgraded by Fitch Ratings in January 2015 to BBB-, whilst Standard & Poor's cut it to BB+ and in February 2015 Moody's Investors Service downgraded it to Ba1,
- putting it below investment grade for the first time in a decade. Fitch Ratings still have Russia as investment grade. However, all these rating agencies indicated a negative outlook, meaning further downgrades are possible;
- the RTS stock exchange index fluctuated between 708 points and 1,092 points;
- capital outflows increased compared with prior years;
- bank lending activity decreased as banks are reassessing the business models of their borrowers and their ability to withstand the increased interest and exchange rates; and
- the CBRF key interest rate decreased from 17% p.a. to 11% p.a.

# NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

## 22 Contingencies and commitments (continued)

### Operating environment (continued)

These events may have a further significant impact on the Group's operations and financial position the effect of which is difficult to predict. 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.

Management determined loan impairment provisions using the "incurred loss" model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, including future changes in the economic environment, no matter how likely those future events are. Thus final impairment losses from financial assets could differ significantly from the current level of provisions.

Estonia and Finland represent established market economies with the more stable political systems and developed legislation based on EU directives and regulations.

### Guarantees granted to subsidiaries

Refer to Note 23 (ix) for details of guarantees granted to subsidiaries.

### Commitments

On 23 December 2015 the Company signed a loan agreement with one of its subsidiaries for the provision of a loan amounting to US$2.7 million. The facility was not provided as of 31 December 2015.

## 23 Related party transactions

The Company is jointly controlled by Transportation Investments Holding Limited ("TIHL"), one of Russia's largest privately owned transportation groups, and APM Terminals B.V. ("APM Terminals"), a global port, terminal and inland services operator.

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

The following transactions were carried out with related parties:

### (i) Operating activities

| | 2015 US$000 | 2014 US$000 |
|---|---|---|
| Dividend income: | | |
| Subsidiaries | **–** | 19,239 |
| Joint ventures | **8,381** | 6,733 |
| | **8,381** | 25,972 |
| Interest income: | | |
| Subsidiaries and joint ventures | **2,638** | 4,188 |
| Interest expense: | | |
| Subsidiaries | **1,197** | 5,565 |
| Other gains/(losses) – net : | | |
| Subsidiaries | **125** | 144 |
| Purchase of services: | | |
| Subsidiaries | **268** | 396 |
| Entities under the control of the owners of TIHL and APM Terminals | **630** | 24 |
| | **898** | 420 |

## 23 Related party transactions (continued)

### (ii) Acquisitions/disposals of subsidiaries/joint ventures

| | 2015 US$000 | 2014 US$000 |
|---|---|---|
| Additions/contributions: | | |
| Subsidiaries | **1,616** | 104,268 |
| Joint ventures | **117** | 8,551 |
| | **1,733** | **112,819** |
| Disposals/distributions of equity: | | |
| Subsidiaries | **136** | 998,571 |

### (iii) Key management personnel compensation

The compensation of key management personnel is as follows:

| | 2015 US$000 | 2014 US$000 |
|---|---|---|
| Salaries and other short term employee benefits | **730** | 847 |

### (iv) Directors' remuneration

The total remuneration of the Directors (included in key management personnel compensation above) was as follows:

| | 2015 US$000 | 2014 US$000 |
|---|---|---|
| Fees | **384** | 391 |
| Emoluments in their executive capacity | **346** | 456 |
| | **730** | 847 |

### (v) Borrowings from related parties

| | 2015 US$000 | 2014 US$000 |
|---|---|---|
| Borrowings from subsidiaries: | | |
| At beginning of year | **21,200** | 833,291 |
| Borrowings advanced | **–** | 184,750 |
| Borrowings repaid | **–** | (722,782) |
| Borrowings netted-off | **–** | (165,064) |
| Interest charged (Note 9) | **1,197** | 5,565 |
| Interest repaid | **(1,397)** | (114,560) |
| **At end of the year** | **21,000** | 21,200 |

The borrowings from related parties bear interest at the rate of 5.7%, are unsecured and repayable by January 2018.

# NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

## 23 Related party transactions (continued)

### (vi) Loans to related parties

| | 2015 US$000 | 2014 US$000 |
|---|---|---|
| Loans to subsidiaries: | | |
| At beginning of the year | **66,698** | 69,585 |
| Loans advanced | **5,868** | 17,525 |
| Loans repaid | **(1,390)** | (12,428) |
| Assignment of loans | **–** | (6,492) |
| Interest charged (Note 5) | **2,565** | 3,835 |
| Interest repaid | **(202)** | (2,786) |
| Foreign exchange loss | **(1,120)** | (2,541) |
| **At end of the year (Note 16)** | **72,419** | **66,698** |
| Loans to joint ventures: | | |
| At beginning of the year | **2,259** | 5,505 |
| Assignment of loans | **–** | 6,492 |
| Loans transferred to cost of investment (Note 15) | **–** | (8,551) |
| Loans repaid | **(477)** | (675) |
| Interest charged (Note 5) | **73** | 354 |
| Interest repaid | **(73)** | (118) |
| Foreign exchange loss | **(171)** | (748) |
| **At end of the year (Note 16)** | **1,611** | **2,259** |
| Total loans to related parties: | | |
| At beginning of the year | **68,957** | 75,090 |
| Assignment of loans | **–** | 6,492 |
| Loans netted off | **–** | (6,492) |
| Loans transferred to cost of investment (Note 15) | **–** | (8,551) |
| Loans advanced | **5,868** | 17,525 |
| Loans repaid | **(1,867)** | (13,103) |
| Interest charged | **2,638** | 4,189 |
| Interest repaid | **(275)** | (2,904) |
| Foreign exchange loss | **(1,291)** | (3,289) |
| **At end of the year** | **74,030** | **68,957** |

The loans to related parties bear interest at the rate of 0% to 8%, are unsecured and are repayable by June 2018.

### (vii) Prepayments and other receivables

| | 2015 US$000 | 2014 US$000 |
|---|---|---|
| Dividends receivable (Note 17):<br>Subsidiaries | **3,990** | 6,474 |

### (viii) Other payables

| | 2015 US$000 | 2014 US$000 |
|---|---|---|
| Other payables (Note 20):<br>Subsidiaries | **–** | 125 |
| Entities under the control of the owners of TIHL and APM Terminals | **769** | – |
| | **769** | 125 |

## 23 Related party transactions (continued)

### (ix) Guarantees granted to subsidiaries

During 2013 the Company granted a corporate guarantee covering the non-performance by an indirect subsidiary of the Company in respect of a bank loan with a balance of US$ 238,704 thousand as at 31 December 2015. The guarantee was provided free of charge and is valid for a period of 7 years. The fair value on initial recognition was not recognised as the Board of Directors estimates that the Company's exposure is not significant due to other significant securities, made available by the borrower to the lender.

During 2013 the Company granted a corporate guarantee covering the non-performance by an indirect subsidiary of the Company in respect of a bank loan with a balance of US$ 365,000 as at 31 December 2015. The guarantee was provided free of charge and is valid until March 2018. The fair value on initial recognition was not recognised as the Board of Directors estimates that the Company's exposure is not significant due to other significant securities, made available by the borrower to the lender.

During 2013 the Company granted a corporate guarantee covering the non-performance by an indirect subsidiary of the Company in respect of a bank loan with a balance of US$25,064 thousand as at 31 December 2014. The guarantee was provided free of charge and is valid for a period of 5 years. The fair value on initial recognition was not recognised as the Board of Directors estimates that the Company's exposure is not significant due to other significant securities, made available by the borrower to the lender. In 2015, the corporate guarantee was discharged as the outstanding amount of the loan was fully repaid.

During 2015 the Company granted an irrevocable public offer to purchase bonds with a balance of US$68,497 thousand as at 31 December 2015 issued by an indirect subsidiary of the Company in the event a default occurs in respect of those bonds and an irrevocable guarantee for the cross currency swap arrangement entered into related to the issue of the bonds. The guarantee for the cross currency swap arrangement was provided free of charge and is valid for a period of five years. The fair value on initial recognition was not recognised as the Board of Directors estimates that the effect on the Company's financial statements is not significant.

The likelihood of realising any expenditure to settle any of the above guarantees was not considered probable.

## 24 Events after the balance sheet date

From the end of 2015 there has been increased volatility in currency markets and the Russian Rouble has depreciated significantly against some major currencies. As of the middle of the March 2015 the Russian Rouble has depreciated against the US Dollar from 72.88 as of 31 December 2015 to approximately 72.38 Russian Roubles (0.7% devaluation). For the period from January 2016 to the middle of March 2016 the lowest values of Russian Rouble to US Dollar and the Euro were 85.59 and 91.18 respectively.

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

Independent Auditors' Report is on pages 11 and 12.

# DEFINITIONS AND PRESENTATION OF INFORMATION

## Definitions

Terms that require definitions are marked with capital letters in this announcement and the definitions of which are provided below in alphabetical order.

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

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

***Baltic Sea Basin*** is the geographic region of northwest Russia, Estonia and Finland surrounding the Gulf of Finland on the eastern Baltic Sea, including St. Petersburg, Ust-Luga, Tallinn, Helsinki and Kotka.

***Container Throughput in the Russian Federation Ports*** is defined as total container throughput of the ports located in the Russian Federation, excluding half of cabotage cargo volumes. Respective information is sourced from ASOP ("Association of Sea Commercial Ports", www.morport.com).

***Cash Costs of Sales*** (a non-IFRS financial measure) is defined as cost of sales, adjusted for depreciation and impairment of property, plant and equipment, amortisation and impairment of intangible assets.

***Cash Administrative, Selling and Marketing expenses*** (a non-IFRS financial measure) is defined as administrative, selling and marketing expenses, adjusted for depreciation and impairment of property, plant and equipment, amortisation and impairment of intangible assets.

***CD Holding group consists of Yanino Logistics Park*** (an inland terminal in the vicinity of St. Petersburg), CD Holding and some other entities. The results of CD Holding group are accounted in the Global Ports' financial information using the equity method of accounting.

***Cost of Sales Adjusted For Impairment*** (a non-IFRS financial measure) is calculated as Cost Of Sales plus impairment of property, plant and equipment.

***First Container Terminal (FCT)*** is located in the St. Petersburg harbour, Russia's primary gateway for container cargo. The Global Ports Group owns a 100% effective ownership interest in FCT. The results of FCT are fully consolidated.

***Finnish Ports segment*** consists of two terminals in Finland, MLT Kotka and MLT Helsinki (in the port of Vuosaari), in each of which Container Finance currently has a 25% effective ownership interest. The results of the Finnish Ports segment are accounted in the Global Ports' financial information using the equity method of accounting (proportionate share of net profit shown below EBITDA).

***Free Cash Flow*** is calculated as Net cash from operating activities less Purchase of PPE.

***Functional Currency*** is defined as the currency of the primary economic environment in which the entity operates. The functional currency of the Company and certain other entities in the Global Ports Group is US dollars. The functional currency of the Global Ports Group's operating companies for the years under review was (a) for the Russian Ports segment, the Russian rouble and (b) for the Oil Products Terminal segment and the Finnish Ports segment, the Euro.

***Gross Container Throughput*** represents total container throughput of a Group's terminal or a Group's operating segment shown on a 100% basis. For the Russian Ports segment it excludes the container throughput of the Group's inland container terminals – Yanino and Logistika Terminal.

***Gross Profit Margin*** (a non-IFRS financial measure) is calculated as Gross Profit divided by revenue, expressed as a percentage.

***Logistika Terminal (LT)*** is an inland container terminal providing a comprehensive range of container freight station and dry port services at one location. The terminal is located to the side of the St. Petersburg – Moscow road, approximately 17 kilometres from FCT and operates in the Shushary industrial cluster. The Global Ports Group owns a 100% effective ownership interest in LT. The results of LT are fully consolidated.

***MLT Group*** consists of Moby Dik (a terminal in the vicinity of St. Petersburg) and Multi-Link Terminals Oy (terminal operator in Vuosaari (near Helsinki, Finland) and Kotka, Finland). The results of MLT group are accounted in the Global Ports' financial information using the equity method of accounting (proportionate share of net profit shown below EBITDA).

***Moby Dik (MD)*** is located on the St. Petersburg ring road, approximately 30 kilometres from St. Petersburg, at the entry point of the St. Petersburg channel. It is the only container terminal in Kronstadt. The Global Ports Group owns a 75% effective ownership interest in MD, Container Finance LTD currently has a 25% effective ownership interest. The results of MD are accounted in the Global Ports' financial information using the equity method of accounting (proportionate share of net profit shown below EBITDA).

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

***Oil Products Terminal segment*** consists of the Group's 50% ownership interest in Vopak E.O.S. (in which Royal Vopak currently has a 50% effective ownership interest). The results of the Oil Products Terminal segment are consolidated in the Global Ports' financial information using the equity method of accounting (proportionate share of net profit shown below EBITDA).

***Operating Cash Costs of Russian Ports*** (a non-IFRS measure) is defined as the total of the Russian Ports segment's cost of sales and administrative, selling and marketing expenses, less the segment's depreciation and impairment of property, plant and equipment, less amortisation and impairment of intangible assets.

***Operating Profit Adjusted For Impairment*** (a non-IFRS financial measure) is calculated as Operating Profit plus impairment of property, plant and equipment.

***Petrolesport (PLP)*** is located in the St. Petersburg harbour, Russia's primary gateway for container cargo. The Group owns a 100% effective ownership interest in PLP. The results of PLP are fully consolidated.

***Profit For The Period Adjusted For Impairment*** (a non-IFRS financial measure) is calculated as Profit For The Period plus impairment of property, plant and equipment.

***Ro-Ro, roll on-roll off*** is cargo that can be driven into the belly of a ship rather than lifted aboard. Includes cars, buses, trucks and other vehicles.

***Russian Baltic Basin*** is the geographic region of northwest Russia surrounding the Gulf of Finland on the eastern Baltic Sea, including St. Petersburg and Ust-Luga.

***Russian Far Eastern Basin*** is the geographic region of southeast Russia, surrounding the Peter the Great Gulf, including Vladivostok and the Nakhodka Gulf, including Nakhodka on the Sea of Japan.

***Russian Ports segment*** consists of the Global Ports Group's interests in PLP (100%), VSC (100%), FCT (100%), ULCT (80%) (in which Eurogate currently has a 20% effective ownership interest), Moby Dik (75%), Yanino (75%) (in each of Moby Dik and Yanino Container Finance currently has a 25% effective ownership interest), and Logistika Terminal (100%). The results of Moby Dik and Yanino are accounted in the Global Ports' consolidated financial information using the equity method of accounting (proportionate share of net profit shown below EBITDA).

***TEU*** is defined as twenty-foot equivalent unit, which is the standard container used worldwide as the uniform measure of container capacity; a TEU is 20 feet (6.06 metres) long and eight feet (2.44 metres) wide and tall.

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

***Ust Luga Container Terminal (ULCT)*** is located in the large multi-purpose Ust-Luga port cluster on the Baltic Sea, approximately 100 kilometres westwards from St. Petersburg city ring road. ULCT began operations in December 2011. The Global Ports Group owns an 80% effective ownership interest in ULCT, Eurogate, the international container terminal operator, currently has a 20% effective ownership interest. The results of ULCT are fully consolidated.

***Vopak E.O.S.*** includes AS V.E.O.S. and various other entities (including an intermediate holding) that own and manage an oil products terminal in Muuga port near Tallinn, Estonia. The Group owns a 50% effective ownership interest in Vopak E.O.S. The remaining 50% ownership interest is held by Royal Vopak. The results of Vopak E.O.S. are accounted in the Global Ports' financial information using the equity method of accounting (proportionate share of net profit shown below EBITDA).

***Vostochnaya Stevedoring Company (VSC)*** is located in the deep-water port of Vostochny near Nakhodka on the Russian Pacific coast, approximately eight kilometres from the Nakhodka-Vostochnaya railway station, which is connected to the Trans-Siberian Railway. The Group owns a 100% effective ownership interest in VSC. The results of VSC are fully consolidated.

***Weighted average effective interest rate*** is the average of interest rates weighted by the share of each loan in the total debt portfolio.

***Yanino Logistics Park (YLP)*** is the first terminal in the Group's inland terminal business and is one of only a few multi-purpose container logistics complexes in Russia providing a comprehensive range of container and logistics services at one location. It is located approximately 70 kilometres from the Moby Dik terminal in Kronstadt and approximately 50 kilometres from PLP. The Global Ports Group owns a 75% effective ownership interest in YLP, Container Finance LTD currently has a 25% effective ownership interest. The results of YLP are accounted in the Global Ports' financial information using the equity method of accounting.

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