globalports™

2016

REMAINING COMPETITIVE

Global Ports Investments PLC Annual Report 2016

Global Ports is Russia's leading container terminal operator in terms of throughput and capacity[1].

KEY STRENGTHS

No.1

container terminal operator in Russia

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

Limited CAPEX requirements of USD 25-35 million annually over the next few years due to well invested terminals and available container capacity.

1.1m

TEU Consolidated Marine Container Throughput in 2016

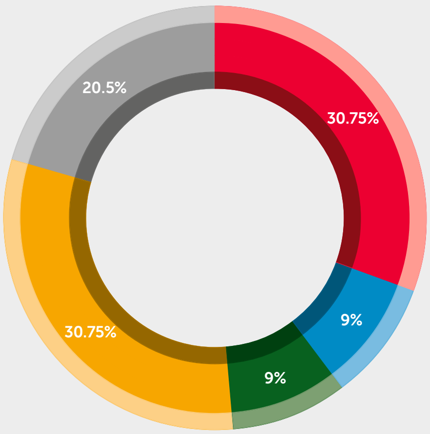
Global Ports handles almost one in three containers coming in and out of the country.

2.2m

tonnes of Consolidated Marine Bulk Throughput in 2016

A record result for the Group. Share of non-container revenue increased from 16% in 2015 to 19% in 2016.

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.

1. Source: ASOP, based on 2016 data.
2. As at 26 April 2017.
3. Former owners of NCC Group Limited.

There were some encouraging indications of growth in the Russian container market in the second half of 2016, although it remained sluggish for the year as a whole. Within this context, Global Ports focused on developing additional revenue streams from other cargoes and improving efficiencies within our business. The Group made significant strides in its continuing deleveraging process with the repayment of nearly USD 400 million in debt since the NCC acquisition in 2013.

Despite current market volatility, Global Ports is well positioned for the future. The Group has fully invested assets, operational skills and a high level of service quality that will ensure we are best placed to capitalise on a future market recovery.

2016 HIGHLIGHTS

39%

reduction in Lost-Time Injury Frequency (LTIF). Global Ports' standards of quality, safety, efficiency and governance place it on a par with international peers

USD178m

Free Cash Flow generated by the Group

67%

increase in Group's Consolidated Bulk Throughput

USD100m

reduction in Group Net Debt in 2016

CONTENTS

The Directors' report and parent company financial statements for the year ended 31 December 2016 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 operational efficiency and Free Cash Flow

In 2016, Global Ports continued to focus on improving operational efficiency, creating new revenue streams, maximising Free Cash Flow and deleveraging against the backdrop of a challenging market environment. The Group generated Free Cash Flow of USD 178 million, reduced its Net Debt by another USD 100 million and increased bulk throughput by 67%.

SELECTED CONSOLIDATED FINANCIAL DATA

INCOME STATEMENT, USDM

	2016	2015	Change	
Revenue	331.5	405.7	-74.2	-18.3%
Cost of sales and administrative, selling and marketing expenses	-222.7	-218.7	-4.0	1.8%
Operating profit	-0.5	184.8	-185.3	-100.3%
Net profit	61.3	-33.7	95.0	-281.9%

SELECTED NON-IFRS FINANCIAL INFORMATION, USDM

	2016	2015	Change	
Total Operating Cash Costs	107.1	114.7	-7.6	-6.6%
Adjusted EBITDA	224.3	291.0	-66.7	-22.9%
Adjusted EBITDA margin	67.7%	71.7%		
Net Debt	947.3	1,047.6	-100.3	-9.6%
Net Debt to Adjusted EBITDA	4.2	3.6	0.6	17.3%
Free Cash Flow	177.8	236.3	-58.5	-24.8%

BALANCE SHEET AND CASH FLOW STATEMENTS, USDM

	2016	2015	Change	
Total assets	1,643.0	1,519.8	123.2	8.1%
Cash and cash equivalents	119.3	123.1	-3.9	-3.1%
Net cash from operating activities	195.8	248.0	-52.2	-21.0%
CAPEX on cash basis	18.0	11.7	6.3	53.4%

SELECTED EVENTS OF THE YEAR

February – September

REFINANCED DEBT PORTFOLIO

The Group successfully refinanced most of its debt portfolio by issuing two USD 350 million Eurobonds in April and September and two tranches of local bonds in February and March. This allowed Global Ports to increase the share of fixed-rate borrowings to almost 100% of its portfolio, extend maturity profile and to increase financial flexibility.

October

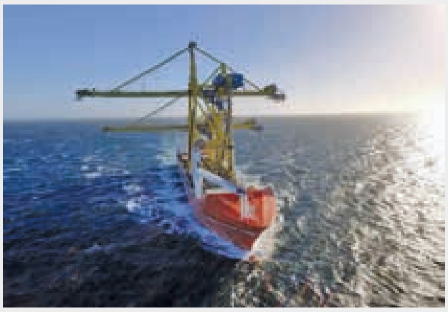
CONTINUED FOCUS ON INCREASING BULK CARGO VOLUMES

As a result, in October the volume of coal handled at VSC exceeded 1 million tonnes. Consolidated Marine Bulk Throughput in 2016 increased by 67%, reaching a record for the Group of 2.21 million tonnes.

October

OPERATIONAL EFFICIENCY

The Group carried out a successful transfer of STS-cranes from the Group's terminal PLP located in St. Petersburg to Nakhodka via the Northern Sea route. This helped to upgrade equipment at VSC with significant CAPEX saving.



GLOBAL PORTS SEGMENT DATA

RUSSIAN PORTS SEGMENT[1]

	2016	2015	Change	
Gross Marine Container Throughput, 000s TEU	1,283.9	1,561.7	-277.7	-17.8%
Gross Container Throughput of inland terminals, 000s TEU	288.9	216.7	72.2	33.3%
Ro-Ro (thousand units)	15.0	13.1	1.9	14.5%
Cars (thousand units)	96.4	100.5	-4.1	-4.1%
Bulk cargo marine (thousand tonnes)	2,236.0	1,364.0	872.0	63.9%
Bulk cargo inland (thousand tonnes)	658.4	581.8	76.6	13.2%
Revenue, USDm	359.7	439.2	-79.5	-18.1%
Adjusted EBITDA, USDm	264.3	337.5	-73.2	-21.7%
Adjusted EBITDA margin, %	73.5%	76.9%		

OIL PRODUCTS TERMINAL SEGMENT[2]

	2016	2015	Change	
Oil products gross throughput (million tonnes)	2.6	4.9	-2.3	-47.3%
Revenue, USDm	59.0	86.3	-27.3	-31.7%
Adjusted EBITDA, USDm	18.6	32.4	-13.8	-42.5%
Adjusted EBITDA margin, %	31.6%	37.6%		

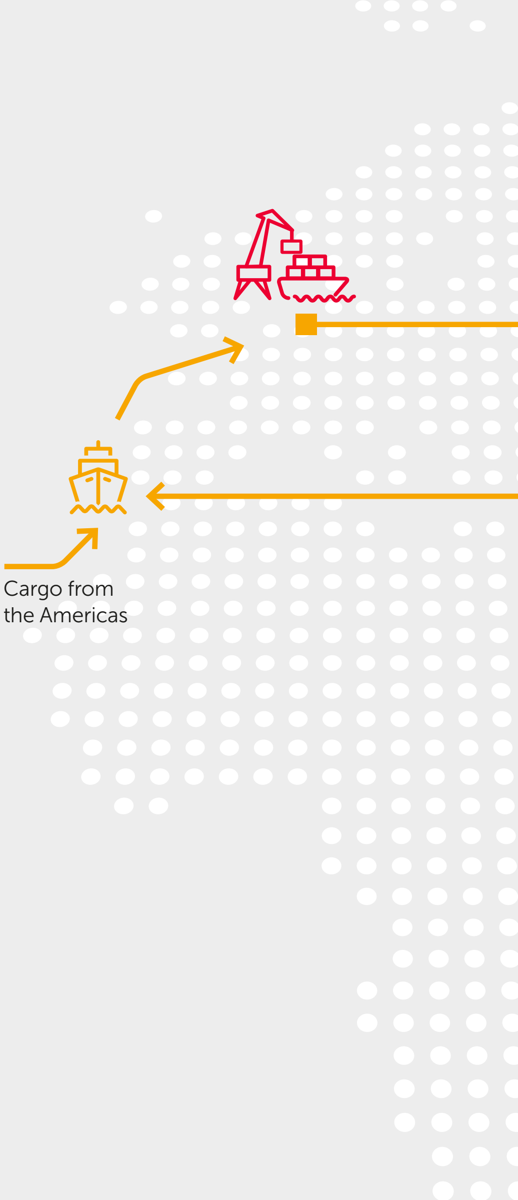
FINNISH PORTS SEGMENT[3]

	2016	2015	Change	
Gross Container Throughput, 000s	187.5	272.3	-84.8	-31.1%
Revenue, USDm	12.9	19.6	-6.7	-34.1%
Adjusted EBITDA, USDm	1.5	4.0	-2.5	-62.2%
Adjusted EBITDA margin, %	11.6%	20.2%		

1 The Russian Ports segment consists of the Global Ports' interests in PLP (100%), VSC (100%), FCT (100%), ULCT (80%), Moby Dik (75%), Yanino (75%), and Logistika Terminal (100%). The results of Moby Dik and Yanino are accounted for in the Global Ports' consolidated financial statements using an equity method of accounting, but are included in the figures below on a 100% basis.
2 The Oil Products Terminal segment consists of the Global Ports' interest in Vopak E.O.S (50%). The results of the Oil Products Terminal segment are accounted for in the Global Ports' consolidated financial statements using an equity method of accounting, but are included in the figures below on a 100% basis.
3 The Finnish Ports segment consists of the Global Ports' ownership interests in MLT Kotka and MLT Helsinki (75% in each). The results of the Finnish Ports segment are accounted for in the Global Ports' consolidated financial statements using an equity method of accounting, but are included in the figures below on a 100% basis.

Strong presence in Russia's key container gateways

Global Ports is one of the leading container operators in Russia's two main sea cargo basins. Our efficient, well-invested terminals provide for low CAPEX requirements and high cashflow generation.



OUR CONTAINER TERMINALS

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.

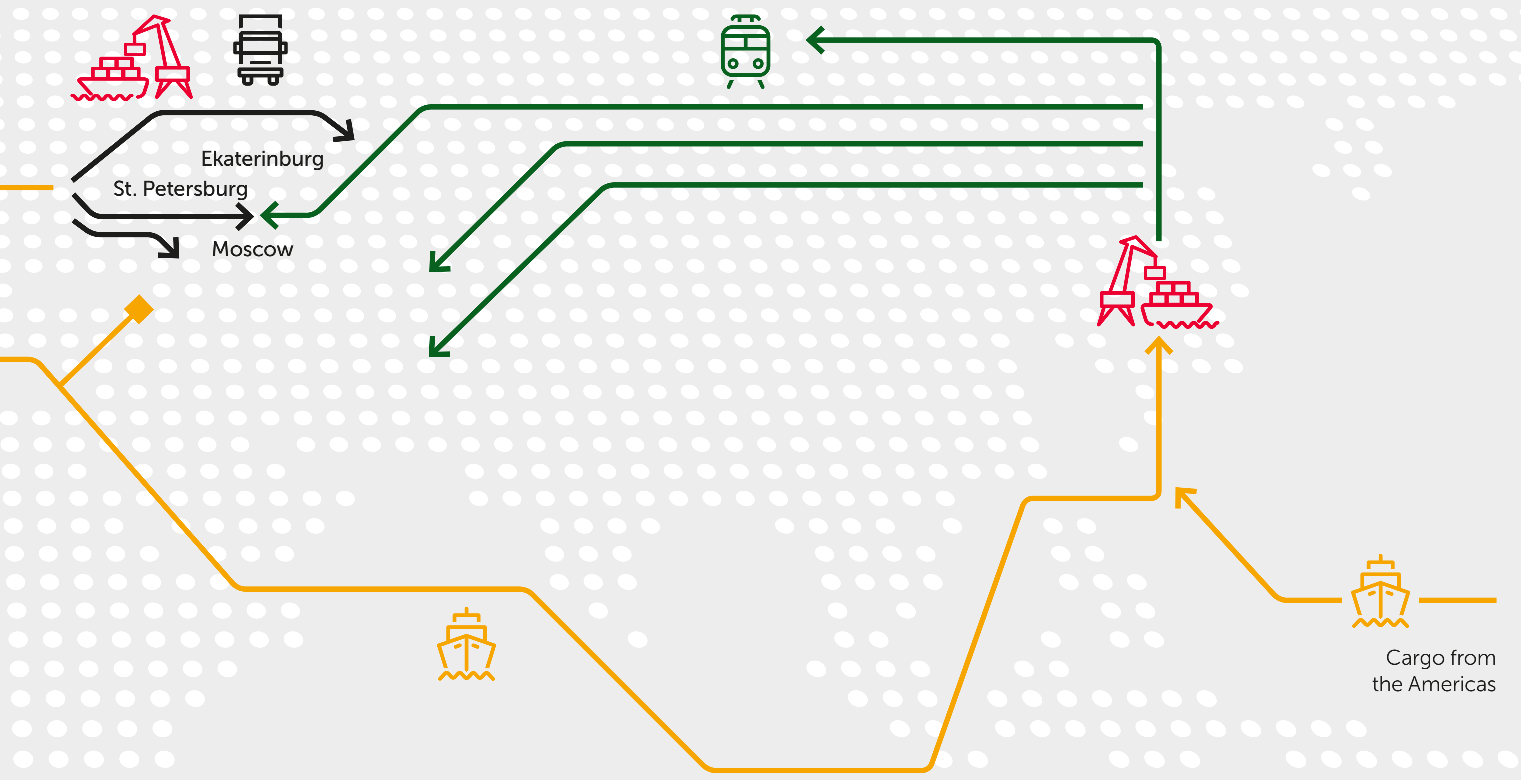
53%
Share of Baltic Basin terminals in the overall container throughput of Russian terminals

3.5MTEU
Global Ports marine terminal capacity

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.

27%
Share of Far East Basin terminals in the overall container throughput of Russian terminals

0.65MTEU
Global Ports marine terminal capacity



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.

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	150k TEUs per year	75%
9	MLT Helsinki			270k TEUs per year	
10	Vopak E.O.S.	Tallinn, Estonia	Oil products	1,026k storage capacity cbm	50%

OUR PARTNERS:

Entity: Vopak E.O.S.
Partner: Royal Vopak
Share: 50%

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

Entity: UCLT
Partner: Eurogate
Share: 20%

02

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 2016, Global Ports continued to focus on developing additional revenue streams and operational efficiency, Free Cash Flow generation and deleveraging. As a result of these actions, the Group's Adjusted EBITDA was USD 224 million with a healthy Adjusted EBITDA margin of 68% and strong Free Cash Flow of USD 178 million. The Group decreased its Total Debt by a further USD 104 million over the period.

STRATEGIC REPORT

Management in a challenging environment

Looking back at 2016, it is fair to say that it was another challenging year. It required us to keep our focus on delivering for our stakeholders and we did that.

Based on the strong platform developed in previous years, we again provided a top quality service for our customers, created an even safer workplace for our employees, and achieved strong cash flow and deleveraged against a backdrop of significant industry overcapacity.

We were pleased to observe a year-on-year increase in market growth of around 11% in the first quarter this year. Whether there is a further evolution in market volumes will depend on the strength of the macroeconomic recovery. Our strong asset base and high level of efficiency are truly key strengths in the current environment and will see us through. The Board of Directors fully supports management as they execute our strategy, building on the strength of our asset base and our operating expertise in order to deliver strong free cash flows and deleverage the business.

NEW FACES

Having been elected as the member of the Board of Directors in February 2017 and its Chairman just a few weeks ago, I am honoured to have the opportunity to lead a hugely talented international Board and Executive Management team. On behalf of APM Terminals, where I have overseen a portfolio of about 20 ports at any one time, I can truly say that we view Global Ports and the Russian market as having some of the greatest long-term growth potential in our worldwide portfolio. I look forward to working with the company to realise this potential in the months and years to come.

Let me also say, on behalf of the Board, that we are delighted to welcome Mikhail Loganov as the new Chief Executive Officer as of March 2017. He has been an excellent Chief Financial Officer and has almost a decade of experience at Global Ports, bringing deep experience, inside knowledge and healthy continuity of management. We are fortunate to have such talent and depth of knowledge available to us and I am confident that he and his team will ensure that our business remains centred on pursuing our strategy and on creating long-term value for our stakeholders.

SOLID FOUNDATIONS

The underlying fundamentals of our business are strong. Global Ports owns almost two-thirds of its terminal land plots. We have invested significantly in our terminals in previous years, which means we have opportunity to control our near-term CAPEX requirements, allowing us to free up cash flow without compromising our service offering. Importantly, our business has been built with a long-term vision. Our sites form a core part of Russia's transport infrastructure and they will continue to be operating in decades to come, outliving any short-term market turbulence. Russia's level of containerisation remains low compared to global peers and we are convinced of its long-term growth potential. Today, capacity utilisation is low across the sector and the economic cycle has been unsupportive. But as growth returns, we will be able to benefit from it without the need for extensive investment.

FOCUS ON SAFETY

Our ability to deliver solid results is due in no small part to the commitment of our employees. So keeping them safe is our highest priority. Our continued investment in safety measures has delivered steady improvements. Last year our Lost-Time Injury Frequency rate decreased 39%, something I view as a great progress. We have also delivered improvements in several key risk areas including traffic and working at heights. While we already meet strict international standards, we are committed to continual improvements in order to make sure Global Ports is the undisputed safety leader in Russia.

Note: In April 2017 Mr. Peder Sondergaard succeeded Mr. Tiemen Meester, who was the Company's Chairman from December 2014 and who left the Board in February 2017.

STRONG CORPORATE GOVERNANCE

Another strength of our company is the stability and commitment of our two co-controlling shareholders who have unparalleled business reputations and, with their equal stakes (30.75%), ensure a balanced governance model. Our listing on the London Stock Exchange means that the Group conforms to the highest international standards in terms of transparency. At the same time, we remain committed to a dialogue with all our stakeholders and, following the issuance of domestic and Eurobonds in the last two years, have welcomed the addition of bondholders to this group. As Chairman, I am confident that our Board, with highly experienced members, including two strong independent directors, is well positioned to guide the company through the current environment.

DELEVERAGING

In 2016, we have made important progress in deleveraging. We substantially refinanced our debt portfolio by entering the public debt market. Our debt portfolio is now well diversified by sources of financing and almost entirely fixed rate. While our leverage ratios entering 2017 are comfortable, the shareholders support continued diversion of cash flow to continue to reduce our debt burden.

OUTLOOK

It has been a deeply challenging year for the Russian market, and while we are satisfied with our performance in this context, we have not been immune to the impact of these external factors. Nonetheless, our strategy remains unchanged. In this period, where there is strong pressure on prices, we will not just remain vigilant on costs but importantly, we will continue to differentiate ourselves by the quality of service we can provide. We are known as a high-quality operator in this market. Safeguarding this reputation is paramount as we believe this is the factor that will count most when the market recovers and excess capacity falls.

We foresee a gradual market recovery, if there is further and sufficient macroeconomic development. We are very much convinced of the potential of the Russian market over the longer term due to the inevitability of growth in containerisation given the current low levels, the rise in export containerisation, and the prospect of a turn in the economic cycle. All of these trends underpin our strong belief in a promising future for Russia's container market and our business.

Peder Sondergaard
Chairman
26 April 2017

Financial prudence yields results

Despite the unfavourable economic and sector backdrop, Global Ports managed to deliver strong cash generation.

I want to thank the team at Global Ports for their hard work and professionalism throughout 2016. While I have only recently been appointed as Chief Executive Officer[1], I have been with the company for almost a decade in various roles, including as Chief Financial Officer since 2013. I also strongly believe that, despite the wider economic and industry backdrop, Global Ports is well placed to leverage its key strengths. In doing so, we are inspired to deliver best in class service.

In 2016, against a backdrop of market volatility, the team continued to deliver operational efficiency while effectively managing costs to preserve margins and enhance cash flow. This allowed Global Ports to generate strong free cash flow and use it for further deleveraging.

MARKET OVERVIEW

While the Russian container market increased 1% overall in 2016, a sharp decline in the first half of 2016 was followed by an increase of 3.8% year-on-year during the second half, as the container market turned positive. Capacity utilisation across the industry remained below 50% over the period, which led to an increase in pricing pressure, particularly from low quality service providers.

Although the market backdrop remains challenging, following the return to growth seen in the second half, there have been some further signs of improvement in the container market since the end of the year, with growth in the first quarter of 2017 reaching 11%. Still, overall visibility remains low and further recovery depends largely on macroeconomic developments.

Therefore, we will continue to focus on our strengths so that we maximise our performance in difficult market conditions, including taking a disciplined and sustained approach to deliver premium quality container terminal services in key gateways to Russia.

OPERATIONAL RESULTS

In line with challenging market conditions, the Group's Consolidated Marine Container Throughput declined 19% to 1,128 thousand TEUs. Throughout the year, the Group focused on delivering further operational efficiencies by analysing processes and capabilities in the business. We have elaborated a clear roadmap for the coming years to derive additional efficiencies from our business through further centralisation, improvement of IT and operational improvements. A testament to the team's ability to use existing resources creatively was the shipment of the cranes from the St. Petersburg terminals to Nakhodka in the Far East to better deploy resources within the group and to achieve savings in capital expenditures.

In order to better utilise our assets during a time of container market weakness, we focussed on creating new revenue streams in our business. We focused on increasing bulk cargo volumes, with Consolidated Marine Bulk Throughput increasing by 884 thousand tonnes or 67% in 2016 to a record level of 2,210, compared to 1,326 thousand tonnes in 2015. This was mainly due to an increase in the export of coal and scrap metal. The Group also increased its inland handling volumes.

Note: In March 2017 Mr. Mikhail Loganov replaced Mr. Vladislav Baumgertner, who was the Company's CEO from August 2015.

1 Of Global Ports Management, LLC

While these additional revenue streams are not decisive in terms of overall revenue, they do help to use spare space at terminals. This said, we continue to believe in the long-term potential of the Russian container market, given the low rate of containerisation of imports and exports and the likely benefits from a potential market recovery.

FINANCIAL RESULTS

Despite the unfavourable economic and sector backdrop, Global Ports managed to deliver strong cash generation and to support its good margins. Disciplined cost management and a commercial approach meant that in 2016 the Group achieved Adjusted EBITDA of USD 224 million, as revenue declined 18%. This, combined with an ability to keep CAPEX requirements to a minimum, supported strong Free Cash Flow generation, which reached USD 178 million. Global Ports continued its commitment to deleverage, reducing its Net Debt by USD 100 million last year and by over USD 400 million since the NCC acquisition more than three years ago.

In 2016, the Group also took another step in its strategy to further diversify its sources of funding through the successful issue of local and Eurobonds. The proceeds from the offerings were used for the repayment of existing indebtedness of the Group. We are also pleased to welcome a new class of international investors – bondholders.

SAFETY

Safety remains our number-one priority – we are committed to being Russia's leader in port safety and meeting or exceeding benchmarks set by our international peers. For instance, we have delivered improvements in several key risk areas including traffic and working at heights, resulting in an increase to 95% in our Global Minimum Requirement compliance, up from 76% a year ago.

FAS RULING

Against this financial and operational background, I would like to update you on an investigation launched in June 2016 by the Russian Federal Antimonopoly Service (FAS). The FAS has issued an order finding several entities, including the Group's FCT, VSC and PLP terminals, in breach of antimonopoly laws in relation to the pricing of stevedoring services in Russian ports and as a result has imposed substantial penalties and remedies, which, if enforced, could have a significant impact on our container handling charges.

Global Ports believes that it has behaved appropriately in relation to competition regulation and intends to challenge the finding in court. While court proceedings are ongoing, the FAS decision will not be enforced. Global Ports has always offered market-driven, competitive prices for its services in a market with significant available capacity. Since the beginning of the year, Global Ports has provided its clients with additional commercial initiatives as well as introduced rouble-based pricing for services offered to Russian freight forwarders. We intend to keep all stakeholders informed on the proceedings.

OUTLOOK

There are some early indicators of an improvement in the macro economic environment and consumer sentiment in Russia. After 21 months of decline, we began to see gradual growth in the market in May 2016, which culminated in a year-on-year increase of around 11% in the first quarter of this year. In order to seek to benefit from this market growth by stimulating handling volumes, we introduced further pricing initiatives at the start of 2017, more than in the previous periods. This combined with the significant overcapacity in the market, and the resulting price pressure, means we anticipate declines in revenues per TEU approaching double-digit figures in 2017.

Still, we are confident that, as the market leader, we will be able to leverage our core strengths of superb terminal facilities, operational efficiency and customer service. We understand this is a challenging time and that we need to continue to run our business in the most efficient way. We will continue to deleverage while remaining on the lookout for new opportunities to create additional revenue streams. There is no doubt that these are difficult years, but as a result we have become a nimbler and more efficient company based on stronger foundations for the years to come.

Mikhail Loganov
Chief Executive Officer
26 April 2017

Signs of recovery in imports and rapidly growing containerised exports

WEAK IMPORTS

The dynamic of the Russian container market greatly depends at present on import volumes and the ability of Russian consumers to buy imported products.

Therefore, it is not surprising that in 2015 the steep devaluation of the rouble and growth in inflation was followed by a 26% decline in the Russian container market. This trend continued into early 2016: in the first quarter, the Russian container market contracted 5% compared to same quarter in 2015.

At the beginning of the second quarter, following the gradual and cautious improvement of consumer sentiment volumes in the Russian container market stopped falling. Due to the low baseline of 2015, the market was able to return to positive territory in the second quarter. In full year 2016, the container market remained practically at the level of 2015: throughput at ports in the Russian Federation reached 3.8 million TEU, a 1% increase compared to 2015.

Laden imports accounted for around 41% of the market (1.55 million TEU) in 2016, falling 1% compared to 2015.

FAST-GROWING EXPORTS

The active containerisation of Russian exports continues. This process received an additional stimulus in 2015 and 2016 following the devaluation of the rouble. In 2016, the throughput volumes of laden export grew by 13%, amounting to 28% of the market. In total, 1.05 million laden TEU left Russia, a figure 36% higher than three years ago, in 2013. In 2016, almost eight out of 10 containers leaving Russia at the Big Port of St. Petersburg and Ust-Luga were full of goods, while just three years ago, only four out of 10 containers were full.

The containerisation of goods such as paper, pulp, wood, lumber and non-ferrous metals is not just continuing but retains retains further potential for growth.

RAPID GROWTH OF IMPORTS OF EMPTY CONTAINERS TO SUPPORT EXPORTS

While today around two out of 10 containers leave the North West region empty, required empty containers are often unavailable at the right time and place for exporters. Frequently, it is more efficient to import an empty container rather than trying to source them across the country. As a result, growing containerised export is driving demand for imports of empty containers. The shortfall in empty containers for export is further exacerbated by the fact that a portion of imported containers are refrigerated for food products such as meat, fish, vegetables and fruit. Only an insignificant share of these containers can then be used for further export shipments.

In 2016, Russian ports handled 122 thousand TEU of empty import containers, 1.7 times greater than in 2015 and seven times greater than the 2014 level. The throughput of empty containers at Russian ports exceeded 7% of the total throughput of imported containers. From a marginal phenomenon, the import of empty containers has become a promising market segment. Without the growth of imported containers, the dynamic of the Russian market would have been negative in 2016.

The Southern Basin and Baltic basins accounted for the primary volume of imports of empty containers.

THE BALTIC CONTINUES TO LEAD

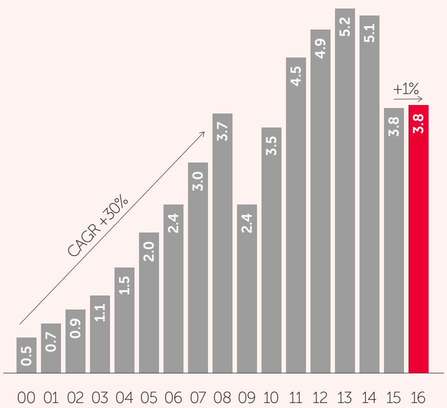
The Baltic basin continues to be the primary container gateway to Russia: in total, the ports of St. Petersburg, Ust-Luga and Kaliningrad accounted for 53% of the total volume of maritime throughput of containers in Russia. The ports of the Far East accounted for 27% of throughput and Black Sea terminals accounted for 17%.

OUTLOOK

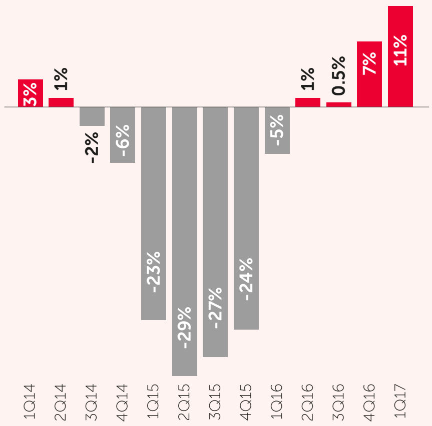
After positive results in the second half of 2016, we see recovery in the Russian container market with 11% growth in the first quarter of 2017. But it is premature to talk about a return to pre-crisis volumes. The market is sufficiently volatile and for now strongly depends on the sentiment of Russian consumers and their ability to purchase imported goods.

Furthermore, we see a rather low utilisation rate of container terminals (under 50%), which indicates that competition will remain high.

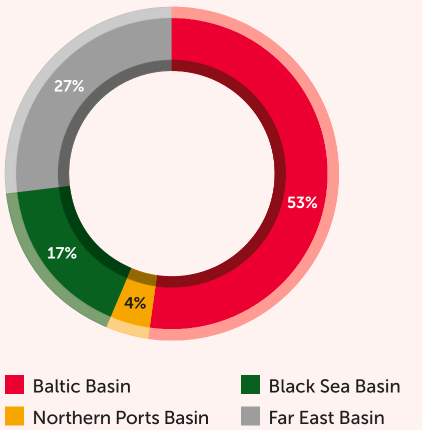
RUSSIAN CONTAINER MARKET VOLUMES, MILLION TEU



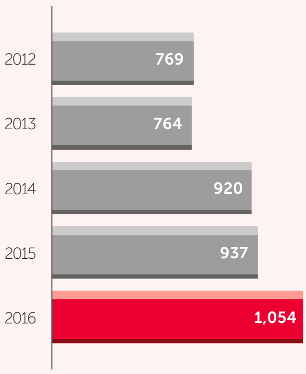
RUSSIAN CONTAINER MARKET QUARTERLY DYNAMICS



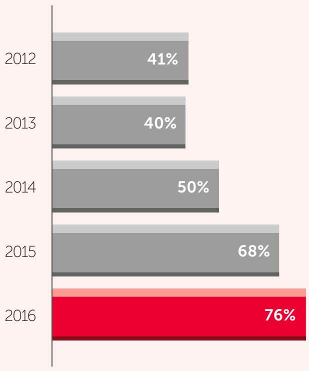
RUSSIAN CONTAINER MARKET VOLUMES BY BASIN, 2016



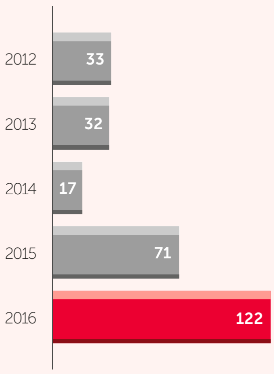
LADEN EXPORT CONTAINER THROUGHPUT, K TEU



SHARE OF LADEN EXPORT CONTAINER THROUGHPUT IN ST. PETERSBURG (AND AREA)



IMPORTS OF EMPTY CONTAINERS, K TEU



Focus on strategic priorities

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

STRATEGIC PRIORITIES	STRATEGIC OBJECTIVES	ACTIONS IN 2016
FULLY UTILISE CORE ASSETS AND EXISTING INFRASTRUCTURE	– Prioritise safety operations – Focus on core (maritime) activity – Maximise value from assets – Generate new revenue streams	– Conducted design reviews and two safety audits at all terminals – Focused on bulk cargoes to better utilise terminal space – Optimised the equipment portfolio
MAXIMISE EFFICIENCY AND COST CONTROL	– Scrutinise all expenses and processes – Focus on greater productivity	– Optimised workforce – Reviewed costs – Pursued operating efficiency initiatives
FOCUS ON CASH FLOW AND DEBT REPAYMENT	– Optimise CAPEX, supported by well invested terminals – Preserve cash where possible – Use Free Cash Flow to repay debt	– Revised CAPEX – Generated cash flow – Repaid and optimised debt

globalports

RESULTS IN 2016

- Lost-time injury frequency (LTIF) reduced by 39% to a factor of 1.16
- Roll-out of additional safety improvements and standards, such as contractor safety and Lock-Out Tag-Out[1]
- Increased our global minimum requirements compliance to 95% across all terminals, from 76% last year
- Handled 2.1 million tonnes of bulk cargo, up 68% year-on-year and representing a record level in the Group's history

+68%

Increase in bulk throughput

- Cut Total Operating Cash Costs in USD by 7% year-on-year, Adjusted EBITDA margin remained at high level of 68%
- Streamlined headcount by 9% year-on-year, optimised outsourcing
- Decreased operating peaks, optimised maintenance, centralised procurement and reduced transport outsourcing

-7%

Decrease in operating cash cost

- CAPEX of USD 18 million, below guidance of USD 25-35 million for the next few years
- Every CAPEX item scrutinised - two STS cranes were relocated from PLP (St. Petersburg) to VSC (Nakhodka) instead of buying new equipment
- Generated Free Cash Flow of USD 178 million
- Decreased Net Debt by approximately USD 100 million
- Issued Eurobonds and local bonds swapped to dollars to refinance existing debt

USD 178m

Free Cash Flow generated

1 A safety procedure which is used in industry settings to ensure that dangerous machines are properly shut off and not able to be started up again prior to the completion of maintenance/servicing work.

Remaining competitive in a challenging environment

While we began to see some encouraging signs starting in the second half of 2016, the Russian container market remained sluggish for the year as a whole. Within this context we focused on developing additional revenue streams from other cargoes as well as improving efficiencies within our business. While these other cargoes represent a minor part of our business, it is noteworthy that our handling volumes of bulk increased 67% last year. We have further thoroughly analysed our business processes and drawn a clear roadmap to achieving additional efficiency gains in our operations going forward.

The Group successfully continued the deleveraging process with the repayment of nearly USD 400 million* in debt since the NCC acquisition in 2013, which is a testament to the Group's ability to generate cash even in difficult markets. Through the issuance of local bonds and Eurobonds we have been able to hedge a large part of our interest rate risk and increase the Group's financial flexibility while extending our debt maturity profile.

There are some early signs of improvement in both consumer sentiment and the broader macro-economic environment in Russia. After 21 months of decline, we began to see gradual market growth starting last May, which reached around 11% in the first quarter of 2017 year-on-year. In order to stimulate handling volumes so as to benefit from this market growth, we introduced significantly more pricing initiatives in the start of 2017 than in prior periods. Given this and the intensifying pressure on prices as a result of the high level of unutilised capacity in the market, we currently anticipate declines in our revenues per TEU moving from an approximately 3%[1] decline last year toward a double-digit decline over the current year.

Global Ports' well invested assets, operational skills and high service quality will ensure that we are positioned to capitalise on any ongoing market recovery.

Global Ports' Consolidated Marine Container Throughput declined 19%* in 2016 to 1,128 thousand TEU* largely driven by the disciplined commercial strategy of the Group against a backdrop of growing competition and low capacity utilisation rates[2] in the Russian container industry. Global Ports' Consolidated Marine Container Throughput volumes in the second half of 2016 decreased by 3.6% compared to the first half of 2016.

In the reporting period, the Group continued to focus on developing additional revenue streams, improving operational efficiency, Free Cash Flow generation and deleveraging. As a result of these actions, Global Ports' Adjusted EBITDA was USD 224.3 million* with a healthy Adjusted EBITDA margin of 67.7%* and strong Free Cash Flow of USD 178 million*. The Group decreased its Total Debt[3] by a further USD 104.2 million* over the period.

GROUP FINANCIAL AND OPERATIONAL HIGHLIGHTS FOR 2016

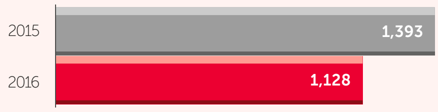
- The Russian container market turned from negative in the first half of 2016 (-1.9% year-on-year) to positive in the second half of 2016 (+3.8% year-on-year). This resulted in a 1% year-on-year increase overall in 2016. Total container throughput in the Russian container market for 2016 was 3.8 million TEU, while capacity utilisation across the industry remained below 50%.
- The Group's Consolidated Marine Container Throughput declined 19%* to 1,128 thousand TEU* in 2016 compared to 1,393 thousand TEU* in 2015. The decline in throughput was largely driven by the Group's focus on providing a premium quality service and maintaining a disciplined commercial strategy during the period against a backdrop of increasing competition in a market with low capacity utilisation.
- In order to improve utilisation of available space at its terminals, the Group continued to focus on increasing bulk cargo volumes in 2016. As a result, Consolidated Marine Bulk Throughput in 2016 increased by 884 thousand tonnes*, or 66.7%*, reaching a record for the Group of 2.21 million tonnes*, compared to 1.32 million tonnes* in 2015.
- Consolidated Inland Container Throughput increased 58.4%* year-on-year to 174 thousand TEU* in 2016, due to ongoing containerisation in Russia and the Group's efforts to attract container volumes for exporting cargoes out of Russia.
- Consolidated Inland Bulk Throughput increased 11.1% in 2016, to 304 thousand tonnes*, compared to 273 thousand tonnes* in 2015.
- Revenue in 2016 was 18.3% lower than in 2015 at USD 331.5 million while full-year Adjusted EBITDA declined 22.9%* to USD 224.3 million*, mainly due to lower container throughput and a 2.4% decrease in average

1 For Russian Ports Segment.
2 Capacity utilisation rate is defined as container throughput in the corresponding period divided by container handling capacity for the period; Source: Drewry, ASOP, Company data, open sources.
3 Including derivative financial instruments used for economic hedging of the Group's borrowings.

revenue per TEU[4], which was partially offset by growth in other cargo throughput.
- The Group's capital expenditures on a cash basis amounted to USD 18.0 million in 2016, well below the USD 25-35 million guidance provided. The low level of CAPEX was achieved without compromising service quality, reliability or the safety of operations at the Group's already well invested terminals.
- Free Cash Flow remained at a high level, with USD 178 million* generated during the period, although this was 24.8%* below what was generated in 2015. This decline was primarily due to a decrease in cash generated from operations.
- The Group continued to focus on deleveraging: Net Debt[5] was reduced by USD 100.3 million* in 2016. The Group decreased its Total Debt by USD 104.2 million* over the period with Total Debt down nearly USD 400 million* since the NCC Group acquisition at the end of 2013.
- The Group successfully refinanced most of its debt portfolio by issuing a USD 350 million Eurobond due January 2022, a USD 350 million Eurobond due September 2023 and three five-year tranches of Russian rouble-denominated bonds swapped to USD for an aggregate amount of approximately USD 209 million*. This allowed Global Ports to extend its maturity profile, as well as increase the share of fixed-rate borrowings to almost 100%* of its portfolio.
- In line with statements made in March 2015, the Group continues to prioritise deleveraging over dividend distribution.

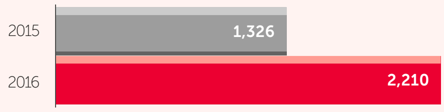
CONSOLIDATED MARINE CONTAINER THROUGHPUT (THOUSAND TEUS)

-19%



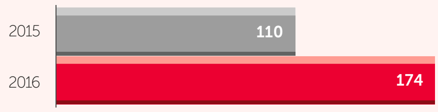
CONSOLIDATED MARINE BULK THROUGHPUT (THOUSAND TONNES)

+67%



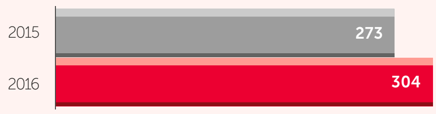
CONSOLIDATED INLAND CONTAINER THROUGHPUT (THOUSAND TEUS)

+58%



CONSOLIDATED INLAND BULK THROUGHPUT (THOUSAND TONNES)

+11%

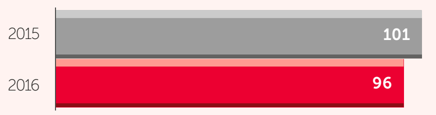


RO-RO (THOUSAND UNITS)

+14%

CARS (THOUSAND UNITS)

-4.6%



RESULTS OF OPERATIONS FOR GLOBAL PORTS FOR THE 12 MONTHS ENDED 31 DECEMBER 2016

Operating information

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

			Change	
	2016	2015	Abs	%
Marine Terminals				
Containerised cargo (thousand TEUs)				
PLP	**265**	376	(111.7)	(29.7%)
VSC	**301**	353	(51.9)	(14.7%)
Moby Dik	**155**	169	(13.3)	(7.9%)
FCT	**480**	578	(97.1)	(16.8%)
ULCT	**82**	86	(3.7)	(4.3%)
Finnish Ports	**188**	272	(84.8)	(31.1%)
Non-containerised cargo				
Ro-Ro (thousand units)	**15.0**	13.1	1.9	14.4%
Cars (thousand units)	**96.4**	100.5	(4.1)	(4.1%)
Other bulk cargo (thousand tonnes)	**2,236**	1,364	871.9	63.9%
Inland Terminals				
Yanino				
Containerised cargo (thousand TEUs)	**115**	107	8.0	7.5%
Bulk cargo throughput (thousand tonnes)	**354.7**	308.5	46.2	15.0%
LT				
Containerised cargo (thousand TEUs)	**174**	110	64.2	58.4%
Bulk cargo throughput (thousand tonnes)	**303.7**	273.2	30.4	11.1%
VEOS (million tonnes)	**2.6**	4.9	(2.3)	(47.1%)
Total marine container throughput (thousand TEUs)	**1,471**	1,834	(362.5)	(19.8%)
Total marine container throughput in Russia (thousand TEUs)	**1,284**	1,562	(277.7)	(17.8%)
Consolidated Marine Container Throughput (thousand TEUs)	**1,128**	1,393	(264.4)	(19.0%)
Consolidated Inland Container Throughput (thousand TEUs)	**174**	110	64.2	58.4%
Consolidated Marine Bulk Throughput (thousand tonnes)	**2,210**	1,326	884	66.7%
Consolidated Inland Bulk Throughput (thousand tonnes)	**303.7**	273.2	30	11.1%

4 On a consolidated basis.
5 Including derivative financial instruments used for economic hedge of the Group's borrowings.

The Russian container market in the second half of 2016 demonstrated signs of gradual recovery: after a 1.9% year-on-year decline in the first half of 2016, the market rose 3.8% year-on-year in the second half of 2016, resulting in an overall 1% increase in throughput at container terminals in Russia in 2016 compared to 2015.

The throughput of laden export containers at Russian container terminals continued its rapid growth in 2016, mainly due to the greater use of containers in Russia and increased exports driven by the depreciation of the Russian rouble.

Containerised exports in 2016 amounted to 1,054 thousand of laden TEU which represents growth of 12.5% compared to 2015. Approximately 122 thousand TEUs of empty containers were imported into Russia in 2016 to support laden export, which is 1.7 times more than in 2015. The import of empty containers represented 7.5% of total import volumes in 2016 and contributed to overall container throughput volumes.

The growth of throughput in the Russian Baltic Basin in 2016 was 1.5% year-on-year. The throughput in the Russian Far Eastern Basin, where one of the Group's marine terminals is located, declined 3.2% in 2016.

The Group's Consolidated Marine Container Throughput decreased 19.0%, to 1,128 thousand TEU in 2016, compared to 1,393 thousand TEU in 2015. The decline in throughput was largely driven by increased competition on the market with low capacity utilisation rates, as well as the Group's commercial strategy of focusing on maintaining pricing discipline.

The Group's car handling volumes decreased in 2016 by 4.6% to 96 thousand cars, compared to 101 thousand cars 2015 as a 17.8% year-on-year decline in car throughput in the first half of 2016 was partially offset by 12.1% year-on-year growth in the second half of the reporting period.

Traditional Ro-Ro handling increased 14.4% to 15 thousand units in 2016, from 13.1 thousand units in 2015.

In order to improve the utilisation of the available space at its terminals the Group continued to focus on increasing bulk cargo volumes in its terminals in 2016. As a result, Consolidated Marine Bulk Throughput increased in 2016 by 884 thousand tonnes, or 66.7%, to 2,210 thousand tonnes, a record level in the Group's history, compared to 1,326 thousand tonnes in 2015. The growth in Consolidated Marine Bulk Throughput was primarily driven by the growth in export coal handling at VSC as well as growth in scrap metal and other export bulk cargo handling at PLP. In response to high demand for coal handling services and as a part of the original plan to bring coal handing capacity at VSC to 3 million tonnes, the Group is increasing its handling capacity of coal from 1.0 million tonnes in 2015 to c.2.5 million tonnes of coal before the end of 2017.

Consolidated Inland Container Throughput increased 58.4% year-on-year to 174 thousand TEU in 2016, due to the ongoing containerisation in Russia and increased use of containers for exporting cargoes out of Russia.

RESULTS OF OPERATIONS OF GLOBAL PORTS FOR THE 12-MONTH PERIOD ENDED 31 DECEMBER 2016 AND 31 DECEMBER 2015

The following table sets out the principal components of the Group's consolidated income statement and certain additional non-IFRS data of the Group for the 12 months ended 31 December 2015 and 2016.

	2016	2015	Change	
	USD million	USD million	USD million	%
Selected consolidated financial information				
Revenue	**331.5**	405.7	(74.2)	(18.3%)
Cost of sales	**(186.1)**	(176.4)	(9.7)	5.5%
incl. impairment of property, plant and equipment and intangible assets	**(67.5)**	(46.7)	(20.8)	44.7%
Gross profit	**145.4**	229.3	(83.9)	(36.6%)
Administrative, selling and marketing expenses	**(36.7)**	(42.3)	5.7	(13.4%)
Share of (loss)/profit of joint ventures accounted for using the equity method	**(40.4)**	3.8	(44.2)	(1160.4%)
Other gains/(losses) – net	**(68.8)**	(6.0)	(62.7)	1038.5%
incl. recycling of derivative losses previously recognised through other comprehensive income	**(63.1)**	–	(63.1)	–
Operating profit	**(0.5)**	184.8	(185.2)	(100.2%)
Interest income	**1.4**	1.6	(0.2)	(12.4%)
Interest costs	**(98.1)**	(60.1)	(37.9)	63.0%
Change in fair value of derivatives	**64.4**	(5.5)	69.9	(1274.1%)
Net foreign exchange losses on financial activities	**142.6**	(151.0)	293.6	(194.4%)
Finance income/(costs) – net	**110.3**	(215.1)	325.4	(151.3%)
Profit before income tax	**109.9**	(30.3)	140.2	(462.4%)
Income tax expense	**(48.6)**	(3.4)	(45.2)	1344.1%
Profit for the period	**61.3**	(33.7)	94.9	(281.9%)
Attributable to:				
Owners of the Company	**61.0**	(25.1)	86.2	(342.8%)
Non-controlling interest	**0.2**	(8.5)	8.8	(102.6%)
Key Non-IFRS financial information				
Gross profit adjusted for impairment	**212.9***	276.0*	(63.1)	(22.9%)
Gross profit margin (Adjusted for Impairment)	**64.2%***	68.0%*	–	–
Adjusted EBITDA	**224.3***	291.0*	(66.6)	(22.9%)
Adjusted EBITDA margin	**67.7%***	71.7%*	–	–
Cost of sales adjusted for impairment	**(118.5)***	(129.7)*	11.1	(8.6%)
Cash Costs of Sales	**(71.0)***	(73.1)*	2.1	(2.8%)
Total Operating Cash Costs	**(107.1)***	(114.7)*	7.6	(6.6%)
Operating profit adjusted for impairment	**67.1***	231.4*	(164.4)	(71.0%)
Profit for the period adjusted for impairment	**115.3***	13.0*	102.3	786.4%
Free Cash Flow	**177.8***	236.3*	(58.5)	(24.8%)

REVENUE

The following table sets forth the components of the consolidated revenue for 2016 and 2015:

	2016	2015	Change	
	USD million	USD million	USD million	%
Container handling	**269.8***	341.3*	(71.5)	(21.0%)
Other	**61.7***	64.4*	(2.7)	(4.2%)
Total revenue	**331.5**	405.7	(74.2)	(18.3%)

Revenue decreased by USD 74.2 million, or 18.3%, from USD 405.7 million in 2015 to USD 331.5 million in 2016[6] primarily for the reasons described below.

Revenue from container handling declined 21.0%, or USD 71.5 million, from USD 341.3 million* in 2015 to USD 269.8 million* in 2016. This decline was driven by a 19.0% decline in consolidated container throughput as well as a 2.4%* decline in revenue per TEU.

Other revenue declined 4.2%, or USD 2.7 million, from USD 64.4 million* in 2015 to USD 61.7 million* in 2016 as growth in Revenue from coal and other bulk cargo handling driven by the growth in bulk throughput described above was offset by the decline in revenue from other services, primarily related to Russian rouble-priced railway services at VSC[7] and lower volumes of such services provided by VSC due to decreased container throughput.

The share of non-container revenue in consolidated revenue of the Group increased from 16%* in 2015 to 19%* in 2016.

In order to increase the attractiveness of its ports, starting from 2017 Global Ports has introduced Russian rouble-based pricing for services offered to Russian freight-forwarders.

Cost of sales

Cost of sales increased by USD 9.7 million, or 5.5%, from USD 176.4 million in 2015 to USD 186.1 million in 2016. This increase was primarily driven by a 44.7%, or USD 20.8 million, increase in impairment of property, plant and equipment and intangible assets from USD 46.7 in 2015 to USD 67.5 million, due to the reasons described below.

Cash Costs of Sales decreased 2.8%, or USD 2.1 million, to USD 71.0 million in 2016 from USD 73.1 million in 2015. This change was the result of the Group's continued focus on efficiency, a decline in container throughput and the related decrease in costs (primarily staff costs and fuel, electricity and gas expenses). These decreases were partially offset by growth in expenses related to the 66.7% growth in Consolidated Marine Bulk Throughput, the 58.4% increase in Consolidated Inland Container Throughput and the 11.1% increase in Consolidated Inland Bulk Throughput described above, as well as CPI in Russia, which was 5.4%[8] in 2016.

Impairment of property, plant and equipment and intangible assets

The Group follows its accounting policies to test goodwill and other non-financial assets for possible impairment or reversal of impairment. Based on the current worldwide economic circumstances and taking into account developments within the Russian Federation, the Group performed a test of the estimated recoverable amount of the cash-generating units (CGUs) compared to their carrying value and recognised an impairment charge of USD 67.5 million for FCT CGU in 2016, resulting in the carrying amount of the CGU being written down to its recoverable amount.

Gross profit

Gross profit decreased by USD 83.9 million, or 36.6%, from USD 229.3 million in 2015 to USD 145.4 million in 2016. This decrease was due to the factors described above.

Administrative, selling and marketing expenses

Administrative, selling and marketing expenses decreased by USD 5.7 million, or 13.4%, from USD 42.3 million in 2015 to USD 36.7 million in 2016. This was primarily due to the decrease of USD 3.6 million or 13.9% in staff costs, and a decrease of USD 1.5 million, or 25.9%, in other administrative, selling and marketing expenses.

Cost of sales

The following table sets out a breakdown by expense of the Cost of sales for 2016 and 2015:

	2016	2015	Change	
	USD million	USD million	USD million	%
Depreciation of property, plant and equipment	**34.3**	42.1	(7.8)	(18.5%)
Amortisation of intangible assets	**13.2**	14.5	(1.3)	(8.8%)
Impairment of property, plant and equipment and intangible assets	**67.5**	46.7	20.8	44.7%
Staff costs	**34.2**	36.8	(2.5)	(6.9%)
Transportation expenses	**6.6**	6.3	0.3	5.4%
Fuel, electricity and gas	**5.7**	6.3	(0.5)	(8.5%)
Repair and maintenance of property, plant and equipment	**6.2**	6.5	(0.2)	(3.5%)
Purchased services	**5.3**	4.6	0.7	16.3%
Taxes other than on income	**4.3**	4.8	(0.5)	(10.2%)
Other operating expenses	**8.6**	7.9	0.6	7.8%
Total Cost of sales	**186.1**	176.4	9.7	5.5%
Cash Costs of Sales	**71.0**	73.1	(2.1)	(2.8%)

6 On a 100% basis total revenue of the Russian Ports segment amounted to USD 359.7 million, of which USD 292.6 million* accounted for container handling and USD 67.1 million* for other services.
7 Measured by average exchange rate the Russian rouble depreciated against the US dollar by 9.0% in 2016.
8 Source: Rosstat.

Share of (loss)/profit of joint ventures accounted for using the equity method
Share of (loss)/profit of joint ventures accounted for using the equity method changed from a profit of USD 3.8 million in 2015 to a loss of USD 40.4 million in 2016. This change was mainly due to unfavourable results from Vopak E.O.S. (Estonia), which were caused primarily by a structural deterioration of the business environment in which the terminal operates, which is heavily dependent on the flows of Russian oil products, and contributed to an impairment of the Group's investment in Vopak E.O.S. of USD 46.1 million (including impairment loss on goodwill amounting to USD 39.2 million and share of impairment of intangible assets in Vopak E.O.S. of USD 6.9 million).

Other gains/(losses) – net
Other gains/(losses) – net amounted to a loss of USD 68.8 million in 2016, compared to a loss of USD 6.0 million in 2015. This was primarily due to currency exchange losses that increased to USD 65.5 million in 2016, compared to currency exchange losses of USD 5.7 million in 2015. This increase was largely the result of the recycling of derivative losses previously recognised through other comprehensive income and the depreciation of the Russian rouble in 2016[9].

Operating profit
Operating profit changed from a profit of USD 184.8 million in 2015 to a loss of USD 0.5 million in 2016 due to the factors described above.

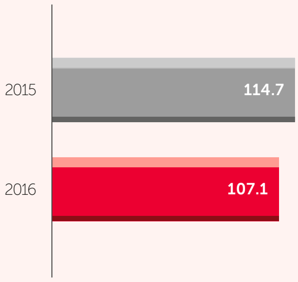
Finance costs – net
Finance costs – net changed from a loss of USD 215.1 million in 2015 to a profit of USD 110.3 million in 2016. This change was primarily due to the change of foreign exchange loss on financing activities from USD 151.0 million in 2015 to USD 142.6 million profit in 2016, resulting mostly from the revaluation of US dollar-denominated borrowings in the Group's subsidiaries[10] and the positive change in the fair value of derivative instruments in the amount of USD 64.4 million.

Profit/(Loss) before income tax
Profit before income tax changed to a profit of USD 109.9 million in 2016 from a loss of USD 30.3 million due to the factors described above.

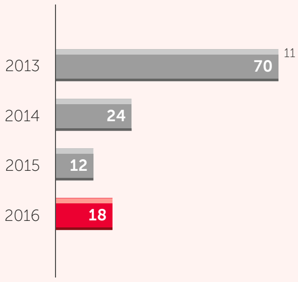
Income tax (expense)/credit
In 2016, income tax expense was USD 48.6 million, compared to USD 3.4 million in 2015. The Group's effective tax rate, calculated as income tax expense divided by profit before income tax, was 44.2% in 2016. The difference in the effective tax rate from the normally applicable Russian statutory tax rate of 20% was largely driven by the effect of expenses and losses not deductible for tax purposes, withholding tax on undistributed profits and non taxable results of joint ventures.

Profit/(Loss) for the period
Profit for the period amounted to a profit of USD 61.3 million in 2016 compared to a loss of USD 33.7 million in 2015 due to the factors described above.

TOTAL OPERATING CASH COSTS (USD million)
-7%



CASH CAPEX (USD million)
-74% (2013-2016)



Share of (loss)/profit of joint ventures accounted for using the equity method

	2016 USD million	2015 USD million	Change USD million	Change %
VEOS	**(46.4)**	3.9	(50.3)	(1286.1%)
MLT	**6.7**	8.6	(1.9)	(22.3%)
CD Holding	**(0.7)**	(8.7)	8.0	(92.3%)
Total share of profit of joint ventures	**(40.4)**	3.8	(44.2)	(1160.4%)

9 Average Russian rouble exchange rate depreciated against the US dollar by 9% in 2016 compared to 2015.
10 As of 31 December 2016, the Russian rouble appreciated against the US dollar by 16.8% compared to 31 December 2015.
11 Based on illustrative combined financial metrics (including the results of NCC Group).

LIQUIDITY AND CAPITAL RESOURCES

General

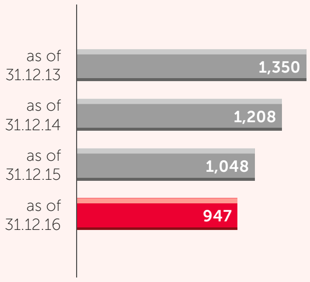
As at 31 December 2016, the Group had USD 119.3 million in cash and cash equivalents.

The Group's liquidity needs arise primarily in connection with the repayments of principal and interest payments, and 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 Vopak E.O.S., 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 2016, the Group had USD 1,119.6 million of total borrowings, of which USD 78.7 million comprised current borrowings and USD 1,040.9 million comprised non current borrowings. As at 31 December 2016, the Group had no undrawn borrowing facilities. See also "Capital resources".

NET DEBT REDUCTION (USD million)

-403m (2013-2016)

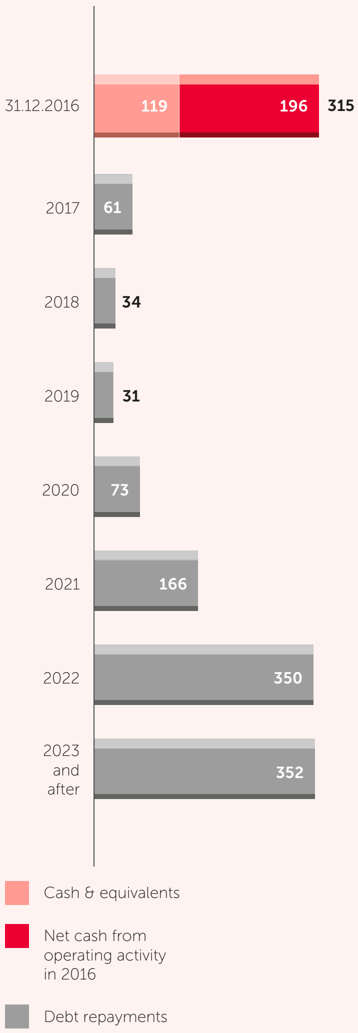


Cash flows

The following table sets out the principal components of the Group's consolidated cash flow statement for 2015 and 2016.

	2016 USD million	2015 USD million	Change USD million	Change %
Cash generated from operations	**218.7**	297.3	(78.6)	(26.4%)
Tax paid	**(28.1)**	(59.7)	31.6	(52.9%)
Net cash from operating activities before dividends received from joint ventures and adjusted for income tax	**190.6**	237.6	(47.1)	(19.8%)
Dividends received from joint ventures	**5.3**	10.4	(5.1)	(49.3%)
Net cash from operating activities	**195.8**	248.0	(52.2)	(21.0%)
Net cash used in investing activities	**(25.6)**	(9.8)	(15.8)	161.1%
Purchases of intangible assets	**(0.1)**	(0.1)	(0.0)	18.0%
Purchases of property, plant and equipment	**(18.0)**	(11.7)	(6.3)	53.8%
Proceeds from sale of property, plant and equipment	**1.0**	8.7	(7.7)	(88.3%)
Loans granted to related parties	**(9.9)**	(8.7)	(1.2)	13.9%
Loan repayments received from related parties	**0.4**	0.5	(0.0)	(6.9%)
Interest received	**1.0**	1.5	(0.5)	(35.7%)
Net cash used in financing activities	**(175.9)**	(192.4)	16.5	(8.6%)
Proceeds from borrowings	**829.3**	285.1	544.2	190.9%
Repayments of borrowings	**(943.0)**	(398.6)	(544.4)	136.6%
Interest paid	**(70.3)**	(74.4)	(4.1)	5.5%
Proceeds from derivative financial instruments	**11.4**	–	11.4	–
Finance lease principal payments (third parties)	**(2.5)**	(4.4)	1.9	(43.2%)
Dividends paid to non controlling interest	**(0.7)**	–	(0.7)	–
Free Cash Flow (Net cash from operating activities – Purchase of PPE)	**177.8**	236.3	(58.5)	(24.8%)

DEBT MATURITY PROFILE AS OF 31 DECEMBER 2016 (USD million)



Net cash from operating activities

Net cash from operating activities decreased by USD 52.2 million, or 21.0%, from USD 248.0 million in 2015, to USD 195.8 million 2016. The decrease in net cash from operating activities was primarily due to a USD 78.6 million, or 26.4% decline in the cash generated from operations in 2016 compared to 2015 which was partially offset by the USD 31.6 million or 52.9% decline in tax paid in 2016 compared to 2015.

Net cash used in investing activities

Net cash used in investing activities increased by USD 15.8 million, or 161.1%, from USD 9.8 million in 2015 to USD 25.6 million in 2016. The increase in net cash used in investing activities was primarily due to the fact that net cash used in investing activities in 2015 contained proceeds from the sale of property, plant and equipment of USD 8.7 million, compared to USD 1.0 million in 2016, as well as an increase in purchases of property, plant and equipment from USD 11.7 million in 2015 to USD 18.0 million in 2016.

Despite the USD 6.3 million, or 53.8%, increase in 2016, purchases of property, plant and equipment remained lower than the previously announced guidance of USD 25-35 million because the Group's modern and already well-invested terminals allowed lower capital investments without compromising efficiency and safety of operations.

Net cash used in financing activities

Net cash used in financing activities decreased by USD 16.5 million, or 8.6%, from USD 192.4 million in 2015 to USD 175.9 million in 2016. The decrease in net cash used in financing activities was primarily due to a decrease in interest paid and proceeds from derivative financial instruments[12], by USD 5.9 million or 7.9% from USD 74.4 million in 2015 to USD 68.5 million in 2016 as well as a decrease in net proceeds and repayment of borrowings and finance lease principal payments by USD 11.4 million or 9.7% from USD 118.0 million in 2015 to USD 106.6 million in 2016.

Capital resources

The Group's financial indebtedness consists of bank borrowings, bonds, loans from third parties, finance leases liabilities and net derivative financial instruments and was USD 1,066.9 million as at 31 December 2016.

As of that date, all of the Group's bank borrowings were secured by pledges on 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. Certain of these borrowings contain covenants requiring the Group and the borrower to maintain specific 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 2016 Annual Consolidated Financial Statements.

The weighted average interest rate of the Group's debt portfolio is 6.7%, including the effects of swap arrangements.

As at 31 December 2016, the Group had leverage of Net Debt to Adjusted EBITDA ratio of 4.2* (compared to a ratio of 3.6* as at 31 December 2015).

The following table sets out the maturity profile of the Group's total borrowings (including finance leases) and net derivative financial instruments as at 31 December 2016.

	USD million
1H 2017	41.9
2H 2017	19.3
2018	34.0
2019	30.5
2020	73.4
2021	166.4
2022	350.0
2023 and after	351.0
Total	**1,066.6**

As at 31 December 2016, the carrying amounts of the Group's borrowings were denominated in the following currencies:

	USD million
Rouble	263.5
US dollar	856.1
Total	**1,119.6**

As at 31 December 2016, the carrying amounts of a majority of the Group's borrowings denominated in Russian roubles, in the amount of USD 253.2 million, were swapped into US dollars.

12 The Group entered into derivatives contract in order to swap rouble-denominated debt to dollar-denominated debt with lower interest rate. Proceeds from derivatives mostly represent the positive inflow from cash settlements at lower interest rate.

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

RECONCILIATION OF ADDITIONAL DATA (NON IFRS) TO THE CONSOLIDATED FINANCIAL INFORMATION FOR THE 12-MONTH PERIOD ENDED 31 DECEMBER 2016

Reconciliation of Adjusted EBITDA to Profit for the period

	2016	2015	Change	
	USD million	USD million	USD million	%
Profit for the year	**61.3**	(33.7)	94.9	(281.9%)
Adjusted for				
Income tax expense	**48.6**	3.4	45.2	1344.1%
Finance income/(costs) – net	**(110.3)**	215.1	(325.4)	(151.3%)
Amortisation of intangible assets	**13.2**	14.5	(1.3)	(8.8%)
Depreciation of property, plant and equipment	**34.8**	42.8	(8.0)	(18.6%)
Impairment of property, plant and equipment and intangible assets	**67.5**	46.7	20.8	44.7%
Other gains/(losses) – net	**68.8**	6.0	62.7	1038.5%
Share of profit/(loss) of joint ventures accounted for using the equity method	**40.4**	(3.8)	44.2	(1160.4%)
Adjusted EBITDA*	**224.3**	291.0	(66.6)	(22.9%)

Reconciliation of Adjusted EBITDA margin to Revenue

	2016	2015	Change	
	USD million	USD million	USD million	%
Revenue	**331.5**	405.7	(74.2)	(18.3%)
Adjusted EBITDA*	**224.3**	291.0	(66.6)	(22.9%)
Adjusted EBITDA* margin	**67.7%**	71.7%	–	–

Reconciliation of cost of sales adjusted for impairment to Cost of sales

	2016	2015	Change	
	USD million	USD million	USD million	%
Cost of sales	**186.1**	176.4	9.7	5.5%
Adjusted for				
Impairment of intangible assets	**(67.5)**	–	(67.5)	–
Impairment of property, plant and equipment	**–**	(46.7)	46.7	–
Cost of sales adjusted for impairment*	**118.5**	129.7	(11.1)	(8.6%)

Reconciliation of Total Operating Cash Costs to Cost of sales and administrative, selling and marketing expenses

	2016	2015	Change	
	USD million	USD million	USD million	%
Cost of sales	**186.1**	176.4	9.7	5.5%
Administrative, selling and marketing expenses	**36.7**	42.3	(5.7)	(13.4%)
Total	**222.7**	218.7	4.0	1.8%
Adjusted for				
Impairment of property, plant and equipment	**–**	(46.7)	46.7	–
Impairment of intangible assets	**(67.5)**	–	(67.5)	–
Depreciation of property, plant and equipment	**(34.8)**	(42.8)	8.0	(18.6%)
Amortisation of intangible assets	**(13.2)**	(14.5)	1.3	(8.8%)
Total Operating Cash Costs*	**107.1**	114.7	(7.6)	(6.6%)

Reconciliation of operating profit adjusted for impairment to Revenue

	2016	2015	Change	
	USD million	USD million	USD million	%
Revenue	**331.5**	405.7	(74.2)	(18.3%)
Adjusted for				
Cost of sales adjusted for impairment	**(118.5)**	(129.7)	11.1	(8.6%)
Administrative, selling and marketing expenses	**(36.7)**	(42.3)	5.7	(13.4%)
Share of profit in joint ventures	**(40.4)**	3.8	(44.2)	(1160.4%)
Other gains/(losses) – net	**(68.8)**	(6.0)	(62.7)	1038.6%
Operating profit adjusted for impairment*	**67.1**	231.4	(164.4)	(71.0%)

Reconciliation of profit for the period adjusted for impairment to Profit for the period

	2016 USD million	2015 USD million	Change USD million	Change %
Profit for the year	**61.3**	(33.7)	94.9	(281.9%)
Adjusted for				
Impairment of property, plant and equipment	**–**	46.7	(46.7)	–
Impairment of intangible assets	**67.5**	–	67.5	–
Deferred tax credit relating to impairment	**(13.5)**	–	(13.5)	–
Profit for the period adjusted for impairment*	**115.3**	13.0	102.3	786.3%

Reconciliation of Cash Costs of Sales to Cost of sales

	2016 USD million	2015 USD million	Change USD million	Change %
Cost of sales	**186.1**	176.4	9.7	5.5%
Adjusted for				
Impairment of property, plant and equipment	**–**	(46.7)	46.7	–
Impairment of intangible assets	**(67.5)**	–	(67.5)	–
Depreciation of property, plant and equipment	**(34.3)**	(42.1)	7.8	(18.5%)
Amortisation of intangible assets	**(13.2)**	(14.5)	1.3	(8.8%)
Cash Costs of Sales*	**71.0**	73.1	(2.1)	(2.8%)

Reconciliation of Cash Administrative, Selling and Marketing expenses to Administrative, selling and marketing expenses

	2016 USD million	2015 USD million	Change USD million	Change %
Administrative, selling and marketing expenses	**36.7**	42.3	(5.7)	(13.4%)
Adjusted for				
Depreciation of property, plant and equipment	**(0.6)**	(0.7)	0.2	(21.3%)
Amortisation of intangible assets	**(0.02)**	(0.03)	0.0	(20.0%)
Cash Administrative, Selling and Marketing expenses*	**36.1**	41.6	(5.5)	(13.2%)

Reconciliation of Net Debt and Total Debt to Borrowings

	As at 31.12.2016 USD million	As at 31.12.2015 USD million	Change USD million	Change %
Non-current Borrowings	**1,040.9**	1,062.4	(21.5)	(2.0%)
Current Borrowings	**78.7**	103.0	(24.3)	(23.6%)
Adjusted for				
Derivative financial instruments (non-current liabilities)	**–**	5.4	(5.4)	–
Derivative financial instruments (non-current assets)	**(35.5)**	–	(35.5)	–
Derivative financial instruments (current assets)	**(17.4)**	–	(17.4)	–
Total Debt*	**1,066.6**	1,170.8	(104.2)	(8.9%)
Adjusted for				
Cash and cash equivalents	**(119.3)**	(123.1)	3.9	(3.1%)
Net Debt*	**947.3**	1,047.6	(100.3)	(9.6%)

Reconciliation of Free Cash Flow to Net cash from operating activities

	2016 USD million	2015 USD million	Change USD million	Change %
Net cash from operating activities	**195.8**	248.0	(52.2)	(21.0%)
Adjusted for				
Purchases of property, plant and equipment	**(18.0)**	(11.7)	(6.3)	53.8%
Free Cash Flow*	**177.8**	236.3	(58.5)	(24.8%)

CORPORATE SOCIAL RESPONSIBILITY

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 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 2016, the Group made several further occupational safety improvements.

Safety design reviews

In 2014 and 2015, all terminals underwent significant design reviews. We continued our journey of investing in improved layouts, state-of-the-art handling equipment and revised work traffic throughout 2016. 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. This is reflected in the LTIF[1] reduction to 1.16 in 2016 from 1.92 in 2015. Despite this, significant risks still need to be addressed to ensure continuous improvement in the industry.

In 2016, 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 95% 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.

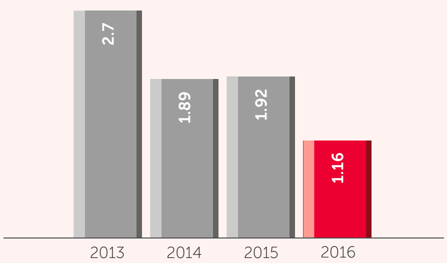
All of the Group's companies adhere to three major health and safety principles: provide safe working conditions, involve employees in safety rules and policies and conduct training in safe behaviour. Each of these includes special tools or detailed procedures, such as:

- regular monitoring of occupational health and safety (OHS) measures at divisions for compliance with statutory federal and local requirements;

1 Lost-time injury frequency (LTIF) is the number of lost-time injuries within a given accounting period relative to the total number of hours worked in the same accounting period.

LOST-TIME INJURY FREQUENCY (LTIF)

-57% (2013-2016)



- 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[2] specialists, training of workers in employing safe methods of operation, Group-wide OHS briefings and information circulation; and
- measures to increase personnel motivation to uphold strict compliance with OHS requirements and promote greater labour discipline.

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 E.O.S. partners with the Estonian Nature Protection Organisation, providing financial support to its programmes.

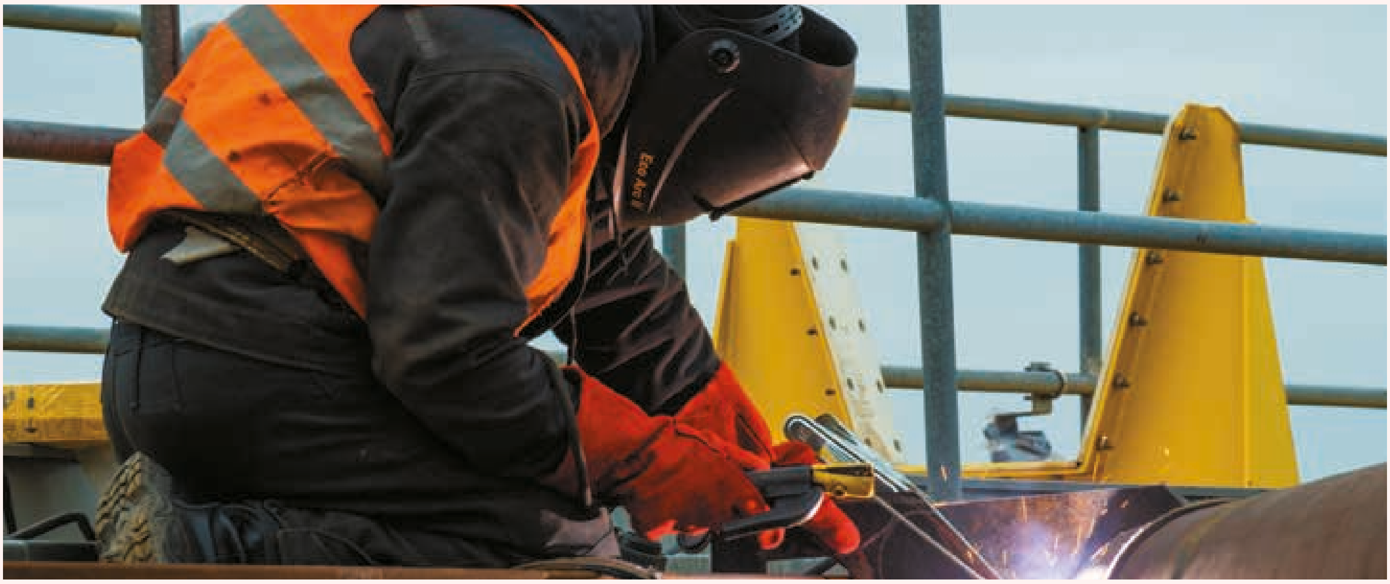
CHARITY AND LOCAL COMMUNITY SPONSORSHIP

Global Ports' social work with regions is based on strategic programmes in areas such as employment and occupational guidance, healthcare, culture, sport and with 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.

2 Occupational Health and Safety.



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. In 2016, 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 2016, Vopak E.O.S. sponsored the Estonian Nature Protection Organisation;
– in 2016, Vopak E.O.S. continued its sponsorship of the Maardu city youth centre, focusing on various educational, cultural and sports programmes; and
– 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 more than 2,700 people[3] 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 an 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, medical 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; and
– provide financial assistance, medical and special-purpose charitable support for retirees.

3 On a consolidated basis.

03

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.

CORPORATE GOVERNANCE

Strong institutions, rigorous oversight, best practices

As Russia's leading port operator, Global Ports has a diverse set of stakeholders, from international institutions holding our shares and bonds, to our customers, employees, regulators and communities.

Made up of seasoned industry professionals, the Board of Directors is committed to acting in the interest of all stakeholders. The Group seeks to maintain the highest global standards of corporate governance and adopt best practices from international peers. Strong corporate governance institutions and transparency make the Group more efficient and ensure Global Ports remains a standard bearer for the Russian port sector.

ROLE OF THE BOARD OF DIRECTORS

Global Ports is governed by its Board of Directors ("the Board"), which is collectively responsible under the Group's corporate governance framework to the shareholders for the Group's successful performance. Its goal is to promote adherence to best-in-class corporate governance.

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 Group seeks Directors who bring strong track records and a deep understanding of the industry. The Board sets the Group's values and standards as well as 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.

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 2016.

However, after the reporting period, in February 2017, Tiemen Meester resigned as Chairman of the Board of Directors (replaced by Mr. Peder Sondergaard) and in April 2017 Mr. Vladislav Baumgertner, who has accepted a role outside of the port industry, resigned as Chief Executive Officer (CEO) (replaced by Mr. Mikhail Loganov).

The Board reviews its size, which currently has 14 members, 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. Peder Sondergaard was appointed Chairman of the Board in April 2017, after the reporting period.

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 insights into the issues being discussed, are invited to present papers or attend the Board meeting at the relevant time. Board members regularly hold meetings with the Group's management to discuss their work and evaluate their performance.

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 bondholders, employees, customers, suppliers and the communities in which the Group conducts its business.

MANAGING DIRECTOR

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

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 2016 amounted to USD 721 thousand (2015: USD 727 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;
- programmes, 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 2016, the shareholders of Global Ports re-appointed PricewaterhouseCoopers as the external auditor for the purposes of auditing the Group's IFRS financial statements for 2016. PricewaterhouseCoopers Limited will be proposed for re-election as the auditor for 2017 at the Annual General Meeting on 12 May 2017.

INVESTOR RELATIONS/DISCLOSURES

The Group's external relations are guided by its information policy, which is consistent with best international practices 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, availability, reliability and completeness.

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 port 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.

BOARD OF DIRECTORS

PEDER SONDERGAARD

CHAIRMAN OF THE BOARD OF DIRECTORS, NON-EXECUTIVE DIRECTOR

Year of Appointment

Mr. Sondergaard was appointed as a non-executive member of the Board of Directors of Global Ports in February 2017 and was elected Chairman in April 2017.[1]

Skills and Experience

Mr. Sondergaard was appointed Chief Portfolio Officer of APM Terminals in January 2017 Mr. Sondergaard had previously served as the Head of the APM Terminals' Asia, Middle East, Africa and North Asian port and terminal operations.

Mr. Sondergaard has been with the A.P. Moller-Maersk Group for more than 25 years. Previously holding the position of APM Terminals' Senior Vice President and Head of New Terminals, he was named A.P. Moller-Maersk Group Senior Vice President in May 2007. Initially serving at sea, Mr. Sondergaard gained extensive experience from a variety of managerial positions within the Group in the US, Taiwan, China and Denmark. Mr. Sondergaard has completed a Master's Certificate and several Management Courses at the London Business School, Cornell University, in Ithaca, New York, IMD in Switzerland and the Harvard Business School in Cambridge, Massachusetts.

External Appointments

Chief Portfolio Officer of APM Terminals.

Committee Membership

Member of the Nominations and Remuneration Committees.

NIKITA MISHIN

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

Year of Appointment

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 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

Year of Appointment

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[2]

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

Year of Appointment

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.

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.

MIKHAIL LOGANOV

MEMBER OF THE BOARD OF DIRECTORS, EXECUTIVE DIRECTOR

Year of Appointment

Mr. Loganov was appointed as a non-executive member of the Board of Directors of the Company in December 2008. Following his appointments to the position of CFO of Global Ports Management LLC in October 2013 and CEO in March 2017, he became an Executive Director.

Skills and Experience

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.

External Appointments

Does not hold positions in other companies.

Committee Membership

Does not serve on any Board committees.

1 Mr. Peder Sondergaard succeeded Mr. Tiemen Meester, who was the Company's Chairman from December 2014 and who left the Board in February 2017.

2 One of the resolutions that will be considered at the AGM on 12 May 2017 is to approve the resignation of Mrs. Siobhan Walker as a director of the Company. In accordance with best practice of corporate governance, the rotation of independent directors is recommended. Mrs. Britta Dalunde, who has over 25 years of experience both in top level executive as well as board member roles, is proposed to be elected as an independent member of the Board.

DR. ALEXANDER NAZARCHUK[3]

MEMBER OF THE BOARD OF DIRECTORS, NON-EXECUTIVE DIRECTOR

Year of Appointment

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 his resignation from the position of CEO in August 2015, he became a Non-Executive Director.

Skills and Experience

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

MORTEN ENGELSTOFT

MEMBER OF THE BOARD OF DIRECTORS, NON-EXECUTIVE DIRECTOR

Year of Appointment

Mr. Engelstoft was appointed as a non-executive member of the Board of Directors of Global Ports in October 2016.

Skills and Experience

Mr. Engelstoft was appointed APM Terminals CEO effective November 1 2016. Prior to that, he was CEO of APM Shipping Services from 2014. From 2007 until 2013, he was Chief Operating Officer of Maersk Line, where he was responsible for global operations, procurement, fleet, technical vessel management and the sustainability strategy.

He joined Maersk in 1986 and has three decades of experience in the container shipping industry. He has held various senior executive positions at Maersk in Singapore, Italy, Taiwan and Vietnam. Mr. Engelsoft is also Chairman of the Technical Innovation Board at A.P. Møller-Mærsk.

Mr. Engelstoft holds a Business Degree from Copenhagen Business School, a Shipping Degree from A.P. Møller - Mærsk Shipping School, and an Executive MBA from IMD in Switzerland.

External Appointments

Chief Executive Officer of APM Terminals.

Committee Membership

Member of the Audit and Risk and the Nominations and Remuneration Committees.

ALEXANDER IODCHIN

MEMBER OF THE BOARD OF DIRECTORS, EXECUTIVE DIRECTOR

Year of Appointment

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

Skills and Experience

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 other companies of the Group.

Mr. Iodchin has been the internal auditor of Global Ports since 2008 until 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.

External Appointments

Does not hold positions in other companies.

Committee Membership

Does not serve on any Board committees.

KONSTANTIN SHIROKOV

MEMBER OF THE BOARD OF DIRECTORS, NON-EXECUTIVE DIRECTOR

Year of Appointment

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 the TIHL 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 in the TIHL group.

Committee Membership

Member of the Audit and Risk Committee.

MICHALAKIS CHRISTOFIDES

MEMBER OF THE BOARD OF DIRECTORS, NON-EXECUTIVE DIRECTOR

Year of Appointment

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

Skills and Experience

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

Does not hold positions in other companies.

Committee Membership

Does not serve on any Board committees.

3 One of the resolutions that will be considered at the AGM on 12 May 2017 is to approve the resignation of Dr. Alexander Nazarchuk as a director of the Company.

			
VADIM KRYUKOV	**GERARD JAN VAN SPALL**	**LAURA MICHAEL**	**NICHOLAS CHARLES TERRY**
MEMBER OF THE BOARD OF DIRECTORS, NON-EXECUTIVE DIRECTOR	MEMBER OF THE BOARD OF DIRECTORS, NON-EXECUTIVE DIRECTOR	MEMBER OF THE BOARD OF DIRECTORS, NON-EXECUTIVE DIRECTOR	MEMBER OF THE BOARD OF DIRECTORS, NON-EXECUTIVE DIRECTOR
Year of Appointment			
Mr. Kryukov was appointed as a non-executive member of the Board of Directors of the Company in July 2014.	Mr. van Spall was appointed as a non-executive member of the Board of Directors of the Company in April 2016.	Mrs. Michael was appointed as a non-executive member of the Board of Directors of the Company in January 2013.	Mr. Terry was appointed as a non-executive member of the Board of Directors of the Company in October 2016.
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.	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.	Mrs. Michael is a Finance Manager of Vistra (Cyprus) Ltd. Before joining Vistra 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).	Mr. Terry is a member of The Institute of Chartered Accountants in England and Wales (ICAEW). He is currently Director of Operations at Vistra (Cyprus) Ltd., having led the client accounting department since 2011. In 2015, he was also appointed Managing Director of Orangefield (Cyprus) Ltd. for the interim period of the merger of the two companies. He has extensive experience in Finance and Audit at a range of companies, including land, air and sea security service provider Hart Security Ltd. and Global Management Ltd., which offers marine insurance brokerage and crew management services to the shipping industry. Mr. Terry holds a BSc in Mathematics from the University of Hull, England.
External Appointments			
Member of the Boards of Directors of Ilibrinio Establishment Limited and Polozio Enterprises Limited.	Managing Director of Vistra Cyprus Ltd.	Finance Manager of Vistra (Cyprus) Ltd.	Director of Operations at Vistra (Cyprus) Ltd.
Committee Membership			
Does not serve on any Board committees.	Does not serve on any Board committees.	Does not serve on any Board committees.	Does not serve on any Board committees.

TIEMEN MEESTER

FORMER CHAIRMAN OF THE BOARD OF DIRECTORS

Mr. Meester was appointed as a non-executive member of the Board of Directors of Global Ports in January 2013, and served as its chairman from December 2014 until February 2017.

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; 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, Mr. Meester was appointed as CCO in 2007 and Head of Human Resources and Labour Relations in 2008.
Mr. Meester began his industry career in 1992 at Sea-Land Service Inc. and served in operational managerial positions in Latvia, Russia and Pakistan prior to 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 at sea 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.

EXECUTIVE MANAGEMENT

				
MIKHAIL LOGANOV	**EDUARD CHOVUSHYAN**	**EVGENY ZALTSMAN**	**DOUGLAS SMITH**	**VASILY SHULTSEV**
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER[4] OF GLOBAL PORTS MANAGEMENT LLC	FIRST DEPUTY CEO OF GLOBAL PORTS MANAGEMENT LLC	HEAD OF BUSINESS DEVELOPMENT OF GLOBAL PORTS MANAGEMENT LLC	CHIEF OPERATIONAL OFFICER OF GLOBAL PORTS MANAGEMENT LLC	CHIEF COMMERCIAL OFFICER OF GLOBAL PORTS MANAGEMENT LLC
Year of Appointment				
Mr. Loganov was appointed as CEO of Global Ports Management in March 2017.[5] He has been the Chief Financial Officer of Global Ports since October 2013 and served as a member of the Board of Directors since December 2008. He was also a member of the Audit and Risk and the Remuneration Committees from December 2008 to October 2013.	Mr. Chovushyan was appointed as First Deputy CEO of Global Ports Management in April 2017. He has been the managing director of Petrolesport since August 2013. From March 2007, he served as the general director of Petrolesport.	Mr. Zaltsman has served as the business development director of Global Ports Management since 2008.	Mr. Smith was appointed COO of Global Ports Management in March 2016.	Mr. Shultsev was appointed as Chief Commercial Officer of Global Ports Management in November 2015.
Skills and Experience				
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 honors from the University of Brighton in the UK with a degree in Business Studies with Finance.	Mr. Chovushyan has more than 15 years of experience in various managerial positions at 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 Tuapsinsky Morskoy Torgovy Port from November 2003 and was appointed CEO in June 2004. Prior to that, he was the deputy general director of Tuapsinsky Sudoremontny Zavod for a year. Mr. Chovushyan graduated from Moscow State University, where he studied Philosophy.	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 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 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.
External Appointments				
Does not hold positions in other companies.	Does not hold positions in other companies.	RZD-Logistika, member of the Board of Directors.	Does not hold positions in other companies.	Does not hold positions in other companies.

4 In addition to his role as CEO Mr. Mikhail Loganov will continue serving as a Company's CFO until a successor is appointed.
5 Mr. Mikhail Loganov replaced Mr. Vladislav Baumgertner, who was the Company's CEO from August 2015.

EXECUTIVE MANAGEMENT

VLADISLAV BAUMGERTNER

FORMER CHIEF EXECUTIVE OFFICER OF GLOBAL PORTS MANAGEMENT LLC

Mr. Baumgertner served as CEO of Global Ports Management from August 2015 until March 2017.

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.

TERMINAL DIRECTORS

EDUARD CHOVUSHYAN

MANAGING DIRECTOR OF PETROLESPORT

Year of Appointment

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

Skills and Experience

Mr. Chovushyan has more than 15 years of experience in various managerial positions at 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 Tuapsinsky Morskoy Torgovy Port from November 2003 and was appointed CEO in June 2004. Prior to that, he was the deputy general director of Tuapsinsky Sudoremontny Zavod for a year.

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

ALEXANDER TIKHOV

MANAGING DIRECTOR OF FIRST CONTAINER TERMINAL

Year of Appointment

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

Skills and Experience

Mr. Tikhov has extensive experience in the transportation and logistics industry in Russia. From 2003 to 2004, he was managing director 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.

ALEXANDER DUDKO

MANAGING DIRECTOR OF VOSTOCHNAYA STEVEDORING COMPANY

Year of Appointment

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

Skills and Experience

Previously, 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.

ANDREY BOGDANOV

GENERAL MANAGER OF UST-LUGA CONTAINER TERMINAL

Year of Appointment

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

Skills and Experience

For the five years prior to that, Mr. Bogdanov was the commercial director of First Container Terminal. From 2003, he was operations director 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.

VITALY MISHIN

GENERAL MANAGER OF MOBY DIK

VICTORIA SCHERBAKOVA-SLUSARENKO

GENERAL MANAGER OF YANINO LOGISTICS PARK AND LOGISTIKA TERMINAL

DIRK VAN ASSENDELFT

GENERAL MANAGER OF MULTI-LINK TERMINALS

ARNOUT DIRK LUGTMEIJER

GENERAL MANAGER OF VOPAK E.O.S.

Year of Appointment

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

Ms. Scherbakova-Slusarenko joined Global Ports in 2009 as director of Forwarding Companies. She was appointed general director of Yanino Logistics Park LLC in 2012 and as general manager of the Logistika Terminal in 2015.

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

Skills and Experience

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 has over 20 years' experience in the transport sector. Prior to joining Global Ports, she held several executive positions in Russia's leading transport companies, including Concern SVT and Magistral Container Lines.

Ms. Scherbakova-Slusarenko holds a degree in thermal physics and a degree in economics and psychology. In 2016, she earned a Ph.D. degree in technical sciences.

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.

Mr. Lugtmeijer has also served as a member of the Management Board of E.R.S. since April 2008 and of EK Holding AS since September 2005. He has also been a member of the Supervisory Board of Stivterminal (a subsidiary merged into Vopak E.O.S. in 2011) since June 2006 and of Pakterminal (which Vopak E.O.S. acquired in May 2008 and merged with in May 2010) since June 2008.

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

Global Ports maintains and continuously reviews a rigorous risk management system that is designed to identify, monitor, mitigate and, where possible, eliminate threats to the business.

RISK MANAGEMENT PROCESS, PRINCIPAL RISKS AND UNCERTAINTIES

Identifying and managing risks is central to achieving the corporate objective of delivering long-term growth and added value to our shareholders. The risk management process at Global Ports 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. It is based on a series of well-defined risk management principles, derived from experience, best practices and corporate governance principles. The Group updates and improves its risk management system on a regular basis.

The Board has established risk management rules and procedures for identifying risks critical to the Group's performance and delivery of its strategy at an early stage, and taking proactive steps to assess, monitor and manage the risks identified. After identifying and assessing a risk, the Group identifies remediation measures aimed at reducing the likelihood of its occurrence and/or potential impact.

The Board delegates to the CEO the 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 and Bonds.

For more detail on some of the risks detailed here, as well as a more complete description of known risk factors, see the notes to the financial statements, attached to this report, or refer to the September 2016 prospectus for the Group's guaranteed notes.[1]

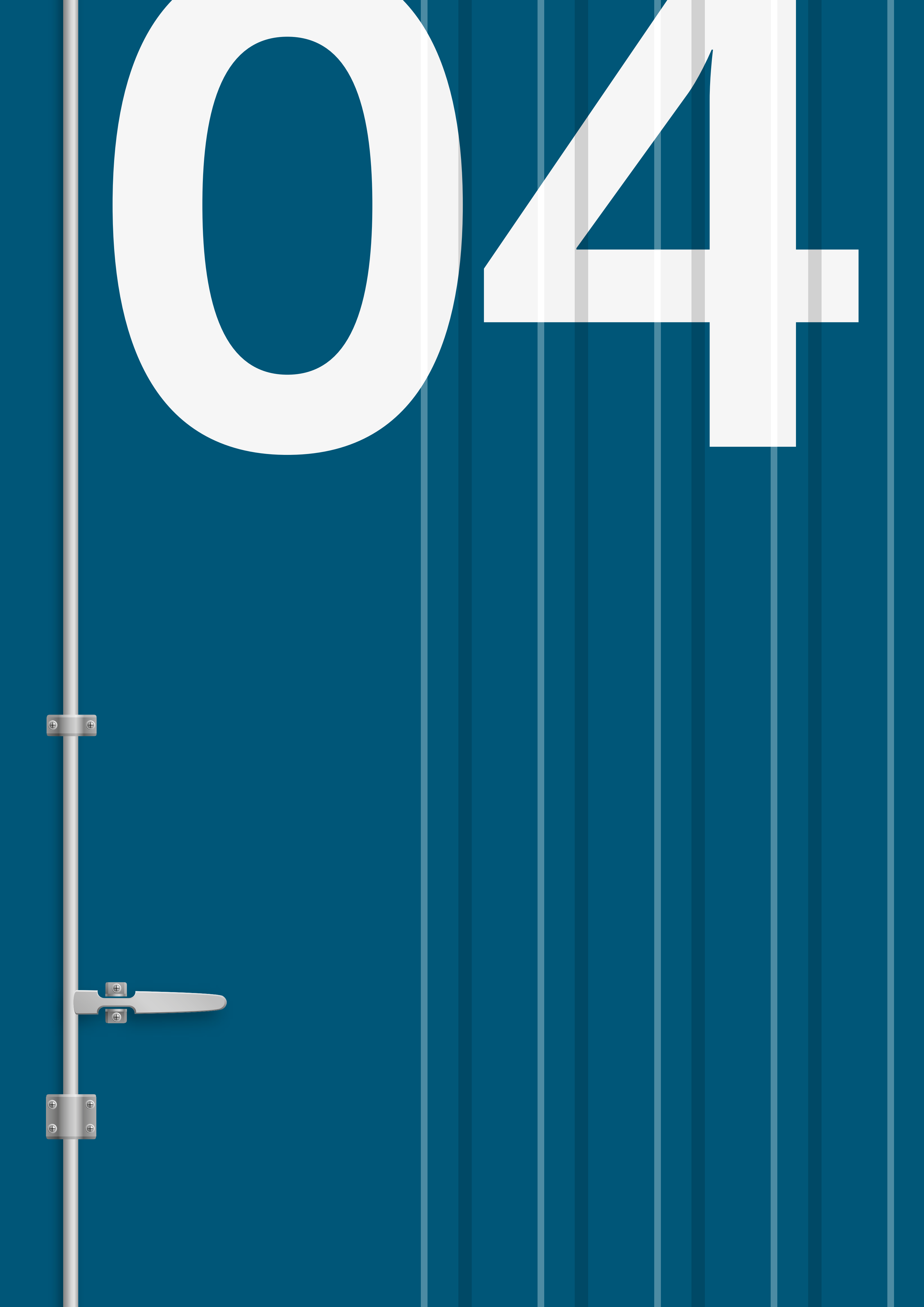
RISK	DESCRIPTION	RISK MANAGEMENT APPROACH
Strategic risks		
Trade volumes	The Group is dependent on trade volumes, in particular container volumes, and, accordingly, on the strength of the Russian economy. The country's container market throughput has historically demonstrated a very strong correlation with the volume of imports of goods, 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 also deteriorate.	The Group has reacted to the declining throughput in the container market by: – Focusing on quality of service – Offering flexibility to the client – Increasing efficiency to cut costs – Adapting new revenue streams In addition, the Group aims to position itself to lead a future market recovery through superior service and cost discipline.
Competition	The Group may be subject to increasing competition from other existing or newly developed container terminals through the introduction of new capacity or consolidation between container terminal operators and container shipping companies, which could result in intensified price competition, lower utilisation and a potential reduction of profitability. In recent years, both competitors and new market entrants have introduced or announced that they plan to introduce significant new container handling capacity to the Russian market. For example, a new port terminal has been constructed in the Port of Bronka, which commenced commercial operations in January 2016 and competes with the Group's ports in the Baltic Sea Basin. In particular, strategic international investors may develop or acquire stakes in existing competitor Russian container terminals, which could bring new expertise into the market and lure customers and cargoes away from the Group.	The Group has made long-term investments in its terminals. It operates on a long-term horizon and its terminals represent core infrastructure in Russia and will be around in 10-20 years or more. The Group requires minimal additional capital expenditure at its facilities in the short to medium term. The Group's focus on service quality is a key differentiator to its competition and the Group believes this is one of its key competitive advantages.

1 Available here: http://www.globalports.com/globalports/dlibrary/panda/Listing_Particulars_dated_20_September_2016.pdf

RISK	DESCRIPTION	RISK MANAGEMENT APPROACH
Strategic risks continued		
Infrastructure	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. In addition, Russia's physical infrastructure is in poor condition, which could disrupt or impair the Group's normal business activity, and any efforts by the government to improve such infrastructure may increase the Group's costs.	The Group maintains a strong working relationship with Russian federal, regional and local authorities in the areas where its facilities are located. It seeks an ongoing dialogue with the authorities about future infrastructure plans and is committed to working with all stakeholders to achieve the most efficient use of infrastructure spending.
Political, economic and social stability	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. Certain government policies or the selective and arbitrary enforcement of such policies could make it more difficult for the Group to compete effectively and/or impact its profitability.	The Group has adapted to the macroeconomic challenges posed since the second half of 2014. Its approach of cutting costs and reducing Total Debt is designed to make the Group more resilient to short-term economic challenges in Russia as well as the wider regional and global environment.
Situation in Ukraine	Political instability in Ukraine, heightened levels of tension between Russia and other states, increased military activity on its border with Russia and the imposition by the US, the EU 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.	The Group has not been subjected to sanctions and has adapted to risks and restrictions posed to all Russian companies by international sanctions. The Group continues to maintain an international base of shareholders, bondholders and business partners.
Operational risks		
Leases of terminal land	The Group leases a significant amount of the land and quays required to operate its terminals from government agencies and any revision or alteration of the terms of these leases or the termination of these leases, or changes to the underlying property rights under these leases, could adversely affect the Group's business.	The Group believes it has a stable situation at present regarding its land leases and its terminals have been in operation for a number of years. The Group owns the freehold on 70% of the land of its container and inland terminals in Russia. The rest of the Group's land is held under long-term leases.
Reliance on third parties	The Group is dependent on the performance of services by third parties outside its control, including the performance by all other participants in the logistics chain, such as customs inspectors, supervisory authorities and others, and the performance of security procedures carried out at other port facilities and by its shipping line customers.	The Group strives to maintain a continuous dialogue with third parties across the supply chain. In addition, its geographic diversification provides it with some flexibility in its logistics, should bottlenecks develop in one area.
Logistics costs	Changes in costs in any part of the logistics chain in which the Group operates could affect the Group's competitive position.	The Group continually seeks to streamline costs that under its direct control. Where costs are outside of its direct control, it aims to compete on an overall cost basis where possible and through offering superior service.
Inflation	Inflation could increase the Group's cost base and the Group may be adversely affected by wage increases in Russia.	The Group's financial planning takes into account the potential for higher inflation and seeks to mitigate the impact of inflation through its management of rouble and foreign exchange resources.
Oil products	The Group's oil products business could be affected by changes in Russia's exports of oil products and handling of such exports at its oil products terminal in Estonia, a decline in global demand for oil products or in Russian oil product export volumes or any change in trade relationships with Estonia.	In line with international forecasts, the Group believes that the global demand for oil products remains cyclical and will return to health again over the medium term.

RISK	DESCRIPTION	RISK MANAGEMENT APPROACH
Operational risks continued		
Tariff regulation	Tariffs for certain services at certain of the Group's terminals were in the past regulated by the Russian Federal Antimonopoly Service as they are classified as natural monopolies under Russian law. Recently, following an investigation into several Russian seaport terminal operators, including the Group's FCT, VSC and PLP terminals, the FAS found that such terminals were in breach of antimonopoly laws in relation to the pricing of their stevedoring services during 2015 and ordered the payment to the Russian government of amounts equivalent to the income that, according to the FAS, such terminals derived from the activity in question in 2015 (totalling RUB 7 billion in the case of the Group's terminals) and for the terminals to set "economically justified" rouble-denominated terminal handling charges (THC). The Group intends to challenge this order but there can be no assurance that such a challenge will be successful or that the penalties referred to above will not have to be paid and requirements as to how to set THC in the future will not have a significant impact on pricing for the Group's terminal handling services or that, individually or in the aggregate, such penalties and requirements will not have a material adverse effect on the Group.	The Group believes that it has behaved appropriately in relation to competition regulation and intends to challenge the finding and the orders of the FAS in court. While court proceedings are ongoing, the FAS decision will not be enforced and the amounts referred to above will not become payable. Global Ports has always offered market driven, competitive prices for its services in a market with significant available capacity. Since the beginning of the year, Global Ports has provided its clients with additional commercial incentives as well as introduced rouble-based pricing for services offered to Russian freight forwarders. The Group continues to monitor for any proposals to change current tariff regulations.. It believes it is as well placed as any market participant to adapt to any theoretical future changes in tariff regulation.
Management resources	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.	The Group's maintains a Human Resources policy and function committed to recruiting and maintaining Russian and international managers and experts to meet its needs. The Group offers competitive salaries and benefits to employees at all levels to foster and retain top talent.
Environment, safety and security	Accidents involving the handling of hazardous materials and oil products at the Group's terminals could disrupt its business and operations and/or subject the Group to environmental and other liabilities. The risk of safety incidents is inherent in the Group's businesses. The Group's operations could be adversely affected by terrorist attacks, natural disasters or other catastrophic events beyond its control.	The Group has implemented clear environmental and safety policies designed around international best practices and benchmarked using such recognised measures as global minimum requirements. Similarly, it works with all stakeholders to maintain high levels of security around port facilities and ships to minimise the risk of terrorist attack.
Regulatory risks		
Regulatory compliance	The Group is subject to a wide variety of regulations, standards and requirements and may face substantial liability if it fails to comply with existing or future regulations applicable to its businesses. The Group's terminal operations are subject to extensive laws and regulations governing, among other things, the loading, unloading and storage of hazardous materials, environmental protection and health and safety.	The Group strives to be in compliance at all times with all regulations governing its activities and devotes considerable management and financial resources to ensure compliance.
Changes in regulations	Changes to existing regulations or the introduction of new regulations, procedures or licensing requirements are beyond the Group's control and may be influenced by political or commercial considerations not aligned with the Group's interests. Any expansion of the scope of the regulations governing the Group's environmental obligations, in particular, would likely involve substantial additional costs, including costs relating to maintenance and inspection, development and implementation of emergency procedures and insurance coverage or other financial assurance of its ability to address environmental incidents or external threats.	The Group maintains a constructive dialogue with relevant Russian federal, regional and local authorities regarding existing and planned regulations. The Group does not have the power to block any or all regulations it may judge to be harmful, but this dialog should ensure it has time to react to changes in the regulatory environment.

RISK	DESCRIPTION	RISK MANAGEMENT APPROACH
Compliance and shareholder risk		
Conflict of interests	The Group's controlling beneficial shareholders may have interests that conflict with those of the holders of the GDRs or notes.	The Group's corporate governance system is designed to ensure the interests of all stakeholders are taken into account. The Group's LSE listing ensures our compliance with the highest international standards. In addition, the Board has highly experienced members, including two strong independent directors.
Legal risks	Adverse determination of pending and potential legal actions involving the Group's subsidiaries could have an adverse effect on the Group's business, revenues and cash flows and the price of the GDRs. Weaknesses relating to the Russian legal system and Russian law create an uncertain environment for investment and business activity and legislation may not adequately protect against expropriation and nationalisation. The lack of independence of certain members of the judiciary, the difficulty of enforcing court decisions and governmental discretion claims could prevent the Group from obtaining effective redress in court proceedings.	The Group maintains a legal function designed to monitor legal risks, avoid legal actions where possible and carefully oversee any legal actions that may occur.
Financial risks		
Holding company	The Group is a holding company and its ability to pay dividends or meet costs depends on the receipt of funds from its subsidiaries.	The Group has to date been able to maintain stable dividend flows from its subsidiaries and joint ventures. The Group's has been able to maintain stable cash flows, despite challenging market conditions, and the holding company has been able to deliver stable results.
FOREX risks	The Group is subject to foreign-exchange risk arising from various currency exposures, primarily the Russian rouble and the US dollar. Foreign-exchange risk is the risk to profits and cash flows of the Group arising from movement of foreign-exchange rates due to inability to appropriately plan for and react to fluctuations in foreign-exchange rates. Risk arises from revaluation of assets and liabilities denominated in foreign currency.	The Group uses several different instruments and approaches to minimise future risks from volatility in the value of the Russian rouble and US dollar. To date, this strategy has proved effective.
Transfer pricing	Russian transfer pricing rules may affect the Group's results of operations and due to uncertainties in the interpretation of Russian transfer pricing legislation, no assurance can be given that the Russian tax authorities will not challenge prices of transactions of the Group and make adjustments, which could adversely affect the Group's tax position.	The Group closely monitors the situation regarding any potential changes to Russian transfer pricing rules and seeks an open dialogue with the relevant authorities regarding current ambiguities in the legislation.
Credit risk	The Group may be subject to credit risk due to its dependence on key customers and suppliers.	The Group closely tracks its accounts receivables overall and the creditworthiness of key customers and suppliers.
Debt and leverage	The Group's indebtedness or the enforcement of certain provisions of its financing arrangements could affect its business or growth prospects. The Group has high leverage and a substantial amount of its borrowings are secured and subject to covenants, which could be breached.	The Group has been able to reduce its Total Debt level, as planned, in 2016 and continued reduction of the debt above and beyond minimum repayment requirements remains a management priority in 2017.
General business risk		
Labour	Industrial action or adverse labour relations could disrupt the Group's business operations and have an adverse effect on operating results.	The Group strives to maintain a positive working relationship with unions at its facilities. Moreover, it pursues overall labour policies designed to provide a salary and benefit package in line with the expectations of our employees.
Information technology	Failure of information systems to adequately protect critical data and infrastructure from theft, corruption and unauthorised usage.	The Group has centralised IT functions in recent years and believes this is an important step in ensuring both efficiency and security for our systems.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FINANCIAL STATEMENTS

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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BOARD OF DIRECTORS AND OTHER OFFICERS

BOARD OF DIRECTORS

Mr. Peder Sondergaard (appointed 14 February 2017)
(Mrs. Iana Boyd Penkova is the alternate to Mr. Peder Sondergaard)
Non-Executive Director
Member of Remuneration and Nomination Committees

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

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

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

Mr. Morten Henrick Engelstoft (appointed 31 October 2016)
(Mrs Iana Boyd Penkova is the alternate to Morten Henrick Engelstoft)
Non-Executive Director
Member of Remuneration, Nomination and Audit and Risk Committees

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

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

BOARD OF DIRECTORS CONTINUED

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

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

Mr. Gerard Jan van Spall (appointed 22 April 2016)
(Mrs. Laoura Michael is the alternate to Mr. Gerard Jan van Spall)
Non-executive Director

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

Mr. Constantinos Economides (resigned on 22 April 2016)

Ms. Chrystalla Stylianou (resigned on 31 October 2016)

Mr. Kim Fejfer (resigned on 31 October 2016)

Mr. Tiemen Meester (resigned on 14 February 2017)

Board support

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

Company Secretary

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

Registered office

20 Omirou Street
Ayios Nicolaos
CY-3095 Limassol
Cyprus

MANAGEMENT REPORT

1. The Board of Directors presents its report together with the audited consolidated financial statements of Global Ports Investments Plc (hereafter also referred to as "GPI" or the "Company") and its subsidiaries and joint-ventures (hereafter collectively referred to as the "Group") for the year ended 31 December 2016. The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (hereafter also referred as "IFRS") as adopted by the European Union ("EU") and the requirements of Cyprus Companies Law, Cap. 113.

PRINCIPAL ACTIVITIES AND NATURE OF OPERATIONS OF THE GROUP

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

CHANGES IN GROUP STRUCTURE

3. During the year ended 31 December 2016 a new subsidiary, Global Ports (Finance) Plc, was incorporated. During the year Global Ports (Finance) Plc issued Eurobonds in the total amount of US$700 million at a fixed coupon rate. The proceeds from the Eurobonds were used to refinance the existing indebtedness of the Group.

4. During the year ended 31 December 2016 the management of the Group continued its efforts in optimisation of the Group structure. The 7.999 shares of First Container Terminal Inc. representing the 25% less two shares were sold by NCC Group Limited to Petrolesport JSC.

5. There were no other material changes in the group structure.

REVIEW OF DEVELOPMENTS, POSITION AND PERFORMANCE OF THE GROUP'S BUSINESS

6. The macro-economic backdrop in Russia remained challenging throughout 2016 affecting consumer demand. While there were elements of a recovery in the Russian container market in the second half of 2016, resulting in a 4% y-o-y increase in volumes in that period, the recovery remained subdued with an overall increase of 1% for the year. Global Ports' container throughput in Russia declined 19% in 2016 to 1,128 thousand TEU on the back of disciplined commercial approaches of the Group, growing competition and low capacity utilisation rates in the Russian container industry.

7. The situation in Estonia remained challenging and is characterised by a structural deterioration of the business environment in which the Group's oil products terminal operates, which is heavily dependent on the flows of Russian oil products.

8. The net profit of the Group for the year ended 31 December 2016 was US$61,263 thousand (2015: net loss US$(33,679) thousand). On 31 December 2016 the total assets of the Group were US$1,643,007 thousand (2015: US$1,519,778 thousand) and the net assets were US$324,916 thousand (2015: US$171,932 thousand). The financial position, development and performance of the Group as presented in these consolidated financial statements are considered satisfactory.

9. In the reporting period, the Group continued to focus on developing additional revenue streams, improving operational efficiency, free cash flow generation and deleveraging. As a result of these actions, Global Ports' Adjusted EBITDA was US$224.3 million with strong Free Cash Flow of US$178 million and a healthy Adjusted EBITDA margin of 67.7%. The Group decreased its Total Debt by a further US$104.2 million over the period.

   Adjusted EBITDA (a non-IFRS financial measure) for Global Ports Group is defined as profit for the period before income tax expense, finance (income)/costs—net, depreciation of property, plant and equipment, amortisation of intangible assets, share of profit/(loss) of joint ventures accounted for using the equity method, other gains/(losses)—net and impairment of goodwill and property, plant and equipment and intangible assets.

   Adjusted EBITDA Margin (a non-IFRS financial measure) is calculated as Adjusted EBITDA divided by revenue, expressed as a percentage.

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

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

RISK MANAGEMENT PROCESS, PRINCIPAL RISKS AND UNCERTAINTIES

10. Global Ports maintains and continuously reviews a rigorous risk management system that is designed to identify, monitor, mitigate and, where possible, eliminate threats to the business.

11. Identifying and managing risks is central to achieving the corporate objective of delivering long-term growth and added value to our 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. It is based on a series of well-defined risk management principles, derived from experience, best practices and corporate governance principles. The Group updates and improves its risk management system on a regular basis.

12. 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 assesses the risks critical to the Group's performance and delivery of its strategy. After identifying and assessing a risk, the Group identifies remediation measures aimed at reducing the likelihood of its occurrence and/or potential impact.

13. The Board delegates to the Russian Ports CEO the 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.

14. 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.

Strategic risks

Trade volumes: The Group is dependent on trade volumes, in particular container volumes, and, accordingly, on the strength of the Russian economy. The country's container market throughput has historically demonstrated a very strong correlation with the volume of imports of goods, 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 also deteriorate.

Competition: The Group may be subject to increasing competition from other existing or newly developed container terminals through the introduction of new capacity or consolidation between container terminal operators and container shipping companies, which could result in intensified price competition, lower utilisation and a potential reduction of profitability. In recent years, both competitors and new market entrants have introduced or announced that they plan to introduce significant new container handling capacity to the Russian market. For example, a new port terminal has been constructed in the Port of Bronka, which commenced commercial operations in January 2016 and competes with the Group's ports in the Baltic Sea Basin. In particular, strategic international investors may develop or acquire stakes in existing competitor Russian container terminals, which could bring new expertise into the market and lure customers and cargoes away from the Group.

Infrastructure: 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. In addition, Russia's physical infrastructure is in poor condition, which could disrupt or impair the Group's normal business activity, and any efforts by the government to improve such infrastructure may increase the Group's costs.

Political, economic and social stability: 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. Certain government policies or the selective and arbitrary enforcement of such policies could make it more difficult for the Group to compete effectively and/or impact its profitability.

Situation in Ukraine: Political instability in Ukraine, heightened levels of tension between Russia and other states, increased military activity on its border with Russia and the imposition by the US, the EU 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.

Operational risks

Leases of terminal land: The Group is dependent on a limited number of shipping lines and customers for a significant portion of its business. 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.

Reliance on third parties: The Group is dependent on the performance of services by third parties outside its control, including the performance by all other participants in the logistics chain, such as customs inspectors, supervisory authorities and others, and the performance of security procedures carried out at other port facilities and by its shipping line customers.

Logistics costs: Changes in costs in any part of the logistics chain in which the Group operates could affect the Group's competitive position.

Inflation: Inflation could increase the Group's cost base and the Group may be adversely affected by wage increases in Russia.

Oil products: The Group's oil products business could be affected by changes in Russia's exports of oil products and handling of such exports at its oil products terminal in Estonia, a decline in global demand for oil products or in Russian oil product export volumes or any change in trade relationships with Estonia.

Tariff regulation: Tariffs for certain services at certain of the Group's terminals have been in the past regulated by the Russian Federal Antimonopoly Service and, as a result, the tariffs charged for such services were, and may potentially in the future be, subject to a maximum tariff rate and/or fixed in Russian roubles as PLP, VSC, and FCT, like many other Russian seaport operators, are classified as natural monopolies under Russian law. In addition, as of the date of publication of these Financial Statements, the FAS has commenced investigations of several Russian seaport operators, including PLP, VSC and FCT, suggesting potential breach of antimonopoly laws in relation to the pricing of stevedoring services at Russia's ports. In particular, the FAS suggests that PLP, VSC and FCT have possibly violated antimonopoly laws of Russia by way of utilising their dominant position on the market and establishing monopolistically high prices for their handling services. There can be no assurance that the investigations will not result in fines being levied against PLP, VSC and FCT, which could have a material adverse effect on the Group.

Management resources: 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.

Environment, safety and security: Accidents involving the handling of hazardous materials and oil products at the Group's terminals could disrupt its business and operations and/or subject the Group to environmental and other liabilities. The risk of safety incidents is inherent in the Group's businesses. The Group's operations could be adversely affected by terrorist attacks, natural disasters or other catastrophic events beyond its control.

Regulatory risks

Regulatory compliance: The Group is subject to a wide variety of regulations, standards and requirements and may face substantial liability if it fails to comply with existing or future regulations applicable to its businesses. The Group's terminal operations are subject to extensive laws and regulations governing, among other things, the loading, unloading and storage of hazardous materials, environmental protection and health and safety.

Changes in regulations: Changes to existing regulations or the introduction of new regulations, procedures or licensing requirements are beyond the Group's control and may be influenced by political or commercial considerations not aligned with the Group's interests. Any expansion of the scope of the regulations governing the Group's environmental obligations, in particular, would likely involve substantial additional costs, including costs relating to maintenance and inspection, development and implementation of emergency procedures and insurance coverage or other financial assurance of its ability to address environmental incidents or external threats.

RISK MANAGEMENT PROCESS, PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Compliance and shareholder risk

Conflict of interests: The Group's controlling beneficial shareholders may have interests that conflict with those of the holders of the GDRs or notes.

Legal risks: Adverse determination of pending and potential legal actions involving the Group's subsidiaries could have an adverse effect on the Group's business, revenues and cash flows and the price of the GDRs. Weaknesses relating to the Russian legal system and Russian law create an uncertain environment for investment and business activity and legislation may not adequately protect against expropriation and nationalisation. The lack of independence of certain members of the judiciary, the difficulty of enforcing court decisions and governmental discretion claims could prevent the Group from obtaining effective redress in court proceedings.

Financial risks

Holding company: The Company is a holding company and its ability to pay dividends or meet costs depends on the receipt of funds from its subsidiaries and joint ventures.

FOREX risks: 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 denominated in foreign currency.

Transfer pricing: Russian transfer pricing rules may affect the Group's results of operations and due to uncertainties in the interpretation of Russian transfer pricing legislation, no assurance can be given that the Russian tax authorities will not challenge prices of transactions of the Group and make adjustments, which could adversely affect the Group's tax position.

Interest rate risk: 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.

Credit risk: The Group may be subject to credit risk due to its dependence on key customers and suppliers.

Debt and leverage: The Group's indebtedness or the enforcement of certain provisions of its financing arrangements could affect its business or growth prospects. The Group has high leverage and a substantial amount of its bank borrowings are secured and subject to covenants, which could be breached.

General business risk

Labour: Industrial action or adverse labour relations could disrupt the Group's business operations and have an adverse effect on operating results.

Information technology: Failure of information systems to adequately protect critical data and infrastructure from theft, corruption and unauthorised usage.

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

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

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS

17. The internal control and risk management systems relating to financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and to ensure compliance with applicable laws and regulations.

18. Financial reporting and supervision are based on approved budgets and on monthly performance reporting.

19. The Audit and Risk Committee of the Board of directors of the Company reviews certain high-risk areas at least once a year, including the following:

    – Significant accounting estimates;
    – Material changes to the accounting policies;

20. Reporting from various Group entities to the centralised unit is supervised on an ongoing basis and procedures have been established for control and checking of such reporting. Procedures have also been set up to ensure that any errors are communicated to and corrected by the reporting entities. The internal controls are subject to ongoing reviews, including in connection with the regular control inspections at subsidiaries conducted by the central unit. The results from these reviews are submitted to the executive management, the Audit and Risk Committee and Board of Directors. The internal financial reporting ensures an effective process to monitor the Company's financial results, making it possible to identify and correct any errors or omissions. The monthly financial reporting from the respective entities is analysed and monitored by the centralised department in order to assess the financial and operating performance as well as to identify any weaknesses in the internal reporting, failures to comply with procedures and the group accounting policies. The Audit and Risk Committee follows up to ensure that any internal control weaknesses are mitigated and that any errors or omissions in the financial statements identified and reported by the auditors are corrected, including controls or procedures implemented to prevent such errors or omissions.

USE OF FINANCIAL INSTRUMENTS BY THE GROUP

21. The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial results. Risk management is carried out by a central financial department as well as financial departments in operating entities under policies approved by the Board of Directors. These departments identify, evaluate and take actions to mitigate financial risks in close co-operation with the operating units. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

22. 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.

23. 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.

24. The Group uses from time to time foreign currency swaps (derivatives) to manage its exposures to foreign exchange risk.

25. 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.

26. Currently the long-term debt of the Group is denominated in US dollars and Russian Roubles. Most of Rouble-denominated debt is effectively swapped to USD-debt with a lower interest rate.

27. The US dollar and Euro interest rates are relatively more attractive compared to the Russian Rouble interest rate.

(ii) Cash flow and fair value interest rate risk

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

29. However, the Group is exposed to fair value interest rate risk through market value fluctuations of loans receivable, borrowings and lease liabilities with fixed rates.

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

USE OF FINANCIAL INSTRUMENTS BY THE GROUP CONTINUED

(b) Credit risk

31. Financial assets, which potentially subject the Group to credit risk, consist principally of trade receivables and loans receivable (Note 19) and cash and cash equivalents (Note 20). The Group has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history. However, the Group's business is heavily dependent on several large key customers accounting for substantial part of the Group's revenue. Cash and cash equivalents are placed in reliable banks with good history.

(c) Liquidity risk

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

33. Cash flow forecasting is performed at the level of operating entities of the group and at consolidated level by the centralised department. 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 and long-term nature of the debt portfolio, the Group has the ability to meet its liabilities as they fall due and mitigate risks of adverse changes in the financial markets environment.

(d) Capital risk management

34. 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.

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

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

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

FUTURE DEVELOPMENTS OF THE GROUP

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

RESULTS

39. The Group's results for the year are set out on pages 15 and 16.

DIVIDENDS

40. 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.

41. 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.

42. During the years 2015 and 2016 the Company did not declare and pay any dividends.

43. The Board of Directors of the Company does not recommend the payment of a final dividend for the year 2016.

SHARE CAPITAL

Authorised share capital

44. 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.

45. 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

46. 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.

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

RULES FOR AMENDING ARTICLES

48. The Articles of association of the Company may be amended from time to time by the special resolution of the General Meeting of the shareholders.

THE ROLE OF THE BOARD OF DIRECTORS

49. 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.

50. 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

51. 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.

52. The Board currently has 14 members and they were appointed as shown on pages 01 and 02.

53. On 22 April 2016 Mr. Constantinos Economides resigned from the Board and Mr. Gerard Jan van Spall replaced him. On 31 October 2016 Mr. Kim Fejfer and Mrs. Crystalla Stylianou resigned from the Board and Messrs. Morten Henrick Engelstoft and Nicholas Charles Terry replaced them.

54. All other Directors were members of the Board throughout the year ended 31 December 2016.

55. On 14 February 2017 Mr. Tiemen Meester resigned from the Board and Mr. Peder Sondergaard replaced him on the same day.

56. There is no provision in the Company's Articles of Association for retirement of Directors by rotation. However in accordance with the Terms of Reference of the Board of Directors and the resolutions adopted by the Shareholders at the Annual General Meetings held 29 April 2015 and 22 April 2016 and Extraordinary General Meetings held on 31 October 2016 and 14 February 2017 Mr. Michalakis Christofides and Mr. Vadim Kryukov will continue in office and Mr. Peder Sondergaard, Mr. Nikita Mishin, Mr. Morten Engelstoft, Capt. Bryan Smith, Mrs. Siobhan Walker, Dr. Alexander Nazarchuk, Mr. Alexander Iodchin, Mr. Mikhail Loganov, Mr. Konstantin Shirokov, Ms. Laoura Michael, Mr. Gerard Jan van Spall and Mr. Nicholas Charles Terry will be offered for re-election at the next Annual General Meeting of the Shareholders of the Company.

MEMBERS OF THE BOARD OF DIRECTORS CONTINUED

57. 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.

58. On 31 October 2016 Mr. Kim Fejfer resigned from the Board and consequently from the Audit and Risk, Nominations and Remuneration Committees. On the same day Mr. Morten Henrick Engelstoft was appointed at the member of the Audit and Risk, Nominations and Remuneration Committees. There were no other significant changes in the responsibilities of the Directors during 2016.

59. On 14 February 2017 Mr. Tiemen Meester resigned from the Board and consequently from the Nominations and Remuneration Committees and from the position of the Chairman of the Board. On 16 February 2017 Mr. Peder Sondergaard was appointed at the member of the Nominations and Remuneration Committees.

DIRECTORS' INTERESTS

60. The interests in the share capital of Global Ports Investments Plc, both direct and indirect, of those who were Directors as at 31 December 2016 and 31 December 2015 are shown below:

Name	Type of holding	**Shares held at 31 December 2016**	Shares held at 31 December 2015
Nikita Mishin	Through shareholding in Transportation Investments Holding Limited and other related entities	**42,267,114 ordinary shares**	39,731,086 ordinary shares
		16,477,011 ordinary non-voting shares	15,488,390 ordinary non-voting shares

BOARD PERFORMANCE

61. 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.

62. In 2016 the Board met formally 21 (2015: 19) times to review current performance and to discuss and approve important business decisions.

63. In 2016 the Board met to discuss and approve important business decisions:

    a. FY2015 financial statements, 1H2016 interim financial statements and Annual Report;
    b. Changes in Group management and the Board of Directors;
    c. Remuneration guidelines;
    d. Review of segments financial and operational performance;
    e. Consideration of 2017 financial budget;
    f. Consideration and approval of the Group refinancing and restructuring and the issuance of Eurobonds and Russian Rouble Bonds;
    g. Consideration and approval of major capital expenditures and operating expenditures;
    h. Consideration and approval of various resolutions related to the operations of the Company's subsidiaries and joint-ventures.

64. The number of Board and Board Committee meetings held in the year 2016 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	21	21	–	–	–	–	–	–
Bryan Smith	21	21	6	6	2	2	–	–
Nikita Mishin	18	21	4	6	1	2	–	–
Alexander Nazarchuk	21	21	6	6	2	2	–	–
Mikhail Loganov	12	21	–	–	–	–	–	–
Konstantin Shirokov	21	21	–	–	–	–	12	12
Siobhan Walker	18	21	–	–	–	–	12	12
Morten Henrick Engelstoft	5	5	2	3	–	–	3	3
Tiemen Meester	21	21	6	6	2	2	–	–
Laura Michael	19	21	–	–	–	–	–	–
Gerard Jan van Spall	13	14	–	–	–	–	–	–
Nicholas Terry	5	5	–	–	–	–	–	–
Vadim Kryukov	21	21	–	–	–	–	–	–
Michalakis Christofides	21	21	–	–	–	–	–	–
Kim Fejfer	16	16	3	3	2	2	9	9
Chrystalla Stylianou	15	16	–	–	–	–	–	–
Constantinos Economides	4	6	–	–	–	–	–	–

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

65. 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

66. 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.

67. 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. Morten Henrick Engelstoft who replaced Mr. Kim Fejfer on 31 October 2016. 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.

THE BOARD COMMITTEES CONTINUED

68. In the year 2016 the Audit and Risk Committee met 12 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 2015 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 2016 and recommendation for approval to the Board;
    c. Review of the press releases containing financial information;
    d. Review of the reports prepared by external and internal 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.

69. 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, Mr. Morten Henrick Engelstoft (appointed on 31 October 2016) and Mr. Peder Sondergaard (appointed on 14 February 2017). Mr. Kim Fejfer and Mr. Tiemen Meester resigned from the position of the member of the Nomination Committee in October 2016 and February 2017 respectively. 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.

70. In 2016 the Nomination Committee met six times to discuss and recommend to the Board the appointment of senior management of the Group companies and also to recommend the Directors the candidates to the Board and Board Committees.

71. 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, Mr. Morten Henrick Engelstoft (appointed on 31 October 2016) and Mr. Peder Sondergaard (appointed on 14 February 2017). Mr. Kim Fejfer and Mr. Tiemen Meester resigned from the position of the member of the Nomination Committee in October 2016 and February 2017 respectively. 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.

72. In 2016 the Remuneration Committee met 2 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

73. Improving its corporate governance structure in accordance with the internationally recognised best practices the Company adopted in 2008, 2012, 2015 and 2016 important policies and procedures. The Group is regularly reviewing and updating its policies and procedures. The new Code of Ethics was approved by the Board of Directors on 08 December 2016.

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

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

BOARD AND MANAGEMENT REMUNERATION

75. 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.

76. 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.

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

78. Refer to Note 29(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

79. The events after the balance sheet date are disclosed in Note 30 to the consolidated financial statements.

RESEARCH AND DEVELOPMENT ACTIVITIES

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

BRANCHES

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

TREASURY SHARES

82. 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

83. 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 2017 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

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

By Order of the Board

Konstantin Shirokov
Director

Alexander Iodchin
Director

16 March 2017

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 15 to 74 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
16 March 2017

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

(in thousands of US dollars)	Note	For the year ended 31 December 2016	2015
Revenue	5	**331,468**	405,692
Cost of sales	6	**(186,064)**	(176,367)
Gross profit		**145,404**	229,325
Administrative, selling and marketing expenses	6	**(36,675)**	(42,343)
Share of (loss)/profit of joint ventures accounted for using the equity method	26	**(40,423)**	3,812
Other gains/(losses) – net	7	**(68,757)**	(6,039)
Operating (loss)/profit		**(451)**	184,755
Finance income	9	**1,367**	1,560
Finance costs	9	**(98,064)**	(60,146)
Change in fair value of derivative	9	**64,432**	(5,488)
Net foreign exchange gains/(losses) on financial activities	9	**142,572**	(150,995)
Finance income/(costs) – net	9	**110,307**	(215,069)
Profit/(loss) before income tax		**109,856**	(30,314)
Income tax expense	10	**(48,593)**	(3,365)
Profit/(loss) for the year		**61,263**	(33,679)
Attributable to:			
Owners of the Company		**61,038**	(25,138)
Non-controlling interest		**225**	(8,541)
		61,263	(33,679)
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	**0.11**	(0.04)

The notes on pages 20 to 74 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

(in thousands of US dollars)	Note	For the year ended 31 December **2016**	2015
Loss for the year		**61,263**	(33,679)
Other comprehensive loss			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		**30,661**	(123,463)
Share of currency translation differences of joint ventures accounted for using the equity method	26	**(2,133)**	(24,711)
Fair value losses on cash flow hedge		**–**	(20,577)
Reclassification to income statement of realised gains on cash flow hedge	23	**–**	(235)
Reclassification to income statement of a loss/(gain) on cash flow hedge termination	23	**63,149**	(13,491)
Reclassification to currency translation reserve of a gain on cash flow hedge termination	23	**(1,793)**	–
Total items that can be reclassified subsequently to profit or loss		**89,884**	(182,477)
Items that may not be subsequently reclassified to profit or loss			
Share of currency translation differences attributable to non-controlling interest		**2,638**	(3,639)
Total items that cannot be reclassified subsequently to profit or loss		**2,638**	(3,639)
Other comprehensive loss for the year, net of tax		**92,522**	(186,116)
Total comprehensive loss for the year		**153,785**	(219,795)
Total comprehensive loss attributable to:			
Owners of the Company		**150,922**	(207,615)
Non-controlling interest		**2,863**	(12,180)
Total comprehensive loss for the year		**153,785**	(219,795)

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 20 to 74 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2016

(in thousands of US dollars)	Note	As at 31 December 2016	As at 31 December 2015
ASSETS			
Non-current assets		**1,462,472**	1,360,300
Property, plant and equipment	14	**580,226**	499,145
Intangible assets	15	**666,223**	622,686
Investments in joint ventures	26	**123,149**	167,815
Prepayments for property, plant and equipment	14	**4,640**	3,357
Deferred tax assets	24	**44,440**	66,021
Derivative financial instruments	23	**35,529**	–
Trade and other receivables	19	**8,265**	1,276
Current assets		**180,535**	159,478
Inventories	18	**5,013**	3,825
Derivative financial instruments	23	**17,428**	–
Trade and other receivables	19	**38,011**	29,800
Income tax receivable		**804**	2,718
Cash and cash equivalents	20	**119,279**	123,135
TOTAL ASSETS		**1,643,007**	1,519,778
EQUITY AND LIABILITIES			
Total equity		**324,916**	171,932
Equity attributable to the owners of the Company		**309,623**	158,701
Share capital	21	**57,317**	57,317
Share premium	21	**923,511**	923,511
Capital contribution		**101,300**	101,300
Currency translation reserve		**(806,407)**	(834,935)
Cash flow hedge reserve	23	**(57,426)**	(118,782)
Transactions with non-controlling interest		**(209,122)**	(209,122)
Retained earnings		**300,450**	239,412
Non-controlling interest		**15,293**	13,231
Total liabilities		**1,318,091**	1,347,846
Non-current liabilities		**1,211,794**	1,217,605
Borrowings	22	**1,040,875**	1,062,371
Trade and other payables	25	**8,208**	–
Derivative financial instruments	23	**–**	5,360
Deferred tax liabilities	24	**162,711**	149,874
Current liabilities		**106,297**	130,241
Borrowings	22	**78,681**	103,029
Trade and other payables	25	**26,320**	26,897
Current income tax liabilities		**1,296**	315
TOTAL EQUITY AND LIABILITIES		**1,643,007**	1,519,778

On 16 March 2017 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 20 to 74 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

		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 2015		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**
Total other comprehensive income		**–**	**–**	**–**	**28,528**	**61,356**	**–**	**–**	**89,884**	**2,638**	**92,522**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**61,038**	**61,038**	**225**	**61,263**
Total comprehensive income for the year ended 31 December 2016		**–**	**–**	**–**	**28,528**	**61,356**	**–**	**61,038**	**150,922**	**2,863**	**153,785**
Distributions to non-controlling interest	13	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(801)**	**(801)**
Total transactions with owners for the year ended 31 December 2016		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(801)**	**(801)**
Balance at 31 December 2016		**57,317**	**923,511**	**101,300**	**(806,407)**	**(57,426)**	**(209,122)**	**300,450**	**309,623**	**15,293**	**324,916**

* 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 20 to 74 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

(in thousands of US dollars)	Note	For the year ended 31 December 2016	2015
Cash flows from operating activities			
Profit/(loss) before income tax		**109,856**	(30,314)
Adjustments for:			
Depreciation of property, plant and equipment	14	**34,843**	42,794
Impairment of property, plant and equipment	14	**–**	46,686
Impairment of intangible assets	15	**67,532**	–
(Profit)/loss on sale of property, plant and equipment	14	**(652)**	(2,722)
Write off of property, plant and equipment	14	**440**	950
Amortisation of intangible assets	15	**13,225**	14,498
Interest income	9	**(1,367)**	(1,560)
Interest expense	9	**98,064**	60,146
Share of (profit)/loss in jointly controlled entities	26	**40,423**	(3,812)
Change in fair value of swap	9	**(64,432)**	5,488
Foreign exchange differences on non-operating activities		**(79,432)**	160,354
Other non-cash items		**(738)**	(289)
Operating cash flows before working capital changes		**217,762**	292,219
Changes in working capital			
Inventories		**(379)**	38
Trade and other receivables		**(2,439)**	6,421
Trade and other payables		**3,751**	(1,362)
Cash generated from operations		**218,695**	297,316
Dividends received from joint ventures		**5,281**	10,406
Income tax paid		**(28,135)**	(59,699)
Net cash from operating activities		**195,841**	248,023
Cash flows from investing activities			
Purchases of intangible assets	15	**(118)**	(100)
Purchases of property, plant and equipment	14	**(18,043)**	(11,733)
Proceeds from sale of property, plant and equipment	14	**1,021**	8,708
Loans granted to related parties	29(h)	**(9,900)**	(8,690)
Loan repayments received from related parties		**444**	477
Interest received		**983**	1,528
Net cash used in investing activities		**(25,613)**	(9,810)
Cash flows from financing activities			
Proceeds from borrowings		**829,308**	285,061
Repayments of borrowings		**(943,030)**	(398,624)
incl. payment under interest rate and cross-currency exchange rate swap linked to the bank loan repaid		**–**	(125,580)
Interest paid		**(70,259)**	(74,406)
Proceeds from derivative financial instruments not used for hedging		**11,372**	–
Finance lease principal payments (third parties)		**(2,514)**	(4,426)
Dividends paid to the owners of non-controlling interest	13	**(732)**	–
Net cash used in financing activities		**(175,855)**	(192,395)
Net increase in cash and cash equivalents		**(5,627)**	45,818
Cash and cash equivalents at beginning of the year		**123,135**	78,808
Exchange losses on cash and cash equivalents		**1,771**	(1,491)
Cash and cash equivalents at end of the year	20	**119,279**	123,135

The notes on pages 20 to 74 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 16 March 2017.

Principal activities

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

Composition of the Group and its joint ventures

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

- five container terminals in Russia – Petrolesport, First Container Terminal (FCT, Ust-Luga Container Terminal (ULCT) and Moby Dik in the St. Petersburg and Ust-Luga port cluster, and Vostochnaya Stevedoring Company (VSC) in Port of Vostochny;
- two container terminals in Finland – Multi-Link Terminals Helsinki and Multi-Link Terminals Kotka;
- inland 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.

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 2016 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 2016. 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 2016, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on these consolidated financial statements, except the following set out below:

(a) Adopted by the European Union

- IFRS 15 "Revenue from Contracts with Customers" (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018; EU effective date 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.

  Management is currently assessing the effects of applying the new standard on the group's financial statements and has not yet identified any areas that are likely to be affected.

  At this stage, the group is not able to estimate the impact of the new rules on the group's financial statements. The group will make more detailed assessments of the impact over the next twelve months.

  The standard must be applied for financial years commencing on or after 1 January 2018. The group does not intend to adopt IFRS 15 before its mandatory effective date.

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 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. While the group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses, although these have traditionally been quite rare and insignificant.
  - Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

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

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

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

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

  The standard must be applied for financial years commencing on or after 1 January 2018. The group does not intend to adopt IFRS 9 before its mandatory effective date.

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

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

  The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has certain non-cancellable operating lease commitments, see Note 28. However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows.

  Although some of the commitments may be covered by the exception for short-term and low-value leases; some commitments may relate to arrangements that will not qualify as leases under IFRS 16; the group expects that the new guidance will have a significant impact on its financial statements; more specifically:
  - The recognition of the right to use the assets and a related liabilities will grow its balance sheet; and
  - The operating lease rentals will be replaced by depreciation of the right to use the assets and interest expense on the outstanding liability.

  The standard must be applied for financial years commencing on or after 1 January 2019, however the EU has not yet adopted this standard. The group does not intend to adopt IFRS 16 before its EU mandatory effective date.

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017). The amendment has clarified the requirements on recognition of deferred tax assets for unrealised losses on debt instruments. The entity will have to recognise deferred tax asset for unrealised losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefit embodied in the deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (unwinding of the effects of discounting) without paying taxes on those gains.
- Disclosure Initiative – Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities.
- Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.
- Annual Improvements to IFRSs 2014-2016 cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017 for amendments to IFRS 12, and on or after 1 January 2018 for amendments to IFRS 1 and IAS 28). The improvements impact three standards. The amendments clarify the scope of the disclosure requirements in IFRS 12 by specifying that the disclosure requirements in IFRS 12, other than those relating to summarised financial information for subsidiaries, joint ventures and associates, apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with IFRS 5. IFRS 1 was amended and some of the short-term exemptions from IFRSs in respect of disclosures about financial instruments, employee benefits and investment entities were removed, after those short-term exemptions have served their intended purpose.
  The amendments to IAS 28 clarify that an entity has an investment-by-investment choice for measuring investees at fair value in accordance with IAS 28 by a venture capital organisation, or a mutual fund, unit trust or similar entities including investment linked insurance funds. Additionally, an entity that is not an investment entity may have an associate or joint venture that is an investment entity. IAS 28 permits such an entity to retain the fair value measurements used by that investment entity associate or joint venture when applying the equity method. The amendments clarify that this choice is also available on an investment-by-investment basis.
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018). The interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) on the derecognition of a non-monetary asset or non-monetary liability arising from an advance consideration in a foreign currency. Under IAS 21, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. IFRIC 22 only applies in circumstances in which an entity recognises a non-monetary asset or non-monetary liability arising from an advance consideration. IFRIC 22 does not provide application guidance on the definition of monetary and non-monetary items. An advance payment or receipt of consideration generally gives rise to the recognition of a non-monetary asset or non-monetary liability, however, it may also give rise to a monetary asset or liability. An entity may need to apply judgment in determining whether an item is monetary or non-monetary.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Other accounting standards that have not been endorsed by EU and are not considered to be relevant to the Group

- IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016). IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard.
- Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments mean that non-market performance vesting conditions will impact measurement of cash-settled share-based payment transactions in the same manner as equity-settled awards. The amendments also clarify classification of a transaction with a net settlement feature in which the entity withholds a specified portion of the equity instruments, that would otherwise be issued to the counterparty upon exercise (or vesting), in return for settling the counterparty's tax obligation that is associated with the share-based payment. Such arrangements will be classified as equity-settled in their entirety.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.
- Finally, the amendments also clarify accounting for cash-settled share based payments that are modified to become equity-settled, as follows (a) the share-based payment is measured by reference to the modification-date fair value of the equity instruments granted as a result of the modification; (b) the liability is derecognised upon the modification, (c) the equity-settled share-based payment is recognised to the extent that the services have been rendered up to the modification date, and (d) the difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date is recorded in profit or loss immediately.
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach). The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the replacement Standard that the IASB is developing for IFRS 4. These concerns include temporary volatility in reported results. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts Standard is issued. In addition, the amended Standard will give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments Standard—IAS 39. The amendments to IFRS 4 supplement existing options in the Standard that can already be used to address the temporary volatility.
- Transfers of Investment Property – Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments clarify the requirements on transfers to, or from, investment property in respect of properties under construction. Prior to the amendments, there was no specific guidance on transfers into, or out of, investment properties under construction in IAS 40. The amendment clarifies that there was no intention to prohibit transfers of a property under construction or development, previously classified as inventory, to investment property when there is an evident change in use. IAS 40 was amended to reinforce the principle of transfers into, or out of, investment property in IAS 40 to specify that a transfer into, or out of investment property should only be made when there has been a change in use of the property; and such a change in use would involve an assessment of whether the property qualifies as an investment property. Such a change in use should be supported by evidence.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Segment reporting

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

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.

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.

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.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Intangible assets

(a) Goodwill

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

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

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

(b) Computer software

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

(c) 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 56 years as of 31 December 2016) 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.

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'.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Derivative financial instruments and hedging activities

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

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

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

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

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

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

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

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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. Staff costs of the group mainly consists of salaries.

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

Offsetting financial instruments

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

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 foreign currency swaps (derivatives) to manage its exposures to foreign exchange risk.

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 to the Russian Rouble interest rate. The revenues of Russian operations are mainly priced in US Dollars and Russian Roubles, whereas most of expenses are denominated and settled in Russian Roubles.

The 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)	**2016**	2015
Assets	**104,233**	110,001
Liabilities	**399,074**	1,174,513
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 2016, would have (decreased)/increased by US$70,762 thousand (2015: 30% change, effect US$255,483 thousand) and the equity would have (decreased)/increased by US$70,762 thousand (2015: 30% change, effect US$255,483 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 2016 and 31 December 2015 are as follows:

	As at 31 December	
(in thousands of US dollars)	**2016**	2015
Assets	**424**	3,654
Liabilities	**–**	–
Capital commitments	**6,915**	6,717

3 FINANCIAL RISK MANAGEMENT CONTINUED

Financial risk factors continued

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 2016, would have increased/(decreased) by US$102 thousand (2015: 30% change, effect US$877 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of lease liabilities, loans, borrowings, cash and cash equivalents and accounts receivable denominated in Euros.

(ii) Cash flow and fair value interest rate risk

The Group is not significantly exposed to changes in market interest rates as substantially all of its borrowings portfolio consists of fixed rate debt. However, the Group is exposed to fair value interest rate risk through market value fluctuations of loans receivable, borrowings and lease liabilities with fixed rates.

Had market interest rates on US dollars, Euro and Russian Rouble denominated floating interest bearing financial assets and liabilities shift by 100 basis points and all other variables remained unchanged, the post-tax profit of the Group would have decreased by US$29 thousand for the year ended 31 December 2016 (2015: US$8,412 thousand).

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

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

(b) Credit risk

Financial assets, which potentially subject the Group to credit risk, consist principally of trade receivables and loans receivable (Note 19) and cash and cash equivalents (Note 20). The Group has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history. These policies enable the Group to reduce its credit risk significantly. However, the Group's business is heavily dependent on several large key customers accounting for 57% and 62% of the Group's revenue for the year ended 31 December 2016 and 2015, 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 2016					
Trade receivables	**18,076**	**2,584**	**–**	**–**	**20,660**
Loans receivable	**8,472**	**169**	**–**	**–**	**8,641**
Other receivables	**4,452**	**–**	**–**	**–**	**4,452**
Total	**31,000**	**2,753**	**–**	**–**	**33,753**
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

(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$119,279 thousand (31 December 2015: US$123,135 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 2016 and 2015. 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 2016								
Borrowings	**13,435**	**25,800**	**31,813**	**70,914**	**134,016**	**512,149**	**818,254**	**1,606,381**
Trade and other payables	**4,711**	**12,336**	**610**	**434**	**–**	**9,931**	**–**	**28,022**
Derivative financial instruments:								
– payments		**4,152**	**2,324**	**6,476**	**12,952**	**238,751**	**–**	**264,655**
– receipts	**–**	**(10,522)**	**(5,384)**	**(15,907)**	**(31,813)**	**(321,441)**		**(385,067)**
Total	**18,146**	**31,766**	**29,363**	**61,917**	**115,155**	**439,390**	**818,254**	**1,513,991**
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

(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)	**2016**	2015
Total borrowings	**1,119,556**	1,165,400
Total capitalisation	**1,444,472**	1,337,332
Total borrowings to total capitalisation ratio (percentage)	**78%**	87%

3 FINANCIAL RISK MANAGEMENT CONTINUED

Financial risk factors continued

(e) Fair value estimation

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

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

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

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

The disclosure of the fair value of financial instruments carried at amortised cost and the fair value of financial instruments carried at fair value is determined using the following valuation methods:

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

The Group's only financial instrument carried at fair value is disclosed in Note 23. It is valued using Level 2 valuation technique from the table above. There are no changes in the valuation techniques during the year.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

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

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

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

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 to their carrying value.

Based on the results of the impairment tests carried out an impairment charges of US$67,532 thousand for FCT CGU were recognised in 2016 resulting in the carrying amount of the CGU being written down to its recoverable amount. This impairment charge was fully allocated to intangible assets (Note 15).

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 as management considers that this terminal is still at a development 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 (2015: 3%). For projections prepared for VEOS CGU as at 31 December 2016 a terminal growth rate of 2% was applied (2015: 2%). The discount rate applied for Russian ports CGUs in projections prepared as at 31 December 2016 is 11.2% (2015: 12.1%) and for VEOS the discount rate is 8.6% (2015: 9.1%).

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 2016, 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, FCT and VEOS CGUs management believes that any reasonably possible change in the key assumptions on which these units' recoverable amounts are based would not cause carrying amounts of these units to exceed their recoverable amounts.

In ULCT, the recoverable amount calculated based on value in use approximates the carrying value. If the estimated volumes handled each year are 5% lower, or the revenue per TEU each year 5% lower, terminal growth rate is 0,5% lower or discounting rate is 1% higher, then an impairment of property, plant and equipment would arise amounting to US$5 million, US$42 million, US$1 million and US$5 million respectively.

For FCT CGU, if the estimated volumes handled each year are 5% lower, or the revenue per TEU each year 5% lower, terminal growth rate is 0,5% lower or discounting rate is 1% higher, then a further impairment of intangible assets would arise amounting to US$51 million, US$191 million, US$32 million and US$80 million respectively.

In addition the impairment of investment in VEOS amounting to US$39,218 thousand was recognised within 'Share of profit/(loss) of joint ventures accounted for using the equity method' (see Note 26).

For VEOS CGU, if the estimated volumes handled each year are 5% lower, or the revenue per TEU each year 5% lower or discounting rate is 1% higher, then this would result in a further loss under 'Share of profit/(loss) of joint ventures accounted for using the equity method' amounting to US$2 million, US$34 million and US$10 million respectively.

(ii) Russian legislation

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

(iii) Investigation by Russian anti-monopoly authorities

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

This may have adverse effect on operating, financial and investing activities of the Group. However, it is not possible to make any reasonable estimates about the likelihood, effect and magnitude of these developments on the financial performance and financial position of the Group.

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 to prior years.

5 SEGMENTAL INFORMATION CONTINUED

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.

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 managing, holding and service companies.

Reconciliation adjustments

Reconciliation adjustments consist of two major components:

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

The Group does not have any material regular transactions between segments except for those which mainly relate to management and financing activities.

The segment results for the year ended 31 December 2016 are as follows:

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

* CAPEX represents purchases of property, plant and equipment

Included within 'Other adjustments' on the line 'Other gains/(losses) – net' is the elimination of intragroup dividends and profit from the sale of shares in subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

5 SEGMENTAL INFORMATION CONTINUED

Reconciliation adjustments continued

The reconciliation of results for the year ended 31 December 2016 calculated with proportional consolidation to the results presented in consolidated income statement above is as follows:

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

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

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

5 SEGMENTAL INFORMATION CONTINUED

Reconciliation adjustments continued

The reconciliation of operating expenses for the year ended 31 December 2016 calculated with proportional consolidation to the results presented in consolidated income statement above is as follows:

(in thousands of US dollars)	Group as per proportionate consolidation	Equity method and other adjustments	Group as per equity method consolidation of joint ventures
Depreciation of property, plant and equipment	48,333	(13,490)	34,843
Amortisation of intangible assets	13,842	(617)	13,225
Impairment of property, plant and equipment and intangible assets	113,654	(46,122)	67,532
Staff costs	72,273	(15,709)	56,564
Transportation expenses	13,665	(7,023)	6,642
Fuel, electricity and gas	10,567	(4,573)	5,994
Repair and maintenance of property, plant and equipment	10,699	(3,775)	6,924
Total	283,033	(91,309)	191,724
Other operating expenses	37,352	(6,337)	31,015
Total cost of sales, administrative, selling and marketing expenses	**320,385**	**(97,646)**	**222,739**

The segment assets and liabilities as at 31 December 2016 are as follows:

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

Included within 'Russian ports', 'Finnish ports' and 'Holdings' segments 'Other non-current assets' are investments in subsidiaries and joint ventures in the total amount of US$7,924 thousand, US$126,614 thousand and US$1,057,676 thousand respectively (fully eliminated on consolidation).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

5 SEGMENTAL INFORMATION CONTINUED

Reconciliation adjustments continued

The reconciliation of total segment assets and liabilities as at 31 December 2016 calculated with proportional consolidation to the results presented in consolidated balance sheet above is as follows:

(in thousands of US dollars)	Group as per proportionate consolidation	Equity method and other adjustments	Group as per equity method consolidation of joint ventures
Property, plant and equipment (including prepayments for PPE)	693,449	(108,583)	584,866
Investments in joint ventures	–	123,149	123,149
Intangible assets	691,235	(25,012)	666,223
Other non-current assets	37,685	50,549	88,234
Inventories	6,461	(1,448)	5,013
Trade and other receivables (including income tax prepayment)	69,456	(13,213)	56,243
Cash and cash equivalents	130,020	(10,741)	119,279
Total assets	**1,628,306**	**14,701**	**1,643,007**
Long-term borrowings	1,044,846	(3,971)	1,040,875
Other long-term liabilities	130,046	40,873	170,919
Trade and other payables	36,600	(10,280)	26,320
Short-term borrowings	89,525	(10,844)	78,681
Other short-term liabilities	2,333	(1,037)	1,296
Total liabilities	**1,303,350**	**14,741**	**1,318,091**
Non-controlling interest	**15,293**	**–**	**15,293**

The 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)
Administrative, selling and marketing expenses	(18,889)	(8,504)	(1,027)	(28,420)	(25,380)	4,961	65	(48,774)
Other gains/(losses) – 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. change in the fair value of derivative instruments	(5,489)	–	–	(5,489)	–	–	–	(5,489)
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/(losses) – 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)
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 gains/(losses) – 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. change in the fair value of derivative instruments	(5,489)	–	(5,489)
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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 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 2016 is disclosed below in accordance with their registered address. Major clients of the Group are internationally operating companies and their Russian branches. Their registered addresses are usually not relevant to the location of their operations.

	For the year ended 31 December	
(in thousands of US dollars)	**2016**	2015
Revenue from domestic customers – Cyprus	**21,064**	21,234
Revenue from foreign customers by countries:		
Russia	**182,905**	237,404
Denmark	**47,717**	45,970
UK	**25,093**	28,937
France	**12,334**	20,393
Other	**42,355**	51,754
Revenue from foreign customers total	**310,404**	384,458
Total revenue	**331,468**	405,692

In 2016 there was one and in 2015 there were two customers representing more than 10% of consolidated revenue. They 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 2016	2015
Staff costs (Note 8)	**56,564**	62,716
Depreciation of property, plant and equipment (Note 14)	**34,843**	42,794
Amortisation of intangible assets (Note 15)	**13,225**	14,498
Impairment of property, plant and equipment (Note 14)	**–**	46,686
Impairment of intangible assets (Note 15)	**67,532**	–
Transportation expenses	**6,642**	6,300
Fuel, electricity and gas	**5,994**	6,504
Repair and maintenance of property, plant and equipment	**6,924**	7,303
Taxes other than on income	**5,356**	6,190
Legal, consulting and other professional services	**3,579**	3,126
Auditors' remuneration	**1,544**	1,848
Operating lease rentals	**4,944**	5,368
Purchased services	**5,311**	4,564
Insurance	**894**	1,389
Other expenses	**9,387**	9,424
Total cost of sales, administrative, selling and marketing expenses	**222,739**	218,710

The total fees charged by the Company's statutory auditor for the statutory audit of the annual financial statements of the Company for the year ended 31 December 2016 amounted to US$305 thousand (2015: US$340 thousand) The total fees charged by the Company's statutory auditor for the year ended 31 December 2016 for other assurance services amounted to US$199 thousand (2015: US$112 thousand), for tax advisory services amounted to US$77 thousand (2015: US$31 thousand).

The above expenses are analysed by function as follows:

Cost of sales

(in thousands of US dollars)	For the year ended 31 December 2016	2015
Staff costs	**34,239**	36,779
Depreciation of property, plant and equipment	**34,281**	42,080
Amortisation of intangible assets	**13,205**	14,473
Impairment of property, plant and equipment (Note 14)	**–**	46,686
Impairment of intangible assets (Note 15)	**67,532**	–
Transportation expenses	**6,642**	6,300
Fuel, electricity and gas	**5,731**	6,263
Repair and maintenance of property, plant and equipment	**6,232**	6,454
Taxes other than on income	**4,337**	4,829
Operating lease rentals	**2,637**	3,015
Purchased services	**5,311**	4,564
Insurance	**539**	973
Other expenses	**5,378**	3,951
Total cost of sales	**186,064**	176,367

6 EXPENSES BY NATURE CONTINUED

Administrative, selling and marketing expenses

(in thousands of US dollars)	For the year ended 31 December 2016	2015
Staff costs	**22,325**	25,937
Depreciation of property, plant and equipment	**562**	714
Amortisation of intangible assets	**20**	25
Fuel, electricity and gas	**263**	241
Repair and maintenance of property, plant and equipment	**692**	849
Taxes other than on income	**1,019**	1,361
Legal, consulting and other professional services	**3,579**	3,126
Auditors' remuneration	**1,544**	1,848
Operating lease rentals	**2,307**	2,353
Insurance	**355**	416
Other expenses	**4,009**	5,473
Total administrative, selling and marketing expenses	**36,675**	42,343

7 OTHER GAINS/(LOSSES) – NET

(in thousands of US dollars)	For the year ended 31 December 2016	2015
Foreign exchange (losses)/gains on non-financing activities – net (Note 11)	**(2,354)**	5,702
Settlement of commercial claim	**(3,413)**	–
Recycling of derivative losses previously recognised through other comprehensive income (Note 23(ii))	**(63,149)**	–
Other gains/(losses) – net	**159**	(337)
Total	**(68,757)**	(6,039)

8 EMPLOYEE BENEFIT EXPENSE

(in thousands of US dollars)	For the year ended 31 December 2016	2015
Salaries	**44,672**	49,935
Social insurance costs	**10,510**	11,381
Other staff costs	**1,382**	1,400
Total	**56,564**	62,716
Average number of staff employed during the year	**2,743**	2,883

Included within 'Social insurance costs' for 2016 are contributions made to the state pension funds in the total amount of US$7,762 thousand (2015: US$8,805 thousand).

9 FINANCE INCOME/(COSTS) – NET

(in thousands of US dollars)	For the year ended 31 December 2016	2015
Included in finance income:		
Interest income on bank balances	**482**	451
Interest income on short-term bank deposits	**447**	1,036
Interest income on loans to related parties (Note 29(h))	**438**	73
Total finance income	**1,367**	1,560
Included in finance costs:		
Interest expenses on bank borrowings	**(46,645)**	(58,277)*
Interest expenses on bonds	**(49,786)**	(245)
Interest expenses on finance lease	**(1,428)**	(1,577)
Interest expenses on loans from third parties	**(205)**	(47)
Total finance costs	**(98,064)**	(60,146)
Included in the change in fair value of derivatives:		
Interest component**	**14,411**	121
Foreign currency exchange component	**50,021**	(5,609)
Total change in fair value of derivatives (Note 23(i))	**64,432**	(5,488)
Net foreign exchange losses on financing activities	**142,572**	(150,995)
Finance incomes/(costs) – net	**110,307**	(215,069)

* Includes gains on derivatives used for hedging (see Note 23).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10 INCOME TAX EXPENSE

(in thousands of US dollars)	For the year ended 31 December 2016	2015
Current tax	**31,833**	52,109
Deferred tax (Note 24)	**16,760**	(48,744)
Total	**48,593**	3,365

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 2016	2015
Profit/(loss) before tax	**109,856**	(30,314)
Tax calculated at the applicable tax rates – 20% (1)	**21,972**	(6,063)
Tax effect of expenses not deductible for tax purposes	**19,092**	14,299
Tax effect of share of profit in jointly controlled entities	**8,085**	(762)
Withholding tax on undistributed profits	**(556)**	(1,616)
Tax effect of reduced tax rates of an entity in Russian ports segment(2)	**–**	(2,493)
Tax charge	**48,593**	3,365

(1) The applicable tax rate used for 2016 and 2015 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 GAINS/(LOSSES)

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

(in thousands of US dollars)	For the year ended 31 December 2016	2015
Included in 'finance income/(costs) – net' (Note 9)	**142,572**	(150,995)
Included in 'other gains/(losses) – net' (Note 7)	**(2,354)**	(5,702)
Total	**140,218**	(156,697)

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	
	2016	2015
Profit attributable to the owners of the parent of the Company – in thousands of US dollars	**61,038**	(25,138)
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)	**0.11**	(0.04)

13 DIVIDEND DISTRIBUTION

During 2016 and 2015 the Company did not declare or pay dividends to the equity holders of the Company.

During 2016 a Group company has declared dividends of which US$801 thousand (2015: US$Nil) are payable to non-controlling interest.

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 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	17,872	163,451	31,856	1,539	650,801
Accumulated depreciation and impairment	–	(74,513)	(1,243)	(61,405)	(13,186)	(1,309)	(151,656)
Net book amount	150,753	210,817	16,629	102,046	18,670	230	499,145

14 PROPERTY, PLANT AND EQUIPMENT CONTINUED

(in thousands of US dollars)	Land	Buildings and facilities	Assets under construction	Loading equipment and machinery	Other production equipment	Office equipment	Total
At 1 January 2016							
Cost	150,753	285,330	17,872	163,451	31,856	1,539	650,801
Accumulated depreciation and impairment	–	(74,513)	(1,243)	(61,405)	(13,186)	(1,309)	(151,656)
Net book amount	150,753	210,817	16,629	102,046	18,670	230	499,145
Additions	–	5,463	8,644	2,219	1,815	85	18,226
Transfers	–	835	(835)	–	–	–	–
Disposals	–	(18)	(260)	(155)	(375)	(1)	(809)
Depreciation charge (Note 6)	–	(17,346)	–	(14,683)	(2,630)	(184)	(34,843)
Translation reserve	30,385	41,223	4,300	19,018	3,545	36	98,507
Closing net book amount	181,138	240,974	28,478	108,445	21,025	166	580,226
At 31 December 2016							
Cost	181,138	346,439	29,721	192,545	39,035	1,897	790,775
Accumulated depreciation and impairment	–	(105,465)	(1,243)	(84,100)	(18,010)	(1,731)	(210,549)
Net book amount	181,138	240,974	28,478	108,445	21,025	166	580,226

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 2016	2015
Net book amount	809	6,936
Less: Non-cash items – write-offs of property, plant and equipment	(440)	(950)
	369	5,986
Profit on sale of property, plant and equipment(1)	652	2,722
Proceeds from sale of property, plant and equipment	1,021	8,708

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

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

(in thousands of US dollars)	As at 31 December 2016	2015
Buildings and constructions	7,662	6,529
Loading equipment	9,527	8,588
Total	17,189	15,117

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 2016	2015
Buildings and constructions	–	11,150
Loading equipment and machinery	6,266	29,038
Other production equipment	–	4,307
Total	6,266	44,495

Depreciation expense amounting to US$34,281 thousand in 2016 (2015: US$42,080 thousand) has been charged to 'cost of sales' and US$562 thousand in 2016 (2015: US$714 thousand) has been charged to 'administrative, selling and marketing' expenses (Note 6).

There were no capitalised borrowing costs in 2016 and 2015.

Lease rentals relating to the lease of machinery and property amounting to US$2,637 thousand in 2016 (2015: US$3,015 thousand) have been charged to 'cost of sales' and US$2,307 thousand in 2016 (2015: US$2,353 thousand) has been charged to 'administrative, selling and marketing expenses'.

As at 31 December 2016 the amounts prepaid for equipment not delivered and prepayments for construction works not yet carried out were US$4,640 thousand (2015: US$3,357 thousand).

15 INTANGIBLE ASSETS

(in thousands of US dollars)	Goodwill	Contractual rights	Client base	Computer software	Total
At 1 January 2015					
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
Additions	–	–	–	118	118
Amortisation charge (Note 6)	–	(11,830)	(1,241)	(154)	(13,225)
Impairment charge (Note 6)	–	(67,532)	–	–	(67,532)
Translation reserve	1,616	122,405	103	52	124,176
Closing net book amount	9,637	656,293	–	293	666,223
At 31 December 2016					
Cost	**9,637**	**764,303**	**–**	**726**	**774,666**
Accumulated amortisation and impairment	**–**	**(108,010)**	**–**	**(433)**	**(108,443)**
Net book amount	**9,637**	**656,293**	**–**	**293**	**666,223**

As at 31 December 2016 the remaining useful lives for contractual rights were up to 56 years (2015: up to 57 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

15 INTANGIBLE ASSETS CONTINUED

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:

	As at 31 December	
(in thousands of US dollars)	**2016**	2015
PLP (Russian ports segment)	**4,168**	3,469
VSC (Russian ports segment)	**5,469**	4,552
Total	**9,637**	8,021

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

16 FINANCIAL INSTRUMENTS BY CATEGORY

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

	As at 31 December	
(in thousands of US dollars)	**2016**	2015
Loans and receivables		
Financial assets as per balance sheet:		
Trade and other receivables[1]	**33,753**	25,166
Cash and cash equivalents	**119,279**	123,135
Total	**153,032**	148,301
Financial liabilities measured at amortised cost		
Financial liabilities as per balance sheet:		
Borrowings	**1,119,556**	1,165,400
Trade and other payables[2]	**28,022**	19,736
Total	**1,147,578**	1,185,136
Derivatives		
Financial liabilities as per balance sheet:		
Derivative financial instruments	**–**	5,360
Total	**–**	5,360

(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:

	As at 31 December	
(in thousands of US dollars)	**2016**	2015
Trade and other receivables		
Core customers – new (less than one year of working history with the Group)	**41**	787
Core customers – existing (more than one year of working history with the Group)	**9,042**	10,260
Related party loans	**8,472**	1,629
Loans to third parties	**–**	9
Trade and other receivables from other customers (third parties)	**1,467**	715
Trade and other receivables from related parties	**11,978**	7,595
Total	**31,000**	20,995

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)		As at 31 December	
Agency	Rating	**2016**	2015
International rating agency Moody's Investors Service	A1 – Aa3	**620**	164
International rating agency Moody's Investors Service	B1 – Baa2	**101,748**	105,484
International rating agency Moody's Investors Service	Caa1 – Caa2	**341**	75
Fitch Ratings	AAA	**16,517**	12,064
Standard & Poor's	A-	**–**	5,219
*No rating	No rating	**53**	129
Total		**119,279**	123,135

* 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

	As at 31 December	
(in thousands of US dollars)	**2016**	2015
Spare parts	**5,013**	3,825
Total	**5,013**	3,825

All inventories are stated at cost.

19 TRADE AND OTHER RECEIVABLES

(in thousands of US dollars)	As at 31 December 2016	2015
Trade receivables – third parties	**12,663**	14,032
Trade receivables – related parties (Note 29(e))	**7,997**	4,763
Total trade receivables	**20,660**	18,795
Other receivables	**358**	569
Other receivables – related parties (Note 29(e))	**4,094**	3,990
Prepayments for goods and services	**6,262**	4,251
Prepayments for goods and services – related parties (Note 29(e))	**525**	106
Loans to third parties	**169**	183
Loans to related parties (Note 29(h))	**8,472**	1,629
VAT and other taxes recoverable	**5,736**	1,553
Total trade and other receivables	**46,276**	31,076
Less non-current portion:		
Loans to related parties	**(8,265)**	(1,193)
Other receivables	**–**	(83)
Total non-current portion	**(8,265)**	(1,276)
Current portion	**38,011**	29,800

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% (2015: 4.2%).

Trade and other receivables amounting to US$22,527 thousand (31 December 2015: US$19,357 thousand), were fully performing.

Trade and other receivables amounting to US$2,584 thousand (31 December 2015: US$3,997 thousand) were past due but not impaired. These relate to a number of independent customers for whom there is no history of either non repayment in the past or renegotiation of the repayment terms due to inability of the customer to repay the balance.

The analysis of past due trade and other receivables is as follows:

(in thousands of US dollars)	As at 31 December 2016	2015
Less than 1 month overdue	**1,892**	3,736
From 1 to 3 months overdue	**518**	171
From 3 to 6 months overdue	**114**	80
Over 6 months overdue	**60**	10
Total	**2,584**	3,997

During 2016 trade receivables amounting to US$17 thousand (2015: US$32 thousand) were impaired and written off in full. These are individually impaired receivables mainly related to customers, which are in a difficult economic situation.

As of 31 December 2016 and 31 December 2015 none of loans to third parties 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 7% (2015: 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)	**2016**	2015
Currency:		
US dollar	**18,949**	8,513
Russian Rouble	**21,611**	16,406
Euro	**5,716**	6,157
Total	**46,276**	31,076

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

	As at 31 December	
(in thousands of US dollars)	**2016**	2015
Cash at bank and in hand	**30,073**	15,844
Short term bank deposits (less than 90 days)	**89,206**	107,291
Total	**119,279**	123,135

The effective average interest rate on short-term deposits was 0.8% in 2016 (2015: 0.8%) and these deposits have an average maturity of 18 days in 2016 (2015: 21 days).

Cash and cash equivalents include the following for the purposes of the cash flow statement:

	As at 31 December	
(in thousands of US dollars)	**2016**	2015
Cash and cash equivalents	**119,279**	123,135
Total	**119,279**	123,135

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 1 January/31 December 2015/31 December 2016	**573,171**	**57,317**	**923,511**	**980,828**

22 BORROWINGS

(in thousands of US dollars)	As at 31 December 2016	2015
Non-current borrowings		
Bank loans	**91,625**	981,489
Non-convertible unsecured bonds	**938,373**	68,497
Finance lease liabilities	**9,937**	11,058
Interest payable for finance lease liabilities	**–**	584
Loans from third parties	**755**	628
Interest payable on loans from third parties	**185**	115
Total non-current borrowings	**1,040,875**	1,062,371
Current borrowings		
Bank loans	**51,908**	98,343
Interest payable on bank loans	**252**	1,429
Finance lease liabilities	**2,523**	2,514
Interest payable on finance lease liabilities	**505**	521
Interest payable on non-convertible unsecured bonds	**23,493**	222
Total current borrowings	**78,681**	103,029
Total borrowings	**1,119,556**	1,165,400

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

(in thousands of US dollars)	As at 31 December 2016	2015
Between 1 and 2 years	**48,315**	129,546
Between 2 and 5 years	**290,475**	921,183
Over 5 years	**692,148**	–
Total	**1,030,938**	1,050,729

Bank borrowings mature until 2019 (31 December 2015: 2020), bonds mature until 2023 (31 December 2015: 2020) and loans from other third parties mature until 2018 (31 December 2015: 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. In 2016 the Group continued the restructuring of its debt portfolio with the aim of facilitating greater financial flexibility and diversification of the debt portfolio of the Group. In 2016 a Company's subsidiary, issued second and third series of 5-year Russian rouble denominated non-convertible bonds in the amount of RUR 5,000 million each in the total amount of RUR 10,000 million. These bonds are guaranteed by the Company.

Proceeds from these bonds issuance were swapped using two cross currency swap instruments into US dollars with a lower interest rate (see Note 23(i)) and were used for the refinancing of the Group's existing debt.

In April and September 2016 the GPI group has successfully finalised issue of two tranches of Eurobonds on the Irish Stock Exchange in the total amount of US$700 million at a fixed coupon rate. Some companies within GPI group have unconditionally and irrevocably guaranteed these Eurobonds on a joint and several basis.

The carrying amount of outstanding bonds as of 31 December 2016 totalled to US$961,866 thousand (as of 31 December 2015: US$68,719 thousand).

Proceeds from above bond issues have been used for refinancing of the Group's debt.

Finance lease liabilities – minimum lease payments:

	As at 31 December	
(in thousands of US dollars)	**2016**	2015
Under 1 year	**3,927**	3,607
Between 1 and 2 years	**2,398**	3,513
Between 2 and 5 years	**4,060**	3,824
Over 5 years	**60,733**	44,060
Total	**71,118**	55,004
Future finance charges of finance leases	**(58,153)**	(40,327)
Present value of finance lease liabilities	**12,965**	14,677

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

	As at 31 December	
(in thousands of US dollars)	**2016**	2015
Under 1 year	**3,019**	3,035
Between 1 and 2 years	**1,062**	3,098
Between 2 and 5 years	**11**	1,055
Over 5 years	**8,873**	7,489
Total	**12,965**	14,677

According to the management's estimates the fair value of bank loans as at 31 December 2016 and as at 31 December 2015 amounts to US$139,883 thousand and US$1,088,939 thousand respectively. As at 31 December 2016 the fair value of outstanding bonds amounted to US$980,911 thousand (31 December 2015: 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 2016 and as at 31 December 2015 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

22 BORROWINGS CONTINUED

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):

	As at 31 December	
(in thousands of US dollars)	**2016**	2015
6 months or less	**3,966**	842,161
6-12 months	**–**	1,808
1-5 years	**143,880**	311,056
Over 5 years	**947,275**	7,504
Total	**1,095,121**	1,162,529

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

	As at 31 December	
(in thousands of US dollars)	**2016**	2015
Russian Rouble	**263,487**	78,045
US Dollar	**856,069**	1,087,355
Total	**1,119,556**	1,165,400

From the above amount of borrowings denominated in RUR, US$253,168 thousand (2015: US$68,719 thousand) are covered by a swap arrangement effectively converting the RUR-denominated obligation into USD-denominated one (see Note 23).

The weighted average effective interest rate on borrowings is 8.2% (2015: 6.5%). The weighted average effective interest rate on borrowings which includes the effect of the cross-currency swap would be 6.7% (2015: 6.1%).

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 2016 of US$6,266 thousand (31 December 2015: US$44,495 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 2016 and 2015.

23 DERIVATIVE FINANCIAL INSTRUMENTS

As of 31 December 2016 the fair value of derivatives was positive – US$52,957 thousand. As of 31 December 2015 the fair value of derivatives was negative – US$(5,360) thousand.

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

(i) Derivatives related to RUR-denominated bonds issues

During 2015 and 2016 the Group entered into three cross-currency swap arrangements to exchange its RUR-denominated liabilities related to the newly issued bonds (3 issues of RUR 5,000 million each) with fixed interest rate of approximately 13% in the amount RUR 15,000 million (see Note 22) to USD-denominated debt with the lower fixed interest rate. The Group decided not to apply hedge accounting rules to new swaps. As a result the change in fair value is presented in the income statement under "change in fair value of derivative" as part of "finance income/(costs) – net" (see Note 9).

Cash collected/paid in relation to the swap arrangements not used for hedging that relate to the swap of fixed RUR denominated interest to fixed USD denominated interest is presented in the consolidated statement of cash flows as "proceeds from derivative financial instruments not used for hedging".

(ii) Derivatives used for hedging

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

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

The termination of the cross-currency interest rate swap arrangement together with the settlement of the related loan has 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 2015.

In addition in 2015 realised gains related to interest component of the terminated swap (included within interest costs under finance costs, Note 9) amounted to US$10,810 thousand and realised losses related to currency component of the swap (included within currency exchange gains under 'other gains/(losses) – net', Note 7) amounted to US$10,575 thousand.

During 2016 there was recycled US$61,356 thousand of derivative losses previously recognised through other comprehensive income that related to the cash flow hedge on forecasted sales. This amount has been recycled as a loss of US$63,149 through the income statement under 'other gains/losses – net' (Note 7) and as a credit charge in amount of US$1,793 thousand, relating to the foreign exchange difference arising on the retranslation of the cash flow hedge reserve using historic foreign exchange rate and average foreign exchange rate for the period, through currency translation differences in other comprehensive income. The recycling was based on the original forecasted sales that were expected to occur during the period.

As at 31 December 2016 an amount of US$57,426 thousand (31 December 2015: 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 2017.

24 DEFERRED INCOME TAX LIABILITIES

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

(in thousands of US dollars)	As at 31 December 2016	2015
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	**44,440**	66,021
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	**(162,711)**	(149,874)
Deferred tax liabilities (net)	**(118,271)**	(83,853)

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

(in thousands of US dollars)	For the year ended 31 December 2016	2015
At the beginning of the year	**(83,853)**	(169,057)
Income statement charge:		
Deferred tax credit	**(16,760)**	48,744
Other movements:		
Currency translation differences	**(17,658)**	36,460
At the end of the year	**(118,271)**	(83,853)

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 2015	(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)
Income statement (Note 10)	4,296	1,327	15,928	(2,073)	(34,731)	(15,253)	(1,507)	(16,760)
Translation differences	(10,938)	(1,021)	(24,039)	(187)	18,012	(18,173)	515	(17,658)
At 31 December 2016	**(62,174)**	**(5,404)**	**(129,411)**	**(3,602)**	**80,742**	**(119,849)**	**1,578**	**(118,271)**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The amount of unremitted earnings of certain subsidiaries and joint ventures on which no withholding tax provision was recognised amounts to US$700,321 thousand (2015: US$130,303 thousand).

25 TRADE AND OTHER PAYABLES

(in thousands of US dollars)	As at 31 December 2016	2015
Trade payables – third parties	**3,659**	3,296
Trade payables – related parties (Note 29(f))	**106**	69
Payables for property, plant and equipment	**834**	–
Other payables – third parties	**4,756**	361
Other payables – related parties (Note 29(f))	**540**	1,193
Payroll payable	**1,559**	1,091
Accrued expenses and deferred gains	**14,846**	13,726
Advances received	**4,487**	3,817
Taxes payable (other than income tax)	**3,741**	3,344
Total trade and other payables	**34,528**	26,897
Less non-current portion	**(8,208)**	–
Current portion	**26,320**	26,897

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 2016 and 31 December 2015 are as follows:

(in thousands of US dollars)	VEOS	MLT	CD Holding	Total
At 1 January 2016	**125,564**	**42,251**	**–**	**167,815**
Recognised share of profit/(loss)	**(46,412)**	**6,658**	**(669)**	**(40,423)**
Translation differences (through other comprehensive income/(loss))	**(4,298)**	**3,007**	**(842)**	**(2,133)**
Dividends declared by joint venture	**–**	**(5,048)**	**–**	**(5,048)**
Loans converted to share capital (Note 29(h))			**2,938**	**2,938**
At 31 December 2016	**74,854**	**46,868**	**1,427**	**123,149**

As of 31 December 2016 the cumulative unrecognised total comprehensive income in relation CD Holding amounted US$Nil (31 December 2015: US$(2,550) thousand).

26 JOINT VENTURES CONTINUED

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

(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 29(h))	–	–	8,670	8,670
At 31 December 2015	125,564	42,251	–	167,815

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 2016		
(in thousands of US dollars)	**VEOS**	**MLT**	**CD Holding**
Revenue	**58,970**	**34,076**	**7,018**
Depreciation, amortisation and impairment	**(20,280)**	**(4,422)**	**(866)**
Interest income	**18**	**74**	**1**
Interest expense	**(709)**	**(388)**	**(1,162)**
Profit before income tax	**(16,345)**	**11,804**	**2,508**
Income tax expense	**1,956**	**(2,927)**	**–**
Profit after tax	**(14,389)**	**8,877**	**2,508**
Other comprehensive income/(loss)	**(4,643)**	**4,735**	**(1,125)**
Total comprehensive income/(loss)	**(19,032)**	**13,612**	**1,383**
Dividends declared by joint venture	**–**	**6,731**	**–**

Selected balance sheet items

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

Selected income statement items

(in thousands of US dollars)	For the year ended 31 December 2015		
	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

(in thousands of US dollars)	As at 31 December 2015		
	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)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26 JOINT VENTURES CONTINUED

Set out below is the reconciliation of the summarised financial information presented to the carrying amount of the Group interest in joint ventures.

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

(in thousands of US dollars)	For the year ended 31 December 2015			
	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

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 frequent changes and varying interpretations.

During 2016 the Russian economy continued to be negatively impacted by low oil prices, ongoing political tension in the region and international sanctions against certain Russian companies and individuals, all of which contributed to the country's economic recession characterised by a decline in gross domestic product. Russian Rouble exchange rate (as nominated by Central Bank of the Russian Federation ("CBRF")) fluctuated between RUR 60.3 and RUR 83.6 per USD and between RUR 63.0 and RUR 91.2 per EUR.

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Russia's credit rating was downgraded to below investment grade. This operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. 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. However, the situation in Estonia remained challenging and is characterised by a structural deterioration of the business environment in which the Group's oil products terminal operates, which is heavily dependent on the flows of Russian oil products.

Tax legislation in Russia

Russian tax and customs legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged 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 2016 and as of 31 December 2015 management believes that no additional tax liability has to be accrued in the financial statements.

27 CONTINGENCIES CONTINUED

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 and investigations

From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates and both internal and external professional advice, management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these consolidated financial statements. See also Note 4(iii) in relation to investigation by the Russian anti-monopoly authorities.

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)	**2016**	2015
Property, plant and equipment	**10,432**	7,046
Total	**10,432**	7,046

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)	**2016**	2015
Not later than 1 year	**2,738**	2,225
Later than 1 year and not later than 5 years	**11,112**	8,833
Later than 5 years	**52,984**	45,150
Total	**66,834**	56,208

29 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

	For the year ended 31 December	
(in thousands of US dollars)	**2016**	2015
Entities under control of owners of TIHL or APM Terminals	**94,065**	107,363
Joint ventures in which GPI is a venture	**23**	48
Other related parties	**48**	57
Total	**94,136**	107,468

(b) Sales of property, plant and equipment

Net book amount of sold property, plant and equipment

	For the year ended 31 December	
(in thousands of US dollars)	**2016**	2015
Joint ventures in which GPI is a venturer	**116**	561
Total	**116**	561

Profit on sales of property, plant and equipment

	For the year ended 31 December	
(in thousands of US dollars)	**2016**	2015
Joint ventures in which GPI is a venturer	**–**	40
Total	**–**	40

(c) Purchases of services and incurred expenses

	For the year ended 31 December	
(in thousands of US dollars)	**2016**	2015
Entities under control of owners of TIHL or APM Terminals	**2,415**	2,630
Other related parties	**2,004**	2,237
Total	**4,419**	4,867

(d) Interest income

	For the year ended 31 December	
(in thousands of US dollars)	**2016**	2015
Joint ventures in which GPI is a venturer	**438**	73
Total	**438**	73

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

29 RELATED PARTY TRANSACTIONS CONTINUED

(e) Trade and other receivables and prepayments

(in thousands of US dollars)	As at 31 December 2016	2015
Entities under control of owners of TIHL or APM Terminals	**8,522**	4,867
Joint ventures in which GPI is a venturer	**3,981**	3,992
Other related parties	**113**	–
Total	**12,616**	8,859

(f) Trade and other payables

(in thousands of US dollars)	As at 31 December 2016	2015
Entities under control of owners of TIHL or APM Terminals	**556**	1,193
Other related parties	**90**	69
Total	**646**	1,262

(g) Key management compensation/directors' remuneration

(in thousands of US dollars)	For the year ended 31 December 2016	2015
Key management compensation:		
Salaries, payroll taxes and other short term employee benefits	**9,809**	12,022
Directors' remuneration (included also above):		
Fees	**381**	384
Emoluments in their executive capacity	**340**	343
Total	**721**	727

(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 2016	2015
At the beginning of the year	**1,629**	2,259
Loans advanced during the year	**9,900**	8,690
Interest charged	**438**	73
Loan and interest repaid during the year	**(482)**	(550)
GPI's share of losses of joint ventures applied against other long-term interests (Note 26)	**–**	(8,670)
Loans converted to share capital (Note 26)	**(2,938)**	–
Foreign exchange differences	**(75)**	(173)
At the end of the year (Note 19)	**8,472**	1,629

The loans are not secured, bear average interest at 4.3% (2015: 4.6%) and are repayable in 2017-2022.

30 EVENTS AFTER THE BALANCE SHEET DATE

There were no material post balance sheet events which have a bearing on the understanding of these condensed consolidated interim financial statements.

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our opinion
In our opinion, the accompanying consolidated financial statements of Global Ports Investments Plc (the "Company"), its subsidiaries and joint ventures (together with the Company, the "Group"), give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated 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.

What we have audited
We have audited the consolidated financial statements which are presented on pages 15 to 74 and comprise:
- the consolidated balance sheet as at 31 December 2016;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

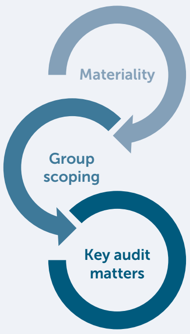
The financial reporting framework that has been applied in the preparation of the consolidated financial statements is International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

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

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

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



Overall Group materiality: USD 6 million, which represents 2.5% of Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA").

We conducted full scope audit procedures for the parent entity; all the significant components; and the consolidation process.

For the remaining non-significant components we performed a full scope audit; or analytical procedures; and/or audit of specific account balances.

We identified the Impairment assessment of goodwill and other non-financial assets including individual assets and cash generating units as the key audit matter.

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

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

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

Overall Group materiality	USD 6 million
How we determined it	2.5% of EBITDA
Rationale for the materiality benchmark applied	We chose EBITDA as the most appropriate benchmark, because, in our view: – it is the benchmark against which the performance of the Group is most commonly measured by users; and – it is a generally accepted benchmark.

We have agreed with the Audit and Risk Committee that we would report to them individual misstatements identified during our audit above USD 0.6 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

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

We conducted full scope audit procedures for the parent entity; all the significant components; and the consolidation process. For the remaining non-significant components we performed a full scope audit; or analytical procedures; and/or audit of specific account balances.

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

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

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

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

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

Key audit matter	How our audit addressed the Key audit matter
Impairment assessment of goodwill and other non-financial assets, including individual assets and cash generating units	
Based on the requirements of the standards and in line with Group accounting policy for impairment of goodwill as documented in Note 2 to the consolidated financial statements, the Group must perform an annual impairment test for goodwill. In addition, the Board of Directors has assessed whether there were impairment indicators for each of the Group's cash generating units ('CGUs'). The analysis showed impairment indicators for all of the Group's CGUs and as a result the Group performed an impairment assessment of all the CGUs. We focused on this area due to: – the size of the goodwill and non-financial assets; and – the assessment of the recoverable amount of the CGUs' involves complex and subjective judgements about the future results of the business and the applicable discount rates to be used. In particular, we focused our audit effort on the Board of Directors' assessment of impairment of the First Container Terminal (FCT) and AS Vopak E.O.S. (VEOS) CGUs and Ust-Luga Container Terminal (ULCT) CGU due to the fact that the headroom between the carrying amount and recoverable amount of these CGUs was sensitive to changes in key assumptions.	We evaluated the valuation inputs and assumptions, methodologies and calculations adopted by the Board of Directors in determining the CGUs' recoverable amounts. In order to assist us in our audit we involved PwC valuation experts that have the knowledge and experience in the industry and country of operation to assist us in evaluating methodology, models and assumptions used. We evaluated and challenged the composition of the future cash flow forecasts in the model including comparing them to the latest budgets approved by the Board of Directors. We challenged: – the Board of Directors' key assumptions for the long term growth rates of key inputs, such as volume and price and compared them to historical results, economic and industry forecasts; – the discount rate applied to these cash flows, by assessing the weighted average cost of capital, cost of debt and considering territory specific factors; and – the macroeconomic assumptions used by the Board of Directors, by comparing them to market benchmarks and publicly available information.
The expected cash flows (budgets) for the year 2017 and the remaining assumptions used for the value in use calculation have been approved by the Board of Directors. Certain assumptions made by the Board of Directors in the determination of the two CGUs' value in use calculation were considered to be key estimates. The Group has recognised an impairment charge for FCT CGU amounting to US$67,532 thousand. In addition, the impairment of investment in VEOS amounting to US$39,218 thousand was recognised within the share of profit/(loss) of joint ventures accounted for using the equity method. Refer to Notes 4 and 26 to the consolidated financial statements for the related disclosures.	We further challenged the Board of Directors on the adequacy of their sensitivity calculations over the CGUs' recoverable amount and determined the assumptions that created the most variability; being assumptions for throughput volume, price per unit, growth rates, and discount rates. We lastly evaluated the adequacy of the disclosures made in Note 4 of the consolidated financial statements, including those regarding the key assumptions and sensitivities to changes in such assumptions.

Other information

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

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 to 2016, 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 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 consolidated Management Report, whose preparation is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap.113, and the information given therein is consistent with the financial statements.
- In our opinion and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the consolidated Management Report.
- In our opinion, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the consolidated Management Report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap, 113, and is consistent with the consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In our opinion, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii) and (vi) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.

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 to 2016 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Tasos Nolas.

Tasos Nolas
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

City House, 6 Karaiskakis Street,
CY-3032 Limassol, Cyprus
P O Box 53034, CY-3300 Limassol, Cyprus

Limassol
16 March 2017

04

PARENT COMPANY FINANCIAL STATEMENTS

DIRECTORS' REPORT AND PARENT COMPANY FINANCIAL STATEMENTS
31 DECEMBER 2016

TABLE OF CONTENTS

BOARD OF DIRECTORS AND OTHER OFFICERS

BOARD OF DIRECTORS

Mr. Peder Sondergaard (appointed 14 February 2017)
(Mrs. Iana Boyd Penkova is the alternate to Mr. Peder Sondergaard)
Non-Executive Director
Member of Remuneration and Nomination Committees

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

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

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

Mr. Morten Henrick Engelstoft (appointed 31 October 2016)
(Mrs Iana Boyd Penkova is the alternate to Morten Henrick Engelstoft)
Non-Executive Director
Member of Remuneration, Nomination and Audit and Risk Committees

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

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

BOARD OF DIRECTORS AND OTHER OFFICERS CONTINUED

BOARD OF DIRECTORS CONTINUED

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

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

Mr. Gerard Jan van Spall (appointed 22 April 2016)
(Mrs. Laoura Michael is the alternate to Mr. Gerard Jan van Spall)
Non-executive Director

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

Mr. Constantinos Economides (resigned on 22 April 2016)

Ms. Chrystalla Stylianou (resigned on 31 October 2016)

Mr. Kim Fejfer (resigned on 31 October 2016)

Mr. Tiemen Meester (resigned on 14 February 2017)

Board support

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

Company Secretary

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

Registered office

20 Omirou Street
Ayios Nicolaos
CY-3095 Limassol
Cyprus

MANAGEMENT REPORT

1. The Board of Directors presents its report together with the audited parent company financial statements of Global Ports Investments Plc (hereafter also referred to as "GPI" or the "Company") for the year ended 31 December 2016. The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (hereafter also referred as "IFRS") as adopted by the European Union ("EU") and the requirements of Cyprus Companies Law, Cap. 113.

PRINCIPAL ACTIVITIES AND NATURE OF OPERATIONS OF THE COMPANY

2. The principal activities of the Company, which are unchanged from the previous year, is the holding of investments including any interest earning activities. The subsidiaries and joint-ventures of the Company (together with the Company the "Group") are engaged in the operation of container and oil products terminals in Russia and the Baltics. The Group offers its customers a wide range of services for their import and export logistics operations.

CHANGES IN THE GROUP STRUCTURE

3. During the year ended 31 December 2016 a new subsidiary, Global Ports (Finance) PLC, was incorporated. During the year Global Ports (Finance) PLC issued Eurobonds in the total amount of US$700 million at a fixed coupon rate. The proceeds from the Eurobonds were used to refinance the existing indebtedness of the Group.

4. During the year ended 31 December 2016 the management of the Group continued its efforts in optimisation of the Group structure. The 7.999 shares of First Container Terminal Inc. representing the 25% less two shares were sold by NCC Group Limited to Petrolesport JSC.

5. There were no other material changes in the group structure.

REVIEW OF DEVELOPMENTS, POSITION AND PERFORMANCE OF THE GROUP'S BUSINESS

6. The macro-economic backdrop in Russia remained challenging throughout 2016 affecting consumer demand. While there were elements of a recovery in the Russian container market in the second half of 2016, resulting in a 4% y-o-y increase in volumes in that period, the recovery remained subdued with an overall increase of 1% for the year. Global Ports' container throughput in Russia declined 19% in 2016 to 1,128 thousand TEU on the back of disciplined commercial approaches of the Group, growing competition and low capacity utilisation rates in the Russian container industry.

7. The situation in Estonia remained challenging and is characterised by a structural deterioration of the business environment in which the Group's oil products terminal operates, which is heavily dependent on the flows of Russian oil products.

8. The net loss of the Company for the year ended 31 December 2016 was US$(294,375) thousand (2015: net loss US$(108,685) thousand). On 31 December 2016 the total assets of the Company were US$736,727 thousand (2015: US$1,023,540 thousand) and the net assets were US$706,672 thousand (2015: US$1,001,047 thousand). The financial position, development and performance of the Company as presented in these financial statements are considered satisfactory.

9. In the reporting period, the Group continued to focus on developing additional revenue streams, improving operational efficiency, free cash flow generation and deleveraging. As a result of these actions, Global Ports' Adjusted EBITDA was US$224.3 million with strong Free Cash Flow of US$178 million and a healthy Adjusted EBITDA margin of 67.7%. The Group decreased its Total Debt by a further US$104.2 million over the period.

   Adjusted EBITDA (a non-IFRS financial measure) for Global Ports Group is defined as profit for the period before income tax expense, finance (income)/costs—net, depreciation of property, plant and equipment, amortisation of intangible assets, share of profit/(loss) of joint ventures accounted for using the equity method, other gains/(losses)—net and impairment of goodwill and property, plant and equipment and intangible assets.

   Adjusted EBITDA Margin (a non-IFRS financial measure) is calculated as Adjusted EBITDA divided by revenue, expressed as a percentage.

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

10. Global Ports maintains and continuously reviews a rigorous risk management system that is designed to identify, monitor, mitigate and, where possible, eliminate threats to the business.

11. Identifying and managing risks is central to achieving the corporate objective of delivering long-term growth and added value to our 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. It is based on a series of well-defined risk management principles, derived from experience, best practices and corporate governance principles. The Group updates and improves its risk management system on a regular basis.

12. 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 assesses the risks critical to the Group's performance and delivery of its strategy. After identifying and assessing a risk, the Group identifies remediation measures aimed at reducing the likelihood of its occurrence and/or potential impact.

13. The Board delegates to the Russian Ports CEO the 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.

14. 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.

Strategic risks

Trade volumes: The Group is dependent on trade volumes, in particular container volumes, and, accordingly, on the strength of the Russian economy. The country's container market throughput has historically demonstrated a very strong correlation with the volume of imports of goods, 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 also deteriorate.

Competition: The Group may be subject to increasing competition from other existing or newly developed container terminals through the introduction of new capacity or consolidation between container terminal operators and container shipping companies, which could result in intensified price competition, lower utilisation and a potential reduction of profitability. In recent years, both competitors and new market entrants have introduced or announced that they plan to introduce significant new container handling capacity to the Russian market. For example, a new port terminal has been constructed in the Port of Bronka, which commenced commercial operations in January 2016 and competes with the Group's ports in the Baltic Sea Basin. In particular, strategic international investors may develop or acquire stakes in existing competitor Russian container terminals, which could bring new expertise into the market and lure customers and cargoes away from the Group.

Infrastructure: 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. In addition, Russia's physical infrastructure is in poor condition, which could disrupt or impair the Group's normal business activity, and any efforts by the government to improve such infrastructure may increase the Group's costs.

Political, economic and social stability: 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. Certain government policies or the selective and arbitrary enforcement of such policies could make it more difficult for the Group to compete effectively and/or impact its profitability.

Situation in Ukraine: Political instability in Ukraine, heightened levels of tension between Russia and other states, increased military activity on its border with Russia and the imposition by the US, the EU 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.

Operational risks

Leases of terminal land: The Group is dependent on a limited number of shipping lines and customers for a significant portion of its business. 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.

Reliance on third parties: The Group is dependent on the performance of services by third parties outside its control, including the performance by all other participants in the logistics chain, such as customs inspectors, supervisory authorities and others, and the performance of security procedures carried out at other port facilities and by its shipping line customers.

Logistics costs: Changes in costs in any part of the logistics chain in which the Group operates could affect the Group's competitive position.

Inflation: Inflation could increase the Group's cost base and the Group may be adversely affected by wage increases in Russia
Oil products: The Group's oil products business could be affected by changes in Russia's exports of oil products and handling of such exports at its oil products terminal in Estonia, a decline in global demand for oil products or in Russian oil product export volumes or any change in trade relationships with Estonia.

Tariff regulation: Tariffs for certain services at certain of the Group's terminals have been in the past regulated by the Russian Federal Antimonopoly Service and, as a result, the tariffs charged for such services were, and may potentially in the future be, subject to a maximum tariff rate and/or fixed in Russian roubles as PLP, VSC, and FCT, like many other Russian seaport operators, are classified as natural monopolies under Russian law. In addition, as of the date of publication of these Financial Statements, the FAS has commenced investigations of several Russian seaport operators, including PLP, VSC and FCT, suggesting potential breach of antimonopoly laws in relation to the pricing of stevedoring services at Russia's ports. In particular, the FAS suggests that PLP, VSC and FCT have possibly violated antimonopoly laws of Russia by way of utilising their dominant position on the market and establishing monopolistically high prices for their handling services. There can be no assurance that the investigations will not result in fines being levied against PLP, VSC and FCT, which could have a material adverse effect on the Group.

Management resources: 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.

Environment, safety and security: Accidents involving the handling of hazardous materials and oil products at the Group's terminals could disrupt its business and operations and/or subject the Group to environmental and other liabilities. The risk of safety incidents is inherent in the Group's businesses. The Group's operations could be adversely affected by terrorist attacks, natural disasters or other catastrophic events beyond its control.

Regulatory risks

Regulatory compliance: The Group is subject to a wide variety of regulations, standards and requirements and may face substantial liability if it fails to comply with existing or future regulations applicable to its businesses. The Group's terminal operations are subject to extensive laws and regulations governing, among other things, the loading, unloading and storage of hazardous materials, environmental protection and health and safety.

Changes in regulations: Changes to existing regulations or the introduction of new regulations, procedures or licensing requirements are beyond the Group's control and may be influenced by political or commercial considerations not aligned with the Group's interests. Any expansion of the scope of the regulations governing the Group's environmental obligations, in particular, would likely involve substantial additional costs, including costs relating to maintenance and inspection, development and implementation of emergency procedures and insurance coverage or other financial assurance of its ability to address environmental incidents or external threats.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Compliance and shareholder risks

Conflict of interests: The Group's controlling beneficial shareholders may have interests that conflict with those of the holders of the GDRs or notes.

Legal risks: Adverse determination of pending and potential legal actions involving the Group's subsidiaries could have an adverse effect on the Group's business, revenues and cash flows and the price of the GDRs. Weaknesses relating to the Russian legal system and Russian law create an uncertain environment for investment and business activity and legislation may not adequately protect against expropriation and nationalisation. The lack of independence of certain members of the judiciary, the difficulty of enforcing court decisions and governmental discretion claims could prevent the Group from obtaining effective redress in court proceedings.

Financial risks

Holding company: The Company is a holding company and its ability to pay dividends or meet costs depends on the receipt of funds from its subsidiaries and joint ventures.

FOREX risks: 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 denominated in foreign currency.

Transfer pricing: Russian transfer pricing rules may affect the Group's results of operations and due to uncertainties in the interpretation of Russian transfer pricing legislation, no assurance can be given that the Russian tax authorities will not challenge prices of transactions of the Group and make adjustments, which could adversely affect the Group's tax position.

Interest rate risk: 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.

Credit risk: The Group may be subject to credit risk due to its dependence on key customers and suppliers.

Debt and leverage: The Group's indebtedness or the enforcement of certain provisions of its financing arrangements could affect its business or growth prospects. The Group has high leverage and a substantial amount of its bank borrowings are secured and subject to covenants, which could be breached.

General business risk

Labour: Industrial action or adverse labour relations could disrupt the Group's business operations and have an adverse effect on operating results.

Information technology: Failure of information systems to adequately protect critical data and infrastructure from theft, corruption and unauthorised usage.

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

16. The Company's contingencies are disclosed in Note 21 to the financial statements.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS

17. The internal control and risk management systems relating to financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and to ensure compliance with applicable laws and regulations.

18. Financial reporting and supervision are based on approved budgets and on monthly performance reporting.

19. The Audit and Risk Committee of the Board of directors of the Company reviews certain high-risk areas at least once a year, including the following:
    - Significant accounting estimates;
    - Material changes to the accounting policies.

20. Reporting from various Group entities to the centralised unit is supervised on an ongoing basis and procedures have been established for control and checking of such reporting. Procedures have also been set up to ensure that any errors are communicated to and corrected by the reporting entities. The internal controls are subject to ongoing reviews, including in connection with the regular control inspections at subsidiaries conducted by the central unit. The results from these reviews are submitted to the executive management, the Audit and Risk Committee and Board of Directors. The internal financial reporting ensures an effective process to monitor the Company's financial results, making it possible to identify and correct any errors or omissions. The monthly financial reporting from the respective entities is analysed and monitored by the centralised department in order to assess the financial and operating performance as well as to identify any weaknesses in the internal reporting, failures to comply with procedures and the group accounting policies. The Audit and Risk Committee follows up to ensure that any internal control weaknesses are mitigated and that any errors or omissions in the financial statements identified and reported by the auditors are corrected, including controls or procedures implemented to prevent such errors or omissions.

USE OF FINANCIAL INSTRUMENTS BY THE GROUP

21. 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 overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial results. Risk management is carried out under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(i) Market risk

(i) Foreign exchange risk

22. 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.

23. The Company may use from time to time interest and foreign currency swaps (derivatives) to manage its exposures to foreign exchange risk.

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

25. Currently the long-term debt of the Company is denominated in US dollars which is its functional currency.

26. Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

(ii) Cash flow and fair value interest rate risk

27. The Company is not significantly exposed to changes in market interest rates as its borrowings portfolio consists of fixed rate debt.

28. However, the Company is exposed to fair value interest rate risk through market value fluctuations of loans receivable and borrowings with fixed rates.

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

(ii) Credit risk

30. Financial assets, which potentially subject the Company to credit risk, consist principally of loans receivable (Note 16), dividends receivable, other receivable and cash and cash equivalents (Note 18). The Company has policies in place to ensure that loans receivable are made to borrowers with an appropriate credit history. Cash and cash equivalents are placed in reliable banks with good history.

31. The majority of receivables are with related parties. Management believes that there is no significant risk of loss to the Company.

(iii) Liquidity risk

32. Management controls current liquidity based on expected cash outflows and expected receipts from dividends and interest.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

(iv) Capital risk management

33. 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 of the Company, maintain optimum equity structure and reduce its cost of capital.

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

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

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

FUTURE DEVELOPMENTS OF THE COMPANY

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

RESULTS

38. The Company's results for the year are set out on page 14.

DIVIDENDS

39. 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.

40. 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.

41. During the years 2015 and 2016 the Company did not declare and pay any dividends.

42. The Board of Directors of the Company does not recommend the payment of a final dividend for the year 2016.

SHARE CAPITAL

Authorised share capital

43. 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.

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

Issued share capital

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

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

THE ROLE OF THE BOARD OF DIRECTORS

47. 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.

48. 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

49. 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.

50. The Board currently has 14 members and they were appointed as shown on pages 01 and 02.

51. On 22 April 2016 Mr. Constantinos Economides resigned from the Board and Mr. Gerard Jan van Spall replaced him. On 31 October 2016 Mr. Kim Fejfer and Mrs. Crystalla Stylianou resigned from the Board and Messrs. Morten Henrick Engelstoft and Nicholas Charles Terry replaced them.

52. All other Directors were members of the Board throughout the year ended 31 December 2016.

53. On 14 February 2017 Mr. Tiemen Meester resigned from the Board and Mr. Peder Sondergaard replaced him on the same day.

54. There is no provision in the Company's Articles of Association for retirement of Directors by rotation. However in accordance with the Terms of Reference of the Board of Directors and the resolutions adopted by the Shareholders at the Annual General Meetings held 29 April 2015 and 22 April 2016 and Extraordinary General Meetings held on 31 October 2016 and 14 February 2017 Mr. Michalakis Christofides and Mr. Vadim Kryukov will continue in office and Mr. Peder Sondergaard, Mr. Nikita Mishin, Mr. Morten Engelstoft, Capt. Bryan Smith, Ms. Siobhan Walker, Dr. Alexander Nazarchuk, Mr. Alexander Iodchin, Mr. Mikhail Loganov, Mr. Konstantin Shirokov, Ms. Laoura Michael, Mr. Gerard Jan van Spall and Mr. Nicholas Charles Terry will be offered for re-election at the next Annual General Meeting of the Shareholders of the Company.

55. 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.

56. On 31 October 2016 Mr. Kim Fejfer resigned from the Board and consequently from the Audit and Risk, Nominations and Remuneration Committees. On the same day Mr. Morten Henrick Engelstoft was appointed at the member of the Audit and Risk, Nominations and Remuneration Committees. There were no other significant changes in the responsibilities of the Directors during 2016.

57. On 14 February 2017 Mr. Tiemen Meester resigned from the Board and consequently from the Nominations and Remuneration Committees and from the position of the Chairman of the Board. On 16 February 2017 Mr. Peder Sondergaard was appointed at the member of the Nominations and Remuneration Committees.

DIRECTORS' INTERESTS

58. The interests in the share capital of Global Ports Investments Plc, both direct and indirect, of those who were Directors as at 31 December 2016 and 31 December 2015 are shown below:

Name	Type of holding	Shares held at 31 December 2016	Shares held at 31 December 2015
Nikita Mishin	Through shareholding in Transportation Investments Holding Limited and other related entities	**42,267,114 ordinary shares**	39,731,086 ordinary shares
		16,477,011 ordinary non-voting shares	15,488,390 ordinary non-voting shares

BOARD PERFORMANCE

59. 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.

60. In 2016 the Board met formally 21 (2014: 19) times to review current performance and to discuss and approve important business decisions.

61. In 2016 the Board met to discuss and approve important business decisions:

a. FY2015 financial statements, 1H2016 interim financial statements and Annual Report;
b. Changes in Group management and the Board of Directors;
c. Remuneration guidelines;
d. Review of segments financial and operational performance;
e. Consideration of 2017 financial budget;
f. Consideration and approval of the Group refinancing and restructuring and the issuance of Eurobonds and Russian Rouble Bonds;
g. Consideration and approval of major capital expenditures and operating expenditures;
h. Consideration and approval of various resolutions related to the operations of the Company's subsidiaries and joint-ventures.

62. The number of Board and Board Committee meetings held in the year 2016 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	21	21	–	–	–	–	–	–
Bryan Smith	21	21	6	6	2	2	–	–
Nikita Mishin	18	21	4	6	1	2	–	–
Alexander Nazarchuk	21	21	6	6	2	2	–	–
Mikhail Loganov	12	21	–	–	–	–	–	–
Konstantin Shirokov	21	21	–	–	–	–	12	12
Siobhan Walker	18	21	–	–	–	–	12	12
Morten Henrick Engelstoft	5	5	2	3	–	–	3	3
Tiemen Meester	21	21	6	6	2	2	–	–
Laura Michael	19	21	–	–	–	–	–	–
Gerard Jan van Spall	13	14	–	–	–	–	–	–
Nicholas Terry	5	5	–	–	–	–	–	–
Vadim Kryukov	21	21	–	–	–	–	–	–
Michalakis Christofides	21	21	–	–	–	–	–	–
Kim Fejfer	16	16	3	3	2	2	9	9
Chrystalla Stylianou	15	16	–	–	–	–	–	–
Constantinos Economides	4	6	–	–	–	–	–	–

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

63. 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

64. 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.

65. 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. Morten Henrick Engelstoft who replaced Mr. Kim Fejfer on 31 October 2016. 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.

66. In the year 2016 the Audit and Risk Committee met 12 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 2015 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 2016 and recommendation for approval to the Board;
    c. Review of the press releases containing financial information;
    d. Review of the reports prepared by external and internal 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.

67. 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, Mr. Morten Henrick Engelstoft (appointed on 31 October 2016) and Mr. Peder Sondergaard (appointed on 14 February 2017). Mr. Kim Fejfer and Mr. Tiemen Meester resigned from the position of the member of the Nomination Committee in October 2016 and February 2017 respectively. 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.

68. In 2016 the Nomination Committee met six times to discuss and recommend to the Board the appointment of senior management of the Group companies and also to recommend the Directors the candidates to the Board and Board Committees.

69. 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, Mr. Morten Henrick Engelstoft (appointed on 31 October 2016) and Mr. Peder Sondergaard (appointed on 14 February 2017). Mr. Kim Fejfer and Mr. Tiemen Meester resigned from the position of the member of the Nomination Committee in October 2016 and February 2017 respectively. 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.

70. In 2016 the Remuneration Committee met 2 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

71. Improving its corporate governance structure in accordance with the internationally recognised best practices the Company adopted in 2008, 2012, 2015 and 2016 important policies and procedures. The Company is regularly reviewing and updating its policies and procedures. The new Code of Ethics was approved by the Board of Directors on 08 December 2016.

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

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

BOARD AND MANAGEMENT REMUNERATION

73. 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.

74. 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.

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

76. Refer to Note 22(iii) to the financial statements for details of the remuneration paid to the members of the Board and key management.

EVENTS AFTER THE BALANCE SHEET DATE

77. The events after the balance sheet date are disclosed in Note 23 to the financial statements.

RESEARCH AND DEVELOPMENT ACTIVITIES

78. The Company is not engaged in research and development activities.

BRANCHES

79. The Company did not have or operate through any branches during the year.

TREASURY SHARES

80. 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

81. Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the financial statements based on the fact that, after making enquiries and following a review of the Group's budget for 2017 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

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

By Order of the Board

Konstantin Shirokov
Director

Alexander Iodchin
Director

16 March 2017

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 14 to 36 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
16 March 2017

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

(in thousands of US dollars)	Note	For the year ended 31 December 2016	2015
Dividend income	22	**5,281**	8,381
Finance income – net	5	**2,432**	1,185
Administrative expenses	6	**(5,617)**	(6,480)
Other gains/(losses) – net	7	**758**	(464)
Impairment of investments in subsidiaries and joint ventures	4	**(296,030)**	(110,108)
Operating loss		**(293,176)**	(107,486)
Finance costs	9	**(1,197)**	(1,197)
Loss before income tax		**(294,373)**	(108,683)
Income tax expense	10	**(2)**	(2)
Loss for the year		**(294,375)**	(108,685)
Other comprehensive income		**–**	–
Total comprehensive loss for the year		**(294,375)**	(108,685)

The notes on pages 18 to 36 are an integral part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2016

(in thousands of US dollars)	Note	At 31 December 2016	2015
ASSETS			
Property, plant and equipment	13	–	20
Investments in subsidiaries	14	**630,499**	849,731
Investments in joint ventures	15	**94,969**	94,969
Loans receivable	16	**946**	71,866
Non-current assets		**726,414**	1,016,586
Loans receivable	16	**5,258**	2,339
Trade and other receivables	17	**4,179**	4,042
Cash and cash equivalents	18	**876**	573
Current assets		**10,313**	6,954
TOTAL ASSETS		**736,727**	1,023,540
EQUITY AND LIABILITIES			
Share capital	19	**57,317**	57,317
Share premium	19	**923,511**	923,511
Capital contribution		**101,300**	101,300
Accumulated losses		**(375,456)**	(81,081)
Total equity		**706,672**	1,001,047
Borrowings	22	**22,197**	21 000
Non-current liabilities		**22,197**	21,000
Trade and other payables	20	**7,858**	1,493
Current liabilities		**7,858**	1,493
Total liabilities		**30,055**	22,493
TOTAL EQUITY AND LIABILITIES		**736,727**	1,023,540

On 16 March 2017 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 18 to 36 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

(in thousands of US dollars)	Share capital	Share premium	Capital contribution	Retained earnings*	Total
Balance at 1 January 2015	57,317	923,511	101,300	27,604	1,109,732
Comprehensive loss					
Loss for the year				(108,685)	(108,685)
Balance at 31 December 2015 / 1 January 2016	57,317	923,511	101,300	(81,081)	1,001,047
Comprehensive loss					
Loss for the year				(294,375)	(294,375)
Balance at 31 December 2016	**57,317**	**923,511**	**101,300**	**(375,456)**	**706,672**

(*) Retained earnings is the only reserve that is available for distribution.

The notes on pages 18 to 36 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

(in thousands of US dollars)	Note	For the year ended 31 December 2016	2015
Cash flows from operating activities			
Loss before tax		**(294,373)**	(108,683)
Adjustments for:			
Depreciation of property, plant and equipment	13	**20**	20
Impairment of investments in subsidiaries and joint ventures	14,15	**296,030**	110,108
Loss on disposal of subsidiary		**–**	136
Dividend income	22	**(5,281)**	(8,381)
Finance income	5	**(2,720)**	(2,638)
Finance costs	9	**1,197**	1,197
Amortisation of financial guarantee	7	**(837)**	(125)
Foreign exchange losses and other non-monetary items		**413**	2,036
		(5,551)	(6,330)
Changes in working capital			
Trade and other receivables		**(264)**	41
Trade and other payables		**29**	727
Cash used in operating activities		**(5,786)**	(5,562)
Tax paid		**(2)**	(2)
Net cash used in operating activities		**(5,788)**	(5,564)
Cash flows from investing activities			
Investments in subsidiaries	14,18	**(22,155)**	(1,616)
Repayment of original cost of subsidiaries	14	**30,330**	–
Purchase of investments in joint ventures	15	**–**	(117)
Loans advanced to related parties	22	**(10,628)**	(5,868)
Loan repayments received from related parties		**3,012**	1,867
Interest received		**254**	275
Dividends received		**5,281**	10,405
Net cash from investing activities		**6,094**	4,946
Cash flows from financing activities			
Interest paid		**–**	(1,397)
Net cash used in financing activities		**–**	(1,397)
Net increase/(decrease) in cash and cash equivalents		**306**	(2,015)
Cash and cash equivalents at beginning of the year		**573**	2,730
Exchange losses on cash and cash equivalents		**(3)**	(142)
Cash and cash equivalents at end of the year	18	**876**	573

The notes on pages 18 to 36 are an integral part of these financial statements.

NOTES TO THE 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 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 company financial statements

These parent company financial statements were authorized for issue by the Board of Directors on 16 March 2017.

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 2016 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.

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 2016 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 2016. 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 2016, 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:

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; EU effective date 1 January 2018). Key features of the new standard are:

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

The 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 Company.

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 recognized 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 gains/(losses) – net".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Current and deferred income tax

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

Deferred income tax is recognized 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 realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized 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 gains/(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 recognizes 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.

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

Any excess of the fair value of consideration received over the par value of shares issued is recognized 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 than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

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

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised 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 and indirect 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'.

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 gains/(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

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.

(i) 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% (2015: 15%) against the US dollar and all other variables remained unchanged, the post tax profit of the Company for the year ended 31 December 2016, would have increased/(decreased) by US$532 thousand (2015: US$1,950 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 2016 and 31 December 2015. 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 2016 and 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.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. FINANCIAL RISK MANAGEMENT CONTINUED

Financial risk factors continued

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.

(in thousands of US dollars)	Less than 1 year	1-2 years	2-5 years	Over 5 years	Total
As of 31 December 2016					
Trade and other payables	1,521	–	–	–	1,521
Financial guarantee*	1,061,421	–	–	–	1,061,421
Borrowings	–	22,197	–	–	22,197
Total	**1,062,942**	**22,197**	**–**	**–**	**1,085,139**
As of 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 22 (viii)).

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 capitalization ratio. Total capitalization is calculated as the sum of the total borrowings and equity at the date of calculation.

(ii) 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 fair value of financial liabilities and assets 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.

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. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted price is not available, was estimated based on expected future cash flows, 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 and other receivables and trade other payables which are due within twelve months approximate their fair values.

The disclosure of the fair value of financial instruments carried at amortised cost is determined by using the following valuation methods:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on Group's specific estimates.

Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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.

Critical accounting estimates and assumptions

(i) 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 as management considers that this terminal is still at a development 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 (2015: 3%). For projections prepared for VEOS as at 31 December 2016 a terminal growth rate of 2% was applied (2015: 2%). The discount rate applied for Russian CGUs in projections prepared as at 31 December 2016 is 11.2% (2015: 12.1%) and for VEOS the discount rate is 8.6% (2015: 9.1%).

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.

Based on the results of the impairment testing carried out in 2016, an impairment charge amounting to US$296,030 thousand (2015: US$110,108 thousand) was recognised – US$192,391 thousand (2015: US$110,000 thousand) in relation to the investment in NCC Group Limited and US$103,639 thousand (2015: nil) in relation to the investment in Arytano Holdings Ltd (Note 14). 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.
For the impairment of Arytano Holdings Ltd if the estimated volumes handled by owned operating entities are 5% lower or the price per unit is 5% lower, terminal growth rate is 0.5% lower or the discount rate is 1% higher, then a further impairment charge would arise amounting to US$86 million, US$324 million, US$51 million and US$129 million, respectively.

(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

(in thousands of US dollars)	For the year ended 31 December 2016	2015
Interest income on loans to related parties (Note 22 (i))	**2,720**	2,638
Net foreign exchange losses on cash and cash equivalents and loans receivable*	**(288)**	(1,453)
Total	**2,432**	1,185

* The total net foreign exchange losses recognised in the income statement amounted to US$369 thousand (2015: US$1,906 thousand). Refer also to Note 7.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6. ADMINISTRATIVE EXPENSES

(in thousands of US dollars)	For the year ended 31 December 2016	2015
Legal, consulting and other professional services	**2,539**	2,648
Staff costs	**899**	890
Travelling expenses	**795**	731
Taxes other than on income	**439**	1,237
Auditors' remuneration	**549**	543
Advertising and promotion	**22**	47
Insurance	**90**	73
Bank charges	**29**	32
Depreciation of property, plant and equipment (Note 13)	**20**	20
Operating lease rentals	**18**	18
Other expenses	**217**	241
Total	**5,617**	6,480

The auditors' remuneration stated above include fees of US$258 thousand (2015: US$300 thousand) for statutory audit services and US$99 thousand (2015: US$112 thousand) for other assurance services charged by the Company's statutory audit firm.

The legal and consulting fees stated above include fees of US$72 thousand (2015: US$31 thousand) for tax consultancy services charged by the Company's statutory audit firm.

7. OTHER GAINS/(LOSSES) – NET

(in thousands of US dollars)	For the year ended 31 December 2016	2015
Loss from disposal of subsidiary	**–**	(136)
Net foreign exchange transaction losses on non-financing activities	**(81)**	(453)
Amortisation of financial guarantee (Note 22(viii))	**837**	125
Other gains/(losses) – net	**2**	–
Total	**758**	(464)

8. STAFF COSTS

(in thousands of US dollars)	For the year ended 31 December 2016	2015
Salaries	**864**	854
Social insurance costs	**30**	30
Other staff costs	**5**	6
Total	**899**	890
Average number of staff employed during the year	**4**	4

9. FINANCE COSTS

(in thousands of US dollars)	For the year ended 31 December 2016	2015
Interest expense on loans from related parties (Note 22(vi))	**1,197**	1,197
Total	**1,197**	1,197

10. INCOME TAX EXPENSE

(in thousands of US dollars)	For the year ended 31 December 2016	2015
Corporation tax	**2**	2
Total income tax	**2**	2

The tax on the Company'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 2016	2015
Loss before tax	**(294,373)**	(108,683)
Tax calculated at the applicable corporation tax rate of 12.5%	**(36,797)**	(13,585)
Tax effect of expenses not deductible for tax purposes	**37,603**	14,836
Tax effect of allowances and income not subject to tax	**(660)**	(1,063)
Group relief	**(144)**	(145)
Losses for which no deferred tax asset has been recognised	**–**	(41)
Tax charge	**2**	2

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 defense contribution at the rate of 30%.

In certain cases dividends received from abroad may be subject to defense 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 defense.

11. FINANCIAL INSTRUMENTS BY CATEGORY

(in thousands of US dollars)	As at 31 December 2016	2015
Loans and receivables		
Financial assets as per balance sheet		
Non current loan receivables	**946**	71,866
Current loan receivables	**5,258**	2,339
Trade and other receivables	**3,863**	4,010
Cash and bank balances	**876**	573
Total	**10,943**	78,788

	2016	2015
Financial liabilities measured at amortised cost		
Financial liabilities as per balance sheet		
Trade and other payables	**7,733**	502
Borrowings (Note 22(vi))	**22,197**	21,000
Total	**29,930**	21,502

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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:

(in thousands of US dollars)	As at 31 December 2016	2015
Counterparties without external rating		
Group 1	**6,035**	74,030
Group 2	**3,863**	3,990
Group 3	**169**	195
Total	**10,067**	78,215

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.

(in thousands of US dollars)	As at 31 December 2016	2015
Cash and bank		
A1 (Moody's)	**46**	3
A- (S & P)	**–**	99
Baa2 (Moody's)	**810**	463
Caa2 (Moody's)	**20**	8
Total	**876**	573

13. PROPERTY, PLANT AND EQUIPMENT

(in thousands of US dollars)	Motor vehicles and other equipment
At 1 January 2015	
Cost	110
Accumulated depreciation	(70)
Net book amount	40
Depreciation charge for 2015	(20)
Closing net book amount at 31 December 2015	20
At 31 December 2015/1 January 2016	
Cost	110
Accumulated depreciation	(90)
Net book amount	20
Depreciation charge for 2016	(20)
Closing net book amount at 31 December 2016	–
At 31 December 2016	
Cost	110
Accumulated depreciation	(110)
Net book amount	–

14. INVESTMENTS IN SUBSIDIARIES

(in thousands of US dollars)	For the year ended 31 December 2016	2015
At beginning of year	**849,731**	958,251
Additions	**99,954**	1,616
Fair value of guarantees (Note 22(viii))	**7,174**	–
Dividends set off against cost of investment*	**(30,330)**	–
Disposals	**–**	(136)
Impairment charge (Note 4(i))	**(296,030)**	(110,000)
At end of year	**630,499**	849,731

* Dividends received by a subsidiary of the Company have been recognized by the Company as a reduction of the cost of investment because the Company has asserted that those amounts constitute a return of the original cost of the Company in this subsidiary.

The Company's direct interests in subsidiaries, all of which are unlisted, were as follows:

Name	Principal activity	Country of incorporation	2016 % holding	2015 % 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
National Container Holding Company Limited*	Holding company	Cyprus	**0.005**	–

* National Container Holding Company 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

(in thousands of US dollars)	For the year ended 31 December 2016	2015
At beginning of year	**94,969**	94,960
Additions	**–**	117
Impairment charge (Note 4 (i))	**–**	(108)
At end of year	**94,969**	94,969

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)).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

16. LOANS RECEIVABLE

(in thousands of US dollars)	As at 31 December 2016	2015
Loans to related parties (Note 22(iv))	**946**	71,866
Total non-current	**946**	71,866
Loans to related parties (Note 22(iv))	**5,089**	2,165
Loans to third parties	**169**	174
Total current	**5,258**	2,339
Total loans receivable	**6,204**	74,205

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:

(in thousands of US dollars)	As at 31 December 2016	2015
Loans to related parties	**946**	71,045

The fair values of loans receivable as at 31 December 2015 were 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. 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:

	2016 %	2015 %
Loans to related parties	**5.4**	5.7

The carrying amounts of the Company's loans receivable are denominated in the following currencies:

(in thousands of US dollars)	As at 31 December 2016	2015
Currency:		
US dollar	**4,882**	62,433
Euro	**1,322**	11,772
Total	**6,204**	74,205

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

(in thousands of US dollars)	As at 31 December 2016	2015
Dividends receivable from related parties (Note 22(v))	**3,863**	3,990
Prepayments	**316**	32
Other debtors	**–**	20
Total trade and other receivables	**4,179**	4,042

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.

18. CASH AND BANK BALANCES

(in thousands of US dollars)	As at 31 December 2016	2015
Cash at bank	**876**	573
Total	**876**	573

Cash and cash equivalents are denominated in the following currencies:

(in thousands of US dollars)	As at 31 December 2016	2015
Currency:		
US dollar	**856**	555
Euro	**19**	18
Russian rouble	**1**	–
Total	**876**	573

Non-cash transaction

The principal non-cash transactions during the current year relate to the netting off of loans receivable from NCC Pacific Investments Limited amounting to US$77,799 against payable towards NCC Pacific Investments Limited arose from the issue of shares at a premium during the year (Note 22 (iv)).

There were no principal non-cash transactions during 2015.

19. SHARE CAPITAL, SHARE PREMIUM AND DIVIDENDS

(in thousands of US dollars)	Share capital	Share premium	Total
At 1 January 2015/31 December 2015/31 December 2016	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

There were no dividends declared and paid in 2015 and 2016.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

20. TRADE AND OTHER PAYABLES

(in thousands of US dollars)	As at 31 December 2016	2015
Financial guarantee (Note 22(viii))	**6,337**	–
Other payables	**862**	502
Other payables to related parties (Note 22 (vii))	**534**	–
Accrued expenses	**125**	991
Total trade and other payables	**7,858**	1,493

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. CONTINGENCIES AND COMMITMENTS

Operating environment

Most of investments of the Company are related to the operations in Russia. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. During 2016 the Russian economy continued to be negatively impacted by low oil prices, ongoing political tension in the region and international sanctions against certain Russian companies and individuals, all of which contributed to the country's economic recession characterised by a decline in gross domestic product. Russian Rouble exchange rate (as nominated by Central Bank of the Russian Federation ("CBRF")) fluctuated between RUB 60.3 and RUB 83.6 per USD and between RUB 63.0 and RUB 91.2 per EUR. The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Russia's credit rating was downgraded to below investment grade. This operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. 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.

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 (see Note 4(i)). 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. However, the situation with the operations in Estonia remained challenging and is characterised by a structural deterioration of the business environment in which the Company's joint venture operates, which is heavily dependent on the flows of Russian oil products.

Guarantees granted to subsidiaries

Refer to Note 22 (viii) for details of guarantees granted to direct and indirect subsidiaries.

Commitments

There were no material commitments as of 31 December 2016. In 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.

22. 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

a) Dividend income

	For the year ended 31 December	
(in thousands of US dollars)	**2016**	2015
Joint ventures	**5,281**	8,381
Total	**5,281**	8,381

b) Interest income and expenses

	For the year ended 31 December	
(in thousands of US dollars)	**2016**	2015
Subsidiaries	**2,666**	2,565
Joint ventures	**54**	73
Total interest income	**2,720**	2,638
Subsidiaries	**1,197**	1,197
Total interest expenses	**1,197**	1,197

c) Other gains/(losses) – net

	For the year ended 31 December	
(in thousands of US dollars)	**2016**	2015
Subsidiaries (Note 22(viii))	**837**	125
Total	**837**	125

d) Purchases of services

	For the year ended 31 December	
(in thousands of US dollars)	**2016**	2015
Subsidiaries	**211**	268
Entities under control of owners of TIHL and APM Terminals	**–**	630
Total	**211**	898

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

22. RELATED PARTY TRANSACTIONS CONTINUED

(ii) Acquisitions/disposals of subsidiaries/joint ventures

(in thousands of US dollars)	For the year ended 31 December 2016	2015
Additions/contributions:		
Subsidiaries	**99,954**	1,616
Joint ventures	**–**	117
Total	**99,954**	1,733
Disposals/distributions of equity:		
Subsidiaries	**30,330**	136
Total	**30,330**	136

(iii) Key management personnel compensation

The compensation of key management personnel and the total remuneration of the Directors (included in key management personnel compensation above) were as follows:

(in thousands of US dollars)	For the year ended 31 December 2016	2015
Key management compensation:		
Salaries, payroll taxes and other short term employee benefits	**721**	730
Directors' remuneration:		
Fees	**381**	384
Emoluments in their executive capacity	**340**	346
Total	**721**	730

(iv) Loans to related parties

Loans to subsidiaries:

(in thousands of US dollars)	For the year ended 31 December 2016	2015
At beginning of year	**72,419**	66,698
Loans advanced during the year	**10,628**	5,868
Interest charged	**2,666**	2,565
Loan and interest repaid during the year	**(2,784)**	(1,592)
Set off against payable arose from capital increase in a subsidiary (Note 18)	**(77,799)**	–
Foreign exchange differences	**(248)**	(1,120)
At end of year	**4,882**	72,419

Loans to joint ventures:

(in thousands of US dollars)	For the year ended 31 December 2016	2015
At beginning of year	**1,611**	2,259
Interest charged	**54**	73
Loan and interest repaid during the year	**(482)**	(550)
Foreign exchange differences	**(29)**	(171)
At end of year	**1,154**	1,611

The loans to related parties bear interest at the rate of 3.8% to 6%, are unsecured and are repayable by October 2022.

(v) Prepayments and other receivables

(in thousands of US dollars)	As at 31 December 2016	2015
Dividends receivable from subsidiaries (Note 17)	**3,863**	3,990
Total	**3,863**	3,990

(vi) Borrowings from related parties

Loans from subsidiaries:

(in thousands of US dollars)	For the year ended 31 December 2016	2015
At beginning of year	**21,000**	21,200
Loan and interest repaid during the year	**–**	(1,397)
Interest charged	**1,197**	1,197
At end of year	**22,197**	21,000

The borrowings from related parties are USD-denominated, bear interest at the rate of 5.7%, are unsecured and repayable by January 2018. The carrying amounts of borrowings approximate their fair value.

(vii) Other payables

(in thousands of US dollars)	As at 31 December 2016	2015
Entities under control of owners of TIHL and APM Terminals (Note 20)	**534**	–
Total	**534**	–

22. RELATED PARTY TRANSACTIONS CONTINUED

(viii) 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 recognized 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 the year ended 31 December 2016 the loan was repaid and the guarantee was terminated.

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 2016. The guarantee was provided free of charge and is valid until March 2018. The fair value on initial recognition was not recognized 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 the year ended 31 December 2016 the loan was repaid and the guarantee was terminated.

During 2015 and 2016 the Company granted irrevocable public offer to purchase bonds with a balance of US$215,638 thousand (including interest accrued) as at 31 December 2016 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 with a balance of US$70,182 thousand as at 31 December 2016. The fair value of these guarantees was US$2,575 thousand. As at 31 December 2016 the unamortised balance of these guarantees was US$2,129 thousand.

During 2016 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$129,233 thousand (including interest accrued) as at 31 December 2016. The guarantee was provided free of charge and is valid until December 2020. The fair value of the guarantee was US$1,011 thousand. As at 31 December 2016 the unamortised balance of this guarantee was US$896 thousand.

During 2016 the Company and its indirect subsidiaries granted guarantee to an indirect subsidiary of the Company, which issued the Eurobonds in the event of default in respect of those bonds with a balance of US$716,550 thousand (including interest accrued) as at 31 December 2016. The fair value of the guarantee was US$3,588 thousand. As at 31 December 2016 the unamortised balance of this guarantee was US$2,313 thousand.

The likelihood of realizing any expenditure to settle any of the above guarantees was not considered probable.

23. EVENTS AFTER THE BALANCE SHEET DATE

There were no material post balance sheet events, which have a bearing on the understanding of these parent company financial statements.

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

REPORT ON THE AUDIT OF THE PARENT COMPANY FINANCIAL STATEMENTS

Our opinion

In our opinion, the accompanying parent company financial statements (the "financial statements") of Global Ports Investments Plc (the "Company"), give a true and fair view of the financial position of the Company as at 31 December 2016, 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.

What we have audited

We have audited the financial statements which are presented on pages 14 to 36 and comprise:

– the balance sheet as at 31 December 2016;
– the statement of comprehensive income for the year then ended;
– the statement of changes in equity for the year then ended;
– the statement of cash flows for the year then ended; and
– the notes to the financial statements, which include a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report.

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

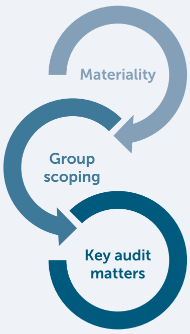
Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview

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



Overall materiality: USD 7.3 million which represents 1% of total assets

We audited the complete financial statements of the Company.

We identified the impairment assessment of investment in subsidiaries and joint ventures as the key audit matter.

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

Materiality

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

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

Overall materiality	USD 7.3 million
How we determined it	1% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the most appropriate benchmark, because, in our view: – It is the benchmark against which the performance of the Company (the principal activity of the Company is the holding of investments) is commonly measured by users; and – it is a generally accepted benchmark.

We have agreed with the Audit and Risk Committee that we would report to them individual misstatements identified during our audit above USD 0.6 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

How we tailored our audit scope

Global Ports Investments Plc controls or has joint control over a number of entities situated in a number of territories namely Russia, Estonia, Finland and Cyprus. We have obtained sufficient and appropriate audit evidence regarding the financial information of the Company to provide a basis for our audit opinion on the financial statements.

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Impairment assessment of investment in subsidiaries and joint ventures	
Based on the requirements of the standards and in line with Company's accounting policy for investment in subsidiaries and investments in joint arrangements as documented in Note 2 to the financial statements, the Company carries the investments in subsidiaries and in joint ventures at cost less impairment. The Board of Directors has assessed whether there were impairment indicators for each of the cash generating units ('CGUs'). The analysis showed impairment indicators for all of the CGUs and as a result the Company performed an impairment assessment of all the CGUs. We focused on this area due to: – the size of investments in subsidiaries and joint ventures; and – the assessment of the recoverable amount of the CGUs' involves complex and subjective judgements about the future results of the business and the applicable discount rates to be used.	We evaluated the valuation inputs and assumptions, methodologies and calculations adopted by the Board of Directors in determining the CGUs' recoverable amounts. In order to assist us in our audit we involved PwC valuation experts that have the knowledge and experience in the industry and country of operation to assist us in evaluating methodology, models and assumptions used. We evaluated and challenged the composition of the future cash flow forecasts in the model including comparing them to the latest budgets approved by the Board of Directors. We challenged: – the Board of Directors' key assumptions for the long term growth rates of key inputs, such as volume and price and compared them to historical results, economic and industry forecasts; – the discount rate applied to these cash flows, by assessing the weighted average cost of capital, cost of debt and considering territory specific factors; and – the macroeconomic assumptions used by the Board of Directors, by comparing them to market benchmarks and publicly available information.

Key audit matter	How our audit addressed the Key audit matter
In particular, we focused our audit effort on the Board of Directors' assessment of impairment of the investments in NCC Group Limited and Arytano Holdings Limited due to the fact that the headroom between the carrying amount and recoverable amount of these CGUs was sensitive to changes in key assumptions. The expected cash flows (budgets) for the year 2017 and the remaining assumptions used for the value in use calculation have been approved by the Board of Directors. Certain assumptions made by the Board of Directors in the determination of the two CGUs' value in use calculation were considered to be key estimates. The Company has recognised an impairment charge amounting to US$192,391 thousand in relation to the investment in NCC Group Limited and US$103,639 thousand in relation to the investment in Arytano Holdings Ltd. Refer to Notes 4 and 14 to the financial statements for the related disclosures.	We further challenged the Board of Directors on the adequacy of their sensitivity calculations over the CGUs' recoverable amount and determined the assumptions that created the most variability; being assumptions for throughput volume, price per unit, growth rates, and discount rates. We lastly evaluated the adequacy of the disclosures made in Note 4 of the financial statements, including those regarding the key assumptions and sensitivities to changes in such assumptions as required.

Other information

The Board of Directors is responsible for the other information. The other information comprises the Management Report which we obtained prior to the date of this auditor's report, and the Company's Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of the Board of Directors and those charged with governance for the financial statements

The Board of Directors is responsible for the preparation of the financial statements that give a true and fair view 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, 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.

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 to 2016, 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 Management Report, whose preparation is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap.113, and the information given therein is consistent with the financial statements.
- In our opinion and in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Management Report.
- In our opinion, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the Management Report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap, 113, and is consistent with the financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In our opinion, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii) and (vi) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.

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 to 2016 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Tasos Nolas.

Tasos Nolas
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

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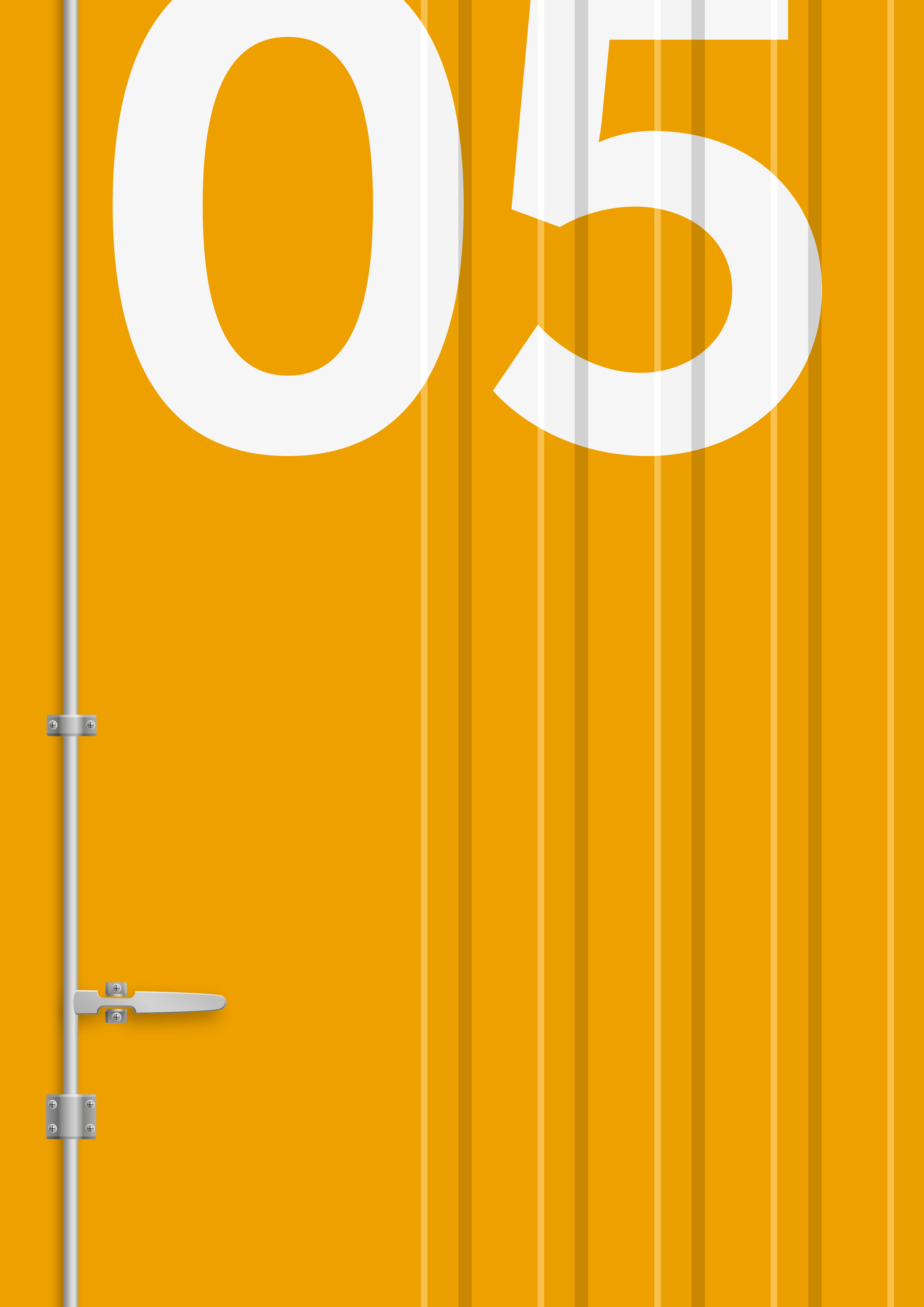
16 March 2017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ADDITIONAL INFORMATION

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

This Annual Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Board of Directors of Global Ports Investments Plc

DEFINITIONS

Terms that require definitions are marked with capital letters 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, depreciation of property, plant and equipment, amortisation of intangible assets, share of profit/(loss) of joint ventures accounted for using the equity method, other gains/(losses)—net and impairment of goodwill and property, plant and equipment and intangible assets.

Adjusted EBITDA Margin (a non-IFRS financial measure) is calculated as Adjusted EBITDA divided by revenue, expressed as a percentage.

Average Storage Capacity is a storage capacity available at Vopak E.O.S. oil products terminals, averaged for the beginning and end of the year.

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.

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

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

Consolidated Inland Container Throughput is defined as combined container throughput by consolidated inland terminals: LT.

Consolidated Inland Bulk Throughput is defined as combined bulk throughput by consolidated inland terminals: LT.

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) are 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) are 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 equity method of accounting (proportionate share of net profit shown below Adjusted EBITDA).

Far East 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.

First Container Terminal (FCT) is located in the St. Petersburg harbour, Russia's primary gateway for container cargo and is one of the first specialised container terminals to be established in the USSR. 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 equity method of accounting (proportionate share of net profit shown below EBITDA).

Free Cash Flow (a non-IFRS financial measure) 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, (b) for Oil Products Terminal segment, and for 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.

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.

DEFINITIONS CONTINUED

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 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 kilometers 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 equity method of accounting (proportionate share of net profit shown below EBITDA).

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

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 equity method of accounting (proportionate share of net profit shown below EBITDA).

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.

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

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

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 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 kilometers 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 equity method of accounting (proportionate share of net profit shown below EBITDA).

SHAREHOLDER INFORMATION AND KEY CONTACTS

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