OOO DeloPorts

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

31 December 2018

Contents

INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position 1
Consolidated Statement of Comprehensive Income 2
Consolidated Statement of Changes in Equity 3
Consolidated Statement of Cash Flows 4

Notes to the Consolidated Financial Statements

1 General Information 5
2 Summary of Significant Accounting Policies 5
3 Critical Accounting Estimates and Judgements in Applying Accounting Policies 15
4 New Accounting Pronouncements 16
5 Segment Information 20
6 Balances and Transactions with Related Parties 27
7 Property, Plant and Equipment 29
8 Goodwill 30
9 Mooring Rights and Other Intangible Assets 31
10 Investment in Associate 31
11 Inventories 32
12 Trade and Other Receivables 32
13 Cash and Cash Equivalents 32
14 Chartered and Additional Capital 33
15 Borrowings 33
16 Trade and Other Payables 34
17 Revenue 35
18 Cost of sales 35
19 Selling, General and Administrative Expenses 36
20 Other Operating Income / (Expenses), net 36
21 Finance Income 36
22 Finance Costs 36
23 Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) 37
24 Income Tax 37
25 Contingencies and Commitments 39
26 Non-Controlling Interest 40
27 Financial Risk Management 41
28 Management of Capital 47
29 Events After the Reporting Period 48
30 Accounting policies applied until 1 January 2018 48

Independent Auditor's Report

To the participants and the Board of Directors of OOO DeloPorts:

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of OOO DeloPorts (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2018;
- 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;
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

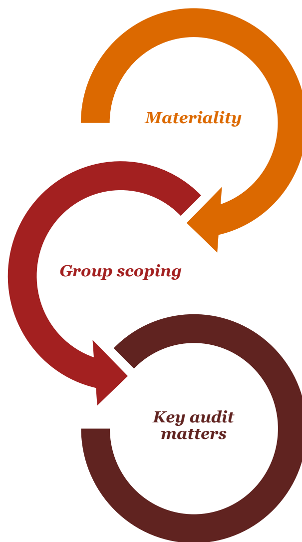
Independence

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

AO PricewaterhouseCoopers Audit
White Square Office Center 10 Butyrsky Val Moscow, Russia, 125047
T: +7 (495) 967-6000, F:+7 (495) 967-6001, www.pwc.ru

Our audit approach

Overview



Overall Group materiality: Russian Roubles ("RR") 385 million, which represents 5% of profit before tax for 2018.

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

Key audit matters

- Compliance with certain covenants of the credit agreements and the prospectuses for the bond issues that could affect classification of the Group's debt;
- Accounting for the loans issued to the parent company.

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

Materiality

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

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

Overall Group materiality	RR 385 million
How we determined it	5% of profit before tax for 2018
Rationale for the materiality benchmark applied	We chose profit before tax as the materiality benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users of the consolidated financial statements. We set 5% threshold, which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Compliance with certain covenants of the credit agreements and the prospectuses for the bond issues that could affect classification of the Group's debt *Borrowings funds are disclosed in Note 15 to the consolidated financial statements. Compliance with certain covenants of the credit agreements and the prospectuses for the bond issues, the breach of which may result in the requirement of early repayment of borrowings, is disclosed in Note 25 to the consolidated financial statements.* The consolidated statement of financial position as at the reporting date includes borrowings in the amount of RR 21,169.9 million, including long-term borrowings of RR 19,017.9 million and short-term borrowings of RR 2,152 million. These figures include loans due to banks of RR 7,632 million and bonds of RR 13,537.9 million. Under the terms and conditions of the credit agreements and the prospectuses for the bond issues, the Group should comply with certain financial and non-financial covenants, the breach of which may result in the requirement of early repayment of borrowings. The Group's management reviewed compliance with these certain covenants during the reporting	We reviewed the credit agreements and the prospectuses for the bond issues in terms of certain covenants included therein, the breach of which may result in the requirement of early repayment of the borrowings. We reviewed compliance with the certain financial covenants by recalculating and comparing the values to thresholds set by the credit agreements and the prospectuses. We reviewed compliance with the certain non-financial covenants by inspection of documents confirming the compliance with these conditions (for example, timely submission of documents to the bank) and confirming the presence / absence of business operation items. We reviewed the disclosure of compliance with certain covenants included in the credit agreements and the prospectuses for the bond issues in Note 25 to the consolidated financial statements for completeness and fairness.

pwc

Key audit matter	How our audit addressed the key audit matter
period and as at the reporting date and concluded that no breach of covenants occurred. We included this issue in the key audit matters, as the amount of borrowings is material and because the possibility of early settlement of liabilities may result in a significant cash outflow and, as a result, in liquidity issues.	
Accounting for the loans issued to the parent company	
Information about loans issued is disclosed in Note 6 to the consolidated financial statements. The consolidated statement of financial position as at the reporting date includes loans issued in the amount of RR 13,940.7 million, including long-term loans issued of RR 10,205.6 million and short-term loans issued of RR 3,735.1 million. The loans in the amount of RR 13,676.5 million were issued to the parent company and represent 41% of the Group's total assets as at 31 December 2018. Loans issued are recorded at fair value upon initial recognition and upon recognition after substantial modification of the contractual terms. The Group applied critical judgment to determine interest rate consistent to market conditions, because there is no active market for such operations. In a subsequent measurement, the Group performs accounting for loans issued at amortised cost, since the Group's business model for loans issued represent solely payments of principal and interest ("SPPI"). In the reporting period, the Group issued loans to the parent company in the amount of RR 10,235 million, including long-term loan in the amount of RR 8,820 million. Upon initial recognition, these loans were recognised at fair value, which differed from the nominal value, as a result loss in the amount of RR 320.4 million including the effect of deferred income tax in the amount of RR 80.1 million, was recorded directly in equity. Subsequently, as a result of a substantial modification of the contractual terms, the Group derecognized this financial asset resulting in recognition of income in the amount of RR 400.5 million in the consolidated statement of comprehensive income and recognised new	We evaluated the reasonableness of the fair value of loans issued to the parent company upon their initial recognition and upon their recognition after substantial modification of the contractual terms in respect of the issued long-term loan, as determined by the management of the Group. We compared the interest rates used by management to determine the fair value of loans issued with interest rates of similar financial instruments for entities comparable to the parent company. We involved our internal business valuation experts to verification of the interest rate. We analysed the accounting policy and methodology developed by management for the purpose of calculating expected credit losses and confirmed that it complies with IFRS 9. We evaluated the rationality and reasonableness of the input data and estimates used by the management for the purpose of calculating expected credit loss in respect of loans issued to the parent company. We compared the main calculation assumptions (probability of default and loss given default) applied by management with similar rates for entities comparable to the parent company. We critically evaluated the recoverability of these loans issued. We analysed the maturity, specified in the contracts, the forecast cash flow model and the history of repayment of previously issued loans to the parent company. We analysed the Group's business model for managing loans issued by examining the terms of interest accrual and methods for payments of principal and interests accrued, containing

Key audit matter	How our audit addressed the key audit matter
financial asset. The interest rate after modification of contract agreed to the market level. The Group estimated that the amount of expected credit loss on loans issued to the parent company is not significant as at 1 January 2018 and 31 December 2018. We paid special attention to the accounting of the loans issued to the parent company, due to their value, the need to use judgments and estimates, as well as the inherent risk in related party transactions.	in the contracts for loans issued to the parent company. We reviewed the completeness and fairness of information disclosed about the loans issued to the parent company in Note 6.

How we tailored our Group audit scope

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

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

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

All the work in respect of material components was performed by the engagement team of AO PricewaterhouseCoopers Audit.

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

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

Other information

Management is responsible for the other information. The other information comprises information contained in *the Annual Report for 2018* and *the Issuer's Report for the 1 quarter of 2019*, other than the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of the auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the review of other information, we conclude that there is a material misstatement of this other information, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

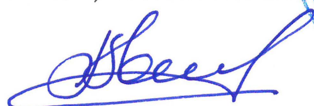
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law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

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

AO PricewaterhouseCoopers Audit

11 April 2019

Moscow, Russian Federation



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

Audited entity:
OOO DeloPorts

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

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

Independent auditor:
AO PricewaterhouseCoopers Audit

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

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

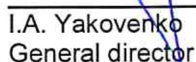
Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 11603050547

OOO DeloPorts
Consolidated Statement of Financial Position

In thousands of Russian Roubles	Note	31 December 2018	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	7	11 913 453	8 061 830
Goodwill	8	190 066	190 066
Mooring rights and other intangible assets	9	3 515 228	3 623 960
Investment in associate	10	6 377	4 134
Long-term loans issued	6	10 205 581	-
Deferred income tax asset	24	176 306	117 180
Prepayments for non-current assets	7	901 513	1 144 170
Other non-current assets		10 085	11 766
Total non-current assets		**26 918 609**	**13 153 106**
Current assets			
Inventories	11	146 527	133 378
Trade and other receivables	12	888 638	432 135
Current income tax prepayments		4 304	447
Non-current assets held for sale	7	64 166	-
Short-term loans issued	6	3 735 102	3 785 720
Deposits (with maturity over 90 days)	13	115 100	617 737
Cash and cash equivalents	13	1 721 781	1 645 193
Total current assets		**6 675 618**	**6 614 610**
TOTAL ASSETS		**33 594 227**	**19 767 716**
EQUITY			
Chartered capital	14	100 000	100 000
Additional capital	14	15 590	15 590
Translation reserve		216 283	143 331
Retained earnings		9 434 946	8 809 911
Equity attributable to the Company's owners		**9 766 819**	**9 068 832**
Non-controlling interest	26	697 203	781 159
TOTAL EQUITY		**10 464 022**	**9 849 991**
LIABILITIES			
Non-current liabilities			
Long-term borrowings	15	19 017 931	6 295 537
Deferred income		8 567	8 567
Deferred income tax liability	24	1 124 358	1 145 064
Total non-current liabilities		**20 150 856**	**7 449 168**
Current liabilities			
Short-term borrowings	15	2 151 970	1 781 739
Trade and other payables	16	650 162	565 652
Current income tax payable		177 217	121 166
Total current liabilities		**2 979 349**	**2 468 557**
TOTAL LIABILITIES		**23 130 205**	**9 917 725**
TOTAL LIABILITIES AND EQUITY		**33 594 227**	**19 767 716**

Approved for issue and signed on 11 April 2019:



I.A. Yakovenko
General director

The accompanying notes on pages 5 - 50 are an integral part of these consolidated financial statements.

In thousands of Russian Roubles	Note	2018	2017
Revenue	17	11 919 044	8 790 864
Cost of sales	18	(3 258 075)	(2 844 644)
Gross profit		**8 660 969**	**5 946 220**
Selling, general and administrative expenses	19	(482 673)	(364 147)
Other operating income and expenses, net	20	(297 649)	(27 724)
Net foreign exchange gain/(loss) from operating activities		67 975	(13 495)
Operating profit		**7 948 622**	**5 540 854**
Share of result of associate	10	2 243	307
Gain arising from derecognition of financial asset measured at amortised cost	6	400 491	-
Finance income	21	908 140	439 421
Finance costs	22	(1 070 377)	(662 941)
Net foreign exchange (loss)/gain from financing activities		(478 038)	158 005
Profit before income tax		**7 711 081**	**5 475 646**
Income tax expense	24	(1 603 164)	(1 106 846)
PROFIT FOR THE YEAR		**6 107 917**	**4 368 800**
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation to presentation currency		72 952	(18 354)
Other comprehensive income/(loss)		**72 952**	**(18 354)**
TOTAL COMPREHENSIVE INCOME		**6 180 869**	**4 350 446**
Profit is attributable to:			
- Owners of the Company		5 104 002	3 691 598
- Non-controlling interest		1 003 915	677 202
Profit for the year		**6 107 917**	**4 368 800**
Total comprehensive income is attributable to:			
- Owners of the Company		5 176 954	3 673 244
- Non-controlling interest		1 003 915	677 202
Total comprehensive income for the year		**6 180 869**	**4 350 446**

The accompanying notes on pages 5 - 50 are an integral part of these consolidated financial statements.

In thousands of Russian Roubles	Attributable to owners of the Company						
	Chartered capital	**Additional capital**	**Translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total**
Balance at 1 January 2017	**100 000**	**15 590**	**161 685**	**7 017 313**	**7 294 588**	**710 774**	**8 005 362**
Profit for the year	-	-	-	3 691 598	3 691 598	677 202	4 368 800
Other comprehensive loss	-	-	(18 354)	-	(18 354)	-	(18 354)
Total comprehensive income for 2017	**-**	**-**	**(18 354)**	**3 691 598**	**3 673 244**	**677 202**	**4 350 446**
Dividends declared, Note 6	-	-	-	(1 899 000)	(1 899 000)	(606 817)	(2 505 817)
Total transactions with equity holders for 2017	**-**	**-**	**-**	**(1 899 000)**	**(1 899 000)**	**(606 817)**	**(2 505 817)**
Balance at 31 December 2017	**100 000**	**15 590**	**143 331**	**8 809 911**	**9 068 832**	**781 159**	**9 849 991**
Adoption of IFRS 9, Note 6	-	-	-	(158 074)	(158 074)	-	(158 074)
Balance as at 1 January 2018	**100 000**	**15 590**	**143 331**	**8 651 837**	**8 910 758**	**781 159**	**9 691 917**
Profit for the year	-	-	-	5 104 002	5 104 002	1 003 915	6 107 917
Other comprehensive income	-	-	72 952	-	72 952	-	72 952
Total comprehensive income for 2018	**-**	**-**	**72 952**	**5 104 002**	**5 176 954**	**1 003 915**	**6 180 869**
Dividends declared, Note 6	-	-	-	(4 000 500)	(4 000 500)	(1 087 871)	(5 088 371)
Recognition of a long-term loan to the parent company at fair value, Note 6	-	-	-	(320 393)	(320 393)	-	(320 393)
Total transactions with equity holders for 2018	**-**	**-**	**-**	**(4 320 893)**	**(4 320 893)**	**(1 087 871)**	**(5 408 764)**
Balance at 31 December 2018	**100 000**	**15 590**	**216 283**	**9 434 946**	**9 766 819**	**697 203**	**10 464 022**

In thousands of Russian Roubles	Note	2018	2017
Cash flows from operating activities			
Profit for the year		6 107 917	4 368 800
Adjustments for:			
Depreciation of property, plant and equipment	7	426 278	402 631
Amortisation of intangible assets	9	108 732	107 987
Loss on disposal of property, plant and equipment	20	7 448	8 797
Finance income	21	(908 140)	(439 421)
Finance costs	22	1 070 377	662 941
Loss from recognition of asset held-for-sale	7	207 975	-
Gain arising from derecognition of financial asset measured at amortised cost	6	(400 491)	-
Net foreign exchange (gain)/loss from financing activities		478 038	(158 005)
Income tax expense	24	1 603 164	1 106 846
Share of result of associate	10	(2 243)	(307)
Operating cash flows before working capital changes		**8 699 055**	**6 060 269**
Increase in trade and other receivables		(456 503)	(98 466)
Increase in inventories		(13 149)	(34 381)
(Decrease)/increase in trade and other payables		(168 877)	47 564
Operating cash flows including working capital changes		**8 060 526**	**5 974 986**
Income taxes paid		(1 511 200)	(999 257)
Net cash from operating activities		**6 549 326**	**4 975 729**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(3 557 432)	(1 636 581)
Proceeds from sale of property, plant and equipment		4 474	1 635
Interest from deposits	21	114 898	90 286
Interest received	6	89 414	215 274
Loans granted	6	(10 390 000)	(2 846 000)
Short-term deposits with maturity from 90 to 365 days		(115 100)	(619 507)
Proceeds from repayment of loans granted		1 739 748	1 936 790
Repayment of deposits with maturity from 90 to 365 days		617 737	383 160
Acquisition of intangible assets	9	-	(3 441)
Net cash used in investing activities		**(11 496 261)**	**(2 478 384)**
Cash flows from financing activities			
Proceeds from borrowings	15	12 821 679	6 761 763
Repayment of borrowings	15	(2 254 337)	(6 158 607)
Interest paid	15	(1 024 622)	(486 449)
Commissions and other finance costs paid	15	(145 557)	(159 472)
Dividends paid to the owners of the Company	6	(4 000 500)	(1 899 000)
Dividends paid to non-controlling interests	6	(1 088 678)	(619 758)
Net cash from/(used in) financing activities		**4 307 985**	**(2 561 523)**
Net change in cash and cash equivalents		(638 950)	(64 178)
Cash and cash equivalents at the beginning of the year	13	**1 645 193**	**1 777 915**
Effect of exchange rate changes on cash and cash equivalents	13	715 538	(68 544)
Cash and cash equivalents at the end of the year	13	**1 721 781**	**1 645 193**

1 General Information

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the year ended 31 December 2018 for OOO DeloPorts (hereinafter, the "Company") and its subsidiaries (hereinafter, jointly referred to as the "Group" or "DeloPorts Group").

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

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

As at 31 December 2018 and 31 December 2017, the Group's immediate parent company was Limited liability company Management company Delo and the Group's ultimate controlling party was S.N. Shishkarev.

			Percentage of control as at 31 December, %	
Group company name	**Country of registration**	**Activity**	**2018**	**2017**
OOO NUTEP	Russia	Container terminal	100	100
OOO TransTerminal-Holding	Russia	Holding company	100	100
ATOKOSA LIMITED	Cyprus	Holding company	100	100
AO KSK	Russia	Grain terminal	75	75
DCP HOLDINGS LIMITED	Cyprus	Holding company	75	75
OOO SC DELO	Russia	Service company	100	100

2 Summary of Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the year ended 31 December 2018.

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

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

Foreign currency translation. The functional currency of each of the Group's entities is the Russian Rouble ("RR"), except for the company Atokosa Limited, where the functional currency is US Dollar, which reflects the economic substance of the underlying events and circumstances. Items, included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

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

2 Summary of Significant Accounting Policies (continued)

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

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

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

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

iii) components of equity are translated at the historic rate;

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

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

At 31 December 2018, the exchange rate used for translating foreign currency balances was USD 1 = RR 69,4706 (31 December 2017: USD 1 = RR 57,6002) and Euro 1 = RR 79,4605 (31 December 2017: Euro 1 = RR 68,8668). The average exchange rate used for translating income and expense accounts (except for foreign exchange income and expenses which were translated on the transaction basis) for the year ended 31 December 2018, was USD 1 = RR 62,7680, Euro 1 = RR 73,9389 (for the year ended 31 December 2017: USD 1 = RR 58,2479 and Euro 1 = RR 65,8470).

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

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

2 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired by reference to the requirements of IAS 39 "Financial Instruments: Recognition and Measurement". Significant adverse changes in the technological, market, economic and legal environment in which the associate operates is objective evidence that the equity interest in the associate may be impaired. In addition, a significant or prolonged decline in the fair value of the associate below its cost is also objective evidence of impairment. If there is an indication that an investment in associate may be impaired, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount of impairment loss in the profit or loss. Impairment losses are presented in the profit or loss, adjacent to the share of the associates' results accounted for using the equity method.

2 Summary of Significant Accounting Policies (continued)

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

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

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

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

Financial instruments – key measurement terms. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

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

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

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

2 Summary of Significant Accounting Policies (continued)

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

Financial instruments – initial recognition. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

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

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

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

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

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

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

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

2 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

Financial assets - derecognition. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

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

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

2 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

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

2 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

Depreciation. Land is not depreciated.

Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Buildings	4 to 50 years
Constructions	5 to 50 years
Machinery and equipment	2 to 30 years
Vehicles and other	3 to 15 years

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

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

2 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

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

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit.

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

2 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified. Held for sale non-current assets are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale property, plant and equipment, are not depreciated or amortised.

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

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

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

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

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

2 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

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

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

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

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

Were the estimated useful lives 10% lower than management's estimates, the impact on depreciation for the year ended 31 December 2018 would have been an increase by 42 628 thousand RR (2017: 40 263 thousand RR).

Impairment of goodwill. The Group determines whether goodwill is impaired on an annual basis. This requires determination of the recoverable amount of the cash-generating units to which the goodwill is allocated. Management considers that there is no impairment of goodwill as at 31 December 2018. The carrying amount of goodwill as at 31 December 2018 was 190 066 thousand RR (2017: 190 066 thousand RR) (please see Note 8).

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

Recognition of deferred tax asset in respect of unused tax losses carry-forward. According to the Group estimates, unused tax losses carry-forward can be used against taxable profits in future. Thus, the Group has recognised deferred tax assets in respect of unused tax losses carry-forward in amount of 138 644 thousand RR (2017: 116 300 thousand RR) (Note 24). In 2018-2020, the amount of tax losses generated in prior periods that can be used to reduce the tax base of the current reporting period are limited to 50% of the tax base of that reporting period. Since 2021, accumulated tax losses can be recognised in full amounts.

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

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

4 New Accounting Pronouncements

Adoption of IFRS 15 "Revenue from Contracts with Customers". The Group applied simplified method of transition to IFRS 15, and elected to apply the practical expedient available for simplified transition method. The Group applies IFRS 15 retrospectively only to contracts that were not completed at the date of initial application (1 January 2018). Adoption of IFRS 15 resulted in changes in accounting policies applicable to the timing of revenue and to the approach of price allocation to each performance obligation when the contracts include several performance obligations. These changes did not require to make adjustments to consolidated financial statements. Since 1 January 2018 revenue from sales of goods and rendering of services is recognized at the moment when obligation to customer is performed, i.e. control over goods and services is transferred to the customer.

4 New Accounting Pronouncements (continued)

The Group did not do any adjustments to consolidated financial statements as of 1 January 2018.

The significant new accounting policies applied in current year are descried in Note 2. Accounting policies applied prior to 1 January 2018 and applicable for comparative information are described in Note 30.

Adoption of IFRS 9 "Financial Instruments". The Group adopted IFRS 9, Financial Instruments, from 1 January 2018. The Group elected not to restate comparative figures. As a result of adoption the Group created allowance for ECL that led to adjustment of loans issued as at 1 January 2018 in the amount of 197 593 thousand RR which was recognized in equity as of the date of initial application of the standards, 1 January 2018.

The significant new accounting policies applied in the current period are described in Note 2. Accounting policies applied prior to 1 January 2018 and applicable to the comparative information are disclosed in Note 30.

The following table reconciles the carrying amounts of each class of financial assets as previously measured in accordance with IAS 39 and the new amounts determined upon adoption of IFRS 9 on 1 January 2018.

In thousands of Russian Roubles	**Measurement category IAS 39**	**IFRS 9**	**Carrying value under IAS 39 - 31 December 2017**	**Reclassification Mandatory**	**Voluntary**	**Effect of adopting IFRS 9 Remeasurement ECL**	**Other**	**Carrying value under IFRS 9 - 1 January 2018**
Cash and cash equivalents	Loans granted and receivables	Measured at amortised cost	1 645 193	-	-	-	-	1 645 193
Deposits (with maturity over 90 days)	Loans granted and receivables	Measured at amortised cost	617 737	-	-	-	-	617 737
Financial receivables	Loans granted and receivables	Measured at amortised cost	241 241	-	-	-	-	241 241
Short-term loans issued	Loans granted and receivables	Measured at amortised cost	3 785 720	-	-	(197 593)	-	3 588 127
Total financial assets			**6 289 891**	**-**	**-**	**(197 593)**	**-**	**6 092 298**

Amount of expected credit losses as of 1 January 2018 was accrued in respect of financial asset which related to the Level 3 of valuation model for ECL. That means the valuation was done through the lifetime of the asset.

Financial liabilities previously classified in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" as loans and payables and measured at amortised cost using the effective interest method, in accordance with IFRS 9 "Financial Instruments" were classified as financial liabilities carried at amortised cost. Thus, the valuation of accounts payable, long-term and short-term loans has not changed, and these financial instruments are measured at amortised cost.

The following amended standards became effective for the Group from 1 January 2018, but did not have any material impact on the Group:

Amendments to IFRS 4 - "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" (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).

Annual Improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1 an IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

4 New Accounting Pronouncements (continued)

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).

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

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

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 statement of profit or loss and other comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group rents mooring facilities in operating lease. Transfer to the new standard IFRS 16 “Leases” will have a significant impact on the consolidated financial statements. The Group decided that it will apply the standard from its mandatory adoption date of 1 January 2019 using the modified retrospective method, without restatement of comparatives. The Group plans to recognize right to use asset and respective lease obligations in the amount of 1 190 718 thousand RR as at 1 January 2019.

Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).The narrow scope amendments impact four standards. IFRS 3 was clarified that an acquirer should remeasure its previously held interest in a joint operation when it obtains control of the business. Conversely, IFRS 11 now explicitly explains that the investor should not remeasure its previously held interest when it obtains joint control of a joint operation, similarly to the existing requirements when an associate becomes a joint venture and vice versa. The amended IAS 12 explains that an entity recognises all income tax consequences of dividends where it has recognised the transactions or events that generated the related distributable profits, eg in profit or loss or in other comprehensive income. It is now clear that this requirement applies in all circumstances as long as payments on financial instruments classified as equity are distributions of profits, and not only in cases when the tax consequences are a result of different tax rates for distributed and undistributed profits. The revised IAS 23 now includes explicit guidance that the borrowings obtained specifically for funding a specified asset are excluded from the pool of general borrowings costs eligible for capitalisation only until the specific asset is substantially complete. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

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

4 New Accounting Pronouncements (continued)

IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019). The amendments enable measurement at amortised cost of certain loans and debt securities that can be prepaid at an amount below amortised cost, for example at fair value or at an amount that includes a reasonable compensation payable to the borrower equal to present value of an effect of increase in market interest rate over the remaining life of the instrument. In addition, the text added to the standard's basis for conclusion reconfirms existing guidance in IFRS 9 that modifications or exchanges of certain financial liabilities measured at amortised cost that do not result in the derecognition will result in an gain or loss in profit or loss. Reporting entities will thus in most cases not be able to revise effective interest rate for the remaining life of the loan in order to avoid an impact on profit or loss upon a loan modification. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019). The amendments clarify that reporting entities should apply IFRS 9 to long-term loans, preference shares and similar instruments that form part of a net investment in an equity method investee before they can reduce such carrying value by a share of loss of the investee that exceeds the amount of investor's interest in ordinary shares. The Group does not expect a material impact of the amendments on its consolidated financial statements.

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

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

5 Segment Information

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

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

Container segment	is represented by a technologically advanced container terminal OOO NUTEP. OOO NUTEP also has a ferry auto complex for Ro-Ro cargo handling.
Grain segment	is represented by grain terminal, AO KSK, which also handles general and RoRo cargo.
Service segment	is represented by company OOO SC DELO, which provides bunkering, agency service and towing operations in the port of Novorossiysk.

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

EBITDA is calculated as profit for the year adjusted for finance income, finance costs and other operating income and expenses net, depreciation and amortisation, share in the profit of associates, net foreign exchange gains/ losses from financing activities, gain arising from derecognition of financial asset measured at amortised cost and income tax (see note 23). The segment profit or loss, segment assets and segment liabilities are measured applying the same policies as are used in the preparation of these consolidated financial statements.

Non-current assets referring to all three operating segments are located in Novorossiysk, Krasnodar region. All segment revenue is generated in Novorossiysk, Krasnodar region. Operations between segments are proceeded on market conditions. Segment information does not include information about dividends distribution and balance of payments between segments and holding companies.

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

In thousands of Russian Roubles	**2018**	**2018, %**	**2017**	**2017, %**
Container segment	4 044 954	33,9	3 470 174	39,5
Container cargo handling	2 418 783		1 991 584	
Storage services	759 239		608 133	
Inspection services	456 762		391 534	
General cargo handling	63 672		129 615	
Ro-Ro handling	8 200		12 604	
Other port services	338 298		336 704	
Grain segment	6 017 165	50,5	4 154 217	47,3
Grain handling	5 892 330		4 009 252	
General cargo handling	102		4 423	
Ro-Ro handling	4 302		41 628	
Other port services	120 431		98 914	
Service segment	1 856 925	15,6	1 166 473	13,2
Bunkering segment	1 421 284		1 130 672	
Towing services	378 423		-	
Other port services	57 218		35 801	
Total	**11 919 044**	**100**	**8 790 864**	**100**

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

5 Segment Information (continued)

OOO NUTEP revenue mainly consists of load handling, storage and inspections of containers. Also, OOO NUTEP has revenue from handling of general cargo and Ro-Ro cargo. OOO NUTEP applies a range of tariffs each relevant for a certain service offered by the terminal or type of container handled, including but not limited to empty vs loaded containers, 20 ft vs 40 ft containers, regular vs reefer containers, interterminal movements, inspections, removal of hatches, container locks, passes, etc.

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

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

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

Inspections are a function of customs service – Novorossiysk customs decide which containers to check and what level of inspection is required. The terminal is responsible for facilitating inspections – delivery of container to inspection site and discharge. Other revenue includes a combination of port services, which combined share does not exceed 10% of the total OOO NUTEP's revenue.

AO KSK revenue comes from grain loading operations. The terminal may charge its clients a different rate for different type of grain and volumes of grain loading. Freight forwarding is charged separately since clients of AO KSK retain an option to use their own agent and freight forwarder.

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

OOO SC DELO revenue comes from bunkering, agency and towing services in the port of Novorossiysk. The company bunkers the vessels calling Novorossiysk either during loading, or at sea, with fuel oil and/or diesel. OOO SC DELO purchases fuel from Russian refineries. Fuel oil accounts for 99% of total purchase and sales volume in terms of quantity. Towing and agency services are performed by own tugboats and agency department. Three tugs, that were put into operation in the end of 2017, worked properly in 2018. In December 2018 forth and fifth tugboats arrived and put into operation. Also the Group concluded an agreement for delivery of the sixth tugboat.

5 Segment Information (continued)

Operational risks

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

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

5 Segment Information (continued)

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

In thousands of Russian Roubles	Container	Grain	Service	Total for operating segments	Holdings	Reconciliation adjustments Inter-segment eliminations	Total for the Group
External revenue	4 044 954	6 017 165	1 856 925	11 919 044	-	-	11 919 044
Revenues from other segments	12 763	6 767	-	19 530	77 479	(97 009)	-
Total revenue	**4 057 717**	**6 023 932**	**1 856 925**	**11 938 574**	**77 479**	**(97 009)**	**11 919 044**
Cost of sales	(1 276 305)	(680 115)	(1 317 950)	(3 274 370)	(29 354)	45 649	(3 258 075)
Selling, general and administrative expenses	(128 939)	(113 405)	(64 545)	(306 889)	(180 768)	4 984	(482 673)
Foreign exchange gain from operating activities	874	3 252	63 849	67 975	-	-	67 975
Other operating income/(expenses), net	(14 833)	(213 345)	(5 481)	(233 659)	(63 990)	-	(297 649)
Operating profit/(loss)	**2 638 514**	**5 020 319**	**532 798**	**8 191 631**	**(196 633)**	**(46 376)**	**7 948 622**
Finance income/(expenses), net	(90 244)	30 954	(40 462)	(99 752)	(62 485)	-	(162 237)
Share of result of associate	-	-	2 243	2 243	-	-	2 243
Gain arising from the derecognition of financial assets measured at amortised cost	-	-	-	-	400 491	-	400 491
Foreign exchange (losses)/gains from financing activities	(298 694)	(28 929)	(171 229)	(498 852)	20 814	-	(478 038)
Profit before income tax	**2 249 576**	**5 022 344**	**323 350**	**7 595 270**	**162 187**	**(46 376)**	**7 711 081**
Income tax expense	(469 089)	(1 006 955)	(64 712)	(1 540 756)	(60 631)	(1 777)	(1 603 164)
Profit for the year	**1 780 487**	**4 015 389**	**258 638**	**6 054 514**	**101 556**	**(48 153)**	**6 107 917**
EBITDA, Note 23	2 990 371	5 392 247	577 208	8 959 826	(130 697)	(47 848)	8 781 281
Additions to property, plant and equipment, Note 7	2 373 687	1 437 003	798 743	4 609 433	786	(48 255)	4 561 964
As at 31 December 2018							
Total reportable segment assets	11 828 979	5 163 551	2 432 992	19 425 522	14 405 466	(236 761)	33 594 227
Total reportable segment liabilities	(5 709 609)	(2 374 736)	(1 718 045)	(9 802 390)	(13 564 576)	236 761	(23 130 205)

5 Segment Information (continued)

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

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

5 Segment Information (continued)

Segment information for the reportable segments for the year ended 31 December 2017 is set out below:

In thousands of Russian Roubles	Container	Grain	Service	Total for operating segments	Holdings	Reconciliation adjustments Inter-segment eliminations	Total for the Group
External revenue	3 470 174	4 154 217	1 166 473	8 790 864	-	-	8 790 864
Revenues from other segments	3 124	6 375	-	9 499	32 052	(41 551)	-
Total revenue	**3 473 298**	**4 160 592**	**1 166 473**	**8 800 363**	**32 052**	**(41 551)**	**8 790 864**
Cost of sales	(1 234 556)	(638 940)	(985 296)	(2 858 792)	(23 271)	37 419	(2 844 644)
Selling, general and administrative expenses	(120 700)	(104 448)	(39 321)	(264 469)	(102 059)	2 381	(364 147)
Foreign exchange loss from operating activities	(256)	(9 739)	(3 500)	(13 495)	-	-	(13 495)
Other operating income/(expenses), net	(12 694)	(13 453)	(1 010)	(27 157)	(821)	254	(27 724)
Operating profit/(loss)	**2 105 092**	**3 394 012**	**137 346**	**5 636 450**	**(94 099)**	**(1 497)**	**5 540 854**
Finance (expenses)/income, net	(84 692)	12 873	(174)	(71 993)	(151 527)	-	(223 520)
Share of result of associate	-	-	307	307	-	-	307
Foreign exchange (losses)/gains from financing activities	192 460	(16 402)	(274)	175 784	(17 779)	-	158 005
Profit/(loss) before income tax	**2 212 860**	**3 390 483**	**137 205**	**5 740 548**	**(263 405)**	**(1 497)**	**5 475 646**
Income tax (expense) /credit	(446 071)	(681 769)	(27 518)	(1 155 358)	49 553	(1 041)	(1 106 846)
Profit/(loss) for the year	**1 766 789**	**2 708 714**	**109 687**	**4 585 190**	**(213 852)**	**(2 538)**	**4 368 800**
EBITDA, Note 23	2 456 873	3 579 653	138 950	6 175 476	(91 964)	(4 316)	6 079 196
Additions to property, plant and equipment, Note 7	1 051 749	229 754	1 125 555	2 407 058	323	(4 051)	2 403 330
As at 31 December 2017							
Total reportable segment assets	9 743 555	4 344 235	1 523 251	15 611 041	5 064 684	(908 009)	19 767 716
Total reportable segment liabilities	(4 173 170)	(1 219 600)	(1 066 942)	(6 459 712)	(4 366 022)	908 009	(9 917 725)

5 Segment Information (continued)

Segment operating expenses included in cost of sales and selling, general and administrative expenses for the year ended 31 December 2017 were as follows:

In thousands of Russian Roubles	Container	Grain	Service	Total for operating segments	Holdings	Reconciliation adjustments Inter-segment eliminations	Total for the Group
Cost of oil products	-	-	884 509	884 509	-	-	884 509
Staff costs	421 643	334 348	46 254	802 245	76 399	(21 166)	857 478
Depreciation of property, plant and equipment	231 497	172 148	594	404 239	957	(2 565)	402 631
Operating lease rentals	205 980	24 006	-	229 986	-	-	229 986
Amortisation of intangible assets	107 590	40	-	107 630	357	-	107 987
Purchased services (including audit and consulting services)	124 209	33 171	50 645	208 025	16 477	(11 874)	212 628
Repairs and maintenance of property, plant and equipment	84 655	18 144	1 014	103 813	-	-	103 813
Taxes other than income taxes	45 626	42 287	47	87 960	4	-	87 964
Fuel, electricity and gas	61 011	43 403	727	105 141	69	-	105 210
Other expenses	73 045	75 841	40 827	189 713	31 067	(4 195)	216 585
Total expenses	**1 355 256**	**743 388**	**1 024 617**	**3 123 261**	**125 330**	**(39 800)**	**3 208 791**

6 Balances and Transactions with Related Parties

The Group had the following categories of related parties as at 31 December 2018 and for the year then ended:

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

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

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

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

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

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

At 31 December 2017, the outstanding balances with related parties were as follows:

In thousands of Russian Roubles	Parent company	Entities under common control	Associates	Other related parties
Prepayments for non-current assets	-	4 027	-	-
Trade and other receivables	-	57 383	-	6 849
Loans issued*	3 397 055	356 082	-	-
Trade and other payables	-	(3 562)	(718)	(10 547)

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

6 Balances and Transactions with Related Parties (continued)

The income and expense items with related parties for the year ended 31 December 2017 were as follows:

In thousands of Russian Roubles	Parent company	Entities under common control	Associates	Other related parties
Revenue	-	893 134	-	2 078 846
Cost of sales	-	(33 917)	(8 674)	481
Selling, general and administrative expense	-	(2 553)	-	-
Finance income	327 821	21 024	143	-

Construction in progress additions. In 2018, construction in progress additions from entities under common control of the Group amounted to 20 362 thousand RR (2017: 8 431 thousand RR).

Management remuneration. Total compensation to 8 (2017: 8) representatives of key management personnel, included in staff costs in the consolidated statement of comprehensive income, amounted to 105 299 thousand RR for 2018 (2017: 101 625 thousand RR).

Dividends. In 2018, the Group distributed dividends to the owners of the Company in the amount of 4 000 500 thousand RR and to non-controlling interests in the amount of 1 087 871 thousand RR (2017: to the owners of the Company 1 899 000 thousand RR, to non-controlling interests 606 817 thousand RR).

Loans issued. Fair value of loans issued is within Level 2 of the fair value hierarchy.

Accounting for loans issued to parent company. In 2018 the Group issued a long-term loan to the parent company in the amount of 8 820 000 thousand RR at the rate of 7% and with maturity in April 2021. At initial recognition this loan was accounted for at fair value, which was determined on the basis of market rates for comparable financial instruments at the level of 8,3%, resulting in an effect in the amount of 320 393 thousand RR reflected directly in equity (decreased by the effect of deferred income tax on this transaction in the amount of 80 098 thousand RR). Subsequently, the terms of the loan were amended: currency was changed to US dollars and interest rate became 6,44%. As a result, the Group derecognised the financial asset recording the result of the derecognition in the amount of 400 091 thousand RR and income tax in the amount of 80 098 through profit and loss and recognized new financial asset. The Group considers that the rate of 6,44% is in line with market rates for comparable financial instruments. In 2018, the Group issued short-term loans to the parent company in the amount of 1 415 000 thousand RR. Balance of short-term loans issued as at 31 December 2018 was 3 470 904 thousand RR (31 December 2017: 3 397 055 thousand RR). Short-term loans are nominated in Russian Rubles, interest rate is 9,4% (2017: 10,2%).

According to the Group assessment, interests on loans include only consideration for credit risk and time value of money. The terms of loan agreement suggest to redeem the principal and interests accrued by cash. Based on that, the Group considers that contractual cash flows represent solely payments of principal and interest. Thus, long-term loan issued in the amount of 10 205 581 thousand RR and short-term loans issued in the amount of 3 470 904 thousand RR as at 31 December 2018, and also short-term loans issued in the amount of 3 397 055 thousand RR as at 1 January 2018 should be classified as financial assets at amortised cost.

ECL for loans issued. Allowance for expected credit loss is impacted by a variety of factors, details of ECL measurement are provided in Note 27. The Group performed analysis of ELC measurement for all loans issued and concluded that in relation to the short-term loan issued to the entity under common control allowance for ECL in the amount of 197 593 thousand RR should be recognised as at 1 January 2018 (Note 4). Effect for this transaction was reflected directly in retained earnings as at 1 January 2018 in the amount of 158 074 thousand RR (decreased by the effect of deferred income tax on this transaction in the amount of 39 519 thousand RR). Allowance for ECL on this loan issued as at 31 December 2018 also amounts to 197 593 thousand RR.

According to the Group assessment, amount of expected credit loss in respect of loans issued to the parent company as at 31 December 2018 and 1 January 2018 is not significant, thus, allowance for ECL was not created.

7 Property, Plant and Equipment

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

In thousands of Russian Roubles	Land	Buildings	Constructions	Machinery and equipment	Other	Construction in progress	Total
Cost at 1 January 2017	68 356	307 133	4 215 134	2 157 301	84 680	1 066 027	**7 898 631**
Accumulated depreciation	-	(79 974)	(789 877)	(891 483)	(49 764)	-	**(1 811 098)**
Carrying amount at 1 January 2017	**68 356**	**227 159**	**3 425 257**	**1 265 818**	**34 916**	**1 066 027**	**6 087 533**
Additions	-	-	2 773	29 616	24 383	2 346 558	**2 403 330**
Transfers	-	964	211 161	1 128 423	3 260	(1 343 808)	**-**
Disposals	-	-	(25 113)	(172)	(1 117)	-	**(26 402)**
Depreciation charge, Note 18, 19	-	(15 946)	(193 245)	(180 884)	(12 556)	-	**(402 631)**
Carrying amount at 31 December 2017	**68 356**	**212 177**	**3 420 833**	**2 242 801**	**48 886**	**2 068 777**	**8 061 830**
Cost at 31 December 2017	68 356	308 097	4 382 522	3 314 392	106 299	2 068 777	**10 248 443**
Accumulated depreciation	-	(95 920)	(961 689)	(1 071 591)	(57 413)	-	**(2 186 613)**
Carrying amount at 31 December 2017	**68 356**	**212 177**	**3 420 833**	**2 242 801**	**48 886**	**2 068 777**	**8 061 830**
Additions	-	-	779	36 952	17 771	4 506 462	**4 561 964**
Transfers	-	14 011	49 108	841 362	312	(904 793)	**-**
Disposals	-	-	(3 626)	-	(8 296)	-	**(11 922)**
Depreciation charge, Note 18, 19	-	(14 939)	(194 286)	(206 526)	(10 527)	-	**(426 278)**
Reclassification to non-current assets held for sale	-	-	-	-	-	(272 141)	**(272 141)**
Carrying amount at 31 December 2018	**68 356**	**211 249**	**3 272 808**	**2 914 589**	**48 146**	**5 398 305**	**11 913 453**
Cost at 31 December 2018	68 356	322 109	4 426 443	4 191 606	113 937	5 398 305	**14 520 756**
Accumulated depreciation	-	(110 860)	(1 153 635)	(1 277 017)	(65 791)	-	**(2 607 303)**
Carrying amount at 31 December 2018	**68 356**	**211 249**	**3 272 808**	**2 914 589**	**48 146**	**5 398 305**	**11 913 453**

7 Property, Plant and Equipment (continued)

As at 31 December 2018, property, plant and equipment of OOO NUTEP and OOO SC DELO carried at 1 884 279 thousand RR (31 December 2017: 878 179 thousand RR) have been pledged to third parties as collateral for borrowings.

Borrowing costs in the amount of 190 913 thousand RR and associated foreign exchange losses in the amount of 67 193 thousand RR were capitalised in 2018 at the rate of capitalisation of 8,7% (2017: borrowing costs in the amount of 106 995 thousand RR and associated foreign exchange losses in the amount of 141 629 thousand RR at the rate of capitalisation of 10,9%).

Depreciation expense of 426 278 thousand RR (2017: 402 631 thousand RR) has been charged to cost of sales amounting to 410 205 thousand RR (2017: 390 977 thousand RR) and to selling, general and administrative expenses amounting to 16 073 thousand RR (2017: 11 654 thousand RR).

In 2018, 4th and 5th tugboats were built for OOO SC DELO and put into operation; in 2017 the first three tugboats were put into operation.

Prepayments for non-current assets consist mainly of advances issued for construction of OOO NUTEP's Berth 38, construction of AO KSK's grain terminal and construction of the 6th tugboat for OOO SC DELO.

Payment for tugboats in the amount of 257 701 thousand RR were transfered to the supplier's accounts by Rabobank at the expense of credit line without cash transit through OOO SC DELO accounts, thus, these payments were not reflected in the consolidated statement of cash flows. In 2017, payment for tugboats in the amount of 951 538 thousand RR were transferred to the supplier's accounts by Rabobank at the expense of credit line without cash transit through OOO SC DELO accounts, thus, these payments were not reflected in the consolidated statement of cash flows.

In 2018, gas generator unit of AO KSK was transferred to non-current assets held-for-sale as the Group's management approved an active programme to sell the asset in 2019. At the moment of transfer, the asset was recognised at fair value which is within Level 2 of the fair value hierarchy. As a result impairment loss was accrued in the amount of 207 975 thousand RR and included into other operating expenses (Note 20).

8 Goodwill

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

In thousands of Russian Roubles	**31 December 2018**	**31 December 2017**
Grain terminal CGU	66 671	66 671
Container terminal CGU	123 395	123 395
Total carrying amount of goodwill	**190 066**	**190 066**

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

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

- Growth rate beyond 5 years is 0% both for grain CGU "KSK" and container CGU "NUTEP" taking into account US Dollar cash flows;
- Discount rate, calculated in US Dollars, is 10,5% for KSK and NUTEP;
- Average annual volume growth rate for grain cargo for 2019-2023 is 0-8% for KSK and 0-8% for container cargo for NUTEP.

8 Goodwill (continued)

No impairment was identified as a result of the impairment test as the recoverable amounts exceeded carrying value of CGUs. Reasonable change of assumptions will not lead to the situation when recoverable amount is less than carrying value of CGUs.

9 Mooring Rights and Other Intangible Assets

In thousands of Russian Roubles		Mooring rights	Other intangible assets	Total
Cost at 1 January 2017		4 338 908	17 926	**4 356 834**
Accumulated amortisation		(620 682)	(7 646)	**(628 328)**
Carrying amount at 1 January 2017		**3 718 226**	**10 280**	**3 728 506**
Additions		-	3 441	**3 441**
Amortisation charge	18, 19	(107 256)	(731)	**(107 987)**
Carrying amount at 31 December 2017		**3 610 970**	**12 990**	**3 623 960**
Cost at 31 December 2017		4 338 908	21 367	**4 360 275**
Accumulated amortisation		(727 938)	(8 377)	**(736 315)**
Carrying amount at 31 December 2017		**3 610 970**	**12 990**	**3 623 960**
Amortisation charge	18, 19	(107 256)	(1 476)	**(108 732)**
Carrying amount at 31 December 2018		**3 503 714**	**11 514**	**3 515 228**
Cost at 31 December 2018		4 338 908	21 367	4 360 275
Accumulated amortisation		(835 194)	(9 853)	(845 047)
Carrying amount at 31 December 2018		**3 503 714**	**11 514**	**3 515 228**

In 2011, Delo Group acquired intangible assets as part of 100% OOO NUTEP consolidation. The fair value was determined by an independent appraiser as of the acquisition date. Mooring rights represent the long-term lease rights to hydro-technical infrastructure in Novorossiysk, Krasnodar region, owned by the state. The residual useful life balance of mooring rights is 33 years.

10 Investment in Associate

In thousands of Russian Roubles	2018	2017
Carrying amount at 1 January	**4 134**	**3 827**
Share of result of associate	2 243	307
Carrying amount at 31 December	**6 377**	**4 134**

At 31 December 2018 and for the year then ended, the Group's interest in its principal associate, which is unlisted, and its summarised financial information, including total assets, liabilities, revenues and profit, was as follows:

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

At 31 December 2017 and for the year then ended, the Group's interest in its principal associate, which is unlisted, and its summarised financial information, including total assets, liabilities, revenues and profit, was as follows:

Name	Total assets	Total liabilities	Revenue	Profit	% interest held
LLC Aquaspas	24 840	8 299	54 044	1 229	25 %

11 Inventories

In thousands of Russian Roubles	**31 December 2018**	**31 December 2017**
Fuel and spare parts	128 381	112 407
Oil products for resale	18 146	20 971
Total inventories	**146 527**	**133 378**

There were no impairment write-downs of inventories in 2018 and 2017.

12 Trade and Other Receivables

In thousands of Russian Roubles	**31 December 2018**	**31 December 2017**
Trade receivables	431 705	244 106
Provision for expected credit losses	(289)	(32 310)
Trade receivables less provision for expected credit losses	**431 416**	**211 796**
Other receivables	44 993	29 445
Financial receivables	**476 409**	**241 241**
VAT recoverable	351 223	148 277
Prepayments	50 959	30 444
Other taxes receivable	1 757	4 381
Receivables from employees	8 290	7 792
Total trade and other receivables	**888 638**	**432 135**

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

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

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period.

Analysis of trade and other receivables revealed that the Group has no overdue and not reserved trade and other accounts receivable as at 31 December 2018 and 31 December 2017. Financial receivables, stated as at 31 December 2018, will be settled within six months from the reporting date.

The fair value of receivables approximates their carrying value as the impact of the discounting is insignificant and is within Level 2 of the fair value hierarchy.

13 Cash and Cash Equivalents

In thousands of Russian Roubles	**31 December 2018**	**31 December 2017**
Cash in hand	205	312
Cash at bank	682 744	491 440
Short-term bank deposits (less than 90 days)	1 038 832	1 153 441
Total cash and cash equivalents	**1 721 781**	**1 645 193**

The average interest rate on short-term deposits at 31 December 2018 was 5,53% (31 December 2017: 5,22%). These deposits have average original maturity of 48 days at 31 December 2018 (31 December 2017: 18 days). At 31 December 2018, these deposits have average period to maturity of 29 days from the reporting date (31 December 2017: 10 days).

The Group had deposits with maturity at the moment of placement from 90 to 365 days at 31 December 2018 in the amount of 115 100 thousand RR (31 December 2017: 617 737 thousand RR). The average interest rate on these deposits at 31 December 2018 was 7,15% (31 December 2017: 5,75%). These deposits have average original maturity of 110 days (31 December 2017: 110 days). At 31 December 2018, these deposits have average period to maturity of 51 days from the reporting date (31 December 2017: 67 days).

13 Cash and Cash Equivalents (continued)

In 2018, the Group received a gain on sale of foreign currency in the amount of 620 004 thousand RR. This amount is included into the line "Effect of exchange rate changes on cash and cash equivalents" in the consolidated statements of cash flows.

14 Chartered and Additional Capital

Chartered capital at 31 December 2018 and 31 December 2017 amounts to 100 000 thousand RR, which was paid in cash for 100 thousand RR and for 99 900 thousand RR was made in the form of investments in subsidiaries as a result of completion of reorganisation of the Group. Contribution to the Company's additional capital in the amount of 15 590 thousand RR was made in cash in the amount of 12 000 thousand RR and in the form of intangible assets transferred to the Company by the parent company in the amount of 3 590 thousand RR.

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

In thousands of Russian Roubles	31 December 2018	31 December 2017
Dividends payable at 1 January	-	-
Dividends declared	4 000 500	1 899 000
Dividends paid	(4 000 500)	(1 899 000)
Dividends payable at 31 December	**-**	**-**

15 Borrowings

In thousands of Russian Roubles	31 December 2018	31 December 2017
Short-term borrowings	1 839 932	943 103
Short-term bonds with nominal in Russian Roubles	162 777	838 636
Short term bonds with nominal in USD	149 261	-
Long-term borrowings	5 792 047	2 795 537
Long-term bonds with nominal in Russian Roubles	3 500 000	3 500 000
Long term bonds with nominal in USD	9 725 884	-
Total borrowings	**21 169 901**	**8 077 276**

In April 2018, the Company placed 140 mln USD bond issue with a maturity period of 7 years and a coupon rate of 6,75% per annum. In July 2017, the Company refinanced its debut bond issue with new 3.5 billion RR bond issue with a maturity period of 5 years and a coupon rate of 9,4% per annum.

Bank loans are subject to pledges (Note 7) and covenants (Note 25). Interest rate for long-term and short-term loans and borrowings are disclosed in Financial Risk Management note (Note 27).

The fair value of bonds equals to 13 193 988 thousand RR as at 31 December 2018 (31 December 2017: 4 273 102 thousand RR) and is within Level 1 of the fair value hierarchy. The carrying amount of other borrowings does not materially differ from its fair value as the impact of discounting is not significant. The fair value of other borrowings is within Level 2 of the fair value hierarchy.

During the period from 2017 to 2018, the Group received borrowings for the reconstruction of the grain terminal in the amount of 1 011 232 thousand RR with interest rates subsidised by the government, which was lower compared to market interest rates. Were loans received accounted for at market interest rates, the balance of borrowings would have been lower than the current balance for the amount of discontinued difference between interest rate provided by the government as subsidy and market rate in the amount of 172 653 thousand RR (31 December 2017: 61 272 thousand RR). The Group did not separate deferred income for this government subsidy from current borrowings balance.

15 Borrowings (continued)

Debt reconciliation

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

In thousands of Russian Roubles	31 December 2018	31 December 2017
Opening balance at 1 January	**8 077 276**	**6 500 964**
Proceeds from borrowings at Rabobank for tugboat purchase	257 701	951 538
Proceeds from other borrowings	4 621 773	3 261 763
Bond issue	8 199 906	3 500 000
Repayment of borrowings	(1 585 406)	(3 830 764)
Bond redemption	(668 931)	(2 327 843)
Interest accrued	1 179 039	610 100
Premium accrued due to early repayment of bonds	-	131 058
Bank commissions and other finance expenses accrued	82 251	28 779
Interest paid	(1 024 622)	(486 449)
Premium paid due to early repayment of bonds	-	(131 058)
Bank commissions and other finance expenses paid	(145 557)	(28 414)
Foreign exchange differences	2 176 471	(102 398)
Closing balance at 31 December 2018	**21 169 901**	**8 077 276**

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

16 Trade and Other Payables

In thousands of Russian Roubles	31 December 2018	31 December 2017
Trade payables	50 346	62 249
Other payables	21 866	18 157
Payables for fixed assets	256 373	2 986
Financial payables	**328 585**	**83 392**
Advances from customers	110 787	226 716
Other taxes payable	53 439	109 956
Payables to employees	109 695	97 520
Accruals and provisions	47 656	48 068
Total trade and other payables	**650 162**	**565 652**

Advances from customers are represented by contract liabilities. The carrying amounts of trade and other payables do not materially differ from their fair value, as the impact of the discounting is insignificant and is within Level 2 of the fair value hierarchy.

17 Revenue

In thousands of Russian Roubles	**2018**	**2017**
Grain handling	5 892 330	4 009 252
Container cargo handling	2 418 783	1 991 584
Bunkering	1 421 284	1 130 672
Storage services	759 239	608 133
Inspection services	456 762	391 534
General cargo handling	63 774	134 038
Ro-Ro handling	12 502	54 232
Towing services	378 423	-
Other port services	515 947	471 419
Total revenue	**11 919 044**	**8 790 864**

All revenue is represented by revenue from contracts with customers.

All revenue is generated at port Novorossiysk of Krasnodar region. Breakdown of revenue by categories used by the Group before 1 January 2018 corresponds with breakdown of revenue by performance obligations.

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

18 Cost of sales

In thousands of Russian Roubles	**2018**	**2017**
Cost of oil products	1 093 729	884 509
Staff cost	715 249	598 646
Depreciation of property, plant and equipment	410 205	390 977
Operating lease rentals, Note 25	253 030	229 986
Purchased services	157 448	187 251
Amortisation of intangible assets	107 513	107 506
Fuel, electricity and gas	129 561	101 996
Repair and maintenance of property, plant and equipment	125 834	99 631
Taxes other than income taxes	80 643	87 964
Security services	89 494	67 995
Materials	23 457	22 874
Insurance	10 936	9 635
Other expenses	60 976	55 674
Total cost of sales	**3 258 075**	**2 844 644**

In 2018, contributions to pension fund of the Russian Federation related to cost of sales amounted to 124 942 thousand RR (2017: 104 883 thousand RR).

19 Selling, General and Administrative Expenses

In thousands of Russian Roubles	**2018**	**2017**
Staff cost	308 198	258 832
Audit and consulting services	57 867	25 377
Legal expenses	38 305	17 983
Amortisation and depreciation	17 292	12 135
Travelling expenses and per diems	12 164	9 810
Information systems and communication	9 618	8 744
Materials	6 918	6 269
Insurance	7 653	5 200
Repair and maintenance of property, plant and equipment	5 901	4 182
Fuel, electricity and gas	4 470	3 214
Other expenses	14 287	12 401
Total selling, general and administrative expenses	**482 673**	**364 147**

In 2018, contributions to pension fund of the Russian Federation related to selling, general and administrative expenses amounted to 55 633 thousand RR (2017: 45 254 thousand RR).

20 Other Operating Income / (Expenses), net

In thousands of Russian Roubles	**2018**	**2017**
Loss on disposal of property, plant and equipment	(7 448)	(8 797)
Loss from remeasurement of asset to fair value, Note7	(207 975)	-
Charity and material aid	(72 976)	(9 919)
Other income and expenses, net	(9 250)	(9 008)
Total other operating income and expenses, net	**(297 649)**	**(27 724)**

21 Finance Income

In thousands of Russian Roubles	**2018**	**2017**
Interest income on deposits and overnights	120 448	90 133
Government grants received and amortisation of deferred income	300	300
Interest income on loans issued, Note 6	787 392	348 988
Total finance income	**908 140**	**439 421**

22 Finance Costs

In thousands of Russian Roubles	**2018**	**2017**
Interest expense on bank loans and bonds	988 126	503 104
Bank commissions and other finance costs	82 251	159 837
Total finance costs	**1 070 377**	**662 941**

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

During the period from 2017 to 2018, Group received government support (governmental grants) in the form of subsidized interest rate on borrowings received for reconstruction of AO KSK's grain terminal. Subsidized interest rate was lower compared to market interest rates. Deferred income in the amount of 28 030 thousand RR was compensated by interest expenses.

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

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

In thousands of Russian Roubles	**2018**	**2017**
Profit for the year	6 107 917	4 368 800
Adjusted for:		
Depreciation and amortisation, Note 18, 19	535 010	510 618
Other income and expenses, net, Note 20	297 649	27 724
Share of result of associate, Note 10	(2 243)	(307)
Finance income, Note 21	(908 140)	(439 421)
Finance costs, Note 22	1 070 377	662 941
Net foreign exchange loss/(gain) from financing activities	478 038	(158 005)
Income tax, Note 24	1 603 164	1 106 846
Gain arising from the derecognition of financial assets measured at amortised cost, Note 6	(400 491)	-
EBITDA	**8 781 281**	**6 079 196**

24 Income Tax

(a) Components of income tax expense

In thousands of Russian Roubles	**2018**	**2017**
Current tax	1 563 379	1 134 426
Deferred tax	39 785	(27 580)
Income tax expense	**1 603 164**	**1 106 846**

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

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

In thousands of Russian Roubles	**2018**	**2017**
Profit before income tax	7 711 081	5 475 646
Theoretical tax charge at statutory rate of 20%:	(1 542 216)	(1 095 129)
- Income tax on dividends at rate 13%	(1 777)	(1 041)
- Effect of income/(expenses) not included in tax base	(58 796)	(11 403)
- Effect of different tax rates in other countries	(375)	727
Income tax expense	**(1 603 164)**	**(1 106 846)**

The income tax rate applicable to the majority of the Group in 2018 and 2017 is 20%. The Cypriot subsidiary is subject to corporation tax on taxable profits at the rate of 12,5% (2017: 12,5%).

(c) Deferred taxes analysed by type of temporary difference

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

According to management estimates, net deferred tax asset in the amount of 75 716 thousand RR is expected to be recovered no more than twelve months after the reporting period as at 31 December 2018 (31 December 2017: 34 816 thousand RR).

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

24 Income Tax (continued)

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

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

The tax effect of the movements in the temporary differences and tax losses carry-forward for the year ended 31 December 2017:

In thousands of Russian Roubles	1 January 2017	(Charged)/ credited to profit or loss	31 December 2017
Tax effect of (taxable)/ deductible temporary differences			
Property, plant and equipment	(409 906)	(23 206)	(433 112)
Intangible assets	(743 559)	20 563	(722 996)
Trade and other receivables	19 190	(16 849)	2 341
Inventories	1 410	28	1 438
Tax loss carry-forward	65 930	50 370	116 300
Borrowings	1 773	(18 262)	(16 489)
Trade and other payables	9 698	14 936	24 634
Net deferred tax liability	**(1 055 464)**	**27 580**	**(1 027 884)**
Recognised deferred tax asset	67 173		117 180
Recognised deferred tax liability	(1 122 637)		(1 145 064)
Net deferred tax liability	**(1 055 464)**		**(1 027 884)**

(d) Tax loss carry forwards

The Group has recognised deferred tax assets in respect of unused tax loss carry forwards of 138 644 thousand RR (2017: 116 300 thousand RR). In 2018-2020, the amount of tax losses generated in prior periods that can be used to reduce the tax base of the current reporting period are limited to 50% of the tax base of that reporting period determined by the taxpayer without taking that loss into account. Since 2021, accumulated tax losses can be recognised in full amounts.

(e) Deferred taxes in respect of subsidiaries and associates

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

25 Contingencies and Commitments

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

Tax contingencies. Russian tax and customs legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD) but has specific characteristics. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length. The Management has implemented internal controls to be in compliance with this transfer pricing legislation.

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

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

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

The Group’s management believes that its interpretation of the relevant legislation is appropriate and the Group’s tax, currency legislation and customs positions will be sustained. Accordingly, as of 31 December 2018 and 2017 management believes no additional tax liability has to be accrued in the consolidated financial statements.

Capital expenditure commitments. At 31 December 2018, the Group has contractual capital expenditure commitments in respect of property, plant and equipment totalling 1 479 594 thousand RR (31 December 2017: 3 107 794 thousand RR). Capital commitments are mainly represented by construction of berth 38 on OOO NUTEP, expansion of grain terminal on OOO KSK and construction of the 6th tugboat for OOO SC Delo.

25 Contingencies and Commitments (continued)

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

In thousands of Russian Roubles	31 December 2018	31 December 2017
Not later than 1 year	135 319	134 224
Later than 1 year and not later than 5 years	464 823	482 781
Later than 5 years	3 269 639	3 371 691
Total operating lease commitments	**3 869 781**	**3 988 696**

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

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

Compliance with covenants. The Group is subject to certain covenants, both financial and non-financial, related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. The Group was in compliance with covenants specified in the loan agreements and the bond issue prospectuses at 31 December 2018 and 31 December 2017.

26 Non-Controlling Interest

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

In thousands of Russian Roubles	Place of business and country of incorporation	Proportion of non-controlling interest	Proportion of non-controlling interest's voting rights held	Profit attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary	Dividends declared to non-controlling interest during the year
Year ended 31 December 2018						
DCP Group (DCP HOLDINGS LTD and subsidiary AO KSK)	Cyprus, Russia	25	25	1 003 915	697 203	1 087 871)
Year ended 31 December 2017						
DCP Group (DCP HOLDINGS LTD and subsidiary AO KSK)	Cyprus, Russia	25	25	677 202	781 159	(606 817)

The summarised financial information of these subsidiaries on a 100% basis and before intercompany eliminations was as follows at 31 December 2018 and 31 December 2017:

26 Non-Controlling Interest (continued)

In thousands of Russian Roubles	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit	Total compre-hensive income	Cash flows
Year ended 31 December 2018								
DCP Group (DCP HOLDINGS LTD and subsidiary AO KSK)	1 307 535	3 856 016	(1 243 107)	(1 131 629)	6 023 932	4 015 389	4 015 389	(312 856)
Year ended 31 December 2017								
DCP Group (DCP HOLDINGS LTD and subsidiary AO KSK)	1 379 718	2 964 517	(850 519)	(369 081)	4 160 592	2 708 714	2 708 714	94 068

During the year following dividends were approved and paid:

In thousands of Russian Roubles	31 December 2018	31 December 2017
Dividends payable at 1 January	-	-
Dividends declared	1 087 871	606 817
Dividends paid	(1 088 678)	(619 758)
Forex exchange differences	807	12 941
Dividends payable at 31 December	**-**	**-**

27 Financial Risk Management

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

Russian operating environment. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations (Note 25). The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. Firm oil prices, low unemployment and rising wages supported a modest growth of the economy in 2018. The operating environment has a significant impact on the Group’s operations and financial position. Management is taking necessary measures to ensure sustainability of the Group’s operations. However, the future effects of the current economic situation are difficult to predict and management’s current expectations and estimates could differ from actual results.

Credit risk. The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group’s sales of products and rendering of services on credit terms and other transactions with counterparties giving rise to financial assets. Financial assets, which potentially subject the Group to credit risk, consist primarily of trade and other receivables, loans granted, bank deposits and cash and cash equivalents. Loans are issued mostly to related parties. Loans issued to the company under common control in amount of 431 343 thousand RR are past due for 913 days as of 31 December 2018 and in the amount of the 356 082 thousand RR for 548 days as of 31 December 2017, therefore allowance for ECL was created in the amount of 197 593 thousand RR as at 31 December 2018 and 1 January 2018. Loans issued in the amount of 13 707 133 thousand RR as at 31 December 2018 are not overdue or impaired (31 December 2017: 3 429 638 thousand RR).

27 Financial Risk Management (continued)

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

In thousands of Russian Roubles	31 December 2018	31 December 2017
Trade and other receivables, Note 12	**476 409**	**241 241**
Trade receivables	431 416	211 796
Other receivables	44 993	29 445
Short-term loans issued	**3 735 102**	**3 785 720**
Long-term loans issued	**10 205 581**	**-**
Deposits (with maturity over 90 days)	**115 100**	**617 737**
Cash and cash equivalents, Note 13	**1 721 576**	**1 644 881**
Cash at bank	682 744	491 440
Short-term bank deposits (less than 90 days)	1 038 832	1 153 441
Total maximum exposure to credit risk	**16 253 768**	**6 289 579**

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

The following table shows the credit quality and the concentration of the credit risk in relation to the cash and cash equivalents and other bank deposits as at 31 December 2018 and 31 December 2017:

In thousands of Russian Roubles	Rating of bank according to Moody's	Cash amount at 31 December 2018	Cash amount at 31 December 2017
Cash and cash equivalents at bank			
Raiffeisenbank*	A3	285 648	343 537
Sberbank	Baa3	494 488	130 782
VTB	Baa3	300 968	186 360
Alfa-Bank	Ba1	319 940	417 563
Sovcombank	Ba3	290 489	561 029
Promsvyazbank	B2	17	10
Other	-	30 026	5 600
Total cash and cash equivalents	**-**	**1 721 576**	**1 644 881**
Bank deposits (with maturity 90 to 365 days)			
Alfa-Bank	Ba1	-	164 737
Sovcombank	Ba3	-	9 000
VTB	Baa3	85 000	444 000
Sberbank	Baa3	30 000	-
Raiffeisenbank*	A3	100	-
Total bank deposits		**115 100**	**617 737**

* Deposit rating of this bank refers to parent company.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit rating, if available. For accounts receivable with no external credit rating available management assesses credit quality by reference to the prior history of working with customers. Customers with longer history of working with the Group are regarded by management as having lower risk of default. The credit quality of trade and other receivables that are neither past due nor impaired classified by reference to the working history of the counterparty with the Group is as follows:

In thousands of Russian Roubles	31 December 2018	31 December 2017
Core clients	356 935	213 286
Other clients	119 474	27 955
Total trade and other receivables	**476 409**	**241 241**

27 Financial Risk Management (continued)

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

These accounts receivables were formed in an ordinary course of business. In 2018, the Group worked with most of customers on the following conditions:

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

The Group's business is dependent on several large key customers accounting for 65% and 56% of the Group's revenue for the year ended 31 December 2018 and 2017 respectively.

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

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

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

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

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

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

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

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

27 Financial Risk Management (continued)

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

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

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

For loans issued to legal entities and individuals:

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

For trade and other receivable 60 days is past due.

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

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

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

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

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

27 Financial Risk Management (continued)

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

The table below summarises the Group's exposure to foreign currency exchange rate risk as at 31 December 2017:

	At 31 December 2017			
In thousands of Russian Roubles	**RR**	**EUR**	**USD**	**TOTAL**
Financial assets				
Cash and cash equivalents	1 127 525	16 450	501 218	**1 645 193**
Deposits (with maturity over 90 days)	453 000	-	164 737	**617 737**
Short-term loans issued	3 429 638	-	356 082	**3 785 720**
Financial receivables	211 490	716	29 035	**241 241**
Total Financial Assets	**5 221 653**	**17 166**	**1 051 072**	**6 289 891**
Financial Liabilities				
Long-term borrowings	(3 887 483)	(879 031)	(1 529 023)	**(6 295 537)**
Short-term borrowings	(838 657)	(142 147)	(800 935)	**(1 781 739)**
Financial payables	(76 164)	-	(7 228)	**(83 392)**
Total Financial Liabilities	**(4 802 304)**	**(1 021 178)**	**(2 337 186)**	**(8 160 668)**
Net Financial Assets/(Liabilities)	**419 349**	**(1 004 012)**	**(1 286 114)**	**(1 870 777)**

The above analysis includes only monetary assets and liabilities. Currency risk arises when future transactions or recognised assets or liabilities are denominated in a currency that is not that company's functional currency.

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

	Impact on pre-tax profit or loss 2018		Impact on pre-tax profit or loss 2017	
In thousands of Russian Roubles	**EUR**	**USD**	**EUR**	**USD**
Strengthening by 30,00%	(501 880)	(366 097)	(301 203)	(385 835)
Weakening by 30,00%	501 880	366 097	301 203	385 835
Strengthening by 20,00%	(334 588)	(244 064)	(200 803)	(257 222)
Weakening by 20,00%	334 588	244 064	200 803	257 222
Strengthening by 10,00%	(167 293)	(122 033)	(100 401)	(128 611)
Weakening by 10,00%	167 293	122 033	100 401	128 611

27 Financial Risk Management (continued)

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

In thousands of Russian Roubles	31 December 2018	31 December 2017
Fixed rate instruments		
Bank deposits	1 153 932	1 771 178
Loans issued	13 940 683	3 785 720
Borrowings	(17 383 156)	(6 874 179)
Variable rate instruments		
Borrowings	(3 786 745)	(1 203 097)

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

	31 December 2018			31 December 2017		
In % p.a.	RR	EUR	USD	RR	EUR	USD
Assets						
Short-term loans issued	9,40 %	-	3,75 %	10,20 %	-	3,75 %
Long-term loans issued	-	-	6,44 %	-	-	-
Cash and cash equivalents and bank deposits	7,10 %	-	2,46 %	7,52 %	-	0,85 %
Liabilities						
Loans and borrowings	8,31 %	3,58 %	6,42 %	9,69 %	3,36 %	4,68 %

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

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2017.

	Profit and equity impact	
In thousands of Russian Roubles	100 bp decrease	100 bp increase
2018		
Variable rate instruments	38 524	(38 524)
2017		
Variable rate instruments	12 867	(12 867)

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

Fair value estimation. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market.

Financial assets carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity and similar other terms. The discount rates used depend on the credit risks of counterparty. Carrying amounts of trade receivables, loans issued and deposits with maturity over 90 days approximate fair values.

27 Financial Risk Management (continued)

Liabilities carried at amortised cost. The fair value of floating rate liabilities is normally their carrying amount. The fair value is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is unavailable, is estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity and similar other terms. As at 31 December 2018 the fair value of the Group's borrowings and payables do not differ materially from their carrying amounts.

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

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

At 31 December 2018 all deposits of the Group had maturity of less than 90 days after the reporting date and amounted to 1 153 932 thousand RR and 1 771 178 thousand RR at 31 December 2017.

At 31 December 2018, the Group had an undrawn credit facility amounting to 3 472 703 thousand RR and 4 329 197 thousand RR at 31 December 2017. In August 2016, the Moscow Interbank Currency Exchange registered stock bonds program of the Company which allows to issue stock bonds in the maximum amount of 50 000 000 thousand RR or its equivalent in foreign currency.

The tables below show liabilities as at 31 December 2018 and 31 December 2017, respectively, according to their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including gross loan commitments.

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

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

In thousands of Russian Roubles	**Carrying amount**	**Amount of future payments on the contract**	**Within 6 months**	**From 6 to 12 months**	**From 1 year to 2 years**	**Over 2 years**
Liabilities						
Borrowings, Note 15	21 169 901	27 800 088	1 569 202	1 561 883	2 387 809	22 281 194
Financial payables, Note 16	328 585	328 585	328 585	-	-	-
Total future payments	**21 498 486**	**28 128 673**	**1 897 787**	**1 561 883**	**2 387 809**	**22 281 194**

The maturity analysis of financial liabilities at 31 December 2017 is as follows:

In thousands of Russian Roubles	**Carrying amount**	**Amount of future payments on the contract**	**Within 6 months**	**From 6 to 12 months**	**From 1 year to 2 years**	**Over 2 years**
Liabilities						
Borrowings, Note 15	8 077 276	10 134 434	933 316	1 197 752	961 316	7 042 050
Financial payables, Note 16	83 392	83 392	83 392	-	-	-
Total future payments	**8 160 668**	**10 217 826**	**1 016 708**	**1 197 752**	**961 316**	**7 042 050**

28 Management of Capital

The Group monitors its capital structure on the basis of Net-Debt-to-EBITDA ratio. For this purpose, the Group defines Net Debt as total current and non-current loans and borrowings (Note 15) less cash and cash equivalents (Note 13) and deposits (with maturity over 90 days). The Group's Net-Debt-to-EBITDA ratio as at 31 December 2018 is 2,20 (31 December 2017: 0,96). Management believes that Group's Net-Debt-to-EBITDA ratio in 2018 is at a comfortable level.

29 Events After the Reporting Period

In February 2019, Group's subsidiary approved distribution of dividends in relation to non-controlling interest in the amount of 303 436 thousand RR.

In February 2019, OOO DeloPorts shareholders approved dividend distribution in the amount of 455 000 thousand RR.

There were no other material events after the reporting period that had an effect on the consolidated financial statements as at 31 December 2018.

30 Accounting policies applied until 1 January 2018

Accounting policies applicable to the comparative period ended 31 December 2017 that were amended by IFRS 9 and IFRS 15, are as follows.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

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

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

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

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

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

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

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

30 Accounting policy before 1 January 2018 (continued)

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

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

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

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

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

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

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

- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

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

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

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

30 Accounting policy before 1 January 2018 (continued)

or loss for the year.

Revenue recognition. Revenues are recognised when goods are shipped or services rendered for concluded contracts, when the price is fixed or determinable and collectability reasonably assured. The Group provides load handling (mainly, grain and containers), storage and other related stevedoring services and oil bunkering (sale of fuel). Revenues are measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied, stated net of discounts, bonuses, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group’s activities, as described below. Sales of load handling services are recognised in the accounting period in which the services are rendered. Sales of storage and other related stevedoring services are recognised in the accounting period in which the services are rendered based on the stage of completion determined by reference to services performed to date as a percentage of total services to be provided. Revenues from sales of oil fuel (oil bunkering) are recognised at the point of transfer of risks and rewards of ownership of the goods, normally when fuel is tanked to the customer's vessel.