OOO DeloPorts

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

31 December 2020

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INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

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

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Limited liability company DeloPorts (the "Company" or "OOO DeloPorts") and its subsidiaries (together – the "Group") as at 31 December 2020, and the Group's consolidated financial performance and 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 2020;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

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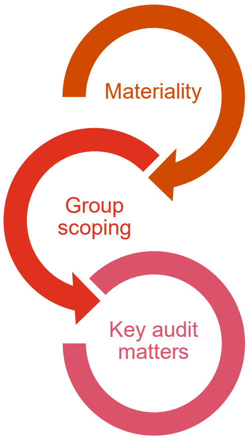
Our audit approach

Overview



Materiality

Overall Group materiality: Russian Roubles ("RUB") 414 million, which represents 5% of profit before tax.

Group audit scope

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

Key audit matter

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

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

Materiality

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

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

Overall Group materiality	RUB 414 million
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% 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 13 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 24 to the consolidated financial statements.* The consolidated statement of financial position as at the reporting date includes borrowings in the amount of RUB 24 284 million, including long-term borrowings of RUB 18 125 million and short-term borrowings of RUB 6 159 million These figures include loans due to banks of RUB 10 120 million and bonds of RUB 14 164 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 and their recognition in the consolidated financial statements as short-term liabilities.	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 resulting 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 covenants (for example, timely submission of documents to the bank though reconciliation of the dates stamped in Group outgoing mail with dates established by the credit agreements) and confirming the presence / absence of business operation items. We reviewed the classification of debt under the credit agreements and the prospectuses for the bond issues and assessed disclosure of material information regarding compliance with certain covenants included in the credit agreements and the prospectuses for the bond issues in Note 24 to the consolidated financial statements for sufficiency.

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 lead to a significant cash outflow and, as a result, to liquidity issues.	

How we tailored our Group audit scope

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

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

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

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

For OOO DeloPorts, DCP HOLDINGS LIMITED (Cyprus) and 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 2020 and the Issuer's Report for the 1 quarter of 2021 (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after that date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information 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 when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read information contained in Annual Report for 2020 and the Issuer's Report for the 1 quarter of 2021, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

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

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

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

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

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

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 Alexei Stanislavovich Zubenko.

AO PricewaterhouseCoopers Audit

22 March 2021

Moscow, Russian Federation

A.S. Zubenko, certified auditor (licence No. 01-000080), AO PricewaterhouseCoopers Audit

Audited entity: Limited liability company DeloPorts

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

Taxpayer Identification Number 7706420120

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

Independent auditor: AO PricewaterhouseCoopers Audit

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

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

Taxpayer Identification Number 7705051102

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

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

OOO DeloPorts
Consolidated Statement of Financial Position

In thousand RR	Note	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	7	16 687 498	15 435 613
Right-of-use assets	9	4 577 205	4 698 059
Goodwill	8	190 066	190 066
Long-term loans issued	6	11 546 778	9 087 894
Deferred income tax asset	23	58 999	22 050
Prepayments for non-current assets	7	538 459	251 277
Other non-current assets		24 443	19 582
Total non-current assets		**33 623 448**	**29 704 541**
Current assets			
Inventories	10	306 038	201 405
Trade and other receivables	11	912 590	800 625
Current income tax prepayments		9 525	20
Short-term loans issued	6	3 886 460	4 886 269
Cash and cash equivalents	12	2 689 586	1 096 767
Total current assets		**7 804 199**	**6 985 086**
TOTAL ASSETS		**41 427 647**	**36 689 627**
EQUITY			
Chartered capital	22	100 000	100 000
Additional capital	22	15 590	15 590
Retained earnings		12 116 929	9 702 721
Equity attributable to the Company's owners		**12 232 519**	**9 818 311**
Non-controlling interest	25	498 684	228 671
TOTAL EQUITY		**12 731 203**	**10 046 982**
LIABILITIES			
Non-current liabilities			
Long-term borrowings	13	18 124 630	19 815 791
Deferred income		8 567	8 567
Deferred income tax liability	23	1 528 367	1 371 580
Lease liabilities	9	1 296 835	1 298 374
Total non-current liabilities		**20 958 399**	**22 494 312**
Current liabilities			
Short-term borrowings	13	6 159 038	3 407 114
Trade and other payables	14	1 364 236	669 120
Current income tax payable		187 677	38 982
Lease liabilities	9	27 094	20 342
Other financial liabilities		-	12 775
Total current liabilities		**7 738 045**	**4 148 333**
TOTAL LIABILITIES		**28 696 444**	**26 642 645**
TOTAL LIABILITIES AND EQUITY		**41 427 647**	**36 689 627**

Approved for issue and signed on 22 March 2021:

I.A. Yakovenko
General director

The accompanying notes on pages 5 - 47 are an integral part of these consolidated financial statements.

In thousand RR	Note	2020	2019
Revenue	15	13 098 721	9 834 674
Cost of sales	16	(2 672 536)	(3 081 506)
Gross profit		**10 426 185**	**6 753 168**
Selling and administrative expenses	17	(580 107)	(632 760)
Other operating income and expenses, net	18	(318 038)	(219 804)
Net foreign exchange loss from operating activities		(147)	(62 334)
Operating profit		**9 527 893**	**5 838 270**
Share of result of associate		-	(6 377)
Gain arising from derecognition of financial asset measured at amortised cost	6	-	197 593
Gain on disposal of subsidiary		-	165 355
Finance income	19	1 100 866	1 038 814
Finance costs	20	(1 604 581)	(1 369 108)
Net foreign exchange (loss)/gain from financing activities		(746 627)	464 904
Profit before income tax		**8 277 551**	**6 329 451**
Income tax expense	23	(1 746 471)	(1 466 126)
PROFIT FOR THE YEAR		**6 531 080**	**4 863 325**

TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**6 531 080**	**4 863 325**
Profit is attributable to:			
- Owners of the Company		5 634 208	4 322 775
- Non-controlling interest	25	896 872	540 550
Profit for the year		**6 531 080**	**4 863 325**
Total comprehensive income is attributable to:			
- Owners of the Company		5 634 208	4 322 775
- Non-controlling interest		896 872	540 550
Total comprehensive income for the year		**6 531 080**	**4 863 325**

In thousand RR	Chartered capital	Additional capital	Translation reserve	Retained earnings	Total	Non-controlling interest	Total
	Attributable to the Company's owners						
Balance at 1 January 2019	**100 000**	**15 590**	**216 283**	**9 434 946**	**9 766 819**	**697 203**	**10 464 022**
Profit for the year	-	-	-	4 322 775	4 322 775	540 550	4 863 325
Disposal of ATOKOSA LIMITED	-	-	(216 283)	-	(216 283)	-	(216 283)
Total comprehensive income/(loss) for the year	**-**	**-**	**(216 283)**	**4 322 775**	**4 106 492**	**540 550**	**4 647 042**
Dividends declared, Note 6	-	-	-	(4 055 000)	(4 055 000)	(1 009 082)	(5 064 082)
Total transactions with equity holders for the year	**-**	**-**	**-**	**(4 055 000)**	**(4 055 000)**	**(1 009 082)**	**(5 064 082)**
Balance at 31 December 2019	**100 000**	**15 590**	**-**	**9 702 721**	**9 818 311**	**228 671**	**10 046 982**
Profit for the year	-	-	-	5 634 208	5 634 208	896 872	6 531 080
Total comprehensive income for the year	**-**	**-**	**-**	**5 634 208**	**5 634 208**	**896 872**	**6 531 080**
Dividends declared, Note 6	-	-	-	(3 220 000)	(3 220 000)	(626 859)	(3 846 859)
Total transactions with equity holders for the year	**-**	**-**	**-**	**(3 220 000)**	**(3 220 000)**	**(626 859)**	**(3 846 859)**
Balance at 31 December 2020	**100 000**	**15 590**	**-**	**12 116 929**	**12 232 519**	**498 684**	**12 731 203**

The accompanying notes on pages 5 - 47 are an integral part of these consolidated financial statements.

In thousand RR	Note	2020	2019
Cash flows from operating activities			
Profit for the year		6 531 080	4 863 325
Adjustments for:			
Depreciation of property, plant and equipment	7	618 421	543 083
Amortisation of right-of-use assets and other non-current assets	9	155 507	153 577
Other non-monetary expenses		7 032	1 825
Loss from revaluation of asset to fair value	18	-	27 000
Loss on disposal of property, plant and equipment	18	5 487	14 005
Effect of discounting of loans	6	228 667	-
Finance income	19	(1 100 866)	(1 038 814)
Finance costs	20	1 604 581	1 369 108
Disposal of a subsidiary		-	(165 355)
Gain arising from derecognition of financial asset measured at amortised cost	6	-	(197 593)
Net foreign exchange loss/(gain) from financing activities		746 627	(464 904)
Income tax expense	23	1 746 471	1 466 126
Share of result of associate		-	6 377
Operating cash flows before working capital changes		**10 543 007**	**6 577 760**
(Increase)/decrease in trade and other receivables		(118 997)	90 472
Increase in inventories		(104 633)	(54 878)
Increase in trade and other payables		154 331	190 718
Operating cash flows including working capital changes		**10 473 708**	**6 804 072**
Income taxes paid		(1 486 091)	(1 201 511)
Net cash from operating activities		**8 987 617**	**5 602 561**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(2 098 971)	(3 395 653)
Proceeds from sale of property, plant and equipment		6 214	77 792
Interest on deposits	19	44 781	121 224
Interest on loans	6	534 864	730 008
Loans granted	6	(630 000)	(2 390 000)
Proceeds from repayment of loans granted	6	1 225 870	877 535
Repayment of deposits with maturity from 90 to 365 days		-	115 100
Net cash used in investing activities		**(917 242)**	**(3 863 994)**
Cash flows from financing activities			
Proceeds from borrowings	13	2 116 683	7 556 993
Repayment of borrowings	13	(3 704 829)	(3 952 580)
Interest paid	13	(1 576 690)	(1 425 181)
Repayment of lease liabilities - principal	9	(20 342)	(27 038)
Repayment of lease liabilities - interest	9	(122 822)	(111 723)
Dividends paid to the owners of the Company	6	(2 660 000)	(3 317 950)
Dividends paid to non-controlling interests	6	(626 859)	(1 009 082)
Net cash used in financing activities		**(6 594 859)**	**(2 286 561)**
Net change in cash and cash equivalents		1 475 516	(547 994)
Cash and cash equivalents at the beginning of the year	12	**1 096 767**	**1 721 781**
Effect of exchange rate changes on cash and cash equivalents		117 303	(77 020)
Cash and cash equivalents at the end of the year	12	**2 689 586**	**1 096 767**

The accompanying notes on pages 5 - 47 are an integral part of these consolidated financial statements.

1 General Information

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the year ended 31 December 2020 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 2020 and 31 December 2019, the Group's immediate and ultimate parent company was Limited liability company Management company Delo and the Group's ultimate controlling party was S.N. Shishkarev.

Subsidiary companies of OOO DeloPorts:

			Percentage of control as at 31 December, %	
Group company name	**Country of registration**	**Activity**	**2020**	**2019**
OOO NUTEP	Russia	Container terminal	100	100
OOO TransTerminal-Holding	Russia	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 IFRS based on historical cost for initial acquisitions except for cases stated in significant accounting policies. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented in consolidated financial statements, unless otherwise stated.

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"), which reflects the economic substance of the underlying events and circumstances.

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 the convenience of certain categories of users of the consolidated financial statements.

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.

2 Summary of Significant Accounting Policies (continued)

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 2020, the exchange rate used for translating foreign currency balances was USD 1 = RR 73,8757 (31 December 2019: USD 1 = RR 61,9057) and Euro 1 = RR 90,6824 (31 December 2019: Euro 1 = RR 69,3406). 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 2020, was USD 1 = RR 72,6775, Euro 1 = RR 82,4751 (for the year ended 31 December 2019: USD 1 = RR 64,6912 and Euro 1 = RR 72,4510).

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.

The Group measures non-controlling interest that represents present ownership interest in entitles that provide holder with the right to a proportionate share of net assets in the event of liquidation, on a transaction by transaction basis, either at: the non-controlling interest's proportionate share of net assets of the acquiree.

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

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

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

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

2 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

Gains and losses on the dilution of investments in associates are recognized in profit or loss.

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

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

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

2 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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.

2 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

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

2 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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.

2 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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.

2 Summary of Significant Accounting Policies (continued)

An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

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

Depreciation. Land is not depreciated.

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

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

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

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

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

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

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

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

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

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

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

2 Summary of Significant Accounting Policies (continued)

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

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

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

2 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

2 Summary of Significant Accounting Policies (continued)

Trade and other payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are carried initially at fair value and then 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 24.

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

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

Were the estimated useful lives 10% lower than management's estimates, the impact on depreciation for the year ended 31 December 2020 would have been an increase by 61 842 thousand RR (2019: 54 308 thousand RR).

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

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 2020 and 31 December 2019. The carrying amount of goodwill as at 31 December 2020 was 190 066 thousand RR (2019: 190 066 thousand RR) (please see Note 8).

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

An increase or decrease in the discount rate by 10% for the year ended 31 December 2020 would lead to an increase or decrease in lease liabilities by 97 218 thousand RR. (31 December 2019: 94 019 thousand RR).

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

Recognition of related party transactions. In the ordinary course of business, the Group enters to transactions with related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgment is pricing for similar types of transactions with unrelated parties and analysis of the effective interest rate..

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 26).

4 New and Revised Accounting Standards and Interpretations

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2021 or later, and which the Group has not early adopted. The following new standards and interpretations, when effective, are not expected to have a material impact on the Group's consolidated financial statements:

- 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).
- Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).
- Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023).
- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).
- Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).
- COVID-19-Related Rent Concessions Amendment to IFRS 16 issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020.

4 New and Revised Accounting Standards and Interpretations (continued)

The following amended standards became effective from 1 January 2020, but did not have any material impact on the Group:

- 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).
- Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).
- 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).
- Interest rate benchmark reform - Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).

Other new or amended standards and interpretations are either irrelevant for the 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, income on disposal of a subsidiary and income tax (see note 21). The segment profit or loss, segment assets and segment liabilities are measured applying the same policies as are used in the preparation of these consolidated financial statements.

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

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

In thousand RR	**2020**	**2020, %**	**2019**	**2019, %**
Container segment	6 713 692	51,3	4 912 234	49,9
Container cargo handling	4 380 980		3 060 495	
Storage services	1 182 726		910 687	
Inspection services	732 338		544 386	
General cargo handling	30 964		40 751	
Ro-Ro handling	626		3 284	
Other port services	386 058		352 631	
Grain segment	5 378 019	41,0	3 362 569	34,2
Grain handling	5 208 160		3 227 185	
Ro-Ro handling	6 308		18 239	
Other port services	163 551		117 145	
Service segment	1 007 010	7,7	1 559 871	15,9
Towing services	771 594		428 750	
Bunkering segment	172 369		1 024 056	
Other port services	63 047		107 065	
Total	**13 098 721**	**100**	**9 834 674**	**100**

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

OOO NUTEP revenue mainly consists of load handling, storage and inspections of containers. Also, OOO

5 Segment Information (continued)

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.

In 2020, the container terminal reached record for annual container handling volumes as a result of the launch in 2019 and active operation of a new deep-sea container berth No. 38, which allowed to attract new customers with the best service.

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.

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.

In 2020, the volume of transshipment at the grain terminal increased by 75% compared to the same period in 2019 due to the recovery of the grain export market after the lean grain season 2018-2019, as well as the commissioning of new silos at the terminal.

Ro-Ro handling operations have been represented 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 the port of 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.

The decrease in sales volumes was due to a change in the bunkering market: in 2020, the international regulation IMO 2020 entered into force, which limited the sulfur content in bunker fuel to 0.5% (in 2019, the sulfur content requirement was not higher than 3.5 %); as a result, Russian fuel has become less demanded. The Russian fuel market was primarily represented by large fuel suppliers.

As a result of the decline in bunkering revenue, the mooring of vessels has become the most profitable business for the service company. Towing and agency services are performed by own tugboats and agency department. In 2020 and 2019, OOO SC DELO operates five tugboats and, in addition, is awaiting the commissioning of the sixth tugboat in 2021.

Operational risks

There is a risk of fluctuations in cargo turnover, which can be caused by the restriction of the export of certain types of cargo. This risk is mitigated by Russia's growing export potential. The Group's balanced operating model proved consistent during times of sharp fluctuations in container turnover in 2015 and when grain duty was introduced in 2015-2016. In February 2021, quotas and a duty on grain exports were introduced in Russia. The Group does not expect significant fluctuations in revenue as a result of these actions.

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 about reportable segments financial results, assets and liabilities for the year ended 31 December 2020 is set out below:

In thousand RR	**Container segment**	**Grain segment**	**Service segment**	**Total for operating segments**	**Holdings**	**Inter-segment eliminations**	**Total for the Group**
External revenue	6 713 692	5 378 019	1 007 010	13 098 721	-	-	13 098 721
Revenues from other segments	21 482	8 328	-	29 810	45 781	(75 591)	-
Total revenue	**6 735 174**	**5 386 347**	**1 007 010**	**13 128 531**	**45 781**	**(75 591)**	**13 098 721**
Cost of sales	(1 619 840)	(699 580)	(387 513)	(2 706 933)	(39 774)	74 171	(2 672 536)
Selling and administrative expenses	(190 156)	(143 131)	(119 593)	(452 880)	(143 435)	16 208	(580 107)
Foreign exchange (loss)/gain from operating activities	(1 701)	1 139	415	(147)	-	-	(147)
Other operating income/(expenses), net	37 575	57 937	(2 737)	92 775	(410 697)	(116)	(318 038)
Operating profit/(loss)	**4 961 052**	**4 602 712**	**497 582**	**10 061 346**	**(548 125)**	**14 672**	**9 527 893**
Finance income/(expenses), net	(356 014)	(96 933)	(51 043)	(503 990)	275	-	(503 715)
Foreign exchange (losses)/gains from financing activities	(362 973)	(2 583)	(397 373)	(762 929)	16 302	-	(746 627)
Profit/(loss) before income tax	**4 242 065**	**4 503 196**	**49 166**	**8 794 427**	**(531 548)**	**14 672**	**8 277 551**
Income tax (expense)/benefit	(856 742)	(915 804)	(10 181)	(1 782 727)	37 443	(1 187)	(1 746 471)
Profit/(loss) for the year	**3 385 323**	**3 587 392**	**38 985**	**7 011 700**	**(494 105)**	**13 485**	**6 531 080**
EBITDA, Note 21	5 428 738	4 752 413	569 807	10 750 958	(134 850)	3 751	10 619 859
Additions to property, plant and equipment, Note 7	682 317	1 252 050	9 708	1 944 075	893	3 696	1 948 664
As at 31 December 2020							
Total reportable segment assets	14 451 264	6 901 880	2 519 199	23 872 343	17 557 852	(2 548)	41 427 647
Total reportable segment liabilities	(7 135 644)	(4 907 144)	(1 893 891)	(13 936 679)	(14 762 313)	2 548	(28 696 444)

5 Segment Information (continued)

Segment operating expenses included in cost of sales and selling and administrative expenses for the year ended 31 December 2020 were as follows:

In thousand RR	**Container segment**	**Grain segment**	**Service segment**	**Total for operating segments**	**Holdings**	**Inter-segment eliminations**	**Total for the Group**
Cost of oil products	-	-	148 509	148 509	-	-	148 509
Staff costs	721 779	350 655	193 989	1 266 423	131 037	(35 538)	1 361 922
Depreciation of property, plant and equipment	360 431	199 048	69 488	628 967	491	(11 037)	618 421
Rent expenses	4 250	1 901	-	6 151	-	-	6 151
Amortisation of right-of-use assets and other non-current assets	144 830	8 590	-	153 420	2 087	-	155 507
Purchased services (including audit and consulting services)	116 922	30 793	29 555	177 270	18 375	(31 739)	163 906
Repairs and maintenance of property, plant and equipment	110 277	39 120	1 966	151 363	10	-	151 373
Taxes other than income taxes	114 711	70 156	63	184 930	-	-	184 930
Fuel, electricity and gas	133 319	59 619	20 503	213 441	754	-	214 195
Other expenses	103 477	82 829	43 033	229 339	30 455	(12 065)	247 729
Total expenses	**1 809 996**	**842 711**	**507 106**	**3 159 813**	**183 209**	**(90 379)**	**3 252 643**

5 Segment Information (continued)

Segment information about reportable segments financial results, assets and liabilities for the year ended 31 December 2019 is set out below:

In thousand RR	Container segment	Grain segment	Service segment	Total for operating segments	Holdings	Inter-segment eliminations	Total for the Group
External revenue	4 912 234	3 362 569	1 555 240	9 830 043	4 631	-	9 834 674
Revenues from other segments	19 515	8 352	-	27 867	67 729	(95 596)	-
Total revenue	**4 931 749**	**3 370 921**	**1 555 240**	**9 857 910**	**72 360**	**(95 596)**	**9 834 674**
Cost of sales	(1 425 402)	(545 546)	(1 130 984)	(3 101 932)	(45 243)	65 669	(3 081 506)
Selling and administrative expenses	(159 954)	(96 930)	(78 572)	(335 456)	(310 673)	13 369	(632 760)
Foreign exchange (loss)/gain from operating activities	(37 223)	13 136	(38 247)	(62 334)	-	-	(62 334)
Other operating income/(expenses), net	17 497	(18 087)	(2 727)	(3 317)	(216 487)	-	(219 804)
Operating profit/(loss)	**3 326 667**	**2 723 494**	**304 710**	**6 354 871**	**(500 043)**	**(16 558)**	**5 838 270**
Finance (expenses)/income, net	(244 637)	(45 297)	(39 404)	(329 338)	(15 773)	14 817	(330 294)
Share of result of associate	-	-	(6 377)	(6 377)	-	-	(6 377)
Gain arising from the derecognition of financial assets measured at amortised cost	-	-	-	-	197 593	-	197 593
Gain from disposal of subsidiary	-	-	-	-	165 355	-	165 355
Foreign exchange gains/(losses) from financing activities	271 966	25 333	207 333	504 632	(39 728)	-	464 904
Profit/(loss) before income tax	**3 353 996**	**2 703 530**	**466 262**	**6 523 788**	**(192 596)**	**(1 741)**	**6 329 451**
Income tax expense	(674 426)	(541 482)	(95 537)	(1 311 445)	(114 646)	(40 035)	(1 466 126)
Profit/(loss) for the year	**2 679 570**	**2 162 048**	**370 725**	**5 212 343**	**(307 242)**	**(41 776)**	**4 863 325**
EBITDA, Note 21	3 794 123	2 882 839	375 843	7 052 805	(278 828)	(19 243)	6 754 734
Additions to property, plant and equipment, Note 7	2 928 108	1 145 318	15 558	4 088 984	47 318	3 146	4 139 448
As at 31 December 2019							
Total reportable segment assets	15 155 729	5 617 694	2 319 562	23 092 985	13 958 825	(362 183)	36 689 627
Total reportable segment liabilities	(8 040 111)	(4 703 009)	(1 433 241)	(14 176 361)	(12 828 467)	362 183	(26 642 645)

5 Segment Information (continued)

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

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

6 Balances and Transactions with Related Parties

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The related parties of the Group fall into the following categories:

1. Parent company;

2. Entities under control or significant influence of the parent company;

3. Associate;

4. Key management personnel;

5. Other related parties. Other related parties include companies which are able to exercise significant influence on the companies of the Group. In December 2019, the government company became a shareholder of the parent company. Since then the Government and government-related companies are related parties of the Group and are included into the list of other related parties.

At 31 December 2020, the outstanding balances with related parties were as follows:

In thousand RR	**Parent company**	**Entities under control or significant influence of the parent company**	**Other related parties**
Cash and cash equivalents	-	-	841 960
Trade and other receivables	-	436 931	1 561
Loans issued*	15 433 238	-	-
Trade and other payables	(559 923)	(29 531)	(51 255)

** Information about interest rates and currency of loans issued is disclosed in Note 26.*

The income and expense items with related parties for the year ended 31 December 2020 were as follows:

In thousand RR	**Parent company**	**Entities under control or significant influence of the parent company**	**Other related parties**
Revenue	-	2 289 489	1 401 069
Cost of sales	-	(35 056)	-
Selling and administrative expense	-	(10 358)	-
Finance income	1 055 785	-	-

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

In thousand RR	**Parent company**	**Entities under control or significant influence of the parent company**	**Other related parties**
Cash and cash equivalents	-	-	27 347
Trade and other receivables	-	136 329	1 095
Loans issued*	13 974 163	-	-
Trade and other payables	-	(15 074)	(188 385)
Bonds	(104 708)	-	-

** Information about interest rates and currency of loans issued is disclosed in Note 26.*

6 Balances and Transactions with Related Parties (continued)

The income and expense items with related parties for the year ended 31 December 2019 were as follows:

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

Construction in progress additions. In 2020, construction in progress additions from entities under control or significant influence of parent company amounted to 4 296 thousand RR (2019: 4 993 thousand RR).

Management remuneration. Total compensation to 8 (2019: 8) representatives of key management personnel, included in staff costs in the consolidated statement of comprehensive income, amounted to 144 591 thousand RR for 2020 (2019: 86 032 thousand RR). The amount of the accrued liability to key management personnel is equal to the accrued expense on it. In 2020, contributions to pension fund of the Russian Federation related to cost of sales amounted to 31 810 thousand RR (2019:18 927 thousand RR)

Dividends. In 2020, the Group distributed dividends to the owners of the Company in the amount of 3 220 000 thousand RR and to non-controlling interests in the amount of 626 859 thousand RR (2019: to the owners of the Company 4 055 000 thousand RR, to non-controlling interests 1 009 082 thousand RR).

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

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

Loans to the parent company. In 2020, the Group issued a short-term loans to the parent company in the amount of 630 000 thousand RR.

Balance of short-term loans issued as at 31 December 2020 was 3 886 460 thousand RR (31 December 2019: 4 886 269 thousand RR). Short-term loans are nominated in Russian Roubles, interest rate is 8,66% (2019: 7,8%).

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. Subsequently in 2018, the terms of the loan were amended: currency was changed to US dollars and interest rate became 6,8%. The Group considers that the rate of 6,8% is in line with market rates for comparable financial instruments. In 2020, the maturity of the loan was revised to April 2025. Balance of long-term loans issued as at 31 December 2020 was 11 546 778 thousand RR (31 December 2019: 9 087 894 thousand RR)

6 Balances and Transactions with Related Parties (continued)

The movements of the loans granted to related party

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

In thousand RR	**2020**	**2019**
Opening balance at 1 January	**13 974 164**	**13 940 683**
Loans granted	630 000	2 390 000
Repayment of loans granted	(1 225 870)	(877 535)
Interest accrued	1 055 785	917 290
Interest paid	(534 864)	(730 008)
Foreign exchange differences	1 762 690	(1 666 266)
Effect of discounting of loans	(228 667)	-
Closing balance at 31 December	**15 433 238**	**13 974 164**

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 11 546 778 thousand RR (31 December 2019: 9 087 894 thousand RR) and short-term loans issued in the amount of 3 886 460 thousand RR (31 December 2019: 4 886 269 thousand RR) as at 31 December 2020 should be classified as financial assets at amortised cost.

A guarantee issued to a related party. In 2019, the Group issued a guarantee, valid until June 2030, on the loan obligation of the parent company in the amount of 4 000 000 thousand RR addressed to the government-related party.

ECL for loans issued. Allowance for expected credit loss is impacted by a variety of factors, details of ECL measurement are provided in Note 26. In 2019, there was allowance recovery of ECL on a loan issued to a company under common control in the amount of 197 593 thousand RR. The Group performed analysis of ELC measurement for all loans issued and concluded that allowance for expected credit loss in respect of loans issued to companies under common control as at 31 December 2020 and 31 December 2019 was not needed.

7 Property, Plant and Equipment

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

In thousand RR	**Land**	**Buildings**	**Constructions**	**Machinery and equipment**	**Other**	**Construction in progress**	**Total**
Cost at 1 January 2019	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 1 January 2019	**68 356**	**211 249**	**3 272 808**	**2 914 589**	**48 146**	**5 398 305**	**11 913 453**
Additions	2 877	-	-	5 316	61 225	4 070 030	**4 139 448**
Transfers	-	45 264	5 003 343	1 880 517	16 263	(6 945 387)	**-**
Disposals	-	(164)	(20 930)	(1 604)	(48 275)	(3 232)	**(74 205)**
Depreciation charge, Note 16, 17	-	(16 467)	(250 774)	(258 689)	(17 153)	-	**(543 083)**
Carrying amount at 31 December 2019	**71 233**	**239 882**	**8 004 447**	**4 540 129**	**60 206**	**2 519 716**	**15 435 613**
Cost at 31 December 2019	71 233	367 209	9 406 720	6 066 210	138 174	2 519 716	**18 569 262**
Accumulated depreciation	-	(127 327)	(1 402 273)	(1 526 081)	(77 968)	-	**(3 133 649)**
Carrying amount at 31 December 2019	**71 233**	**239 882**	**8 004 447**	**4 540 129**	**60 206**	**2 519 716**	**15 435 613**
Additions	-	-	-	-	1 917	1 946 747	**1 948 664**
Transfers	-	7 560	1 797 087	626 963	27 407	(2 459 017)	**-**
Disposals	(8 101)	-	(58 984)	(3 109)	(3 925)	(4 249)	**(78 368)**
Depreciation charge, Note 16, 17	-	(17 881)	(305 581)	(277 745)	(17 214)	-	**(618 421)**
Other	-	-	-	-	10	-	**10**
Carrying amount at 31 December 2020	**63 132**	**229 561**	**9 436 969**	**4 886 238**	**68 401**	**2 003 197**	**16 687 498**
Cost at 31 December 2020	63 132	374 772	11 126 820	6 674 560	159 177	2 003 197	**20 401 658**
Accumulated depreciation	-	(145 211)	(1 689 851)	(1 788 322)	(90 776)	-	**(3 714 160)**
Carrying amount at 31 December 2020	**63 132**	**229 561**	**9 436 969**	**4 886 238**	**68 401**	**2 003 197**	**16 687 498**

7 Property, Plant and Equipment (continued)

As at 31 December 2020, property, plant and equipment of OOO SC DELO carried at 1 422 012 thousand RR (31 December 2019: property, plant and equipment of OOO SC DELO and OOO NUTEP carried at 735 022 thousand RR) have been pledged to third parties as collateral for borrowings.

Borrowing costs in the amount of 90 676 thousand RR were capitalised in 2020 at the rate of capitalisation of 5,4% (2019: borrowing costs in the amount of 211 213 thousand RR and associated foreign exchange losses in the amount of 32 979 thousand RR at the rate of capitalisation of 8,7%).

Depreciation expense of 618 421 thousand RR (2019: 543 083 thousand RR) has been charged to cost of sales amounting to 602 854 thousand RR (2019: 522 145 thousand RR) and to selling and administrative expenses amounting to 15 567 thousand RR (2019: 20 938 thousand RR).

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

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

8 Goodwill

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

In thousand RR	**31 December 2020**	**31 December 2019**
Grain terminal CGU	66 671	66 671
Container terminal CGU	123 395	123 395
Total carrying amount of goodwill	**190 066**	**190 066**

As part of the goodwill impairment test at 31 December 2020 and 31 December 2019 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 9,9% for KSK and NUTEP;
- Average annual volume growth rate for grain cargo for 2021-2025 is 0-10% for KSK and 0-12% for container cargo for NUTEP.

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

9 Right-of-use Assets and Lease Liabilities

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

In thousand RR		Mooring berths	Buildings and other constructions	Total
Carrying amount at 1 January 2019		5 521 847	9 717	**5 531 564**
Accumulated amortisation		(835 194)	-	**(835 194)**
Carrying amount at 1 January 2019		**4 686 653**	**9 717**	**4 696 370**
Additions		-	27 894	**27 894**
Revaluation of lease agreements		125 204	-	**125 204**
Amortisation charge	16, 17	(144 632)	(6 777)	**(151 409)**
Carrying amount at 31 December 2019		**4 667 225**	**30 834**	**4 698 059**
Cost at 31 December 2019		5 647 051	37 611	**5 684 662**
Accumulated amortisation		(979 826)	(6 777)	**(986 603)**
Carrying amount at 31 December 2019		**4 667 225**	**30 834**	**4 698 059**
Carrying amount at 1 January 2020		**4 667 225**	**30 834**	**4 698 059**
Revaluation of lease agreements		32 306	-	**32 306**
Amortisation charge	16, 17	(145 256)	(7 904)	**(153 160)**
Carrying amount at 31 December 2020		**4 554 275**	**22 930**	**4 577 205**
Cost at 31 December 2020		**5 679 357**	**37 611**	5 716 968
Accumulated amortisation		**(1 125 082)**	**(14 681)**	(1 139 763)
Carrying amount at 31 December 2020		**4 554 275**	**22 930**	**4 577 205**

The Group recognised lease liabilities as follows:

In thousand RR	31 December 2020	31 December 2019
Short-term lease liabilities	27 094	20 342
Long-term lease liabilities	1 296 835	1 298 374
Total lease liabilities	**1 323 929**	**1 318 716**

Interest expenses included in financial expenses in 2020 are 119 679 thousand RR (2019: 111 723 thousand RR).

Expenses related to short-term leases (included in the cost of sales and selling and administrative expenses) amounted to 2 530 thousand RR (2019:19 400 thousand RR).

The costs of variable lease payments not included in the lease liabilities, which are allocated to the cost of sales and selling and administrative expenses in 2020 are 3 621 thousand RR (2019: 2 257 thousand RR). As at 31 December 2020, future (undiscounted) cash flows are 33 142 thousand RR (2019: 35 850 thousand RR) to which the Group is potentially exposed during the lease term were not included in the lease liability because they included variable lease payments that depend on from external factors not controlled by the Group.

Total amount of cash payments under the lease net of VAT are 149 316 thousand RR (2019: 157 570 thousand RR).

10 Inventories

In thousand RR	31 December 2020	31 December 2019
Fuel and spare parts	297 542	189 733
Oil products for resale	8 496	11 672
Total inventories	**306 038**	**201 405**

There were no impairment write-downs of inventories in 2020 and 2019.

11 Trade and Other Receivables

In thousand RR	**31 December 2020**	**31 December 2019**
Trade receivables	659 710	526 886
Provision for expected credit losses	(39)	(39)
Trade receivables less provision for expected credit losses	**659 671**	**526 847**
Other receivables	57 463	71 515
Financial receivables	**717 134**	**598 362**
VAT recoverable	130 795	141 535
Prepayments	48 300	51 180
Receivables from employees	11 118	8 909
Other taxes receivable	5 243	639
Total trade and other receivables	**912 590**	**800 625**

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 2020 and 31 December 2019 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 2020 and 31 December 2019. Financial receivables, stated as at 31 December 2020, 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.

12 Cash and Cash Equivalents

In thousand RR	**31 December 2020**	**31 December 2019**
Cash in hand	70	382
Cash in transit	23	11
Cash at bank	767 193	322 441
Short-term bank deposits (less than 90 days)	1 922 300	773 933
Total cash and cash equivalents	**2 689 586**	**1 096 767**

The average interest rate on short-term deposits at 31 December 2020 was 4,08% (31 December 2019: 5,40%). These deposits have average original maturity of 21 days at 31 December 2020 (31 December 2019: 24 days). At 31 December 2020, these deposits have average period to maturity of 18 days from the reporting date (31 December 2019: 18 days).

The Group had no deposits with maturity at the moment of placement from 90 to 365 days at 31 December 2020 and 31 December 2019.

As at 31 December 2020 and 31 December 2019, there were no encumbered funds.

In 2020 and 2019, there were no currency sales operations.

13 Loans and Borrowings

In thousand RR	31 December 2020	31 December 2019
Short-term borrowings	5 837 922	3 114 790
Short-term bonds with nominal in Russian Roubles	158 667	157 757
Short term bonds with nominal in USD	162 449	134 567
Long-term borrowings	4 282 032	7 648 993
Long-term bonds with nominal in Russian Roubles	3 500 000	3 500 000
Long term bonds with nominal in USD	10 342 598	8 666 798
Total borrowings	**24 283 668**	**23 222 905**

Bank loans are subject to pledges (Note 7) and covenants (Note 24). Interest rate for long-term and short-term loans and borrowings are disclosed in Financial Risk Management note (Note 26).

The fair value of bonds equals to 14 016 339 thousand RR as at 31 December 2020 (31 December 2019: 12 343 436 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 2020, the Group received borrowings for the reconstruction of the grain terminal in the amount of 1 341 718 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 73 306 thousand RR (31 December 2019: 151 991 thousand RR). The Group did not separate deferred income for this government subsidy from current borrowings balance.

Debt reconciliation

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

In thousand RR	2020	2019
Opening balance at 1 January	**23 222 905**	**21 169 901**
Proceeds from other borrowings	2 116 683	7 556 993
Repayment of borrowings	(3 704 738)	(3 952 580)
Bond redemption	(91)	(1 985)
Interest accrued	1 570 893	1 443 897
Interest paid	(1 576 690)	(1 425 181)
Foreign exchange differences	2 654 706	(1 568 140)
Closing balance at 31 December	**24 283 668**	**23 222 905**

14 Trade and Other Payables

In thousand RR	**31 December 2020**	**31 December 2019**
Trade payables	73 121	74 990
Other payables	33 106	21 855
Payables for fixed assets	70 285	90 743
Financial payables	**176 512**	**187 588**
Advances from customers	256 319	242 598
Other taxes payable	94 221	94 383
Payables to employees	210 586	88 799
Accruals and provisions	66 598	55 752
Dividends payable	560 000	-
Total trade and other payables	**1 364 236**	**669 120**

Revenue included in liabilities under contracts with customers was recognized in the reporting period

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

15 Revenue

In thousand RR	**2020**	**2019**
Grain handling	5 208 160	3 227 185
Container cargo handling	4 380 980	3 060 495
Storage services	1 182 726	910 687
Inspection services	732 338	544 386
Other port services	612 656	576 841
Towing services	771 594	428 750
Bunkering	172 369	1 024 056
General cargo handling	30 964	40 751
Ro-Ro handling	6 934	21 523
Total revenue	**13 098 721**	**9 834 674**

All revenue is represented by revenue from contracts with customers.

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

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

16 Cost of sales

In thousand RR	**2020**	**2019**
Staff cost	912 622	767 447
Depreciation of property, plant and equipment	602 854	522 145
Fuel, electricity and gas	210 124	152 038
Taxes other than income taxes	184 930	120 214
Amortisation of right-of-use assets and other non-current assets	155 507	153 577
Cost of oil products	148 509	850 891
Repair and maintenance of property, plant and equipment	142 809	120 748
Purchased services	139 650	193 145
Security services	94 308	88 336
Other expenses	40 519	70 099
Materials	29 669	19 823
Rent expenses, Note 9	6 151	16 797
Insurance	4 884	6 246
Total cost of sales	**2 672 536**	**3 081 506**

16 Cost of sales (continued)

In 2020, contributions to pension fund of the Russian Federation related to cost of sales amounted to 135 947 thousand RR (2019: 113 259 thousand RR).

17 Selling and Administrative Expenses

In thousand RR	**2020**	**2019**
Staff cost	449 300	315 362
Other expenses	25 021	16 247
Audit and consulting services	24 256	72 229
Depreciation of property, plant and equipment	15 567	20 938
Insurance	10 707	8 621
Advertising and marketing services	10 659	104 303
Information systems and communication	9 579	9 410
Repair and maintenance of property, plant and equipment	8 564	9 477
Materials	7 777	10 232
Legal expenses	7 740	37 807
Travelling expenses and per diems	6 866	23 419
Fuel, electricity and gas	4 071	4 715
Total selling and administrative expenses	**580 107**	**632 760**

In 2020, contributions to pension fund of the Russian Federation related to selling and administrative expenses amounted to 58 728 thousand RR (2019: 41 922 thousand RR).

18 Other Operating Income / (Expenses), net

In thousand RR	**2020**	**2019**
Loss on disposal of property, plant and equipment	(5 487)	(14 005)
Effect of discounting of loans	(228 667)	-
Loss from remeasurement of asset to fair value	-	(27 000)
Charity and material aid	(164 688)	(193 033)
Other income and expenses	80 804	14 234
Total other operating income and expenses, net	**(318 038)**	**(219 804)**

19 Finance Income

In thousand RR	**2020**	**2019**
Interest income on deposits and overnights	44 781	121 224
Amortisation of deferred income	300	300
Interest income on loans issued, Note 6	1 055 785	917 290
Total finance income	**1 100 866**	**1 038 814**

20 Finance Costs

In thousand RR	2020	2019
Interest expense on bank loans and bonds	1 480 217	1 248 945
Bank commissions and other finance costs	4 685	8 440
Interest expense on lease liabilities	119 679	111 723
Total finance costs	**1 604 581**	**1 369 108**

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 2020, Group received government support (governmental grants) in the form of subsidized interest rate on borrowings received for reconstruction of the grain terminal which was lower than market interest rates. Interest expenses on bank loans are presented net of amortised income at the amount of 79 377 thousand RR for the 2020 (2019: 69 233 thousand RR).

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

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

In thousand RR	2020	2019
Profit for the year	6 531 080	4 863 325
Adjusted for:		
Depreciation and amortisation, Notes 16, 17	773 928	696 660
Other operating income and expenses, net, Note 18	318 038	219 804
Share of result of associate	-	6 377
Finance income, Note 19	(1 100 866)	(1 038 814)
Finance costs, Note 20	1 604 581	1 369 108
Net foreign exchange loss/(gain) from financing activities	746 627	(464 904)
Income tax, Note 23	1 746 471	1 466 126
Gain from disposal a subsidiary	-	(165 355)
Gain arising from the derecognition of financial assets measured at amortised cost, Note 6	-	(197 593)
EBITDA	**10 619 859**	**6 754 734**

22 Chartered and Additional Capital

Chartered capital of the Company at 31 December 2020 and 31 December 2019 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 Company's shareholders:

In thousand RR	2020	2019
Dividends payable at 1 January	-	-
Dividends declared	3 220 000	4 055 000
Dividends paid	(2 660 000)	(3 317 950)
Dividends settled by offset of mutual claims, Note 6	-	(737 050)
Dividends payable at 31 December	**560 000**	**-**

23 Income Tax

(a) Components of income tax expense

In thousand RR	2020	2019
Current tax	1 626 633	1 063 271
Deferred tax	119 838	402 855
Income tax expense	**1 746 471**	**1 466 126**

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

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

In thousand RR	2020	2019
Profit before income tax	8 277 551	6 329 451
Theoretical tax charge at statutory rate of 20%:	(1 655 510)	(1 265 890)
- Income tax on dividends at rate 13%	(1 187)	(516)
- Effect of expenses not included in tax base	(89 774)	(64 904)
Effect of write-off of deferred tax asset	-	(167 890)
The effect on disposal a subsidiary	-	33 074
Income tax expense	**(1 746 471)**	**(1 466 126)**

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

The income tax rate applicable to the majority of the Group's profits in 2020 and 2019 is 20%. The Cypriot subsidiary is subject to corporation tax on taxable profits at the rate of 12,5% (2019: 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 25 659 thousand RR is expected to be recovered no more than twelve months after the reporting period as at 31 December 2020.

The tax effects for the movements in the temporary differences and tax losses carry-forward for the year ended 31 December 2020 are:

In thousand RR	31 December 2019	(Charged)/ credited to profit or loss	31 December 2020
Tax effect of (taxable)/ deductible temporary differences			
Property, plant and equipment	(687 152)	(192 755)	(879 907)
Right-of-uses assets	(939 525)	1 117	(938 408)
Investments and loans issued	(4 304)	46 657	42 353
Trade and other receivables	4 798	(28 494)	(23 696)
Inventories	(64)	20	(44)
Tax loss carry-forward	2 813	23 339	26 152
Lease liabilities	263 743	1 043	264 786
Borrowings	(14 410)	2 260	(12 150)
Trade and other payables	23 890	27 656	51 546
Set off tax	681	(681)	-
Net deferred tax liability	**(1 349 530)**	**(119 838)**	**(1 469 368)**
Recognised deferred tax asset	22 050	36 949	58 999
Recognised deferred tax liability	(1 371 580)	(156 787)	(1 528 367)
Net deferred tax liability	**(1 349 530)**	**(119 838)**	**(1 469 368)**

23 Income Tax (continued)

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.

23 Income Tax (continued)

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

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

23 Income Tax (continued)

(d) Tax loss carry forwards

The Group has recognised deferred tax assets in respect of unused tax loss carry forwards of 26 152 thousand RR (2019: 2 813 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 and associates as the legislation of Russia allows zero tax on dividends from subsidiaries under certain conditions.

24 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 when the decisions about the review was made. Under certain circumstances reviews may cover longer periods.

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (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 company DCP HOLDINGS LTD incorporated outside of Russia, it 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.

24 Contingencies and Commitments (continued)

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 2020 and 31 December 2019 management believes no additional tax liability has to be accrued in the consolidated financial statements.

Capital expenditure commitments. At 31 December 2020, the Group has contractual capital expenditure commitments in respect of property, plant and equipment totalling 580 311 thousand RR (31 December 2019: 1 666 188 thousand RR). Capital commitments are mainly represented by construction of expansion of grain terminal on AO KSK and construction of the 6th tugboat for OOO SC DELO.

Environmental matters. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, the Group's 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 and the need to classify the corresponding debt as current liabilities. The classification of borrowings corresponds to the status of the Group's compliance with covenants stipulated in the loan agreements and the bond issue prospectuses at 31 December 2020 and 31 December 2019.

Guarantees. As at 31 December 2020, the Group has issued a guarantee for a loan obligation of the parent company in the amount of 4 000 000 thousand RR (31 December 2019: 4 000 000 thousand RR). The Group does not have other guarantees, warranties or assets encumbrance or property to secure the performance of obligations of third parties.

25 Non-Controlling Interest

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

In thousand RR	Place of business and country of incorporation	Proportion of non-controlling interest	Proportion of non-controlling interest's voting rights held	Profit or loss attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary	Dividends declared to non-controlling interest during the year
Year ended 31 December 2020						
DCP Group (DCP HOLDINGS LTD and subsidiary AO KSK)	Cyprus, Russia	25	25	896 872	498 684	(626 859)
Year ended 31 December 2019						
DCP Group (DCP HOLDINGS LTD and subsidiary AO KSK)	Cyprus, Russia	25	25	540 550	228 671	1 009 082)

25 Non-Controlling Interest (continued)

The summarised financial information of these subsidiaries on a 100% basis and before intercompany eliminations was as follows at 31 December 2020 and 31 December 2019:

In thousand RR	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit	Total compre-hensive income	Net cash flows
Year ended 31 December 2020								
DCP Group (DCP HOLDINGS LTD and subsidiary AO KSK)	909 011	5 992 869	(1 442 462)	(3 464 682)	5 386 347	3 587 392	3 587 392	325 413
Year ended 31 December 2019								
DCP Group (DCP HOLDINGS LTD and subsidiary AO KSK)	574 914	5 042 780	(1 913 926)	(2 789 083)	3 370 921	2 162 048	2 162 048	(628 856)

During the year following dividends were approved and paid:

In thousand RR	2020	2019
Dividends payable at 1 January	-	-
Dividends declared	626 859	1 009 082
Dividends paid	(626 859)	(1 009 082)
Dividends payable at 31 December	-	-

26 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 24). The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals.

Further, on 12 March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, the Russian authorities implemented numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, including closures. These measures have, among other things, severely restricted economic activity in Russia and have negatively impacted, and could continue to negatively impact businesses, market participants, clients of the Group, as well as the Russian and global economy for an unknown period of time.

Management is taking necessary measures to ensure sustainability of the Group’s operations and support its customers and employees.

26 Financial Risk Management (continued)

The pandemic did not have a significant impact on the structure of cargo traffic: containers continued to be transported and transshipped in ports, grain was shipped. Moreover, as statistics show, the pandemic spurred the growth of container traffic and practically did not affect the eventual high grain harvest in our country.

In view of the above, the management of the Group, first of all, took care of the health of its employees. The peculiarities of the work of the personnel in such conditions became the changes that had to be adjusted to. In 2020, the management made a decision to transfer employees to a remote mode of work, based on the epidemiological situation in the region of presence. For workers providing physical cargo handling, the regime continues to operate, which includes all measures of sanitary safety and social distancing. Remote work for a number of categories of employees did not affect the efficiency of the Group, as evidenced by the holding's high production and financial results.

The future effects of the current economic situation and the above measures are difficult to predict and management's current expectations and estimates could differ from actual results.

For the purpose of measurement of expected credit losses ("ECL") on the Group's loans, receivables and similar assets the Group uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected. Note 26 provides more information of how the Group incorporated forward-looking information in the ECL models.

Credit risk. The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's sales of products and rendering of services on credit terms and other transactions with counterparties giving rise to financial assets. Financial assets, which potentially subject the Group to credit risk, consist primarily of trade and other receivables, loans granted, bank deposits and cash and cash equivalents. Loans are issued mostly to related parties and are not past due and impaired as at 31 December 2020 and 31 December 2019.

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

In thousand RR	**31 December 2020**	**31 December 2019**
Trade and other receivables, Note 11	**717 134**	**598 362**
Trade receivables	659 671	526 847
Other receivables	57 463	71 515
Short-term loans issued, Note 6	**3 886 460**	**4 886 269**
Long-term loans issued, Note 6	**11 546 778**	**9 087 894**
Cash and cash equivalents, Note 12	**2 689 516**	**1 096 385**
Cash in transit	23	11
Cash at bank	767 193	322 441
Short-term bank deposits (less than 90 days)	1 922 300	773 933
Financial guarantees – amount of guaranteed loans to the parent company, Note 6	**4 000 000**	**4 000 000**
Total maximum exposure to credit risk	**22 839 888**	**19 668 910**

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 11.

26 Financial Risk Management (continued)

The following table shows the credit quality and the concentration of the credit risk in relation to the cash and cash equivalents and other bank deposits as at 31 December 2020 and 31 December 2019:

In thousand RR	Rating of bank according to Moody's	Cash amount at 31 December 2020	Cash amount at 31 December 2019
Cash and cash equivalents at bank			
Unicredit Bank*	A3	17	275 035
Raiffeisenbank*	A3	556 211	241 119
Gazprombank	Ba1	250 016	-
VTB	Baa3	590 467	6 148
Alfa-Bank	Ba1	336 865	258 092
Sovcombank	Ba1	952 319	164 156
Promsvyazbank	Ba2	1	130 000
Other	-	3 597	21 824
Total cash and cash equivalents	**-**	**2 689 493**	**1 096 374**

** Deposit rating of this bank refers to parent company.*

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

In thousand RR	31 December 2020	31 December 2019
Core clients	596 374	413 046
Other clients	120 760	185 316
Total trade and other receivables	**717 134**	**598 362**

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 2020, 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 41% and 44% of the Group's revenue for the year ended 31 December 2020 and 2019 respectively. Revenue from this customers in 2020 relates to the container and grain segments and in 2019 relates to the container, grain and service segments.

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

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

26 Financial Risk Management (continued)

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 a Group has a present contractual obligation to extend credit.

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

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

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

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

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

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

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

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

For loans issued to legal entities and individuals:

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

For trade and other receivable 60 days is past due.

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

The Group has three approaches for ECL measurement: (i) assessment on an individual basis; (ii) assessment on a portfolio basis: internal ratings are estimated on an individual basis but the same credit risk parameters (e.g. PD, LGD) will be applied during the process of ECL calculations for the same credit risk ratings and homogeneous segments of the loan portfolio; and (iii) assessment based on external ratings. The Group

26 Financial Risk Management (continued)

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 presents a breakdown of the Group's financial assets and liabilities by currency as 31 December 2020:

In thousand RR	**RR**	**EUR**	**USD**	**TOTAL**
Financial Assets				
Cash and cash equivalents	2 393 385	10 866	285 335	**2 689 586**
Long-term loans issued	-	-	11 546 778	**11 546 778**
Short-term loans issued	3 886 460	-	-	**3 886 460**
Financial receivables	651 496	-	65 638	**717 134**
Total Financial Assets	**6 931 341**	**10 866**	**11 897 751**	**18 839 958**
Financial Liabilities				
Long-term borrowings	(6 376 203)	(1 405 829)	(10 342 598)	**(18 124 630)**
Short-term borrowings	(3 707 940)	(376 797)	(2 074 301)	**(6 159 038)**
Financial payables	(131 117)	(22 029)	(23 366)	**(176 512)**
Total Financial Liabilities	**(10 215 260)**	**(1 804 655)**	**(12 440 265)**	**(24 460 180)**
Net Financial Liabilities	**(3 283 919)**	**(1 793 789)**	**(542 514)**	**(5 620 222)**

The table below presents a breakdown of the Group's financial assets and liabilities by currency as 31 December 2019:

In thousand RR	**RR**	**EUR**	**USD**	**TOTAL**
Financial Assets				
Cash and cash equivalents	803 356	856	292 555	**1 096 767**
Long-term loans issued	-	-	9 087 894	**9 087 894**
Short-term loans issued	4 886 269	-	-	**4 886 269**
Financial receivables	553 172	-	45 190	**598 362**
Total Financial Assets	**6 242 797**	**856**	**9 425 639**	**15 669 292**
Financial Liabilities				
Long-term borrowings	(8 473 699)	(1 075 217)	(10 266 876)	**(19 815 792)**
Short-term borrowings	(2 190 598)	(278 945)	(937 571)	**(3 407 114)**
Financial payables	(156 181)	(2 528)	(28 879)	**(187 588)**
Other financial liabilities	-	-	(12 775)	**(12 775)**
Total Financial Liabilities	**(10 820 478)**	**(1 356 690)**	**(11 246 101)**	**(23 423 269)**
Net Financial Liabilities	**(4 577 681)**	**(1 355 834)**	**(1 820 462)**	**(7 753 977)**

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.

26 Financial Risk Management (continued)

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

	Impact on pre-tax profit or loss 2020		Impact on pre-tax profit or loss 2019	
In thousand RR	**EUR**	**USD**	**EUR**	**USD**
Strengthening by 30,00%	(538 136)	(162 754)	(406 751)	(546 138)
Weakening by 30,00%	538 136	162 754	406 751	546 138
Strengthening by 20,00%	(358 758)	(108 503)	(271 166)	(364 091)
Weakening by 20,00%	358 758	108 503	271 166	364 091
Strengthening by 10,00%	(179 378)	(54 252)	(135 584)	(182 047)
Weakening by 10,00%	179 378	54 252	135 584	182 047

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

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

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

Liabilities carried at amortised cost. The fair value of floating rate liabilities is normally their carrying amount. The fair value is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is unavailable, is estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity and similar other terms. As at 31 December 2020 and 31 December 2019 fair value of the borrowings and payables do not differ materially from their carrying amounts.

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 bank deposits, borrowings and loans issued recognised at fair value split by exposure to fixed or variable interest rates:

In thousand RR	**31 December 2020**	**31 December 2019**
Fixed rate instruments		
Bank deposits	1 922 300	773 933
Loans issued	15 433 238	13 974 163
Borrowings	(16 011 640)	(15 372 060)
Variable rate instruments		
Borrowings	(8 272 028)	(7 850 845)

26 Financial Risk Management (continued)

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

	31 December 2020			31 December 2019		
In % p.a.	**RR**	**EUR**	**USD**	**RR**	**EUR**	**USD**
Assets						
Short-term loans issued	6,06 %	-	-	7,84 %	-	-
Long-term loans issued	-	-	6,44 %	-	-	6,44 %
Cash and cash equivalents and bank deposits	4,08 %	-	-	5,57 %	-	1,10 %
Liabilities						
Loans and borrowings	6,60 %	3,43 %	6,39 %	7,51 %	3,05 %	6,30 %

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 of the Group.

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 2019.

	Profit and equity impact	
In thousand RR	**100 bp decrease**	**100 bp increase**
2020		
Variable rate instruments	81 752	(81 752)
2019		
Variable rate instruments	79 292	(79 292)

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 Group's reputation.

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

At 31 December 2020, all deposits of the Group had maturity of less than 90 days after the reporting date and amounted to 1 922 300 thousand RR (31 December 2019: 773 933 thousand RR).

At 31 December 2020, the Group had an undrawn credit facility amounting to 2 558 249 thousand RR (31 December 2019: 2 666 967 thousand RR). In August 2016, the Moscow 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 2020 and 31 December 2019, 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.

26 Financial Risk Management (continued)

The maturity analysis of financial liabilities at 31 December 2020 is as follows:

In thousand RR	Carrying amount	Amount of future payments on the contract	Within 6 months	From 6 to 12 months	From 1 year to 2 years	Over 2 years
Liabilities						
Borrowings, Note 13	24 283 668	28 782 238	1 868 813	2 189 042	7 466 516	17 257 867
Lease liabilities, Note 9	1 323 929	4 066 581	67 714	67 714	135 428	3 795 725
Financial payables, Note 14	176 512	176 512	176 512	-	-	-
Financial guarantees, Note 24	-	4 000 000	-	-	4 000 000	-
Total future payments	**25 784 109**	**37 025 331**	**2 113 039**	**2 256 756**	**11 601 944**	**21 053 592**

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

In thousand RR	Carrying amount	Amount of future payments on the contract	Within 6 months	From 6 to 12 months	From 1 year to 2 years	Over 2 years
Liabilities						
Borrowings, Note 13	23 222 906	28 631 262	1 832 854	2 628 994	3 350 417	20 818 997
Lease liabilities, Note 9	1 318 716	4 126 340	69 720	66 874	126 310	3 863 436
Financial payables, Note 14	187 588	187 588	187 588	-	-	-
Financial guarantees, Note 24	-	4 000 000	-	-	-	4 000 000
Other financial liabilities	12 775	12 775	12 775	-	-	-
Total future payments	**24 741 985**	**36 957 965**	**2 102 937**	**2 695 868**	**3 476 727**	**28 682 433**

Management of Capital. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to support future development of the business. Management regularly monitors the Group's capital structure to maintain a balance between the higher shareholders' returns that might be possible with higher levels or borrowings and the advantages and security afforded by a sound capital position and makes adjustments to the capital structure in light of changes in economic conditions. Management also ensures that the capital structure complies with financial covenants stipulated by loan facilities obtained by the Group with sufficient headroom (Note 24). There are no other external capital maintenance requirements for the Group.

The Group monitors its capital structure on the basis of Net-Debt-to-EBITDA ratio. For this purpose, the Group defines Net Debt as total current and non-current loans and borrowings (Note 13) less cash and cash equivalents (Note 12) and deposits (with maturity over 90 days). The Group's Net-Debt-to-EBITDA ratio as at 31 December 2020 is 2,03 (31 December 2019: 3,28). Management believes that Group's Net-Debt-to-EBITDA ratio in 2020 is at a comfortable level.

27 Events After the Reporting Period

There were no material events after the reporting period that had an effect on these consolidated financial statements.