OOO DeloPorts

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

31 December 2017

Contents

pwc

Independent Auditor's Report

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

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of OOO DeloPorts (the "Company") and its subsidiaries (together - the "Group") as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

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

Our audit approach

Overview

- Overall group materiality: Russian roubles (RR) 274 million representing 5% of profit before tax for 2017.

- We conducted a full-scope audit of the financial information of Group's subsidiaries: OOO NUTEP, AO KSK and OOO SC DELO, in the consolidated financial statements.
- Our audit also included performing audit procedures on individual significant items of the financial information of OOO DeloPorts, DCP HOLDINGS LIMITED (Cyprus), ATOKOSA LIMITED (Cyprus), OOO TransTerminal-Holding.
- Our audit scope addressed 100% of the Group's revenues and 94% of the absolute value of its profit before tax.

Key audit matters:

- Revenue recognition;
- Compliance with covenants.

We designed our audit by determining materiality and assessing 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. 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, both individually and in aggregate on the consolidated financial statements as a whole.

Overall group materiality	RR 274 million.
How we determined it	5% of profit before tax for 2017.
Rationale for the materiality benchmark applied	We chose using profit before tax as the materiality benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users of the consolidated financial statements. We set 5% threshold, which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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
Revenue recognition	
Revenue is disclosed in Note 17 to the consolidated financial statements. Revenues in the amount of RR 8,790.9 million are recognised in the consolidated statement of comprehensive income. The Group provides services on cargo transhipment, storage, other stevedoring and bunkering services. Rates are identified for each type of services and specified in agreements with customers. The moment of revenue recognition depends on the type of service and is not the subject of professional judgement by the Group's management. Due to high volume of transactions and possible manual intervention there is a potential for deliberate manipulations and errors. The International Standards on Auditing (ISA) provide for rebuttable presumption that there is a significant risk of fraud in revenue recognition in every audit engagement. We included this issue in key audit matters because revenue is one of the most significant and important indicators for the users of the Group's consolidated financial statements, and because it	We performed procedures for understanding and assess the Group's management controls in of revenue recognition. The scope of our audit covers 100% of the Group's revenue. We confirmed 81% of the total amount of revenues through confirmation letters received by us directly from customers. The remaining part of revenues was audited using tests of randomly selected individual transactions, applying non-statistical audit sampling, by reconciliation of the journal entries and the supporting documents. We selected separate transactions recognised before and after the year end and performed cut-off test for them. As a result of the work performed, no material misstatements in revenue recognition were identified.

Key audit matter	How our audit addressed the key audit matter
involves a significant volume of audit procedures and time for their performance.	
Compliance with covenants *Borrowings funds are disclosed in Note 15 to the consolidated financial statements. Compliance with covenants is disclosed in Note 25 to the consolidated financial statements.* The consolidated statement of financial position as at the reporting date includes borrowings in the amount of RR 8,077.3 million, including long-term borrowings of RR 6,295.5 million and short-term borrowings of RR 1,781.8 million. These figures include loans due to banks of RR 3,738.6 million and bonds of RUB 4,338.6 million. Under the terms and conditions of the borrowing agreements and the prospectus for bonds issue, the Group should comply with certain financial and non-financial covenants, the breach of which may result in the requirement of early repayment of borrowings. The Group's management reviewed compliance with such covenants during the reporting period and as at the reporting date and concluded that no breach of covenants occurred. We included this issue in the key audit matters, as the amount of borrowings is material and because the possibility of early settlement of liabilities may result in a significant cash outflow and, as a result, in liquidity issues.	We reviewed the borrowing agreements and the prospectus for bonds issue in terms of any covenants included therein, the breach of which may result in the requirement of early repayment of the borrowings. We reviewed compliance with the financial covenants by recalculating and comparing the values to thresholds set by the borrowing agreements and the prospectus. In respect of non-financial covenants, we performed reconciliation to business operation items. As a result of our procedures, we did not identify any cases of breach of the covenants included in the borrowing agreements and the prospectus for bonds, the breach of which may result in the requirement of early repayment of the borrowings. We reviewed the disclosure of compliance with covenants included in the borrowing agreements and the prospectus for bonds in Note 25 to the consolidated financial statements for completeness and fairness. We did not identify any significant errors or omissions in the information disclosed.

How we tailored our group audit scope

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

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

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

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

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

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

Other information

Management is responsible for the other information. The other information comprises information contained in *the Management Annual Report for 2017 and the Issuer's Report for the 1 quarter of 2018*, other than the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of the auditor's report.

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

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

If, based on the review of other information, we conclude that there is a material misstatement of this other information, we are required to report that fact 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 judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

pwc

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

AO PricewaterhouseCoopers Audit

6 April 2018
Moscow, Russian Federation

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

Audited entity:
OOO DeloPorts

Certificate of inclusion in the Unified State Register of Legal Entities issued on 15 April 2015 under No. 1157746350090.

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

Independent auditor:
AO PricewaterhouseCoopers Audit

State registration certificate No. 008.890
issued by Moscow Registration Chamber on 28 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002 under No. 1027700148431.

Member of Self-regulated organization of auditors "Russian Union of Auditors" (Association)

ORNZ 11603050547 in the register of auditors and audit organisations

OOO DeloPorts
Consolidated Statement of Financial Position

In thousands of Russian Roubles	Note	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	7	8 061 830	6 087 533
Goodwill	8	190 066	190 066
Mooring rights and other intangible assets	9	3 623 960	3 728 506
Investment in associate	10	4 134	3 827
Deferred income tax asset	24	117 180	67 173
Prepayments for non-current assets	7	1 144 170	593 349
Other non-current assets		11 766	13 447
Total non-current assets		**13 153 106**	**10 683 901**
Current assets			
Inventories	11	133 378	98 997
Trade and other receivables	12	432 135	333 023
Current income tax prepayments		447	57 581
Short-term loans issued	6	3 785 720	2 761 169
Deposits (with maturity over 90 days)	13	617 737	395 613
Cash and cash equivalents	13	1 645 193	1 777 915
Total current assets		**6 614 610**	**5 424 298**
TOTAL ASSETS		**19 767 716**	**16 108 199**
EQUITY			
Chartered capital	14	100 000	100 000
Additional capital	14	15 590	15 590
Translation reserve		143 331	161 685
Retained earnings		8 809 911	7 017 313
Equity attributable to the Company's owners		**9 068 832**	**7 294 588**
Non-controlling interest	26	781 159	710 774
TOTAL EQUITY		**9 849 991**	**8 005 362**
LIABILITIES			
Non-current liabilities			
Long-term borrowings	15	6 295 537	4 931 303
Deferred income		8 567	8 867
Deferred income tax liability	24	1 145 064	1 122 637
Total non-current liabilities		**7 449 168**	**6 062 807**
Current liabilities			
Short-term borrowings	15	1 781 739	1 569 661
Trade and other payables	16	565 652	418 800
Current income tax payable		121 166	43 133
Other financial liabilities		-	8 436
Total current liabilities		**2 468 557**	**2 040 030**
TOTAL LIABILITIES		**9 917 725**	**8 102 837**
TOTAL LIABILITIES AND EQUITY		**19 767 716**	**16 108 199**

Approved for issue and signed on 6 April 2018:

I.A. Yakovenko
General director

The accompanying notes on pages 5 - 44 are an integral part of these consolidated financial statements.

In thousands of Russian Roubles	Note	2017	2016
Revenue	17	8 790 864	7 798 982
Cost of sales	18	(2 844 644)	(2 113 146)
Gross profit		**5 946 220**	**5 685 836**
Selling, general and administrative expenses	19	(364 147)	(435 086)
Other operating income and expenses, net	20	(27 724)	58 720
Net foreign exchange loss from operating activities		(13 495)	(17 709)
Operating profit		**5 540 854**	**5 291 761**
Share of result of associate	10	307	(2 664)
Finance income	21	439 421	429 448
Finance costs	22	(662 941)	(613 146)
Net foreign exchange gain from financing activities		158 005	388 463
Profit before income tax		**5 475 646**	**5 493 862**
Income tax expense	24	(1 106 846)	(1 109 938)
PROFIT FOR THE YEAR		**4 368 800**	**4 383 924**
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation to presentation currency		(18 354)	(72 962)
Other comprehensive loss		**(18 354)**	**(72 962)**
TOTAL COMPREHENSIVE INCOME		**4 350 446**	**4 310 962**
Profit is attributable to:			
- Owners of the Company		3 691 598	3 772 823
- Non-controlling interest		677 202	611 101
Profit for the year		**4 368 800**	**4 383 924**
Total comprehensive income is attributable to:			
- Owners of the Company		3 673 244	3 699 861
- Non-controlling interest		677 202	611 101
Total comprehensive income for the year		**4 350 446**	**4 310 962**

The accompanying notes on pages 5 - 44 are an integral part of these consolidated financial statements.

In thousands of Russian Roubles	Attributable to owners of the Company Chartered capital	Additional capital	Translation reserve	Retained earnings	Total	Non-controlling interest	Total
Balance at 1 January 2016	**100 000**	**15 590**	**234 647**	**4 444 490**	**4 794 727**	**726 113**	**5 520 840**
Profit for the year	-	-	-	3 772 823	3 772 823	611 101	4 383 924
Other comprehensive loss	-	-	(72 962)	-	(72 962)	-	(72 962)
Total comprehensive (loss)/income for 2016	**-**	**-**	**(72 962)**	**3 772 823**	**3 699 861**	**611 101**	**4 310 962**
Dividends declared, Note 6	-	-	-	(1 200 000)	(1 200 000)	(626 440)	(1 826 440)
Total transactions with equity holders for 2016	**-**	**-**	**-**	**(1 200 000)**	**(1 200 000)**	**(626 440)**	**(1 826 440)**
Balance at 31 December 2016	**100 000**	**15 590**	**161 685**	**7 017 313**	**7 294 588**	**710 774**	**8 005 362**
Profit for the year	-	-	-	3 691 598	3 691 598	677 202	4 368 800
Other comprehensive income	-	-	(18 354)	-	(18 354)	-	(18 354)
Total comprehensive income for 2017	**-**	**-**	**(18 354)**	**3 691 598**	**3 673 244**	**677 202**	**4 350 446**
Dividends declared, Note 6	-	-	-	(1 899 000)	(1 899 000)	(606 817)	(2 505 817)
Total transactions with equity holders for 2017	**-**	**-**	**-**	**(1 899 000)**	**(1 899 000)**	**(606 817)**	**(2 505 817)**
Balance at 31 December 2017	**100 000**	**15 590**	**143 331**	**8 809 911**	**9 068 832**	**781 159**	**9 849 991**

The accompanying notes on pages 5 - 44 are an integral part of these consolidated financial statements.

In thousands of Russian Roubles	Note	2017	2016
Cash flows from operating activities			
Profit for the year		4 368 800	4 383 924
Adjustments for:			
Depreciation of property, plant and equipment	7	402 631	412 292
Amortisation of intangible assets	9	107 987	107 626
Impairment of trade and other receivables		-	310
Write-down of non-current assets held for sale		-	7 352
Loss / (profit) on disposal of property, plant and equipment	20	8 797	(72 249)
Finance income	21	(439 421)	(429 448)
Finance costs	22	662 941	613 146
Net foreign exchange gain from financing activities		(158 005)	(388 463)
Income tax expense	24	1 106 846	1 109 938
Share of result of associate	10	(307)	2 664
Operating cash flows before working capital changes		**6 060 269**	**5 747 092**
(Increase)/decrease in trade and other receivables		(98 466)	84 792
(Increase)/decrease in inventories		(34 381)	14 166
Increase/(decrease) in trade and other payables		47 564	(56 568)
Operating cash flows including working capital changes		**5 974 986**	**5 789 482**
Income taxes paid		(999 257)	(1 056 705)
Net cash from operating activities		**4 975 729**	**4 732 777**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(1 636 581)	(1 072 409)
Proceeds from sale of property, plant and equipment		1 635	380 022
Interest from deposits	21	90 286	149 915
Interest received	6	215 274	165 091
Loans granted	6	(2 846 000)	(4 538 135)
Short-term deposits with maturity from 90 to 365 days		(619 507)	(408 179)
Proceeds from repayment of loans granted		1 936 790	2 564 891
Repayment of deposits with maturity from 90 to 365 days		383 160	571 996
Acquisition of intangible assets	9	(3 441)	(1 950)
Net cash used in investing activities		**(2 478 384)**	**(2 188 758)**
Cash flows from financing activities			
Proceeds from borrowings	15	6 761 763	866 434
Repayment of borrowings	15	(6 158 607)	(2 487 364)
Interest paid	15	(486 449)	(635 285)
Proceeds from government grants		-	10 264
Commissions and other finance costs paid		(159 472)	(34 429)
Dividends paid to the owners of the Company	6	(1 899 000)	(1 200 000)
Dividends paid to non-controlling interests	6	(619 758)	(632 314)
Net cash used in financing activities		**(2 561 523)**	**(4 112 694)**
Net change in cash and cash equivalents		(64 178)	(1 568 675)
Cash and cash equivalents at the beginning of the year	13	**1 777 915**	**3 738 184**
Effect of exchange rate changes on cash and cash equivalents		(68 544)	(391 594)
Cash and cash equivalents at the end of the year	13	**1 645 193**	**1 777 915**

The accompanying notes on pages 5 - 44 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 2017 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 2017, and 31 December 2016, the Group's immediate parent company was Limited liability company Management company Delo, and the Group's ultimate controlling party was S.N. Shishkarev.

			Percentage of control as at 31 December, %	
Group company name	**Country of registration**	**Activity**	**2017**	**2016**
OOO NUTEP	Russia	Container terminal	100	100
OOO TransTerminal-Holding	Russia	Holding company	100	100
ATOKOSA LIMITED	Cyprus	Holding company	100	100
AO KSK	Russia	Grain terminal	75	75
DCP HOLDINGS LIMITED	Cyprus	Holding company	75	75
OOO SC DELO (early OOO TOS)	Russia	Service company	100	100

2 Summary of Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the year ended 31 December 2017.

These consolidated financial statements have been prepared applying the IFRSs issued and effective as at 31 December 2017 under the historical cost convention except for cases stated in accounting policy; the Group has not applied early any standards or amendments which are not yet effective (further information presented in the Note 4). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented in these consolidated financial statements, unless otherwise noted.

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

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

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

2 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

At 31 December 2017, the exchange rate used for translating foreign currency balances was USD 1 = RR 57,6002 (31 December 2016: USD 1 = RR 60,6569) and Euro 1 = RR 68,8668 (31 December 2016: Euro 1 = RR 63,8111). 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 2017, was USD 1 = RR 58,2479, Euro 1 = RR 65,8470 (for the year ended 31 December 2016: USD 1 = RR 66,9973 and Euro 1 = RR 74,3004).

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 or at the fair value. Non-controlling interests that are not present ownership interests are measured at fair value.

2 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

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

2 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

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

2 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

Depreciation. Land is not depreciated.

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

	Useful lives in years
Buildings	4 to 50 years
Constructions	5 to 50 years
Machinery and equipment	2 to 24 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.

2 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

2 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

2 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

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

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.

2 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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 or on behalf of its employees.

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

3 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

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

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

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

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

Were the estimated useful lives 10% lower than management's estimates, the impact on depreciation for the year ended 31 December 2017 would have been an increase by 40 263 thousand RR (2016: 41 229 thousand RR).

Impairment of goodwill. The Group determines whether goodwill is impaired on an annual basis. This requires determination of the recoverable amount of the cash-generating units to which the goodwill is allocated. Management considers that there is no impairment of goodwill as at 31 December 2017. The carrying amount of goodwill as at 31 December 2017 was 190 066 thousand RR (2016: 190 066 thousand RR) (please see Note 8).

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

Recognition of deferred tax asset in respect of unused tax losses carry-forward. According to the Group estimates, unused tax losses carry-forward can be used against taxable profits in future. Thus, the Group has recognised deferred tax assets in respect of unused tax losses carry-forward in amount of 116 300 thousand RR (2016: 65 930 thousand RR) (Note 24). In 2018-2020, the amount of tax losses generated in prior periods that can be used to reduce the tax base of the current reporting period are limited to 50% of the tax base of that reporting period. Since 2021, accumulated tax losses can be recognised in full amounts. The law eliminates the time limit on carrying tax losses forward that was previously equal to 10 years.

4 New Accounting Pronouncements

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

IFRS 9 "Financial Instruments" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

4 New Accounting Pronouncements (continued)

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

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017, on the basis of the facts and circumstances that exist at that date as well as forecast information, the management of the Group preliminary estimated that adoption of new standard on 1 January 2018 does not have any significant impact on classification and measurement of assets and liabilities in its consolidated financial statements. The management also considers that amount of expected impairment losses as at 1 January 2018 is not significantly different from the amount of impairment losses recognised in its consolidated financial statements as at 31 December 2017. The Group plans to apply simplified transition method.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

In accordance with the transition provisions in IFRS 15 the Group has elected simplified transition method with the effect of transition to be recognised as at 1 January 2018 in the consolidated financial statements for the year-ending 31 December 2018 which will be the first year when the Group will apply IFRS 15. The Group plans to apply the practical expedient available for simplified transition method. The Group applies IFRS 15 retrospectively only to contracts that are not completed at the date of initial application (1 January 2018).

4 New Accounting Pronouncements (continued)

Based on preliminary analysis of the Group's revenue streams for the year ended 31 December 2017, individual contracts' terms and on the basis of the facts and circumstances that exist at that date, in view of simplified transition method application, the management of the Group preliminary estimated that adoption of the new standard on 1 January 2018 will not have any significant impact on its consolidated financial statements.

Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard. The Group is currently assessing the impact of the amendment on its consolidated financial statements.

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

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

The Group rents mooring facilities in operating lease. Transfer to the new standard IFRS 16 "Leases" will have a significant impact on the consolidated financial statements. The Group plans to apply simplified transition method. According to the estimations of the management of the Group, which are preliminary and can be changed due to circumstances, had the new standard IFRS 16 "Leases" been effective starting from 1 January 2017, the Group would have recognized right to use asset and respective lease obligations in the amount of 1 142 490 thousand RR as at 31 December 2017. The Group does not plan to adopt this standard early.

Annual Improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1 and IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018). IFRS 1 was amended and some of the short-term exemptions from IFRSs in respect of disclosures about financial instruments, employee benefits and investment entities were removed, after those short-term exemptions have served their intended purpose. The amendments to IAS 28 clarify that an entity has an investment-by-investment choice for measuring investees at fair value in accordance with IAS 28 by a venture capital organisation, or a mutual fund, unit trust or similar entities including investment linked insurance funds. Additionally, an entity that is not an investment entity may have an associate or joint venture that is an investment entity. IAS 28 permits such an entity to retain the fair value measurements used by that investment entity associate or joint venture when applying the equity method. The amendments clarify that this choice is also available on an investment-by-investment basis. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

4 New Accounting Pronouncements (continued)

IFRIC 22 "Foreign currency transactions and advance consideration" (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018). The interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) on the derecognition of a non-monetary asset or non-monetary liability arising from an advance consideration in a foreign currency. Under IAS 21, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. IFRIC 22 only applies in circumstances in which an entity recognises a non-monetary asset or non-monetary liability arising from an advance consideration. IFRIC 22 does not provide application guidance on the definition of monetary and non-monetary items. An advance payment or receipt of consideration generally gives rise to the recognition of a non-monetary asset or non-monetary liability, however, it may also give rise to a monetary asset or liability. An entity may need to apply judgment in determining whether an item is monetary or non-monetary. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

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

The following amended standards became effective from 1 January 2017, but did not have a material impact on the Group:

Disclosure Initiative – Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). The new disclosures are included in Notes 14, 15 and 26.

Recognition of Deferred Tax Assets for Unrealised Losses – Amendment to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).

Amendments to IFRS 12 included in Annual Improvements to IFRSs 2014-2016 Cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017).

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

5 Segment Information

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

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

Container segment	is represented by a technologically advanced container terminal OOO NUTEP. OOO NUTEP also has a ferry auto complex for Ro-Ro cargo handling.
Grain segment	is represented by a new grain terminal, AO KSK, which also handles general and Ro-Ro cargo.
Service segment	is represented by company OOO SC DELO, which provides bunkering (previously bunkering segment), 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 and income tax (see note 23). The segment profit or loss, segment assets and segment liabilities are measured applying the same policies as are used in the preparation of these consolidated financial statements.

Non-current assets referring to all three operating segments are located in Novorossiysk, Krasnodar region. All segment revenue is generated in Novorossiysk, Krasnodar region. Operations between segments are proceeded on market conditions.

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

In thousands of Russian Roubles	**2017**	**2017, %**	**2016**	**2016, %**
Container segment	3 470 174	39,5	3 394 873	43,5
Container cargo handling	1 991 584		1 843 905	
Storage services	608 133		655 848	
Inspection services	391 534		394 616	
General cargo handling	129 615		196 864	
Ro-Ro handling	12 604		31 371	
Other port services	336 704		272 269	
Grain segment	4 154 217	47,3	3 972 097	51,0
Grain handling	4 009 252		3 843 769	
General cargo handling	4 423		10 310	
Ro-Ro handling	41 628		38 910	
Other port services	98 914		79 108	
Service segment	1 166 473	13,2	432 012	5,5
Bunkering segment	1 130 672		432 012	
Other port services	35 801		-	
Total	**8 790 864**	**100**	**7 798 982**	**100**

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

5 Segment Information (continued)

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

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

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

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

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

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

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

OOO SC DELO revenue comes from bunkering, agency and towing services mainly in the port of Novorossiysk. The company bunkers the vessels calling Novorossiysk either during loading, or at sea, with fuel oil and/or diesel. OOO SC DELO purchases fuel from Russian refineries. Fuel oil accounts for 91% of total purchase and sales volume in terms of quantity. Towing and agency services are performed by own tugboats and agency department. Three tugs came to the port of Novorossiysk in December 2017 and managed to perform three towing operations in 2017. The arrival of the fourth tug, which is necessary to operate at the new berth 38 of OOO NUTEP, is expected in November 2018.

5 Segment Information (continued)

Operational risks

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

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

5 Segment Information (continued)

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

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

5 Segment Information (continued)

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

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

5 Segment Information (continued)

Segment information for the reportable segments for the year ended 31 December 2016 is set out below:

In thousands of Russian Roubles	Container	Grain	Service	Total for operating segments	Holdings	Reconciliation adjustments Inter-segment eliminations	Total for the Group
External revenue	3 394 873	3 972 097	432 012	7 798 982	-	-	7 798 982
Revenues from other segments	2 349	6 071	-	8 420	26 651	(35 071)	-
Total revenue	**3 397 222**	**3 978 168**	**432 012**	**7 807 402**	**26 651**	**(35 071)**	**7 798 982**
Cost of sales	(1 105 686)	(590 722)	(424 558)	(2 120 966)	(19 466)	27 286	(2 113 146)
Selling, general and administrative expenses	(142 318)	(132 209)	(24 730)	(299 257)	(137 567)	1 738	(435 086)
Foreign exchange loss from operating activities	-	(14 233)	(3 476)	(17 709)	-	-	(17 709)
Other operating income/(expenses), net	(10 668)	(38 373)	108 724	59 683	(655)	(308)	58 720
Operating profit/(loss)	**2 138 550**	**3 202 631**	**87 972**	**5 429 153**	**(131 037)**	**(6 355)**	**5 291 761**
Finance (expenses)/income, net	(173 056)	(2 876)	(1 080)	(177 012)	(6 686)	-	(183 698)
Share of result of associate	-	-	(2 664)	(2 664)	-	-	(2 664)
Foreign exchange (losses)/gains from financing activities	673 480	(143 119)	72	530 433	(141 970)	-	388 463
(Loss)/profit before income tax	**2 638 974**	**3 056 636**	**84 300**	**5 779 910**	**(279 693)**	**(6 355)**	**5 493 862**
Income tax (expense) /credit	(530 471)	(612 485)	(17 278)	(1 160 234)	51 375	(1 079)	(1 109 938)
Profit/(loss) for the year	**2 108 503**	**2 444 151**	**67 022**	**4 619 676**	**(228 318)**	**(7 434)**	**4 383 924**
EBITDA, Note 23	2 490 422	3 413 838	(15 213)	5 889 047	(129 867)	(6 221)	5 752 959
Additions to property, plant and equipment, Note 7	721 476	307 770	13 454	1 042 700	1 139	(6 781)	1 037 058
As at 31 December 2016							
Total reportable segment assets	8 658 717	3 971 527	356 737	12 986 981	3 552 527	(431 309)	16 108 199
Total reportable segment liabilities	(4 335 266)	(1 128 430)	(10 115)	(5 473 811)	(3 060 335)	431 309	(8 102 837)

5 Segment Information (continued)

Segment operating expenses included in cost of sales and selling, general and administrative expenses for the year ended 31 December 2016 were as follows:

In thousands of Russian Roubles	**Container**	**Grain**	**Service**	**Total for operating segments**	**Holdings**	**Reconciliation adjustments Inter-segment eliminations**	**Total for the Group**
Cost of oil products	-	-	336 242	336 242	-	-	336 242
Staff costs	374 271	317 809	50 034	742 114	96 609	(17 253)	821 470
Depreciation of property, plant and equipment	233 618	172 794	5 539	411 951	515	(174)	412 292
Operating lease rentals	202 274	23 243	-	225 517	-	-	225 517
Amortisation of intangible assets	107 586	40	-	107 626	-	-	107 626
Purchased services (including audit and consulting services)	116 518	32 989	32 440	181 947	23 809	(8 074)	197 682
Repairs and maintenance of property, plant and equipment	39 188	13 326	730	53 244	-	-	53 244
Taxes other than income taxes	47 759	43 906	2 646	94 311	-	-	94 311
Fuel, electricity and gas	51 524	36 492	4 573	92 589	-	-	92 589
Other expenses	75 266	82 332	17 084	174 682	36 100	(3 523)	207 259
Total expenses	**1 248 004**	**722 931**	**449 288**	**2 420 223**	**157 033**	**(29 024)**	**2 548 232**

6 Balances and Transactions with Related Parties

The Group had the following categories of related parties as at 31 December 2017 and for the year then ended:

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

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

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

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

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

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

At 31 December 2016, the outstanding balances with related parties were as follows:

In thousands of Russian Roubles	**Parent company**	**Entities under common control**	**Associates**	**Other related parties**
Trade and other receivables	-	66 163	-	1 098
Loans issued	2 311 278	448 578	1 313	-
Trade and other payables	-	(19 836)	(73)	(89 821)

6 Balances and Transactions with Related Parties (continued)

The income and expense items with related parties for the year ended 31 December 2016 were as follows:

In thousands of Russian Roubles	Parent company	Entities under common control	Associates	Other related parties
Revenue	-	873 351	-	1 879 135
Cost of sales	-	(14 315)	(5 063)	-
Selling, general and administrative expense	-	(12 346)	-	-
Finance income	143 465	135 841	13	-

Construction in progress additions. In 2017, construction in progress additions from entities under common control of the Group amounted to 8 431 thousand RR (2016: 92 108 thousand RR).

Management remuneration. Total compensation to 8 (2016: 10) representatives of key management personnel, included in staff costs in the consolidated statement of comprehensive income for salaries and other short-term benefits, amounted to 101 625 thousand RR for 2017 (2016: 124 043 thousand RR).

Dividends. In 2017, the Group distributed dividends to the owners of the Company in the amount of 1 899 000 thousand RR and to non-controlling interests in the amount of 606 817 thousand RR (2016: to the owners of the Company - 1 200 000 thousand RR, to non-controlling interests 626 440 thousand RR).

7 Property, Plant and Equipment

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

In thousands of Russian Roubles	**Land**	**Buildings**	**Constructions**	**Machinery and equipment**	**Other**	**Construction in progress**	**Total**
Cost at 1 January 2016	68 381	283 849	4 051 075	2 409 049	76 208	315 755	**7 204 317**
Accumulated depreciation	-	(75 108)	(602 283)	(737 900)	(46 406)	-	**(1 461 697)**
Carrying amount at 1 January 2016	**68 381**	**208 741**	**3 448 792**	**1 671 149**	**29 802**	**315 755**	**5 742 620**
Additions	-	-	-	5 433	10 449	1 021 176	**1 037 058**
Transfers	-	71 840	168 311	30 175	578	(270 904)	**-**
Disposals	(25)	(37 450)	(3 091)	(265 051)	(2 470)	-	**(308 087)**
Depreciation charge, Note 18, 19	-	(15 972)	(188 755)	(204 122)	(3 443)	-	**(412 292)**
Reclassification from assets held for sale	-	-	-	28 234	-	-	**28 234**
Carrying amount at 31 December 2016	**68 356**	**227 159**	**3 425 257**	**1 265 818**	**34 916**	**1 066 027**	**6 087 533**
Cost at 31 December 2016	68 356	307 133	4 215 134	2 157 301	84 680	1 066 027	**7 898 631**
Accumulated depreciation	-	(79 974)	(789 877)	(891 483)	(49 764)	-	**(1 811 098)**
Carrying amount at 31 December 2016	**68 356**	**227 159**	**3 425 257**	**1 265 818**	**34 916**	**1 066 027**	**6 087 533**
Additions	-	-	2 773	29 616	24 383	2 346 558	**2 403 330**
Transfers	-	964	211 161	1 128 423	3 260	(1 343 808)	**-**
Disposals	-	-	(25 113)	(172)	(1 117)	-	**(26 402)**
Depreciation charge, Note 18, 19	-	(15 946)	(193 245)	(180 884)	(12 556)	-	**(402 631)**
Carrying amount at 31 December 2017	**68 356**	**212 177**	**3 420 833**	**2 242 801**	**48 886**	**2 068 777**	**8 061 830**
Cost at 31 December 2017	68 356	308 097	4 382 522	3 314 392	106 299	2 068 777	**10 248 443**
Accumulated depreciation	-	(95 920)	(961 689)	(1 071 591)	(57 413)	-	**(2 186 613)**
Carrying amount at 31 December 2017	**68 356**	**212 177**	**3 420 833**	**2 242 801**	**48 886**	**2 068 777**	**8 061 830**

7 Property, Plant and Equipment (continued)

As at 31 December 2017, property, plant and equipment carried at 878 179 thousand RR (31 December 2016: 592 390 thousand RR) have been pledged to third parties as collateral for borrowings. At 31 December 2017, the Group pledged property plant and equipment that related to Container terminal.

Borrowing costs in amount of 106 995 thousand RR and associated foreign exchange losses in amount of 141 629 thousand RR were capitalised in 2017 at the rate of capitalisation of 10,9% (2016: borrowing costs in amount of 35 404 thousand RR and associated foreign exchange losses in amount of 54 858 thousand RR at the rate of capitalisation of 13,1%).

Depreciation expense of 402 631 thousand RR (2016: 412 292 thousand RR) has been charged to cost of sales amounting to 390 977 thousand RR (2016: 404 973 thousand RR) and to selling, general and administrative expenses amounting to 11 654 thousand RR (2016: 7 319 thousand RR).

In 2017 3 tugboats were built for OOO SC DELO and put into operation.

Prepayments for non-current assets consist mainly of advances issued for construction of OOO NUTEP's Berth 38, construction of AO KSK's grain terminal and construction of 4th tugboat for OOO SC DELO. Payment for tugboats in the amount of 951 538 thousand RR were transferred to the supplier's accounts by Rabobank at the expense of credit line without cash transit through OOO SC DELO accounts, thus, these payments were not reflected in the consolidated statement of cash flows.

8 Goodwill

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

In thousands of Russian Roubles	**31 December 2017**	**31 December 2016**
Grain terminal CGU	66 671	66 671
Container terminal CGU	123 395	123 395
Total carrying amount of goodwill	**190 066**	**190 066**

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

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

- Growth rate beyond 5 years is 0% both for grain CGU "KSK" and container CGU "NUTEP" taking into account US Dollar cash flows;
- Discount rate, calculated in US Dollars, is 10,4% for KSK and for NUTEP;
- Average annual volume growth rate for grain cargo for 2018-2022 is 0-10% for KSK and 0-8% 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.

9 Mooring Rights and Other Intangible Assets

In thousands of Russian Roubles		Mooring rights	Other intangible assets	Total
Cost at 1 January 2016		4 338 908	15 976	**4 354 884**
Accumulated amortisation		(513 426)	(7 276)	**(520 702)**
Carrying amount at 1 January2016		**3 825 482**	**8 700**	**3 834 182**
Additions		-	1 950	**1 950**
Amortisation charge	18, 19	(107 256)	(370)	**(107 626)**
Carrying amount at 31 December 2016		**3 718 226**	**10 280**	**3 728 506**
Cost at 31 December 2016		4 338 908	17 926	**4 356 834**
Accumulated amortisation		(620 682)	(7 646)	**(628 328)**
Carrying amount at 31 December 2016		**3 718 226**	**10 280**	**3 728 506**
Additions		-	3 441	**3 441**
Amortisation charge	18, 19	(107 256)	(731)	**(107 987)**
Carrying amount at 31 December 2017		**3 610 970**	**12 990**	**3 623 960**
Cost at 31 December 2017		4 338 908	21 367	4 360 275
Accumulated amortisation		(727 938)	(8 377)	(736 315)
Carrying amount at 31 December 2017		**3 610 970**	**12 990**	**3 623 960**

In 2011, Delo Group acquired intangible assets as part of 100% OOO NUTEP consolidation. The fair value was determined by an independent appraiser as of the acquisition date. Mooring rights represent the long-term lease rights to hydro-technical infrastructure in Novorossiysk, Krasnodar region, owned by the state. The residual useful life of mooring rights is 34 years.

10 Investment in Associate

In thousands of Russian Roubles	2017	2016
Carrying amount at 1 January	**3 827**	**6 491**
Share of result of associate	307	(2 664)
Carrying amount at 31 December	**4 134**	**3 827**

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

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

At 31 December 2016 and for the year then ended, the Group's interest in its principal associate, which is unlisted, and its summarised financial information, including total assets, liabilities, revenues and loss, was as follows:

Name	Total assets	Total liabilities	Revenue	Loss	% interest held
LLC Aquaspas	27 161	11 848	34 116	(10 654)	25 %

11 Inventories

In thousands of Russian Roubles	31 December 2017	31 December 2016
Fuel and spare parts	112 407	82 166
Oil products for resale	20 971	16 831
Total inventories	**133 378**	**98 997**

There were no impairment write downs of inventories in 2017 and 2016.

12 Trade and Other Receivables

In thousands of Russian Roubles	31 December 2017	31 December 2016
Trade receivables	244 106	191 684
Provision for impairment of trade receivables	(32 310)	(32 310)
Trade receivables less provision for impairment of trade receivables	**211 796**	**159 374**
Other receivables	29 445	15 110
Financial receivables	**241 241**	**174 484**
VAT recoverable	148 277	112 317
Prepayments	30 444	21 383
Other taxes receivable	4 381	17 405
Receivables from employees	7 792	7 434
Total trade and other receivables	**432 135**	**333 023**

The Group has no overdue and not reserved trade and other accounts receivable as at 31 December 2017 and 31 December 2016. Financial receivables, stated as at 31 December 2017, will be settled within six months from the reporting date. The fair value of receivables approximates their carrying value as the impact of the discounting is insignificant and is within Level 2 of the fair value hierarchy.

13 Cash and Cash Equivalents

In thousands of Russian Roubles	31 December 2017	31 December 2016
Cash in hand	312	171
Cash at bank	491 440	387 126
Short-term bank deposits (less than 90 days)	1 153 441	1 390 618
Total cash and cash equivalents	**1 645 193**	**1 777 915**

The average interest rate on short-term deposits at 31 December 2017 was 5,22% (31 December 2016: 3,80%). These deposits have average original maturity of 18 days at 31 December 2017 (31 December 2016: 65 days). At 31 December 2017, these deposits have average period to maturity of 10 days from the reporting date (31 December 2016: 42 days).

The Group had deposits with maturity from 90 to 365 days at 31 December 2017 in the amount of 617 737 thousand RR (31 December 2016: 395 613 thousand RR). The average interest rate on these deposits at 31 December 2017 was 5,75% (31 December 2016: 2,69%). These deposits have average original maturity of 110 days (31 December 2016: 205 days). At 31 December 2017, these deposits have average period to maturity of 67 days from the reporting date (31 December 2016: 140 days).

14 Chartered and Additional Capital

Chartered capital at 31 December 2017 and 31 December 2016 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 following dividends were approved and paid:

In thousands of Russian Roubles	31 December 2017	31 December 2016
Dividends payable at 1 January	-	-
Dividends declared	1 899 000	1 200 000
Dividends paid	(1 899 000)	(1 200 000)
Dividends payable at 31 December	**-**	**-**

15 Borrowings

In thousands of Russian Roubles	31 December 2017	31 December 2016
Short-term loans	943 103	1 527 694
Short-term bonds with nominal in Russian Roubles	838 636	41 967
Long-term loans	2 795 537	1 931 303
Long-term bonds with nominal in Russian Roubles	3 500 000	3 000 000
Total borrowings	**8 077 276**	**6 500 964**

In July 2017, the Company refinanced its debut bond issue with new 3.5 billion RR bond issue with a maturity period of 5 years and a coupon rate of 9,4% per annum. New bond's finance covenant is disclosed in Note 25.

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

The fair value of short-term and long-term bonds equals to 4 273 102 thousand RR as at 31 December 2017 (31 December 2016: 3 081 000 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.

15 Borrowings (continued)

Borrowings reconciliation

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

In thousands of Russian Roubles	**31 December 2017**	**31 December 2016**
Opening balance at 1 January	**6 500 964**	**8 969 254**
Proceeds from borrowings for tugboat purchase	951 538	-
Proceeds from other borrowings	3 261 763	866 434
Bond issue	3 500 000	-
Repayment of borrowings	(3 830 764)	(2 487 364)
Bond redemption	(2 327 843)	-
Interest accrued	610 100	626 736
Premium accrued due to early repayment of bonds	131 058	-
Bank comissions and other finance expences accrued	28 779	21 814
Interest paid	(486 449)	(635 285)
Premium paid due to early repayment of bonds	(131 058)	-
Bank comissions and other finance expences paid	(28 414)	(34 429)
Foreign exchange differences	(102 398)	(826 196)
Closing balance at 31 December 2017	**8 077 276**	**6 500 964**

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

16 Trade and Other Payables

In thousands of Russian Roubles	**31 December 2017**	**31 December 2016**
Trade payables	65 235	65 819
Other payables	18 157	7 248
Financial payables	**83 392**	**73 067**
Advances from customers	226 716	142 573
Other taxes payable	109 956	84 879
Payables to employees	97 520	82 713
Accruals and provisions	48 068	35 568
Total trade and other payables	**565 652**	**418 800**

The carrying amounts of trade and other payables do not materially differ from their fair value. The fair value of payables approximates their carrying value as the impact of the discounting is insignificant and is within Level 2 of the fair value hierarchy.

17 Revenue

In thousands of Russian Roubles	**2017**	**2016**
Grain handling	4 009 252	3 843 769
Container cargo handling	1 991 584	1 843 905
Bunkering	1 130 672	432 012
Storage services	608 133	655 848
Inspection services	391 534	394 616
General cargo handling	134 038	207 174
Ro-Ro handling	54 232	70 281
Other port services	471 419	351 377
Total revenue	**8 790 864**	**7 798 982**

18 Cost of sales

In thousands of Russian Roubles	2017	2016
Cost of oil products	884 509	336 242
Staff cost	598 646	514 035
Depreciation of property, plant and equipment	390 977	404 973
Operating lease rentals, Note 25	229 986	225 517
Purchased services	187 251	166 925
Amortisation of intangible assets	107 506	107 503
Fuel, electricity and gas	101 996	89 803
Repair and maintenance of property, plant and equipment	99 631	50 353
Taxes other than income taxes	87 964	94 311
Security services	67 995	62 524
Materials	22 874	28 394
Insurance	9 635	7 516
Other expenses	55 674	25 050
Total cost of sales	**2 844 644**	**2 113 146**

19 Selling, General and Administrative Expenses

In thousands of Russian Roubles	2017	2016
Staff cost	258 832	307 435
Audit and consulting services	25 377	30 757
Legal expenses	17 983	25 823
Amortisation and depreciation	12 135	7 442
Travelling expenses and per diems	9 810	9 124
Information systems and communication	8 744	14 933
Materials	6 269	7 549
Insurance	5 200	4 983
Repair and maintenance of property, plant and equipment	4 182	2 891
Fuel, electricity and gas	3 214	2 786
Impairment of trade and other receivables	-	310
Other expenses	12 401	21 053
Total selling, general and administrative expenses	**364 147**	**435 086**

20 Other Operating Income / (Expenses), net

In thousands of Russian Roubles	2017	2016
(Loss) / gain on disposal of property, plant and equipment	(8 797)	72 249
Charity and material aid	(9 919)	(4 134)
Other income and expenses, net	(9 008)	(9 395)
Total other operating income and expenses, net	**(27 724)**	**58 720**

21 Finance Income

In thousands of Russian Roubles	2017	2016
Interest income on deposits and overnights	90 133	149 244
Government grants received and amortisation of deferred income	300	885
Interest income on loans issued, Note 6	348 988	279 319
Total finance income	**439 421**	**429 448**

22 Finance Costs

In thousands of Russian Roubles	**2017**	**2016**
Interest expense on bank loans and bonds	503 104	591 332
Bank commissions and other finance costs	159 837	21 814
Total finance costs	**662 941**	**613 146**

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.

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

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

In thousands of Russian Roubles	**2017**	**2016**
Profit for the year	4 368 800	4 383 924
Adjusted for:		
Depreciation and amortisation, Note 18, 19	510 618	519 918
Other income and expenses, net, Note 20	27 724	(58 720)
Share of result of associates, Note 10	(307)	2 664
Finance income, Note 21	(439 421)	(429 448)
Finance costs, Note 22	662 941	613 146
Net foreign exchange losses from financing activities	(158 005)	(388 463)
Income tax, Note 24	1 106 846	1 109 938
EBITDA	**6 079 196**	**5 752 959**

24 Income Tax

(a) Components of income tax expense

In thousands of Russian Roubles	**2017**	**2016**
Current tax	1 134 426	1 078 569
Deferred tax	(27 580)	31 369
Income tax expense	**1 106 846**	**1 109 938**

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

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

In thousands of Russian Roubles	**2017**	**2016**
Profit before income tax	5 475 646	5 493 862
Theoretical tax charge at statutory rate of 20%:	(1 095 129)	(1 098 772)
- Income tax on dividends within the Group	(1 041)	(1 079)
- Effect of non-deductible expenses	(11 403)	(11 021)
- Effect of different tax rates in other countries	727	934
Income tax expense	**(1 106 846)**	**(1 109 938)**

The income tax rate applicable to the majority of the Group in 2017 and 2016 is 20%. The Cypriot subsidiary is subject to corporation tax on taxable profits at the rate of 12,5% (2016: 12,5%).

24 Income Tax (continued)

(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 34 816 thousand RR is expected to be recovered no more than twelve months after the reporting period as at 31 December 2017 (31 December 2016: 74 716 thousand RR).

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

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

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.

24 Income Tax (continued)

The tax effect of the movements in the temporary differences and tax losses carry-forward for the year ended 31 December 2016:

In thousands of Russian Roubles	**1 January 2016**	**(Charged)/ credited to profit or loss**	**31 December 2016**
Tax effect of (taxable)/ deductible temporary differences			
Property, plant and equipment	(443 556)	33 650	(409 906)
Intangible assets	(765 010)	21 451	(743 559)
Trade and other receivables	9 069	10 121	19 190
Inventories	(3 703)	5 113	1 410
Tax loss carry-forward	166 649	(100 719)	65 930
Borrowings	1 833	(60)	1 773
Trade and other payables	10 623	(925)	9 698
Net deferred tax liability	**(1 024 095)**	**(31 369)**	**(1 055 464)**
Recognised deferred tax asset	11 640		67 173
Recognised deferred tax liability	(1 035 735)		(1 122 637)
Net deferred tax liability	**(1 024 095)**		**(1 055 464)**

(d) Tax loss carry forwards

The Group has recognised deferred tax assets in respect of unused tax loss carry forwards of 116 300 thousand RR (2016: 65 930 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. The law eliminates the time limit on carrying tax losses forward that was previously equal to 10 years.

(e) Deferred taxes in respect of subsidiaries and associates

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

25 Contingencies and Commitments

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

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

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

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

25 Contingencies and Commitments (continued)

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

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

The Group's management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained. Accordingly, as of 31 December 2017 and 2016 management believes no additional tax liability has to be accrued in the consolidated financial statements.

Capital expenditure commitments. At 31 December 2017, the Group has contractual capital expenditure commitments in respect of property, plant and equipment totalling 3 107 794 thousand RR (31 December 2016: 4 504 155 thousand RR). Capital commitments are mainly represented by construction of berth 38 on OOO NUTEP and expansion of grain terminal on AO KSK.

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

In thousands of Russian Roubles	**31 December 2017**	**31 December 2016**
Not later than 1 year	134 224	137 403
Later than 1 year and not later than 5 years	482 781	508 710
Later than 5 years	3 371 691	3 496 914
Total operating lease commitments	**3 988 696**	**4 143 027**

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

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

Compliance with covenants. The Group is subject to certain covenants, both financial and non-financial, related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. The Group was in compliance with covenants specified in the loan agreements and the bond issue prospectus at 31 December 2017 and 31 December 2016.

Under the credit facility provided by Raiffeisenbank OOO NUTEP is subject to two financial covenants calculated on the basis of financial statements under Russian accounting standards: 1) Net assets should be positive; 2) Net debt to EBITDA not more than 3.5, where Net debt is calculated as all financial liabilities (excluding those from Related parties) less cash and deposits and EBITDA is calculated as Sales profit excluding depreciation and amortisation.

Besides, OOO DeloPorts is subject to two financial covenants calculated on the basis of IFRS annual consolidated financial statements in accordance with guarantee agreement for NUTEP: 1) Net debt to EBITDA not more than 3.5, where the rates are calculated similar to the subparagraph 2 above; 2) Equity to Assets not less than 15%. According to terms of the bond issue, OOO DeloPorts has to comply with a similar financial covenant as stated in the subparagraph 1) of this paragraph, i.e. net debt to EBITDA.

25 Contingencies and Commitments (continued)

Under the credit facility provided by Alfa-Bank AO KSK is subject to two financial covenants calculated on the basis of financial statements under Russian accounting standards: 1) Net Debt to EBITDA not more 4, where Net debt is calculated as all financial liabilities less cash and deposits, and EBITDA is calculated as Sales profit excluding depreciation and amortisation and all types of income and expenses that are not directly related to the economic activity of AO KSK and not of permanent nature for the last twelve months 2) the Interest Coverage Ratio not less than 2.5, calculated as 12-Month EBITDA to 12-Month Total Interest Expense.

Under the credit facility provided by Rabobank OOO SC DELO is subject to two financial covenants calculated on the basis of IFRS annual consolidated financial statements; 1) Debt to EBITDA Ratio not more than 4 means the ratio of the aggregate of all outstanding indebtedness on the last day of the period to EBITDA; 2) Debt to Equity Ratio not more than 3.5 means the ratio of the aggregate of all outstanding indebtedness on the last day of the period to the total equity on the last day of the period.

26 Non-Controlling Interest

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

In thousands of Russian Roubles	Place of business and country of incorporation	Proportion of non-controlling interest	Proportion of non-controlling interest's voting rights held	Profit attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary	Dividends declared to non-controlling interest during the year
Year ended 31 December 2017						
DCP Group (DCP HOLDINGS LTD and subsidiary AO KSK)	Cyprus, Russia	25	25	677 202	781 159	(606 817)
Year ended 31 December 2016						
DCP Group (DCP HOLDINGS LTD and subsidiary AO KSK)	Cyprus, Russia	25	25	611 101	710 774	(626 440)

The summarised financial information of these subsidiaries on a 100% basis and before intercompany eliminations was as follows at 31 December 2017 and 31 December 2016:

In thousands of Russian Roubles	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit	Total comprehensive income	Cash flows
Year ended 31 December 2017								
DCP Group (DCP HOLDINGS LTD and subsidiary AO KSK)	1 379 718	2 964 517	(850 519)	(369 081)	4 160 592	2 708 714	2 708 714	94 068
Year ended 31 December 2016								
DCP Group (DCP HOLDINGS LTD and subsidiary AO KSK)	1 276 931	2 694 596	(805 300)	(323 130)	3 978 168	2 444 151	2 444 151	(358 878)

During the year following dividends were approved and paid:

In thousands of Russian Roubles	31 December 2017	31 December 2016
Dividends payable at 1 January	-	-
Dividends declared	606 817	626 440
Dividends paid	(619 758)	(632 314)
Forex exchange differences	12 941	5 874
Dividends payable at 31 December	**-**	**-**

27 Financial Risk Management

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

Russian operating environment. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations (Note 25). The Russian economy was growing in 2017, after overcoming the economic recession of 2015 and 2016. The economy is negatively impacted by low oil prices, ongoing political tension in the region and international sanctions against certain Russian companies and individuals. The financial markets continue to be volatile. This operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

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 and cash and cash equivalents. Short-term loans are issued to related parties and they are not overdue and impaired as at 31 December 2017.

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

In thousands of Russian Roubles	**31 December 2017**	**31 December 2016**
Trade and other receivables, Note 12	**241 241**	**174 484**
Trade receivables	211 796	159 374
Other receivables	29 445	15 110
Short-term loans issued	**3 785 720**	**2 761 169**
Deposits (with maturity over 90 days)	**617 737**	**395 613**
Cash and cash equivalents, Note 13	**1 644 881**	**1 777 744**
Cash at bank	491 440	387 126
Short-term bank deposits (less than 90 days)	1 153 441	1 390 618
Total maximum exposure to credit risk	**6 289 579**	**5 109 010**

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

27 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 2017 and 31 December 2016:

In thousands of Russian Roubles	Rating of bank according to Moody's	Cash amount at 31 December 2017	Cash amount at 31 December 2016
Cash and cash equivalents at bank			
Unicredit Bank*	A2	-	27
Raiffeisenbank*	A3	343 537	140 497
Sberbank	Ba2	130 782	149 349
VTB	Ba2	186 360	91 821
Alfa-Bank	Ba2	417 563	537 525
Sovcombank	Ba3	561 029	653 113
Promsvyazbank	B2	10	200 010
Other	-	5 600	5 402
Total cash and cash equivalents	**-**	**1 644 881**	**1 777 744**
Bank deposits (with maturity 90 to 365 days)			
Alfa Bank	Ba2	164 737	-
Sovcombank	Ba3	9 000	-
VTB	Ba2	444 000	62 000
Sberbank	Ba2	-	333 613
Total bank deposits		**617 737**	**395 613**

* Deposit rating of these banks refers to parent companies.

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

In thousands of Russian Roubles	31 December 2017	31 December 2016
Core clients	213 286	172 162
Other clients	27 955	2 322
Total trade and other receivables	**241 241**	**174 484**

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 2017, 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 56% and 52% of the Group's revenue for the year ended 31 December 2017 and 2016 respectively.

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.

27 Financial Risk Management (continued)

The majority of the Group's revenue is denominated in US dollars, while at the same time the operating companies' revenue comes both in Roubles and in US dollars. Revenue received in Russian Roubles is linearly converted into foreign currency and placed on deposits in accordance with the Group's policy if there is no need to make payments in Roubles. Thus, a currency risk exists between the dates of revenue accrual and the date of the actual currency purchase. Currency assets help to minimise the risk, as the majority of borrowings are denominated in US dollars.

In addition, the Group uses multi-currency credit facilities allowing for a choice of currency depending on market conditions.

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

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

The table below summarises the Group's exposure to foreign currency exchange rate risk as at 31 December 2016:

	At 31 December 2016			
In thousands of Russian Roubles	**RR**	**EUR**	**USD**	**TOTAL**
Financial assets				
Cash and cash equivalents	495 245	5 087	1 277 583	**1 777 915**
Deposits (with maturity over 90 days)	62 000	-	333 613	**395 613**
Short-term loans issued	2 443 085	-	318 084	**2 761 169**
Financial receivables	155 720	-	18 764	**174 484**
Total Financial Assets	**3 156 050**	**5 087**	**1 948 044**	**5 109 181**
Financial Liabilities				
Long-term borrowings	(3 000 000)	-	(1 931 303)	**(4 931 303)**
Short-term borrowings	(41 966)	-	(1 527 695)	**(1 569 661)**
Financial payables	(73 067)	-	-	**(73 067)**
Other financial liabilities	-	-	(8 436)	**(8 436)**
Total Financial Liabilities	**(3 115 033)**	**-**	**(3 467 434)**	**(6 582 467)**
Net Financial Assets/(Liabilities)	**41 017**	**5 087**	**(1 519 390)**	**(1 473 286)**

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.

27 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 2017		Impact on pre-tax profit or loss 2016	
In thousands of Russian Roubles	EUR	USD	EUR	USD
Strengthening by 30,00%	(301 203)	(385 835)	1 526	(455 818)
Weakening by 30,00%	301 203	385 835	(1 526)	455 818
Strengthening by 20,00%	(200 803)	(257 222)	1 017	(303 879)
Weakening by 20,00%	200 803	257 222	(1 017)	303 879
Strengthening by 10,00%	(100 401)	(128 611)	509	(151 939)
Weakening by 10,00%	100 401	128 611	(509)	151 939

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

In thousands of Russian Roubles	31 December 2017	31 December 2016
Fixed rate instruments		
Bank deposits	1 771 178	1 786 231
Short-term loans issued	3 785 720	2 761 169
Short-term borrowings	(1 637 672)	(41 967)
Long-term borrowings	(5 236 507)	(3 000 000)
Variable rate instruments		
Short-term borrowings	(144 067)	(1 527 694)
Long-term borrowings	(1 059 030)	(1 931 303)

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

	31 December 2017			31 December 2016	
In % p.a.	RR	EUR	USD	RR	USD
Assets					
Short-term loans issued	10,20 %	-	3,75 %	13,82 %	3,75 %
Cash and cash equivalents and bank deposits	7,52 %	-	0,85 %	9,81 %	1,04 %
Liabilities					
Borrowings	9,69 %	3,36 %	4,68 %	13,80 %	4,77 %

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

27 Financial Risk Management (continued)

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 for 2016 is performed on the same basis.

	Profit and equity impact	
In thousands of Russian Roubles	**100 bp decrease**	**100 bp increase**
2017		
Variable rate instruments	12 867	(12 867)
2016		
Variable rate instruments	34 241	(34 241)

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. In addition, carrying amounts of trade receivables 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 2017, the fair value of the Group's borrowings and payables do not differ materially from their carrying amounts.

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

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

At 31 December 2017, all deposits of the Group had maturity of less than 90 days after the reporting date and amounted to 1 771 178 thousand RR. At 31 December 2017, the Group had an undrawn credit facility amounting to 4 329 197 thousand RR and 1 250 080 thousand RR at 31 December 2016. 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 2017 and 31 December 2016, 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.

27 Financial Risk Management (continued)

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

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

The maturity analysis of financial liabilities at 31 December 2016 is as follows:

In thousands of Russian Roubles	**Carrying amount**	**Amount of future payments on the contract**	**Within 6 months**	**From 6 to 12 months**	**From 1 year to 2 years**	**Over 2 years**
Liabilities						
Borrowings, Note 15	6 500 964	7 466 053	954 163	1 101 695	5 410 195	-
Financial payables, Note 16	73 067	73 067	73 067	-	-	-
Other financial liabilities	8 436	8 436	8 436	-	-	-
Total future payments	**6 582 467**	**7 547 556**	**1 035 666**	**1 101 695**	**5 410 195**	**-**

28 Management of Capital

The Group monitors its capital structure on the basis of Net-Debt-to-EBITDA ratio. For this purpose, the Group defines Net Debt as total current and non-current borrowings (Note 15) less cash and cash equivalents (Note 13) and deposits (with maturity over 90 days). The Group's Net-Debt-to-EBITDA ratio as at 31 December 2017 is 0,96 (31 December 2016: 0,75). Management believes that Group's Net-Debt-to-EBITDA ratio in 2017 is at a comfortable level.

29 Events After the Reporting Period

In March 2018, the Company registered on the Moscow Exchange a new issue of bonds in the amount of 140 million USD with a maturity period of 7 years, which placement is planned for April 2018.

In March 2018, Company's subsidiary declared dividends in relation to non-controlling interest in the amount of 221 760 thousand RR.

There were no other material events after the reporting period that could had an effect on the consolidated financial statements as at 31 December 2017.