Global Ports (Finance) Plc

Management Report and financial statements
31 December 2019

Contents

Global Ports (Finance) Plc

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors
Alexander Iodchin

Michalakis Thomaidis

Company Secretary
Team Nominees Limited

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Cyprus

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Global Ports (Finance) Plc

MANAGEMENT REPORT

1. The Board of Directors presents the management report together with the audited company financial statements of Global Ports (Finance) Plc (hereafter also referred to as “GPF” or the “Company”) for the period ended 31 December 2019. The Company’s financial statements have been prepared in accordance with International Financial Reporting Standards (hereafter also referred as “IFRS”) as adopted by the European Union (“EU”) and the requirements of Cyprus Companies Law, Cap. 113.

Principal activities and nature of operations of the Company

2. The principal activities of the Company, which are unchanged from the previous period, are provision of loans to entities under control of the ultimate controlling party from the proceeds raised from issuance of unsecured non-convertible Eurobonds. The company is a member of Global Ports Group of Companies (the Group).

Review of Developments, Position and Performance of the Company's Business

3. The net loss of the Company for the period ended 31 December 2019 was US$10,522 thousand (2018: net loss of US$1,852 thousand) mostly at the expense of loss on fair value measurement of derivative instruments by US$(7,868) thousand, increase in loss on extinguishment of financial liabilities by US$(5,463) thousand compensated by foreign exchange gain on loans receivable from related parties in the amount of US$4,316 thousand. On 31 December 2019 the total assets of the Company were US$523,973 thousand and the net assets were US$718 thousand. On 31 December 2018 the total assets of the Company were US$639,812 thousand and the net liabilities were US$1,855 thousand.
4. The Russian container market grew 4.5% in 2019 driven by the 6.0% growth of full container export and supported by 3.9% growth in full container import, resulting in total Russian container market throughput of 5.1 million TEU. Outperforming the market, the Group’s Consolidated Marine Container Throughput increased 6.5% to 1.439 thousand TEU. Consolidated Marine Bulk Throughput increased by 17.1% to 3.7 million tonnes driven by the growth in bulk cargoes at ULCT, which was partially offset by a decline in scrap metal at PLP following the introduction of state export quotas in the third quarter of 2019. As a result of the adoption of IFRS 16 standards, the Group recognized USD 24.9 million of lease liabilities into Total and Net Debt as at 31 December 2019. This amount includes FX impact on lease liabilities recognised according to IFRS 16. If to adjust for this IFRS 16 effect, Net Debt decreased by USD 58.2 million to USD 722.1 million.
5. Certain non-IFRS financial measures and operational information above which is derived from the management accounts is marked with an asterisk {*}. Consolidated Marine Container Throughput is defined as combined marine container throughput by consolidated marine terminals: PLP, VSC, FCT and ULCT. Total Debt (a non-IFRS financial measure) is defined as a sum of current borrowings, non-current borrowings, current and non-current lease liabilities (following adoption of IFRS 16) and swap derivatives. Net Debt (a non-IFRS financial measure) is defined as a sum of current borrowings and non-current borrowings, current and non-current lease liabilities (following adoption of IFRS 16) and swap derivatives less cash and cash equivalents and bank deposits with maturity over 90 days.

Principal Risks and Uncertainties and Use of Financial Instruments by the Company

6. The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Company’s financial risk management and financial risks are disclosed in Note 3 to the financial statements.
7. The Board has adopted a formal process to identify, evaluate and manage significant risks faced by the Company.

Internal control and risk management systems in relation to the financial reporting process

8. The internal control and risk management systems relating to financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and to ensure compliance with applicable laws and regulations.
9. Financial reporting and supervision are based on approved budgets and on monthly performance reporting.
10. The Audit and Risk committee of the Board of Directors of Global Ports Investments PLC (the ultimate parent company of the Group) reviews certain high-risk areas at least once a year, including the following:

    -Significant accounting estimates; and

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

Future Developments of the Company

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

Results

13. The Company's results for the period ended 31 December 2019 are set out on page 8.

Dividends

14. Pursuant to the Articles of Association the Company may pay dividends out of its profits.
15. During the years ended 31 December 2019 and 2018 the Company did not declare and pay any dividends.
16. The Board of Directors of the Company does not recommend the payment of a final dividend for the year ended 31 December 2019.

Global Ports (Finance) Plc

Management Report (continued)

Share Capital

Significant direct or indirect holdings

17. As of 30 January 2020, Global Ports Investments Plc directly owns 99.98% of the share capital of the Company. The information on significant direct and indirect shareholders of Global Ports Investments Plc is available at http://www.globalports.com/globalports/investors/shareholder-information/major-shareholders.
18. There are no special titles that provide special control rights to any of the shareholders of the Company. There are no restrictions in exercising of voting rights of shares.

Authorised and issued share capital

19. The total authorized and issued number of ordinary shares is 30,000 shares with a par value of €1 per share. All issued shares are fully paid.

Roles for Amending Articles

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

The Role of the Board of Directors

20. GPF is governed by its Board of Directors (hereafter also referred as “the Board”) which is collectively responsible to the shareholders for the short- and long-term successful performance of the Company.

Members of the Board of Directors

21. The Board currently has 2 members.
22. Both Directors were members of the Board throughout the year ended 31 December 2019.
23. The Directors do not retire by rotation.
24. Team Nominees Limited has been acting as the Company Secretary since its incorporation in February 2016.

Directors’ Interests

25. The Directors do not have any interest in the share capital of the Company.

The Board Committees

26. The Board of Directors did not establish any committees.

The Board Proceedings

27. The Board of Directors takes the decisions in the form of written resolutions.

The Board Diversity

28. The Company does not have a formal Board diversity policy to aspects such as age, gender or educational and professional backgrounds.

Global Ports (Finance) Plc

Management Report (continued)

Corporate Governance

29. The Company is a member of Global Ports Investments Plc Group and adheres to its Corporate Governance principles. The Group is not subject to the provisions of UK Corporate Governance Code, but follows internationally recognised best practices customary to public companies having GDRs with standard listing and admitted to trading at London Stock Exchange.
30. Improving its corporate governance structure in accordance with the internationally recognised best practices the Company adopted important policies and procedures. The Group is regularly reviewing and updating its policies and procedures.
31. The Group's corporate governance policies and practices are designed to ensure that the Company is focused on upholding its responsibilities to the shareholders. They include, inter alia:
    - Appointment policy;
    - Terms of reference of the Board of Directors;
    - Terms of reference of the Audit and Risk, Strategy Committee, Nomination and Remuneration Committees;
    - Code of Ethics and Conduct;
    - Antifraud policy;
    - Policy on Reporting of Improper Activities;
    - Investigation policy;
    - Anti-Corruption Policy;
    - Foreign Trade Controls Policy;
    - Insurance Standard;
    - Charity and Sponsorship Policy; and
    - Group Securities Dealing Code.

Events after the balance sheet date

32. The events after the balance sheet date are disclosed in Note 15 to the financial statements.

Corporate Social Responsibility Report

33. The Corporate Social Responsibility Report of the Group is drawn up as a separate report and will be made public at Global Ports Investments Plc website (the address of which, at the date of publication of this report, is www.globalports.com) within six months from the balance sheet date.

Research and development activities

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

Branches

35. The Company did not have or operate through any branches during the period.

Treasury shares

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

Global Ports (Finance) Plc

Management Report (continued)

Going Concern

37. Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the financial statements based on the fact that, after making enquiries and following a review of the Group's principle risks and uncertainties, budget for 2020 and the latest forecasts over a period of 5-7 years reflecting its business and investment cycles, including cash flows and borrowing facilities, the Directors consider that the Group has adequate resources to meet its liabilities as they fall due and to continue in operation for the foreseeable future.

Auditors

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

By Order of the Board

....	....
Michalakis Thomaidis	**Alexander Iodchin**
Director	**Director**

05 March 2020

Global Ports (Finance) Plc

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

Each of the Directors confirms to the best of his or her knowledge that these financial statements which are presented on pages 8 to 23 have been prepared in accordance with IFRS as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113, and give a true and fair view of the assets, liabilities, financial position and profit of the Company.

By Order of the Board

....	....
Michalakis Thomaidis	**Alexander Iodchin**
Director	**Director**

Limassol
05 March 2020

Global Ports (Finance) Plc

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

(in thousands of US dollars)	Note	For the year ended 31 December 2019	For the year ended 31 December 2018
Interest income	4	42 816	47 821
Interest expense	5	(41 956)	(47 335)
Net interest income		**860**	**486**
Loss on extinguishment of financial liabilities	12	(7 536)	(2 073)
Administrative expenses	6	(292)	(263)
Other losses – net		(1)	(2)
Foreign exchange gain on loans receivable from related parties	14(i)	4 316	-
Change in fair value of derivatives	13	(7 868)	-
Operating loss and loss before income tax		**(10 521)**	**(1 852)**
Income tax expense	7	(1)	-
Loss for the year		**(10 522)**	**(1 852)**
Total comprehensive loss for the year		**(10 522)**	**(1 852)**

The notes on pages 12 to 27 are an integral part of these financial statements.

Global Ports (Finance) Plc

BALANCE SHEET AT 31 DECEMBER 2019

(in thousands of US dollars)

	Note	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Loans receivable	10	508 915	622 885
Total non-current assets		**508 915**	**622 885**
Current assets			
Loans receivable	10	14 783	16 420
Other receivable		8	32
Cash at bank	9	267	475
Total non-current assets		**15 058**	**16 927**
Total assets		**523 973**	**639 812**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	33	33
Other reserves	14(i)	13 095	-
Accumulated losses		(12 410)	(1 888)
Total equity		**718**	**(1 855)**
Non-current liabilities			
Borrowings	12	504 009	626 606
Derivative financial instruments	8,13	7 523	-
Total non-current liabilities		**511 532**	**626 606**
Current liabilities			
Borrowings	12	11 371	15 055
Derivative financial instruments	8,13	345	-
Trade and other payables		7	6
Total current liabilities		**11 723**	**15 061**
Total liabilities		**523 255**	**641 667**
Total equity and liabilities		**523 973**	**639 812**

On 05 March 2020 the Board of Directors of Global Ports (Finance) Plc authorised these financial statements for issue.

....	....
Michalakis Thomaidis	Alexander Iodchin
Director	Director

The notes on pages 12 to 26 are an integral part of these financial statements.

Global Ports (Finance) Plc

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

(in thousands of US dollars)

	Note	Share capital	Other reserve	Accumulated losses	Total
Balance at 1 January 2018		**33**	**-**	**(36)**	**(3)**
Comprehensive loss					
Loss for the year		-	-	(1 852)	(1 852)
Balance at 31 December 2018 / 1 January 2019		**33**	**-**	**(1 888)**	**(1 855)**
Comprehensive loss					
Loss for the year		-	-	(10 522)	(10 522)
Total comprehensive loss for the year		**-**	**-**	**(10 522)**	**(10 522)**
Transactions with equity owners					
Other reserves[1]	14(i)	-	13 095	-	13 095
Total transactions with owners			**13 095**	**-**	**13 095**
Balance at 31 December 2019		**33**	**13 095**	**(12 410)**	**718**

The notes on pages 12 to 27 are an integral part of these financial statements.

[1] The adjustment relates to net gain on change in terms of loans receivable from entities under common control (Note 14 (i)). The net gain on change in terms is recognised directly to equity as it constitutes transaction with owners in their capacity as owners.

Global Ports (Finance) Plc

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

(in thousands of US dollars)

	Note	For the year ended 31 December 2019	For the year ended 31 December 2018
Profit/(loss) before income tax		(10 521)	(1 852)
Adjustments for:			
Interest income	4	(42 816)	(47 821)
Interest expense	5	41 956	47 335
Loss on extinguishment of financial liabilities	12	7 536	2 073
Foreign exchange differences	14 (i)	(4 316)	-
Change in fair value of derivatives	8,13	7 868	-
		(293)	(265)
Changes in working capital:			
Changes in trade and other receivables		23	(6)
Changes in trade and other payables		2	(67)
Loans granted to related parties	14(i)	-	(1 400)
Loan repayments received from related parties	14(i)	131 300	69 100
Interest received from loans to related parties and bank balances	14(i)	44 534	48 765
Cash generated from operations		**175 566**	**116 127**
Income tax paid	7	(1)	-
Net cash generated from operating activities		**175 565**	**116 127**
Cash flows from financing activities			
Buy-back of unsecured non-convertible Eurobonds	12	(131 382)	(69 567)
Interest paid	12	(44 391)	(47 417)
Net cash used in financing activities		**(175 773)**	**(116 984)**
Net decrease in cash and cash equivalents		**(208)**	**(857)**
Cash and cash equivalents at beginning of year		475	1 332
Cash and cash equivalents at end of year		**267**	**475**

The notes on pages 12 to 27 are an integral part of these financial statements.

Global Ports (Finance) Plc

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Country of incorporation

The Company was incorporated on 8 February 2016 as a private limited liability company and is domiciled in Cyprus in accordance with the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 20 Omirou, Agios Nikolaos, Limassol, CY-3095, Cyprus.

On 12 February 2016, following a special resolution passed by the shareholders, the name of the Company was changed from “Global Ports (Finance) Ltd” to “Global Ports (Finance) Plc” and the Company was converted into a public limited liability company in accordance with the provisions of the Companies Law, Cap. 113.

In the year ended 31 December 2019 the Company was controlled by NCC Pacific Investments Limited, incorporated in Cyprus, which owns 99.98% of the Company's shares. On 30 January 2020 NCC Pacific Investments Limited sold 99.98% of the Company's shares to Global Ports Investments Plc, Cyprus (hereinafter – GPI), the ultimate parent company of the Group.

Until April 2018 GPI was jointly controlled by Transportation Investments Holding Limited (“TIHL”) and APM Terminals B.V. (“APM Terminals”). In April 2018 TIHL has completed the sale of its 30.75% stake in Global Ports to LLC Management Company “Delo” (“Delo Group”). Since April 2018 GPI is jointly controlled by Delo Group and APM Terminals.

Principal activities

The principal activities of the Company, which are unchanged from the prior year, are provision of loans to entities under control of the ultimate controlling party from the proceeds raised from issuance of unsecured non-convertible Eurobonds.

In April and September 2016 the Company has successfully finalised two issues of Eurobonds on the Irish Stock Exchange in the amount of US$350 million per issue at a fixed coupon rate of 6.872% and 6.5% respectively.

Raised funds were transferred as loans to some companies of GPI Group. GPI together with these companies of GPI Group, have unconditionally and irrevocably guaranteed the Eurobonds issued by the Company on a joint and several basis.

See Note 10 and 12 for further details. The Company has no other activities in addition to those mentioned above.

Operating environment

The loans provided by the Company are provided to the Company’s affiliates located in the Russian Federation. 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. The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. Firm oil prices, low unemployment and rising wages supported a modest growth of the economy in 2019. The operating environment has a significant impact on the Company’s operations and financial position. Management is taking necessary measures to ensure sustainability of the Company’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.

Global Ports (Finance) Plc

Notes to the financial statements (continued)

2. Summary of significant accounting policies

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

Basis of preparation

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

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2019 have been adopted by the EU through the endorsement procedure established by the European Commission.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Company's accounting policies. There were no areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

Transactions with equity owners and entities under common control

The Company enters into transactions with shareholders and entities under common control. When consistent with the nature of the transaction, the Company's accounting policy is to recognise any gains or losses with equity holders and other entities which are under the control of the ultimate shareholder, directly through equity and consider these transactions as the receipt of additional capital contributions or the payment of dividends. Similar transactions with non-equity holders or subsidiaries, are recognised through the profit or loss in accordance with IFRS 9 'Financial Instruments'.

New standards, interpretations and amendments adopted by the Company

The Company adopted all the new and revised IFRS as adopted by the EU that are relevant to its operations and are effective for accounting periods beginning on 1 January 2019. This adoption did not have a material effect on the accounting policies of the Company.

New standards, interpretations and amendments not yet adopted by the Company

At the date of approval of these financial statements a number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019 and have not been applied in preparing these financial statements. None of these is expected to have a material effect on these financial statements.

Interest income

Interest income on financial assets at amortised cost is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit - impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Foreign currency translation

(i) Functional and presentation currency

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

Global Ports (Finance) Plc

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

(ii) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised separately in profit or loss.

Current and deferred income tax

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

Current and deferred income tax (continued)

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country in which the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the Company where there is an intention to settle the balances on a net basis.

Financial assets

(i) **Classification**

The Company classifies its financial assets into those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

(ii) **Recognition and measurement**

Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.
At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is calculated using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in 'other gains/(losses)-net', together with foreign

2. Summary of significant accounting policies (continued)

Financial assets (continued)

exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss. Financial assets measured at amortized cost comprise cash and cash equivalents, loans receivable and other receivables.

***(iii)* Impairment of financial assets**

The Company assessed on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and cash and cash equivalents. The Company measures expected credit losses ('ECL') and recognises credit loss allowance at each reporting date. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'net impairment losses on financial assets'.

The Company applies a general approach – three stage model for recognizing and measuring expected losses based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ('12 Months ECL'). If the Company identifies a significant increase in credit risk ('SICR') since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ('Lifetime ECL'). Refer to Note 3, Credit risk section for a description of how the Company determines when a SICR has occurred. If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

***(iv)* Modification of contractual cash flows of financial assets**

The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company assesses whether the modification of contractual cash flows is substantial considering, among other, whether the present value of the new cash flows under the new terms is at least 10% different from the present value of the remaining cash flows of the original asset, using the original effective interest rate. If the difference is 10% or greater, the existing asset is de-recognised and a new financial asset is recognised. If the difference is lower than 10%, the Company also considers the following factors: any new contractual terms that substantially affect the risk profile of the asset, significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a significant increase in credit risk has occurred. The Company also assesses whether the new loan or debt instrument meets the "solely payments of principal and interest" (SPPI) criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a transaction with owners, in which case the difference is recognised within "other reserves" in equity.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Company compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification.

If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss, unless the substance of the difference is attributed to a transaction with owners, in which case the difference is recognised within "other reserves" in equity.

2. Summary of significant accounting policies (continued)

Offsetting financial instruments

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

Share capital

Ordinary shares are classified as equity.

Cash and cash equivalents

In the cash flow statement cash and cash equivalents include cash in hand and deposits held at call with original maturity up to 90 days with banks. Deposits with original maturity over 90 days are included in the cash flow from investing activities.

Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment (for liquidity services) and amortised over the period of the facility to which it relates.

Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds, including interest on borrowings, amortisation of discounts or premium relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

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

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised separately in profit or loss.

Trade and other payables

Trade and other payables are obligations to pay for services that have been acquired in the ordinary course of business. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

Offsetting financial assets and liabilities

The Company does not have any financial assets or financial liabilities that are subject to offsetting, enforceable master netting arrangements or any similar agreements.

Segmental reporting

The Company has one segment and all entity wide related disclosures are provided in Note 14.

2. Summary of significant accounting policies (continued)

Derivative financial instruments

Derivative financial instruments which comprise foreign currency forward contracts are initially recognised on the balance sheet at fair value (excluding transaction costs) and are subsequently remeasured at their fair value.

They are classified as financial instruments at fair value through profit or loss and they are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period. Changes in the fair value of foreign currency derivatives are presented in profit or loss separately. Transaction costs arising on entering into derivatives are recognised in profit or loss as incurred. All derivatives are presented as assets when fair value is positive and as liabilities when fair value is negative.

3. Financial risk management

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The Company has adopted a formal process to identify, evaluate and manage significant risks faced by the Company. The susceptibility of the Company to financial risks such as foreign exchange risk, interest rate risk, credit risk and liquidity risk is predetermined and when necessary will be monitored by the Board of Directors.

Market risk

(i) Foreign exchange risk

Foreign exchange risk arises on monetary items like cash in banks and loans receivable denominated in currency other than functional currency of the entity. The Company uses from time to time derivatives (foreign currency forwards) to manage its exposures to foreign exchange risk.

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

(in thousands of US dollars)

	As at 31 December	
	2019	2018
Assets	124 367	-
Liabilities	-	-
Capital commitments	-	-

Had US dollar exchange rate strengthened/weakened by 15% against the Russian rouble and all other variables remained unchanged, the post-tax loss of the Company for the year ended 31 December 2019, would have increased/decreased by US$16,222 thousand. This is mainly due to foreign exchange losses/gains arising upon retranslation of RUB-denominated loans receivable in US dollar.

(ii) Cash flow and fair value interest rate risk

As the Company has no interest-bearing assets and liabilities with floating interest rate, the Company's income, expenses and operating cash flows are independent of changes in market interest rates.

The Company is exposed to fair value interest rate risk as all its loans receivable and borrowings are issued at fixed rates.

As all of the Company’s fixed rate loans receivables and borrowings are carried at amortised cost, any reasonably possible change in the interest rates as of 31 December 2019 and 31 December 2018 would not have any significant impact on the Company’s post tax loss for the year The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

Global Ports (Finance) Plc

Notes to the financial statements (continued)

3. Financial risk management (continued)

Financial risk factors (continued)

Credit risk

Financial assets, which potentially subject the Company to credit risk, consist principally of cash and cash equivalents, deposits with banks and financial institutions, as well as outstanding loan receivables. All of the Company's borrowers that expose the Group to credit risk have together with GPI, unconditionally and irrevocably guaranteed the Eurobonds issued by the Company on a joint and several basis. For credit quality of financial assets see Note 9.

The Company considers the probability of default upon initial recognition of the asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- external credit rating (as far as available especially for cash and cash equivalents);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor; and
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of counterparty and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk for loans receivable is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on a financial asset is when the debtor fails to make contractual payments within 90 days of when they fall due and/or the counterparty is assessed as unlikely to pay its obligations in full without realisation of collateral, regardless of the existence of any past-due amount or the number of days past due.

Financial assets are written-off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. Where loans or receivables have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in the income statement.

All of the Company's loans receivable are within Stage 1 of IFRS 9's three stage impairment model and therefore the loss allowance to be recognised was limited to 12 months expected credit losses, with the exception of loans receivable from entities under joint control of the ultimate parent company with carrying amount of US$1,506 thousands which are classified within Stage 3.

No material expected credit losses were identified in respect of the Company's loans receivable and other financial

assets at amortised cost.

Liquidity risk

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months, with the exception of borrowings, equal their carrying balances as the impact of discounting is not significant.

3. Financial risk management (continued)

Financial risk factors (continued)

Liquidity risk (continued)

(in thousands of US dollars)

	Less than 1 year	Between 1 and 2 years	Between 2 to 5 years	Over 5 years	Total
At 31 December 2019					
Borrowings	33 748	33 748	554 053	-	621 549
Derivative financial instruments (gross settled):					
- payments	8 060	8 454	132 441		148 955
- receipts	(7 600)	(7 600)	(114 800)		(130 000)
Total	**34 208**	**34 602**	**571 694**		**640 504**
At 31 December 2018					
Borrowings	42 281	42 281	725 074	-	809 636
Total	**42 281**	**42 281**	**725 074**		**809 636**

The Group repurchased its own Eurobonds in 2018 and 2019 (Note 12). There are 27% repurchased as of 31 December 2019 and 10% as of 31 December 2018. The borrowings payments presented above exclude cash flows related to the repurchased part of Eurobonds.

Capital risk management

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

The Company monitors capital based on borrowings to total capitalization ratio. Total capitalization is calculated as the sum of the total borrowings and equity at the date of calculation. Borrowings include loan liabilities. The management does not currently have any specific target for the rate of borrowings to total capitalisation.

The rate of borrowings to total capitalisation is as follows:

(in thousands of US dollars)

	31 December 2019	31 December 2018
Total borrowings	515 380	641 661
Total capitalisation	516 098	639 806
Total borrowings to total capitalisation ratio (percentage)	**100%**	**100%**

Fair value estimation

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

The estimated fair values of financial instruments have been determined by the Company, using available market information, where it exists, and appropriate valuation methodologies and assistance of experts. However, judgment is necessarily required to interpret market data to determine the estimated fair value.

The Russian Federation (see Note 1) continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore do not always represent the fair values of financial

3. Financial risk management (continued)

Fair value estimation (continued)

instruments. The Company has used all available market information in estimating the fair value of financial instruments.

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

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

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

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

The estimated fair value of fixed interest rate loans receivable with stated maturity, for which a quoted price is not available, was estimated based on expected future cash flows, discounted at current interest rates for instruments with similar terms, including the amount and timing of contractual cash flows and the currency in which the loans are denominated. Discount rates used depend on credit risk of the counterparty. Carrying amounts of trade and other payables which are due within twelve months approximate their fair values.

The Company’s financial instrument carried at fair value relate to derivative financial instruments in the form of currency forward contracts and are disclosed in Note 13. They are valued using Level 2 valuation technique from the table above. There were no changes in the valuation techniques during the year. Specific valuation techniques used to value financial instruments include:

- for currency forwards – the present value of future cash flows based on the forward exchange rates at the balance sheet date; and
- for other financial instruments – discounted cash flow analysis.

Level 2 inputs include use of quoted market prices or dealer quotes for identical or similar instruments. Where significant adjustments to market-based data are made, or where other significant inputs are unobservable, the valuation would be categorised as Level 3. Changes in Level 2 and Level 3 fair values are analysed at the end of each reporting period.

4. Interest income

(in thousands of US dollars)	For the year ended 31 December 2019	For the year ended 31 December 2018
Interest income:		
Loans to related parties (Note 14(i))	42 814	47 821
Bank balances	2	
Total interest income	**42 816**	**47 821**

5. Interest expenses

(in thousands of US dollars)

		For the year ended 31 December 2019	For the year ended 31 December 2018
Interest expense:			
Guaranteed non-convertible Eurobonds	12	(41 956)	(47 335)
Total interest expense		**(41 956)**	**(47 335)**

6. Administrative expenses

(in thousands of US dollars)

	For the year ended 31 December 2019	For the year ended 31 December 2018
Legal, consulting and other professional services	(184)	(227)
Auditors' remuneration	(8)	(6)
Bank charges	(100)	(30)
Total administrative expenses	**(292)**	**(263)**

The total fees charged by the Company's statutory auditor for the statutory audit of the annual financial statements of the Company for the year ended 31 December 2019 amounted to US$8 thousand (2018: US$6 thousand). The total fees charged by the Company's statutory auditor for the year ended 31 December 2019 for tax advisory services amounted to US$4 thousand (2018: US$3 thousand).

7. Income tax expense

The Company is subject to corporation tax on taxable profits at the rate of 12.5%.

(in thousands of US dollars)

	For the year ended 31 December 2019	For the year ended 31 December 2018
Loss before tax	**(10 521)**	**(1 852)**
Tax calculated at the applicable corporation tax rate of 12.5%	(1 315)	(232)
Tax effect of expenses not deductible for tax purposes	2 034	350
Group relief	(178)	(118)
Tax effect of allowance and income not subject to tax	(541)	-
Special contribution for defence	(1)	-
Total tax charge	**(1)**	**-**

Brought forward losses of only five years may be utilized.

Under certain conditions, interest may be exempt from income tax and be subject only to special contribution for defence at the rate of 30%. In certain cases dividends received from abroad may be subject to special contribution for defence at the rate of 17%.

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon, etc) are exempt from Cyprus income tax.

Global Ports (Finance) Plc

Notes to the financial statements (continued)

8. Financial instruments by category

(in thousands of US dollars)

	31 December 2019	31 December 2018
Financial assets at amortised cost		
Loans receivable	523 698	639 305
Other receivable	8	32
Cash and cash equivalents	267	475
Total	**523 973**	**639 812**
Financial liabilities measured at amortised cost		
Borrowings	515 380	641 661
Trade and other payables	7	6
Total	**515 387**	**641 667**
Financial liabilities measured at fair value through profit or loss		
Derivative financial instruments	7 868	-
Total	**7 868**	**-**

9. Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

(in thousands of US dollars)

	31 December 2019	31 December 2018
Cash at bank (Moody's rating)		
Aa3	101	42
A3	128	430
Ba1	3	3
B3	35	-
Total	**267**	**475**

All loans receivable are given to companies under control of GPI with no defaults in the past. No external credit rating available for these companies. None of the financial assets that are fully performing has been renegotiated. None of the loans and receivables from related parties is past due or impaired.

Cash and bank balances are denominated in following currencies:

(in thousands of US dollars)

	31 December 2019	31 December 2018
EUR	27	1
USD	238	473
RUR	2	1
Total	**267**	**475**

No cash transaction were performed by the Company in 2019 and 2018.

Notes to the financial statements (continued)

10. Loans receivable

(in thousands of US dollars)

	31 December 2019	31 December 2018
Non-current		
Loans to related parties (Note 14(i))	508 915	622 885
Current		
Loans to related parties (Note 14(i))	14 783	16 420
Total loans receivable	**523 698**	**639 305**

Current loans receivable of US$14,783 thousand are due within a year from the balance sheet and non-current loans receivable of US$199,003 thousand and of US$309,912 thousand are due within two years and within three years respectively from the balance sheet date. Loans receivable principle of carrying amount of US$1,400 thousand are repayable in 2020, however, these loans are classified as non-current because of the Company's intention to defer repayment for more than 12 months.

The fair value of loans receivables as at 31 December 2019 is US$535,600 thousand (2018: US$637,048 thousand)

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivables mentioned above. The Company does not hold any collateral as security. None of the non-current receivables is either past due or impaired.

11. Share capital

In February 2016 the Company issued 30,000 ordinary shares with par value of €1 each for a total amount of US$33 thousands. The total authorized and issued number of ordinary shares as at 31 December 2019 and 2018 is 30,000 shares with a par value of €1 per share. All issued shares are fully paid.

12. Borrowings

(in thousands of US dollars)

	31 December 2019	31 December 2018
Non-current		
Non-convertible unsecured Eurobonds	504 009	626 606
Total non-current	**504 009**	**626 606**
Current		
Non-convertible unsecured Eurobonds	11 371	15 055
Total current	**11 371**	**15 055**
Total borrowings	**515 380**	**641 661**

In April and September 2016, the Company has successfully finalised two issues of Eurobonds on the Irish Stock Exchange in the amount of US$350 million per issue at a fixed coupon rate of 6.872% and 6.5% respectively.

Eurobonds issued in April 2016 mature in January 2022 and Eurobonds issued in September 2016 mature in September 2023. GPI together with these companies of GPI Group, have unconditionally and irrevocably guaranteed the Eurobonds issued by the Company on a joint and several basis.

In 2018 and 2019 the Company has repurchased some part of Eurobonds.

Notes to the financial statements (continued)

12. Borrowings (continued)

As at 31 December 2019 the fair value of Eurobonds amounted to US$552,958 thousand (2018: US$646,222 thousand) and is within Level 2 (2018: Level 1) of the fair value hierarchy.

Changes in liabilities from financing activities are as follows:

For the year ended 31 December 2019:

(in thousands of US dollars)	Borrowings	Fair value of derivative financial instruments	Total changes in liabilities from financing activities
At beginning of year	**641 661**		**641 661**
Non-cash transactions			
Loss on extinguishment of financial liabilities	7 536		7 536
Interest accrued	41 956		41 956
Change in fair value of derivative financial instruments		7 868	7 868
Cash transactions			
Buy-back of unsecured non-convertible Eurobonds	(131 382)		(131 382)
Interest paid	(44 391)		(44 391)
At end of year	**515 380**	**7 868**	**523 248**

For the year ended 31 December 2018:

(in thousands of US dollars)	Borrowings	Fair value of derivative financial instruments	Total changes in liabilities from financing activities
At beginning of year	**709 237**	-	**709 237**
Non-cash transactions			
Loss on extinguishment of financial liabilities	2 073	-	2 073
Interest accrued	47 335	-	47 335
Cash transactions			
Buy-back of unsecured non-convertible Eurobonds	(69 567)	-	(69 567)
Interest paid	(47 417)	-	(47 417)
At end of year	**641 661**	-	**641 661**

13. Derivative financial instruments

During 2019 the Company entered into several RUR/USD forward contracts in order to hedge part of foreign exchange risk of the GPI Group associated with its US$ denominated non-convertible unsecured bonds. As of 31 December 2019, there are outstanding forward contracts to acquire US$130,000 thousand.

Notes to the financial statements (continued)

13. Derivative instruments (continued)

As of 31 December 2019, all RUB-denominated loans receivable of the Company (see Note 14(i)) were covered by the above forward contracts. Proceeds received from these RUB-denominated loans will be converted into USD under the terms of these forward contracts, the USD proceeds of which will be utilised to meet the Company's contractual obligations under part of its USD denominated Eurobonds.

During 2019 the Company decided not to apply hedge accounting to forward contracts. As a result, the change in fair value is presented in the income statement separately. Cash collected/paid in relation to the forward arrangements not used for hedging is presented in the statement of cash flows as 'proceeds from/settlement of derivative financial instruments not used for hedging' within Cash flows from financing activities.

Company's obligations under forward contracts are also guaranteed by ultimate parent entity GPI and other GPI group entities.

As of 31 December 2019, the net fair value of forward contracts was negative US$(7,868) thousand.

14. Related party transactions

The Company is controlled by NCC Pacific Investments Limited, incorporated in Cyprus, which owns 99.98% of the Company's shares. On 30 January 2020 NCC Pacific Investments Limited sold 99.98% of the Company's shares to Global Ports Investments Plc, Cyprus (hereinafter – GPI), the ultimate parent company of the Group.

The ultimate parent company which prepares the consolidated financial statements of the largest body of undertakings of which the Company forms part as a subsidiary undertaking, is Global Ports Investments Plc, incorporated in Cyprus with registered office at 20 Omirou Street, 3095 Limassol, Cyprus and its consolidated financial statements are available at the website www.globalports.com.

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed parties might not, and transactions between related parties may not be effective on the same terms, conditions and amounts as transactions between unrelated parties.

(i) Loans given to related parties

(in thousands of US dollars)	**For the year ended 31 December 2019**	**For the year ended 31 December 2018**
Loans given to entities under joint control of the ultimate parent company:		
At beginning of year	**1 445**	**-**
Loans advanced during year	-	1 400
Interest charged (Note 4)	61	45
At end of year (Note 10)	**1 506**	**1 445**

The loans to entities under joint control of the ultimate parent carry interest rate of 4.4% per annum, are unsecured and are repayable in 2020. However, the loans are classified as non-current because of the Company's intention to defer repayment for more than 12 months.

Notes to the financial statements (continued)

14. Related parties transactions (continued)

(in thousands of US dollars)

	For the year ended 31 December 2019	For the year ended 31 December 2018
Loans given to companies of GPI group/Russian terminals:		
At beginning of year	**637 860**	**707 949**
Loans adjustment*	13 095	-
Loans repaid during year	(131 300)	(69 100)
Interest repaid during year	(44 532)	(48 765)
Interest charged (Note 4)	42 753	47 776
Foreign exchange gain on loans receivable from related parties	4 316	-
At end of year (Note 10)	**522 192**	**637 860**

*During 2019 interest rates of some loans were changed and one US$ denominated loan was split into RUB and US$ denominated. As a result at 1 December 2019 principle amount of loan receivable equal to US$239,085 thousand with interest rate equal to 7,12% was split to US$118,612 thousand principle denominated in US dollars with interest rate equal to 8,9% and US$120,473 thousand (USD equivalent amount) principle denominated in Rubles with interest rate equal to 8,13%. The change in the terms of this loan was treated as a derecognition of original financial asset and recognition of new one based on modified terms.

The interest rates of the remaining USD denominated loans of the Company were amended from ranging between 7 to7,12% to an interest rate of 8,5% for all loans. The change in interest rates of these loans was not treated as a derecognition event.

The overall effect of the above changes in terms of the loans from entities under common control was a net gain recognised within other reserves in the Company's equity in the amount of US$13,095 thousand as transactions with owners.

Loans receivable are denominated in the following currencies:

(in thousands of US dollars)

	For the year ended 31 December 2019	For the year ended 31 December 2018
Non-current		
Loans to related parties in RUB	121 104	
Loans to related parties in USD *	387 811	622 885
Current		
Loans to related parties in RUB	3 260	
Loans to related parties in USD	11 523	16 420
Total	**523 698**	**639 305**

The loans to companies of GPI group/Russian terminals carry interest rate of 8.13 – 8.9% per annum (7,12% before changes in terms in December 2019), are unsecured and are repayable by 2022 - 2023. The weighted average effective interest rate for the loans equal to 7,27%.

(ii) Guarantees received from GPI group

GPI together with some other companies of GPI Group, have unconditionally and irrevocably guaranteed the Eurobonds issued and all forward contracts entered by the Company on a joint and several basis.

Notes to the financial statements (continued)

15. Events after the balance sheet date

The Company's outlook for 2020 may be impacted by the Coronavirus (COVID-19) outbreak in China, which has significantly lowered visibility on what to expect in 2020. The Management is closely monitoring the situation with the outbreak of Coronavirus (COVID-19) and is ready to act depending on the development of the situation.

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

Independent Auditor's Report

To the Members of Global Ports (Finance) Plc

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying financial statements of Global Ports (Finance) Plc (the "Company"), give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap 113.

What we have audited

We have audited the financial statements which are presented in pages 8 to 27 and comprise:

- the balance sheet as at 31 December 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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

Basis for opinion

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

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

Independence

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

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Our audit approach

Overview
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we 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	Overall materiality: US$5,2 million, which represents approximately 1% of total assets.
Key audit matters	We have determined that there are no key audit matters to communicate in our report.

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

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

Overall materiality	US$5,2 million
How we determined it	Approximately 1% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark, because, in our view: • It is the benchmark against which the performance of the Company (the principal activity of the Company is the provision of loans to affiliates from proceeds raised from issuance of unsecured non-convertible Eurobonds) is most commonly measured by the users; and • it is a generally accepted benchmark. We chose 1% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above US$0,52 million, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report and the Directors' Responsibility Statement but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the financial statements.

- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the management report. We have nothing to report in this respect.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

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

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

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

City House, 6 Karaiskakis Street,
CY-3032 Limassol, Cyprus

Limassol, 5 March 2020