



2011 WAS AN IMPORTANT
MILESTONE YEAR FOR
GLOBAL PORTS AND
NOW WE LOOK FORWARD
TO A FUTURE OF GROWTH

GLOBAL PORTS IS A LEADING CONTAINER AND OIL PRODUCTS TERMINAL OPERATOR SERVICING RUSSIA'S CARGO FLOWS

Global Ports' modern terminals are located in established ports in the key gateways of the North West and Far East regions of Russia

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Directors' report and consolidated financial statements for the year ended 31 December 2011

Directors' Report and Parent Company Financial Statements for the year ended 31 December 2011

1 Source: ASOP (Association of Sea Commercial Ports, www.morport.com). Market share is calculated as Global Ports' Russian Ports segment's Gross Container Throughput in corresponding period divided by Container Throughput in Russian Federation Ports in the same period.

2 Source: Argus Neftetransport, 2011, company data. Market share is defined as a share of Global Ports in the Former Soviet Union (FSU) fuel oil export by marine terminals.

3 Source: ASOP. Excluding inland terminal Yanino and transit cargo via Finland and Baltic countries.

4 Source: ASOP. Excluding transit cargo via Finland and Baltic countries.

MARKET POSITION

#1

number one in the market

30%

share that Global Ports has in the Russian container market, making us #1 in the market¹

23%

of fuel oil is handled through our Baltic Basin terminal, making us #1 in the market²

38%

Global Ports' share of Russia's Baltic Basin container terminal throughput³

BALTIC SEA BASIN



R U S S I A

FAR EAST BASIN

34%

Global Ports' share of Russia's Far East Basin container terminal throughput

CONTAINER BUSINESS

60%

share of Baltic Basin terminals in the overall Russian container market⁴.

PETROLESPORT (PLP)

Location:
THE BIG PORT OF ST PETERSBURG
Current capacity:
1,000,000 TEU

MOBY DIK (MD)

Location:
KRONSTADT ISLAND
Capacity:
400,000 TEU

YANINO (INLAND)

Location:
ST PETERSBURG AREA
Current capacity:
200,000 TEU

VOPAK E.O.S.

Location:
MUUGA, ESTONIA
Current capacity:
1,026,000 CBM

MLT-HELSINKI

Location:
HELSINKI, FINLAND
Current capacity:
270,000 TEU

MLT-KOTKA

Location:
KOTKA, FINLAND
Current capacity:
90,000 TEU

22%

share of Far East Basin terminals in the overall Russian container market⁴.

VOSTOCHNAYA STEVEDORING COMPANY

Location:
PORT VOSTOCHNY
Current capacity:
550,000 TEU

CONTAINER BUSINESS

OIL PRODUCTS TERMINALS BUSINESS

70%

share of the Baltic Sea Basin terminals of the former Soviet Union fuel oil export by marine terminals.

STRATEGIC PARTNERS



DP World



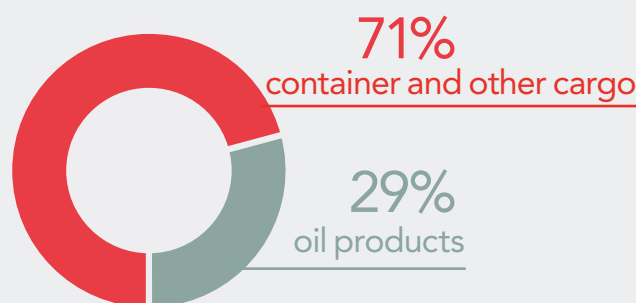
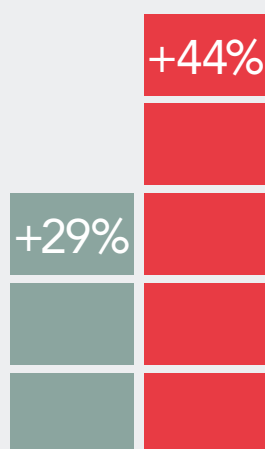
Royal Vopak



Container Finance Ltd Oy

GLOBAL PORTS AT A GLANCE

Global Ports' Russian Ports segment delivered record growth in Gross Container Throughput, up 44% year on year compared to the growth of 29% for the overall Russian container market



Consolidated revenues are split 71/29 between container terminals and oil products operations

\$501m

Group revenue up 31% year on year to USD 501.3 million

\$282m*

Adjusted EBITDA up 37% year on year to USD 282.2* million

0.2x* 22%*

Net Debt to Adjusted EBITDA ratio down from 0.7x* to 0.2x* in 2011

ROCE up from 16%* to 22%* in 2011

Russian Ports segment:

Adjusted EBITDA up 53% to USD 218.8* million. Margin improved from 60%* in 2010 to 63%* in 2011

Oil Products Terminal segment:

well managed change in competitive landscape. Adjusted EBITDA up 9% year on year to USD 145.2* million in 2011

Profit for the year increased 23% to USD 146.9 million, despite FX loss on borrowings and cash of USD 19 million in 2011

CapEx plan on track, USD 132.0 million invested in 2011

Dividend for the full year 2011 amounts to USD 0.39 per GDR (USD 61.1* million)⁵

5. Each GDR represents an interest in three ordinary shares. It doesn't include the USD 25.0 million dividend paid to shareholders in June 2011 prior to the initial public offering of the company attributable to the previous periods.

Global Ports consolidated data

USD million	2010	2011	change %
SELECTED IFRS FINANCIAL INFORMATION			
INCOME STATEMENT			
Revenue	382.4	501.3	31%
Cost of sales, administrative, selling and marketing expenses	(229.1)	(277.4)	21%
Operating profit	157.0	226.0	44%
Profit for the period	119.0	146.9	23%
Basic and diluted earnings per share for profit attributable to the owners of the Company during the period	0.24	0.29	–
BALANCE SHEET AND CASH FLOW STATEMENTS			
Total assets	1,198.0	1,338.0	12%
Total debt	206.7	206.9	0%
Cash and cash equivalents	47.4	137.1	189%
Net Cash from operating activities	174.4	230.2	32%
CapEx on cash basis	52.2	132.0	153%
SELECTED NON-IFRS FINANCIAL INFORMATION			
Adjusted EBITDA	206.6*	282.2*	37%
Adjusted EBITDA margin, %	54%*	56%*	–
Net Debt to Adjusted EBITDA	0.7*	0.2*	–
ROCE, %	16%*	22%*	–

Global Ports operating segments data

USD million	2010	2011	change %
RUSSIAN PORTS SEGMENT			
Gross Container Throughput, ths. TEU	936.4	1,344.5	44%
Revenue	239.2	349.7	46%
Adjusted EBITDA	143.3*	218.8*	53%
Adjusted EBITDA margin, %	60%*	63%*	–
OIL PRODUCTS TERMINAL SEGMENT			
Average Storage Capacity, ths. cbm	988.5*	1,026.0*	4%
Revenue Per CBM of Storage, USD per cbm	268.6*	278.7*	4%
Revenue	265.5	285.9	8%
Adjusted EBITDA	133.8*	145.2*	9%
Adjusted EBITDA margin, %	50%*	51%*	–
FINNISH PORTS SEGMENT			
Gross Container Throughput, ths. TEU	159.2	162.7	2%
Revenue	28.3	31.0	10%
Adjusted EBITDA	3.1*	6.3*	105%
Adjusted EBITDA margin, %	11%*	20%*	–

The Group's two main businesses of container and oil terminal services are able to deliver state-of-the-art solutions. The Group also handles a number of other types of cargo, including car handling, roll-on roll-off cargo, refrigerated bulk cargo and general cargo.

CONTAINER AND OTHER CARGO OPERATIONS



RUSSIAN PORTS



FINNISH PORTS

OIL PRODUCTS OPERATIONS



OIL PRODUCTS TERMINAL

MAIN SERVICES

- ▣ **Container handling, including:**
 - Loading and unloading
 - Storage
- ▣ **Car/ro-ro handling**
- ▣ **Refrigerated cargo handling**
- ▣ **Bulk cargo handling**
- ▣ **Additional services, including:**
 - Stuffing/unstuffing
 - Scheduled block trains
 - Services driven by customs requirements

- ▣ **Container handling, including:**
 - Loading/unloading
 - Storage
- ▣ **Ro-ro-handling**
- ▣ **Additional services**

- ▣ **Oil products handling, including:**
 - Loading/unloading
 - Storage/ segregated storage
- ▣ **Additional services, including:**
 - Blending
 - Segregation
 - Lab on site
 - Railway operations (E.R.S.)

CARGOES HANDLED

- ▣ **Containerised cargo, including:**
 - Full/empty/reefer containers
 - 20/40 feet
 - Import/export/transit and cabotage
- ▣ **Non-containerised cargo, including:**
 - Cars/ro-ro
 - Bulk (coal, refrigerated bulk, scrap metal, others)
 - Ro-ro
 - Bulk

- ▣ **Dark oil products, including:**
 - Fuel oil
 - Vacuum gas oil
- ▣ **Light oil products, including:**
 - Jet fuel
 - Diesel
 - Gasoline
 - Naphtha

GROUP COMPANIES

PETROLESPORT

Multi-Link Terminals Ltd

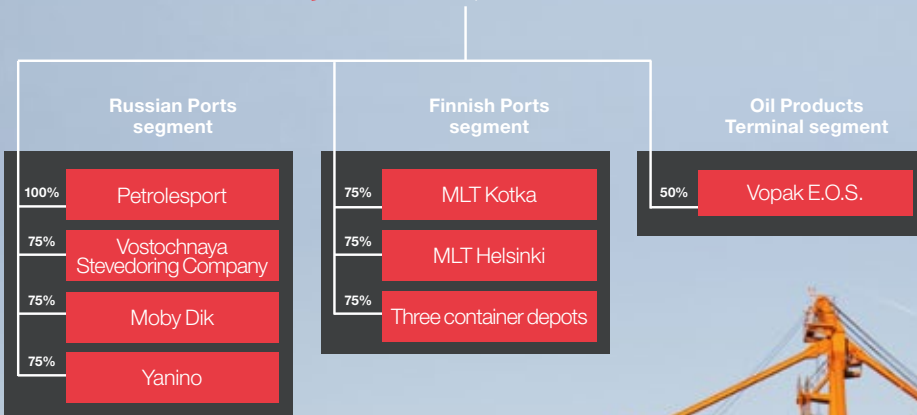
and container depots

GROUP STRUCTURE AND OWNERSHIP

Global Ports Investments PLC (“GPI”, the “Company”) was established as a holding company of the Group in 2008. Previously, the Group’s operations were held directly or indirectly by the Group’s controlling shareholder, Transportation Investments Holding Limited (TIHL). In June 2011 the Company listed its Global Depository Receipts⁶ on the Main Market of the London Stock Exchange.

TIHL is one of the largest privately-owned transportation groups in Russia, the CIS and the Baltic Region with strategic interests in rail transportation, port operations and infrastructure development. TIHL carries on its business under the brand name of N-Trans. TIHL is ultimately controlled by a company which is beneficially owned by Nikita Mishin, Konstantin Nikolaev and Andrey Filatov.

globalports



6. Global depository receipts (“GDRs”) of Global Ports Investments PLC representing three ordinary shares each are listed and traded on the Main Market of the London Stock Exchange under the ticker GLPR.

GLOBAL PORTS' MODERN TERMINALS ARE LOCATED IN ESTABLISHED PORTS

- ▶ The Group's container terminals in the Baltic Sea Basin offer direct access to the most economically developed regions of the European part of Russia, including the key markets of Moscow and St Petersburg
- ▶ The Group's container terminal in the Far East Basin is in an ice-free harbour with deep water access and a direct link to the Trans-Siberian Railway
- ▶ The oil products terminal is situated in the easily accessible, ice-free port of Muuga. The proximity of Russia and the infrastructure of the port of Muuga allows Vopak E.O.S. to offer excellent opportunities for sea transportation of liquid fuels from Eastern to Western Europe, America and South East Asia



KEY STRENGTHS

MARKET LEADER IN CONTAINERS AND FUEL OIL EXPORT

- ▶ 30% market share of overall Container Throughput in the Russian Federation Ports in 2011.
- ▶ 23% market share of the Former Soviet Union Fuel Oil Export Market in 2011.
- ▶ The Group's container business is focused on Origin and Destination (O&D) cargo.
- ▶ Vopak E.O.S., is the largest oil products terminal in terms of throughput and the only independent fuel oil terminal in the Baltic Sea Basin. It is not affiliated with any oil or trader company.

TAILORED SOLUTIONS FOR OUR HIGH-QUALITY CUSTOMER BASE

- ▶ The Group offers value-added services, including stuffing and unstuffing of containers, sophisticated cross-docking and handling of bulk cargo.
- ▶ Vopak E.O.S. allows customers to cut their logistics costs and increase the value of their products. The company provides blending, segregated storage and acceptance of niche oil products. Its ability to accommodate VLCC tankers helps the customers reduce logistics costs.
- ▶ A clear capacity development plan assures customers that the Group's services can grow together with their own needs.

MARKET DEMAND BASED EXPANSION

- ▶ Discretionary and demand based CapEx plan.
 - capacity in place to accommodate growth in 2012
 - new container capacity will be commissioned in 2013
- ▶ The Group estimates that it has the potential to increase its container handling capacity at the existing terminal footprints from the current 1.4 million TEUs to approximately 2.8 million TEUs in the Russian part of the Baltic Sea Basin, from the current 0.6 million TEUs to 2.2 million TEUs in the Far East Basin, and from the current 0.2 million TEUs to 0.4 million TEUs at Yanino.

EXCELLENT CUSTOMER BASE

- ▶ Blue chip client base in containers and oil products.
- ▶ In the container operation, the business customer base consists mainly of main-line operators, as well as of feeder lines, freight forwarders, and end customers.
- ▶ The Group's oil products terminal customers include oil majors as well as oil traders and refineries.

STRONG AND SECURED ASSET BASE

- ▶ The Group owns the freehold on 336 hectares, or 75% of its total terminal land, including the freehold to land underlying 114.7 hectares of its 126.6-hectare terminal at PLP, almost all the land underlying the VSC terminal, and the majority of the land underlying the Vopak E.O.S. terminal. The rest of the land is held under a long-term lease.
- ▶ Unlike many terminal operators in other jurisdictions, the Group's terminals are not subject to concession or profit sharing arrangements.

STRATEGIC PARTNERSHIP WITH MARKET LEADERS

- ▶ DP World (owner of 25% of VSC) is one of the largest marine terminal operators in the world, operating more than 60 terminals (including non-container terminals) across six continents as of March 2012.
- ▶ Royal Vopak (owner of 50% of Vopak E.O.S.) is a global market leader in independent bulk liquid storage terminals, operating 84 terminals in 31 countries as of April 2012.
- ▶ Container Finance Ltd Oy (owner of 25% of Moby Dik, MLT, CD and Yanino) is a Finnish group of companies that also operates a leading inter-European shipping line in the Baltic Sea Basin.





IN OUR FIRST FULL REPORTING YEAR AS A PUBLIC COMPANY, WE DELIVERED EXCELLENT OPERATIONAL RESULTS AND A RECORD FINANCIAL PERFORMANCE

Nikita Mishin
Chairman of the Board of Directors



Mr. Mishin was appointed as a non-executive member of the Board of Directors and elected as its Chairman in 2008.

A MILESTONE YEAR

2011 proved to be a highly significant year for Global Ports. In our first full reporting year as a public company, we delivered excellent operational results and a record financial performance. We were able to outperform the Russian market, while further increasing our market share and meeting our business objectives. This was the important backdrop to the completion of a journey the company has made from being a private entity to a listed company as a result of our successful IPO on the London Stock Exchange.

FINANCIAL RESULTS

Against a challenging competitive backdrop, Global Ports delivered a 31% increase in revenues to USD 501.3 million and reported adjusted earnings (EBITDA) for the year of USD 282.2* million. This outstanding performance resulted principally from a combination of very strong growth in container volumes and solid profitability across the business. The strong number reflects the fact that our decision to invest in expansion during the downturn was right, as well as being proof of our excellent service quality.

We were very pleased by the strong support that our offering of global depository receipts (GDRs) received from investors and analysts following the Listing on the Main Market of the London Stock Exchange in June. The fact that the IPO occurred at the height of the sovereign debt turmoil and was significantly over-subscribed is, in my view, a clear

31%

increase in revenues in 2011, from USD 382.4 million to USD 501.3 million

37%

EBITDA up 37% year on year to USD 282.2* million

endorsement from investors of the long-term growth prospects for our company and the Russian ports sector. The Listing broadens our shareholder base, with about 100 funds globally buying into the stock, and provides greater access to multiple sources of financing that were previously unavailable to us. But the listing is not just an opportunity to raise capital, it also offers a greater international profile for the company that a listing on one of the world's most important exchanges offers. The LSE's rigorous demands for transparency add an extra level of comfort and security for investors.

LEGACY AND FUTURE

The global investor base will be able to tap into the growth potential of a company that will benefit from the increasing near-term prosperity in Russia. The performance of the container segment is closely aligned to any rise in Russian GDP levels. At the heart of the company is a management team that has spent the last 15 years acquiring old and outdated ports and terminals and converting them into modern facilities, as well as developing terminals from scratch. It is also a team that has prepared for delivering sustained growth for the Group for years to come, by developing a meticulous strategy for each of the core areas it operates in. We continue to follow our four-part strategy to grow the Group and deliver value to our shareholders.

STRATEGY

The first pillar is to capitalise on the growth of the Russian container market. The container industry is still in its infancy in Russia and containerisation levels remain well below those of other countries. This situation is a legacy of the Soviet era, when most cargoes were transported in bulk and import levels were extremely low. However, as Russia's economy has grown and consumer incomes have risen, imports of consumer goods and durables, as well as containerisation of exports, have fuelled the growth of the container market. The result is that, over the period of 2000-2011, the container-handling market in Russia has grown at a compound annual growth rate of 20.2%⁷ or close to four times GDP growth. Yet, despite this rapid progress, the level of Russian containerisation is still only about a quarter of that of the United States and five times lower than that of the EU. Even now, containerisation rates in key sectors of the economy in Russia remain significantly below those of other developed and developing economies.

We expect growth to continue as Russia's industrial sectors increasingly opt for containerisation over other forms of shipment. A good example of this growth market is banana imports where, until three years ago, all consignments of the product into Russia came in as bulk cargo. Three years on, all banana shipments are containerised and Petrosport, our flagship container terminal in the Baltic Basin, has been instrumental in facilitating the complete transformation of the supply chain of this staple food product. Our status as the leading operator of container terminals in Russia puts us in pole position to capitalise on the structural growth in



The performance of the container segment is closely aligned to any rise in Russian GDP levels

c.100

funds bought shares during the IPO

\$588m

raised through the initial public offering (IPO)

7. Calculated based on ASOP data. Transit data are sourced from Infranews and Drewry.



VOPAK E.O.S. OIL PRODUCT HANDLING TERMINAL

consumer spending power and rising import volumes in Russia. We plan to increase our container throughput capacity and upgrade our existing terminal facilities to match likely future demand.

The second pillar of our strategy is to enhance Global Ports' leading position in the transshipment and storage of oil products in the Baltic Sea Basin. Vopak E.O.S. is the largest independent oil products terminal in the Baltic and accounts for 23% of the former Soviet Union countries' fuel oil exports as of 2011⁹. To meet the challenge posed by a new entrant to the oil terminal sector and a changing marketplace for oil products transshipment, we began preparations to implement a new hub-based operating model for Vopak E.O.S. We have increased the complexity and interconnectivity of the terminal and improved the unloading capability of our facilities. As a result, and trading on its independent status, Vopak E.O.S. has diversified its customer base, improved the service mix by transporting more cargoes itself by rail and offering more segregated storage, and attracted new products to the terminal. The

new hub strategy only became gradually operational in 2011, but its future potential was underlined by Vopak E.O.S.'s results. Despite the market presence of Ust-Luga, a major new facility opened by a competitor in 2011, Vopak E.O.S. reported increases in both revenue and profits for the year. We plan to continue with this strategy and are optimistic about the future.

The third pillar of our strategy is to continue to optimise our operations. This involves increasing terminal productivity, enhancing our service offering to our customers and streamlining our systems. Our focus is on continuous improvement throughout the Group: improving the skills of our workforce, introducing new equipment, optimising space at our terminals for new facilities, and consolidating and streamlining our administrative, management and IT systems.

The fourth and final pillar of our strategy is to expand our asset portfolio through selective acquisitions and 'greenfield' projects. We see great scope to expand our asset portfolio,

both incrementally and by selective acquisition. At the moment there are plenty of low-risk organic expansion opportunities across the Group's sites, while industry consolidation remains a very real prospect that the Group will follow closely.

The key criteria we will apply to any expansion plans will be their potential for value creation. We have the management expertise, the industry knowledge and a flexible and disciplined approach to acquisitions that means that we are well placed to identify and pursue accretive opportunities as they arise. If we successfully execute in these four key areas, Global Ports will, in my opinion, have a growth profile to match the very best in our industry.

DIVIDEND

A key consideration when deciding on a dividend policy is being able to strike the appropriate balance between rewarding shareholders and retaining sufficient funds to meet the company's future investment needs. Due to our outstanding financial results, the Board recommended, in addition to USD 0.18 per GDR paid in September, a final dividend of USD 0.21 per GDR, which was approved by shareholders at the Annual General Meeting on 17 April. This sets the total base dividend for the year at USD 0.39 per GDR⁹, demonstrating our confidence in the Company's future prospects.

COMMITTED TO INTERNATIONAL STANDARDS OF GOVERNANCE

A London Stock Exchange listing carries with it some of the most stringent requirements in terms of corporate governance anywhere in the world. As a result, investors expect companies listed on the exchange to commit to the highest standards of corporate governance and transparency. Global Ports understands the importance that investors attach to proper corporate governance. Global Ports is not obliged to comply with Cypriot corporate governance requirements and, as a London Stock Exchange listed GDR issuer, it is not required to adopt the UK corporate governance code.

In 2008 the Company put in place a corporate governance structure that aimed to meet best practice requirements. Some of the key elements of this structure are separate Audit and Risk, Nomination and Remuneration committees. To strengthen the Non-Executive members of the Board, a key element toward ensuring that the right level of accountability is in place, we appointed Captain Bryan Smith as Senior Independent Non-Executive Director. Ahead of the listing we strengthened the Board further, appointing Mrs. Siobhan Walker, a senior international banker, as an Independent Non-Executive Director and Chairman of the Audit and Risk committee.



We see great scope to expand our asset portfolio, both incrementally and through selective acquisition

CORPORATE SOCIAL RESPONSIBILITY

Corporate responsibility underpins the sustainable and responsible delivery of our key business goals. That has come about because we understand that shareholders are most keen to invest in companies they can trust. It is therefore an integral part of our overall strategy. The integration of corporate responsibility and the inclusion of broader social and environmental issues into the Board's deliberations are important aspects of delivering on our operational objectives. As such, the Board remains fully committed to a clear and open presentation of how we address these issues.

SUMMARY

Global Ports can afford to look forward to the years ahead with plenty of confidence. We hold leading market shares in our segments and an exceptional portfolio of high-quality assets located in key regions in a sector with strong underlying growth characteristics. We have a highly experienced and hard-working management team, a strong balance sheet to ensure that we can take advantage of the upcoming investment opportunities, and a clear strategy is in place to deliver value for shareholders. Although the outlook for the global economy remains uncertain, the prospects for the Russian economy are encouraging, with GDP forecast to grow by 3% to 5% in 2012. Given Global Ports' clear strengths, we look forward to building on what has been a very successful year for the Group.

2011 was, as I said in my introduction, a watershed year for Global Ports. None of what we have achieved would have been possible without our people. On behalf of the Board, I would like to thank all of our colleagues at Global Ports who have worked immensely hard during a period of considerable change to deliver this year's record results. I look forward to working with you in 2012, in what promises to be another exciting year for the Group.

Nikita Mishin
Chairman of the Board of Directors

8. Source: Argus Neftetransport, 2011; company data.

9. Does not include the USD 25.0 million dividend paid to shareholders in June 2011 prior to the initial public offering of the Company attributable to the previous periods. Each GDR represents an interest in three ordinary shares.



AS WELL AS CREATING A
LEADING MARKET POSITION,
 GLOBAL PORTS IS COMMITTED
 TO ENSURING IT IS ABLE TO
 CAPITALISE ON ANY UPSIDE
 IN THE RUSSIAN ECONOMY
 IN THE NEAR FUTURE

Dr. Alexander Nazarchuk
 Chief Executive Officer



Mr. Nazarchuk was appointed as an executive member of the Board of Directors in 2008 and has been the Chief Executive Officer since 2008.

POSITION AS A LEADING PROVIDER OF PORT SERVICES

Global Ports set out a plan to be the leading container and oil products terminal operator servicing Russia's cargo flows. That ambition came a step closer in 2011 when the Group raised its overall share of the Russian container market to 30% from 27% in the previous year¹⁰. At the same time, the Group managed to maintain its leading position in the former Soviet Union fuel oil export market with a market share of 23% in 2011¹¹. At the heart of this performance was strong like-for-like growth in our core Russian container ports segment, plus a resilient profits contribution from our Oil Products operations.

FINANCIAL PERFORMANCE

In 2011, Global Ports delivered record revenues of USD 501.3 million, a year-on-year increase of 31%, derived mainly from the increase in the Group's container terminal operations. Adjusted EBITDA rose 37% in 2011 to USD 282.2* million, while adjusted EBITDA margins increased to 56%* from 54%*. Despite the sharp increase in revenues the Group managed to keep a tight grip on costs and, as a result, total operating expenses increased by only 21%. The 200 basis points increase in the Group's EBITDA margin reflects increased utilisation levels and a relentless focus on improving operational efficiency and reducing costs across the business. Our Return on Capital Employed, a key measure of how successful we are at using our capital to generate returns, increased to 22%*

44%

year-on-year increase in operating profit

0.2x*

Net Debt to Adjusted EBITDA in 2011



The sharp rise in the Russian market, driven by economic recovery and strong consumer demand, offered a huge opportunity for Global Ports

30%

overall share of the Russian container market, up from 27% in 2010

23%

our leading market share of the former Soviet Union fuel oil export market in 2011

from 16%* last year. We also continued our record of strong cash generation, producing more than USD 265 million of cash generated from operations in 2011, 35% ahead of last year. We retained a strong balance sheet and modest levels of gearing throughout 2011. We ended the year with minimal gearing and net debt of just USD 66* million, in comparison to USD 140* million a year ago.

OPERATIONAL PERFORMANCE

Throughput of Russian container terminals increased by 29%¹² in 2011, measured in TEU, against a global increase of 7.4%¹³ year on year. The sharp rise in the Russian market, driven by economic recovery and strong consumer demand, offered a huge opportunity for Global Ports, which had continued to invest in expanding container handling and storage capacity and facility upgrades right through the recession. It meant the Group was well placed to capitalise on container traffic volumes when they rebounded strongly in 2010 and 2011. In sharp contrast to many of our competitors who were capacity-constrained, we had sufficient available port capacity to handle substantially greater container volume throughput, and we were able to capture a disproportionate share of that incremental growth. Following the decision to invest in new facilities, Global Ports was able to deliver a remarkable 44% growth in container volumes through our gateway terminals in Russia's parts of the Baltic Sea and Far East.

We achieved a slight increase in average revenue per TEU growth, largely as a result of higher prices, which compensated for the fact that customers were evacuating containers quicker, so reducing container dwell time. Our long-established presence in the Baltic Sea ports and the dominant force in terms of container flows in Russia gave us extra impetus. We saw significant volume growth both in container handling and in other non-core, ancillary services like Ro-Ro and car imports in the Russian ports segment, which increased volumes by 50% and 56% respectively.

Our biggest container terminal of Petrosport (PLP), based in the Big Port of St Petersburg, produced an outstanding operational performance in 2011. Having increased terminal capacity by some 50% in PLP since 2007, we were able to utilise that extra capacity and benefit from the very strong growth in container cargo volumes and Ro-Ro cargo. Mainline clients, successful marketing initiatives and the strong underlying growth of the market itself were all drivers for the strong performance. Our second-largest container port, VSC, which benefits from a very strong competitive position in the Far East as it directly accesses the Trans-Siberian Railway, also produced a strong result. We saw increasing container flows in 2011, and our volumes rose by 33% in 2011. Our expansion plan for VSC, if fully realised, would see handling capacity quadruple from its current 550,000 TEU capacity.

10. Source: ASOP.

11. Source: Argus Neffetransport, 2011; company data.

12. Source: ASOP.

13. Drewry Container Forecaster.

Last year was also an opportunity to improve service levels and alter the customer mix. Before the downturn, our container customer mix consisted mostly of feeder shipping lines with a small share of mainline operators, which meant that we suffered disproportionately in the downturn when main shipping lines cut their use of feeder lines to bolster volumes within their own networks. This experience led us to adjust our strategy to target mainline

operators, a decision that proved very successful. This group now accounts for more than 60% of our business mix. 2011 also saw important collaborations launched with a number of major mainline operators, included PLP teaming up with Maersk Line to launch the first ever direct ocean container service between Morocco and Russia and a service between Ecuador and Russia for the import of fruit; SASCO launching a new international container service at VSC; and others.

Results for the oil products market, a strong counterbalance to the GDP-sensitive container segment because of strong cash flows and stable earnings, were ahead of the previous year.

Vopak E.O.S., the Baltic's largest independent oil products terminal, which we own 50:50 with our strategic partner Royal Vopak, faces new competition in the Baltic from the Ust-Luga terminal, launched by one of our competitors in the second quarter of 2011. However, the repositioning of

60%

of customers are mainline operators



PETROLESPORT, BALTIC SEA BASIN

Vopak E.O.S. as a complex hub terminal, improving its service mix by providing more services per unit of cargo, such as rail transportation within Estonia, blending and segregated storage to customers, is showing results. Revenue and Adjusted EBITDA at Vopak E.O.S. grew by 8% and 9% respectively, even as competition in the market increased. Revenue Per Cubic Metre increased by 4% in 2011 on top of an increase in the Average Storage Capacity by 4%. We will continue to promote Vopak E.O.S. as a sophisticated hub terminal, emphasising its unique qualities as an independent, non-aligned facility, and over the next few years we plan to increase our unloading capacity and grow storage capacity. The post-WTO accession rail tariff harmonisation in 2013, along with a general market trend towards fuel oil export using VLCCs, will increase our competitiveness in the years to come. We have a clear vision for Vopak E.O.S. and a clear strategy which we are confident in our ability to execute.

OPPORTUNITIES

Global Ports will benefit from any uplift in the Russian economy because of the GDP-sensitive nature of the container business. Therefore, recent forecasts that the Russian economy is set to grow in 2012 by somewhere between 3% and 5% make us optimistic about the outlook for the container sector over the next 12 months. Consumer spending has continued to advance strongly at the start of 2012. Retail sales in the first two months of 2012 were up 12%¹⁴ and sales of new cars and light commercial vehicles grew by 19%¹⁵ in the first quarter of 2012 compared to the same period of 2011.

As a result of this improving economic climate, Russian container volumes are expected to grow in 2012. Indeed, figures released for the first quarter of 2012 show that container volumes for this period grew by 12%¹⁵ over the corresponding period in 2011. Our own discussions with clients support this positive view of the market's prospects for 2012.

Longer term, the structural case for the ports sector remains compelling. Growing disposable income in Russia will continue to drive container volumes and promote the growth of containerisation generally. The accession of Russia to the WTO, after 18 years of negotiation, should also provide a major long-term boost to the container market as trade barriers are gradually removed and the business climate in Russia improves.

CAPEX PLAN

In order to capitalise on what we expect to be benign conditions ahead, the Group has drawn up a capital expenditure programme in line with our customers' needs and anticipated market demand. The Group plans to spend more than USD 400 million between 2010 and 2013, expanding capacity across the portfolio. This compares to approximately USD 300 million invested into our portfolio in the period 2008-2010. At Petrolport in

Our first-class management team, experienced in investing in assets at the right point in the cycle, will consider all new opportunities as they become available

2011, we began construction of two new berths and adjacent container yards, increasing PLP's capacity by 40%, and commissioned a new reefer container yard that made PLP the biggest container port in north-west Russia for reefer containers, with 3,630 reefer plugs. At VSC, in response to the growing trade in coal exports, we commissioned a new bulk coal cargo handling facility, giving VSC capacity to handle this high-demand export commodity. We also continued our incremental upgrading of our other facilities. While we remain fully committed to investing in capacity expansion, our approach is very much demand-driven and we are prepared to flex our capital expenditure to fit the prevailing market conditions.

CONCLUSION

As well as creating a leading market position, Global Ports is committed to ensuring it is able to capitalise on any upside in the Russian economy in the near future. Our first-class management team, experienced in investing in assets at the right point in the cycle, will consider all new opportunities as they become available. Global Ports is in a position to organically expand container capacity more than two times and oil products capacity by 35%, should the need arise. The Group is also well placed to consider any opportunities for growth through acquisition that may arise in the market.

We are very pleased with the excellent progress we made in 2011. The new year has started well, and we are confident of making further progress in 2012.



Dr. Alexander Nazarchuk
Chief Executive Officer

14. Source: Rosstat.

15. Source: Association of European Business (AEB), ASOP as of March 2012.

OUR AIM IS TO BE THE MARKET LEADER

We aim to be the market leader in container operations in Russia, as well as the largest oil products terminal servicing the former Soviet Union's (FSU) export flows.

In achieving our aims we expect to deliver strong, sustainable long-term growth and create value for our shareholders through increasing our handling capacity via a combination of low-risk organic expansion and selective acquisitions, and by raising productivity. We have devised a four-part strategy to:

CAPITALISE ON CONTAINER MARKET GROWTH IN RUSSIA

The container handling market in Russia, excluding transit, has grown at a compound annual growth rate of 23.0% from 461,000 TEUs in 2000 to 4,508,000 TEUs in 2011¹⁶, and is forecast to continue to grow as the containerisation of cargo increases. Global Ports plans to increase container handling capacity and upgrade existing terminal facilities in line with market demand. Alongside expanding capacity at its port terminals, the Group plans to improve its range of complementary services to customers.

Global Ports currently operates a portfolio of tier one port assets that includes three sea container terminals in Russia, two sea container terminals in Finland and one inland terminal in the St Petersburg region. Together these facilities make the Group the leading container terminal operator in Russia servicing Russian cargo flows, with a market share of 30%¹⁷ of the container throughput via Russian ports.

Global Ports has the potential to increase its existing annual container handling capacity by 2.8 times from current levels, mainly through organic expansion at the existing terminal footprints at Petrosport (PLP) in the Baltic and VSC in the Far East. PLP has the potential to more than double its existing annual container handling capacity of 1,000,000 TEUs and VSC could quadruple its current annual handling capacity of 550,000 TEUs. In 2013, the Group plans to add 400,000 TEU capacity at PLP, increasing capacity by 40% from current levels.

TRANSFORM VOPAK E.O.S. INTO A LEADING HUB TERMINAL

We plan to grow Vopak E.O.S., the largest oil products terminal in the Baltic Sea Basin by throughput, based in Estonia. The facility, jointly owned with Royal Vopak, accounted for 23%¹⁸ of the FSU's fuel oil exports in 2011. To strengthen its leadership position, Global Ports has been implementing a new strategy promoting Vopak E.O.S. as a multi-purpose hub terminal, and improving its services mix (offering segregated storage and blending possibilities as well as rail transportation within Estonia), diversifying its cargo mix and attracting new customers.

To accommodate future growth and implement the new strategy, the Group is planning to commission additional railway unloading capacity and build new storage capacity at Vopak E.O.S. The new 132-position railway unloading facility is due to come into service in the first half of 2012. This facility will enable Vopak E.O.S. to accommodate cargo flows it does not currently handle from refineries in Russia and other CIS countries. The Group also plans to develop complementary services, seeking to offer a comprehensive range of services to oil companies and oil traders.

OUR OBJECTIVE IS TO GROW THE GROUP AND DELIVER SUPERIOR RETURNS TO OUR SHAREHOLDERS. THIS IS BASED ON A FOUR-PART STRATEGY:

1 CAPITALISE ON CONTAINER MARKET GROWTH IN RUSSIA

2 TRANSFORM VOPAK E.O.S. INTO A LEADING HUB TERMINAL

3 CONTINUE TO OPTIMISE OPERATIONS

4 EXPAND THROUGH GREENFIELD DEVELOPMENT AND SELECTIVE M&A

CONTINUE TO OPTIMISE OPERATIONS

Global Ports intends to improve productivity; consolidate and streamline core management functions; and further improve customer service. The Group plans to focus more on staff development and training to improve the productivity of its workforce. Global Ports also expects to deliver productivity gains through increased levels of multi-skilling and improved use of spare space at port terminals to develop new services and cargo facilities. There will also be a greater emphasis on customer service, through proper monitoring, improved communications, and greater customisation of services.

EXPAND THROUGH GREENFIELD DEVELOPMENT AND SELECTIVE M&A

Global Ports plans to expand its asset portfolio through organic greenfield development. We have the ability to double our container capacity in Russia's Baltics, increase it four-fold in the Far East and grow oil products capacity by 35%. Alongside organic expansion, we will also consider selective acquisitions. The Group has a disciplined approach to evaluating potential acquisitions, which need to satisfy a range of criteria such as the potential for expansion, the likely returns to shareholders, and the ability to exercise operational control. The Group's organic development plans are focused on securing brownfield sites that have the potential to be developed into large-scale container terminals.

16. Source: ASOP.

17. Source: ASOP.

18. Source: Argus Neftetransport.



AN INCREASE IN CONTAINER TRAFFIC IS LINKED TO THE STRONG PERFORMANCE OF THE RUSSIAN ECONOMY

In 2011, the Russian economy grew faster than that of the major European countries and even the United States, generating a rise in cargo flows, particularly in the Baltic and Far East Basins.

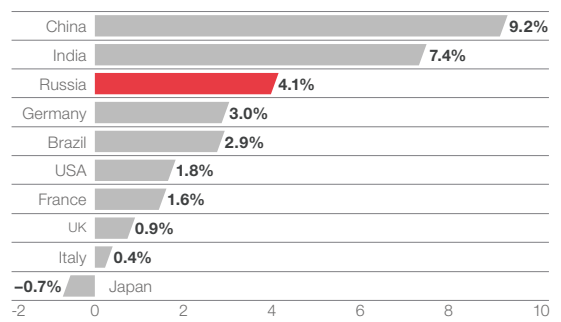


In 2011, the Russian economy demonstrated strong growth compared with other developed economies and some emerging markets. According to the International Monetary Fund (IMF), Russia's GDP grew 4.1% in 2011. The Russian economy was among the fastest-growing, outperforming the major European economies and the United States, according to the IMF.

In terms of overall container traffic volume, the global container port market ended 2011 on a high note. According to Drewry, total throughput from key ports grew by 7.4% in December 2011 year on year. Drewry's Global Throughput Index, which measures global container volumes at key ports across all regions, reflects resilient growth in container traffic over the past year.

The Russian container market is one of the fastest-growing markets in the world. Between 2000 and 2011, total Russian container volumes, excluding container transit through Finland and the Baltic countries, grew at a CAGR of 23%, from approximately 461,000 TEUs in 2000 to 4,508,000 TEUs in 2011¹⁹.

REAL GDP GROWTH IN 2011, %



Source: IMF World Economic Outlook Update, January 2012

+7.4%

year-on-year increase in total throughput
in the key world ports in 2011

19. Company calculations based on Drewry and ASOP data.

STRONG GROWTH OF CONTAINER TRAFFIC

In 2011 the Russian container market grew at 29%²¹ – above the historical multiple of four times GDP.

In 2011, Baltic and Far East Basins served more than 80% of Russia's container cargo flow.

Historically, there was a strong correlation between real GDP growth and container market growth. For Russia this correlation was at the level of four times real GDP growth, compared to three times in the case of the global economy, according to Drewry.

In 2011, the total Russian container market, excluding transit cargo volumes via Finland and Baltic countries, expanded 6.7 times faster than Russia's real GDP growth²⁰, increasing by 29%²¹ year on year.

82%

of Russia's container cargo flow was served by the Baltic and Far East Basins in 2011

29%

year-on-year increase in container market growth

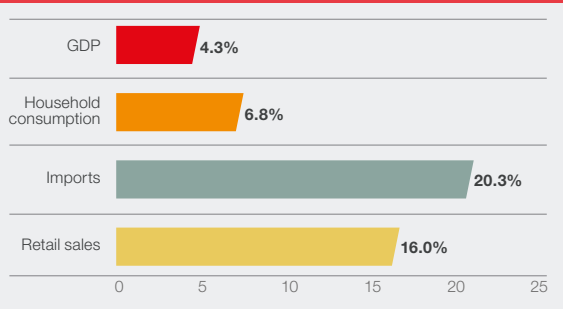
²⁰ Company estimations based on ASOP data.

²¹ ASOP, excluding transit cargo volumes via Finland and the Baltic countries. Historical multiple was calculated for the period 2000-2010.

²² Rosstat, growth year on year.



REAL GDP GROWTH IN 2011, %



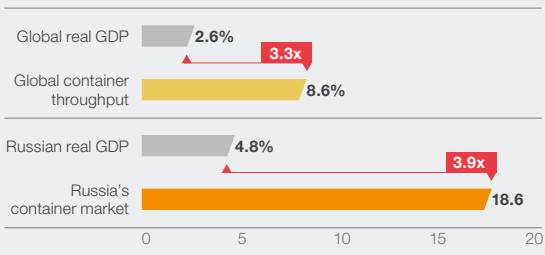
Source: Rosstat, growth year on year

The key drivers of Russian container market growth in 2011²² were:

- ▣ Growth of Russian real GDP
- ▣ Household consumption growth
- ▣ Strong growth of imports
- ▣ Retail sales growth

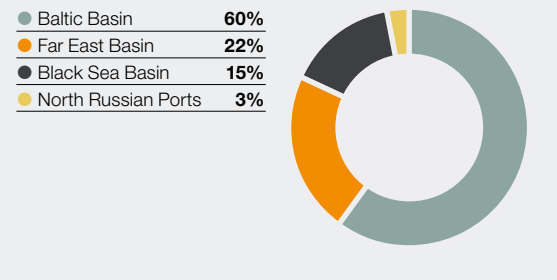


CONTAINER MARKET VS GDP GROWTH (CAGR 2000–2010), %



Source: IMF World Economic Outlook Update, January 2012

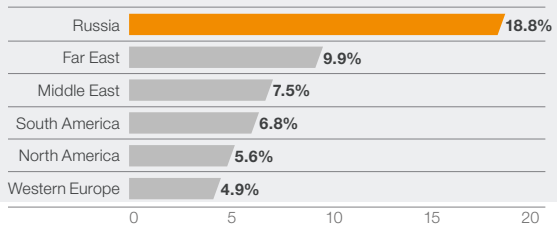
RUSSIAN CONTAINER FLOW IN 2011, %



Source: ASOP, company calculations

In the medium term, Russia will continue to be one of the world's most attractive container markets, according to Drewry, with growth expectations of nearly double its nearest regional competitor.

REGIONAL CONTAINER VOLUME GROWTH OUTLOOK (CAGR 2010-2013), %



Source: Drewry, as of May 2011

77%

Utilisation rate in 2011 for Russian port terminals

37 TEU

per thousand capita container penetration in Russia is more than three and a half times lower than the US and more than four and a half times lower than the European Union



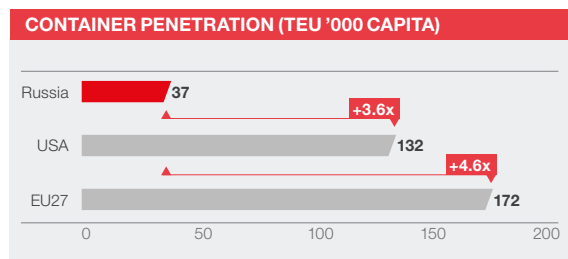
MORE GROWTH IN CONTAINERISATION

Industry data suggests that there is further potential for growth in Russian container traffic as the economy grows.

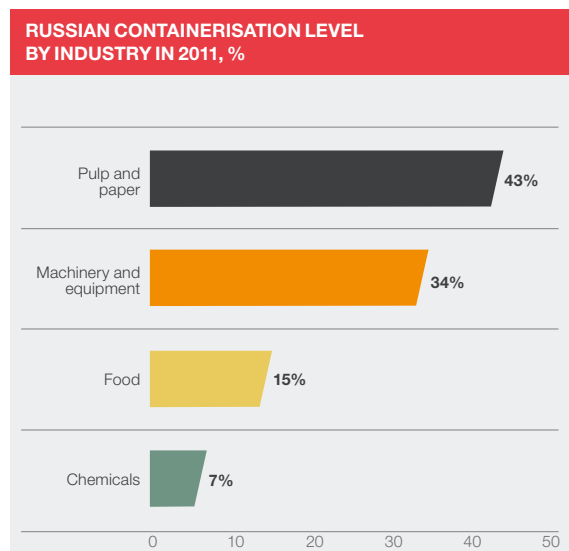
The relationship between population size and seaport container volumes varies from country to country and is dependent on many different factors, including geography, size and structure of the industrial base, infrastructure, foreign trade volumes and type of commodities. Drewry believes that the TEU per capita ratio indicates the developmental stage of a country's container market.

The low level of containerisation in Russia at present suggests that there is high upside potential for Russian container traffic development.

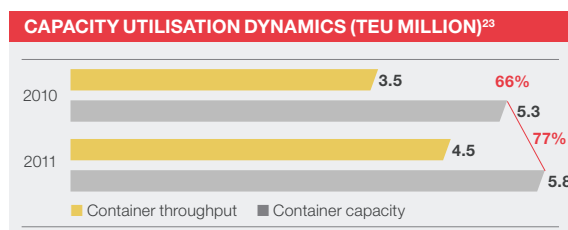
Before the economic downturn, utilisation rates at Russian container terminals peaked at 89% in 2007. Utilisation levels decreased during the downturn but as container throughput volumes increased, rates also partially recovered to 66% in 2010. In 2011, utilisation rates at Russian container terminals increased to 77%²³.



Source: IMF World Economic Outlook Update, January 2012



Source: Company calculations, based on customs data for 2011



Source: Drewry, ASOP, company estimations

23. Company estimations, based on ASOP and Drewry data. Russian ports' container market data excluding transit cargo via Finland and the Baltic countries. Capacity utilisation rate is defined as container throughput in the corresponding period divided by container handling capacity for the period.

STRONG PERFORMANCE OF FUEL OIL EXPORT MARKET

Despite industry change the fuel oil export market in the former Soviet Union continued to demonstrate strong growth.

In 2011, crude oil production increased by 6.3 million tonnes or 1.2% to 511.4 million tonnes. The production of oil products in Russia has shown solid growth in recent years, driven by high refining margins and rising domestic consumption, which was led by the growing demand for transport fuels in Russia and CIS countries. According to Argus Neftetransport, the production of oil products grew 2% to 222.6 million tonnes compared to 218.3 million tonnes in 2010. The main drivers of this growth were fuel oil (+4.7%), motor gasoline (+1.4%) and naphtha (+9.1%).

The main streams in Russian refinery output are fuel oil (35% in 2011) and diesel (32% in 2011).

Fuel oil is an unavoidable by-product of the oil refining process; it varies substantially in physical characteristics, and hence value, from different refineries. Fuel oil consumption in Russia has been declining over time due to the abundant availability of gas as fuel for Russia's utilities.

As a result, Russian fuel oil is mostly exported. Fuel oil is mainly used for power generation, marine bunkers or feedstock for further processing at refineries. Such further processing of Russian fuel oil typically occurs in more complex refineries located primarily in Asia, North America and Europe.

The main regions of bunker fuel consumption are the intermediate blending and marine bunkering centres in Singapore, Rotterdam, the Middle East and Houston. Currently, there is a large market for Russian fuel oil in China, where most utilities still use fuel oil as feedstock.

Both diesel and fuel oil have a large share of export compared to domestic consumption, and fuel oil appears to show an increasing divergence between its export and domestic consumption. At the same time, the gasoline market displays an opposite profile where domestic demand accounts for a majority of the production and the export share is very small.

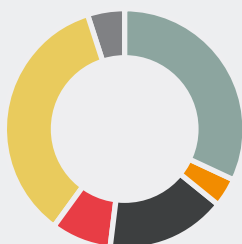
Fuel oil has high viscosity and a wide range of qualities; transporting the product on land requires heating and segregation. As a result, transport capacity for fuel oil is subject to more constraints than light oil products, and railway is the only practical transport option. Ports in the Baltic Basin handle around two thirds of total Russian fuel oil exports.

According to Argus Neftetransport, Russia's oil products export increased by 3.7% to 129 million tonnes.

At the same time, according to Argus Neftetransport, fuel oil export from Russia increased by 6.1% to 64 million tonnes, forming most of the overall former Soviet Union fuel oil export market which grew 6% in 2011.

REFINERY OUTPUT BREAKDOWN IN 2011, %

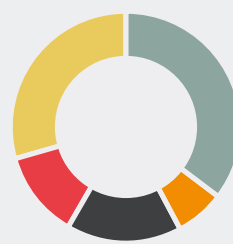
● Diesel fuel	32%
● Jet fuel	4%
● Motor gasoline	16%
● Naphtha	8%
● Fuel oil	35%
● VGO	5%



Source: Argus Neftetransport

GLOBAL FUEL OIL DEMAND BY INDUSTRIES IN 2010, %

● Bunker	35%
● Power	16%
● Industrial	12%
● Feedstocks	29%
● Other	7%



Source: Drewry, as of May 2011

6%

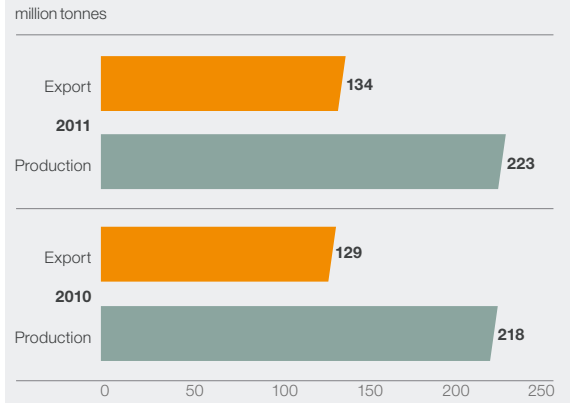
Growth in former Soviet Union fuel oil export market

CRUDE OIL PRODUCTION IN RUSSIA, IN 2011



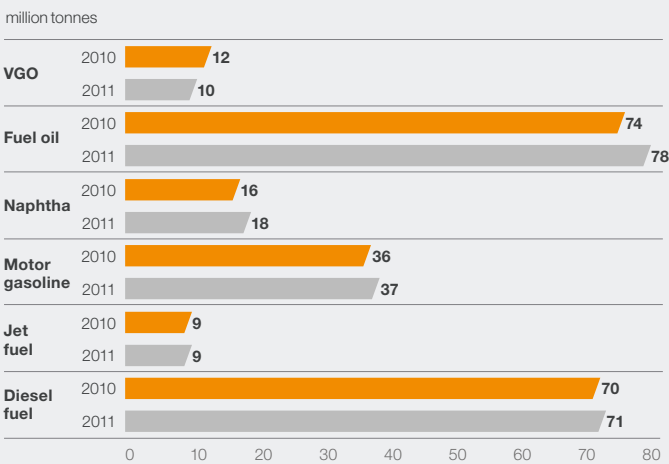
Source: Drewry, Argus Neftetransport

TOTAL RUSSIAN PRODUCTION OF OIL PRODUCTS VS EXPORTS



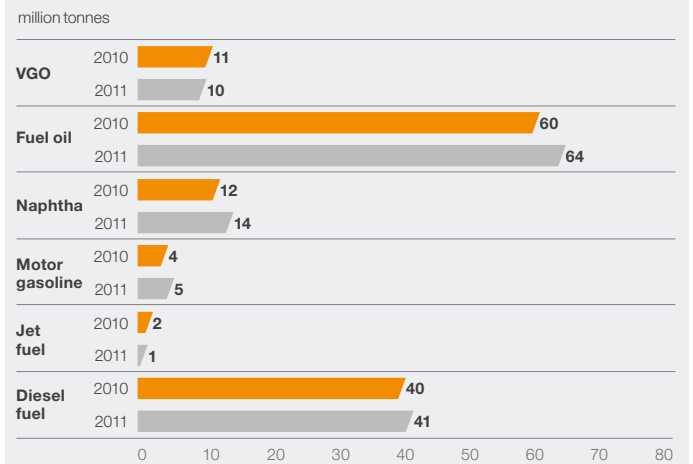
Source: Argus Neftetransport

2011 RUSSIAN PRODUCTION BREAKDOWN



Source: Argus Neftetransport

2011 RUSSIAN EXPORT BREAKDOWN



Source: Argus Neftetransport

60+

The average number of block trains a month from VSC

3,630

PLP became the largest reefer terminal in Russia and the North West, with more than 3,630 plugs

6,000_{TEU}

Deep sea mainline ship call at VSC

JANUARY

Maersk Line and PLP launched the first ever direct ocean container service between Morocco and Russia – MARUS Express.

Maersk Line's investment in MARUS Express has been motivated by its customers' demand for a reliable and fast shipping route for fruits and vegetables, especially citrus fruits and tomatoes. The service presents a unique opportunity for Russian exporters to develop the trade between Russia and North Africa.

PLP CONTAINER TERMINAL



6,000 TEU MAINLINE CALL TO VSC



JUNE

- ▶ Global Ports listed its global depositary receipts on the London Stock Exchange.
- ▶ Global Ports' IPO in June 2011 was named one of the deals of the year by *Euromoney* (8 February 2012).
- ▶ Global Ports introduced deep sea mainline calls as well as attracting new cabotage services into VSC.



LISTED
STANDARD
DEPOSITARY RECEIPTS

MAY

Yanino logistics park was commissioned in St. Petersburg area.

**E.R.S. LOCOMOTIVES
(A VOPAK E.O.S. SUBSIDIARY PROVIDING LOCOMOTIVE TRACTION)**



SEPTEMBER

The new block train service from Port Vostochny to Western Siberia was launched at VSC. As a result, the total number of block trains operated by VSC in 2011 increased by 24%. PLP and Yanino also launched block train service, connecting the facilities.

BLOCK TRAIN SERVICES IN VSC



OCTOBER

E.R.S., a wholly-owned subsidiary of Vopak E.O.S., was named the most competitive transportation and logistics enterprise in Estonia in 2011. In addition, by implementing its strategy to become the terminal of choice for its clients by diversifying its services, cargo and client mix, Vopak E.O.S. won the 2011 customer satisfaction survey within Vopak's global network.



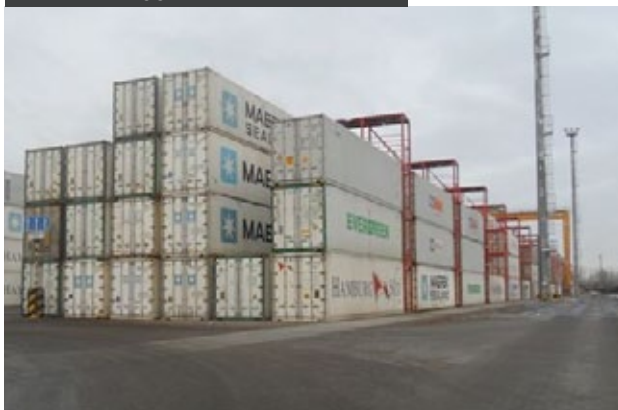
NEW CUSTOMS INSPECTION ZONE AT PLP



NOVEMBER

- ▶ PLP introduced 2,808 reefer plugs, becoming the largest reefer terminal in Russia (3,630 plugs in total), as well as improving quality of service by enlarging the custom inspection complex in PLP by 25,000 square metres.
- ▶ In response to increasing volumes of coal exports from Russia in recent years, VSC opened a bulk coal cargo handling facility.

NEW REEFER CONTAINER YARD AT PLP



NEW COAL TERMINAL AT VSC



AN EXPERT MANAGEMENT TEAM

The expertise and insight of Global Ports' management team is a key ingredient of the Group's continued success.



ALEXANDER NAZARCHUK

Chief Executive Officer

Dr. Nazarchuk was appointed as an executive member of the Board of Directors in 2008 and has been the Chief Executive Officer of the Company since 2008. He has also held the positions of Chairman of the Council of Vopak E.O.S. since December 2004, member of the Board of Directors of Petrolesport since December 2007 and member of the Board of Directors of VSC since October 2005.

Dr. Nazarchuk served as a member of the Board of New Forwarding Company OAO from June 2003 until August 2008, a member of the Board of Directors of Sevtekhnotrans OOO from September 2007 until August 2008, a member of the Board of Directors of Spacecom AS from April 2003 until June 2008 and a member of the Board of Directors of Vostochny Mezhdunarodny Container Service ZAO from June 2005 until October 2008.



OLEG NOVIKOV

Chief Financial Officer

Mr. Novikov has served as the Chief Financial Officer of the Company since December 2008. He has more than 15 years' experience in various managerial positions in the N-Trans group of companies. In the past, he served as a member of the Board of Directors at Severstaltrans ZAO from September 2007 until April 2008, a member of the Board of Directors at New Forwarding Company OAO from June 2003 until August 2008, a member of the Board of Directors at Sevtekhnotrans OOO from September 2007 until August 2008, a member of the Board of Directors at Baltransservis OOO from April 2007 to March 2010 and a member of the Board of Directors at NPK-Finance OOO from August 2007 to April 2008. Mr. Novikov was Deputy General Director responsible for finance at Severstaltrans ZAO from May 1996 to September 2009.



ROY CUMMINS

Chief Commercial Officer

Mr. Cummins has more than 20 years of experience in the ports and shipping industry, having worked in Europe, Asia, the Middle East and Australia. Prior to joining the Group, he worked for DP World for three years as Chief Executive Officer and a member of the Board of Directors of Saigon Premier Container Terminal, a "greenfield" port development project in Vietnam. Prior to that, Mr. Cummins held various positions in the P&O Group in both the Liner shipping division (P&O Nedlloyd) and the ports division (P&O Ports), where, in the latter case, he held the positions of General Manager of the Port Botany Terminal in Sydney, Australia, and the West Swanson Terminal in Melbourne, Australia. Mr. Cummins graduated from the University of Durham in the UK.



ALEXANDER GUSYATINER

Chief Operational officer

Mr. Gusyatiner has extensive experience in the ports industry, having worked in Canada, Australia and the Middle East. Before joining the Group, he worked for Aecom-Perth, Australia, as a Senior Engineer of the Ports and Marine Department, where he was involved in ports and container terminal engineering consulting and operational planning. Prior to that, he worked for Ausenco Sandwell Engineering for four years as a senior container terminal and transportation specialist, where he managed engineering projects and was responsible for ports and container terminal operational development. From August 2004 to December 2006, he was a Technology Director at DP World, responsible for container terminal operation. Between 1993 and 2004, he worked for Terminal Systems Inc. (TSI) in Vancouver as project manager.



EDUARD CHOVUSHYAN

General Manager, PLP

Mr. Chovushyan has served as the Chief Executive Officer of Petrosport since March 2007. He has more than 15 years' experience in various managerial positions in the N-Trans group of companies. He previously served as a Deputy Chief Executive Officer of Tuapsinsky morskoy torgovy port OAO from November 2003 and was appointed CEO in June 2004. Prior to that, he was the Deputy General Director of Tuapsinsky sudoremontny zavod OAO for a year. Following on from his role at Tuapsinsky morskoy torgovy port OAO, Mr. Chovushyan then worked as Vice President for Development at NCC OOO from April 2006 until March 2007. From August 2007, he has served as the Chairman of the Board of Directors of Porttransservice OOO. He graduated from the Lomonosov Moscow State University where he studied Philosophy.



ARNOUT DIRK LUGTMEIJER

General Manager, Vopak E.O.S.

Mr. Lugtmeijer has served as the Chairman of the Management Board of Vopak E.O.S. since 1996 (since 1994 as a member of the Management Board). He has also served as member of the Management Board of E.R.S. since April 2008 and EK Holding AS since September 2005 and as member of the Supervisory Board of Stivterminal (a subsidiary, which was merged into Vopak E.O.S. in 2011) since June 2006 and Pakterminal (which was acquired by Vopak E.O.S. in May 2008 and merged into Vopak E.O.S. in May 2010) since June 2008. Mr. Lugtmeijer studied at Delft Technical University in Holland and graduated in 1991.



VALERY MESTULOV

General Manager, VSC and Yanino

Mr. Mestulov was appointed General Manager of VSC in 2012. Before that he had served as a General Manager of Moby Dik since July 2010. He also serves as a General Manager of Yanino (since January 2011) and as General Manager of Shahovo-18 OOO and Shahovo-19 OOO. Mr. Mestulov's experience within the Group over ten years includes roles as Deputy General Manager of Vostochny Port OAO, General Manager of VSC, and General Manager of Vladivostok Container Terminal OOO. Prior to joining the Group, Mr. Mestulov was Head of Department of the governmental stock company, Ukrresourses, and Deputy President of the Management Board of Interbudmontazh ZAO. He graduated from Borisoglebsk Road Technikum as a building-technician specialist and also has a BA in Economics and a degree in the Economics of Engineering.



DIRK VAN ASSENDELFT

General Manager, Multi-Link Terminals

Mr. van Assendelft has served as the Managing Director of Multi-Link Terminals Ltd Oy since December 2004 and was the Chief Executive officer of Moby Dik from June 2004 until July 2010. He has also held a position as a member of the Board of Directors of Niinisaaren Portti Osakeyhtiö Oy (NiPO) since April 2007. Prior to his appointment as the Managing Director of Multi-Link Terminals Ltd Oy, he worked for Container-Depot Ltd Oy as a Director until December 2005. He studied at the Helsinki University of Technology and the Kotka Svenska Samskola.



ALEXANDER DUDKO

General Manager, Moby Dik

Mr. Dudko was appointed General Manager of Moby Dik in March 2012. Before that Mr. Dudko served as Operations Director of VSC from early 2011 when he joined the company from DP World Southampton (UK), where he spent three years in various positions. He started his career in the ports industry working for First Container Terminal in St Petersburg where he had a role in the Finance Department between 2004 and 2006. Mr. Dudko has a First Class degree from the State Marine Technical University in St Petersburg and an MSc in Logistics, Trade and Finance from Cass Business School, London. He is a member of the Chartered Institute of Logistics and Transport.

GROUP PERFORMANCE

DURING 2011 GLOBAL PORTS INCREASED ITS CONTAINER THROUGHPUT VOLUMES IN THE RUSSIAN PORTS SEGMENT, STRONGLY OUTPERFORMING THE OVERALL RUSSIAN CONTAINER MARKET²⁴²⁵

This outperformance was driven by well-timed investments which ensured there was adequate available capacity to accommodate the market recovery as well as a number of commercial initiatives implemented by the management.

- ▣ Consolidated revenue rose 31% year on year to USD 501.3 million, reflecting the significant growth in container handling volumes, improved pricing and changes in the mix of services provided.
- ▣ Strict cost-control measures implemented by management as well as a degree of operating leverage resulted in Group costs increasing less than revenue growth, with total cost of sales, administrative, selling and marketing expenses up just 21% year on year to USD 277.4 million.
- ▣ Adjusted EBITDA climbed 37% year on year to USD 282.2* million.
- ▣ Adjusted EBITDA Margin reached 56%* compared to 54%* in 2010.
- ▣ Profit for the year increased by 23% to USD 146.9 million despite USD 19 million of net foreign exchange losses on borrowings and cash, cash equivalents and loans receivable in 2011.
- ▣ Return on Capital Employed (ROCE) increased to 22%* compared to 16%* in the previous year.
- ▣ CapEx on a cash basis increased by 153% year on year to USD 132.0 million, reflecting accelerated investments to enable capacity expansion, equipment renewal, and improvement of the services rendered to clients.
- ▣ The Group reduced its Net Debt by 53% to USD 66.0* million at 31 December 2011 compared to USD 139.9* million at the end of 2010. Net Debt to Adjusted EBITDA was only 0.2x* at 31 December 2011 compared to 0.7x* at the end of 2010.
- ▣ On the basis of the excellent financial results and strong balance sheet of the Group, the Board of Directors recommended an additional dividend payment of USD 32.9 million or USD 0.21 per GDR, which was approved by shareholders at the Annual General Meeting on 17 April 2012. This, together with a dividend payment of USD 28.2 million or USD 0.18 per GDR in September 2011, sets the total base dividend for the year 2011 at USD 0.39 per GDR²⁶.

24. Excluding volumes of inland container terminal Yanino.

25. Source: ASOP ("Association of Sea Commercial Ports", www.morport.com).

26. Does not include the USD 25.0 million dividend paid to shareholders in June 2011 prior to the initial public offering of the Company attributable to the previous periods. Each GDR represents an interest in three ordinary shares.

KEY CONSOLIDATED FINANCIAL INFORMATION

	2010 \$m	2011 \$m	Change \$m	Change %
IFRS financial information				
Revenue	382.4	501.3	118.9	31%
Cost of sales, administrative, selling and marketing expenses	(229.1)	(277.4)	(48.3)	21%
Operating profit	157.0	226.0	69.0	44%
Profit for the year	119.0	146.9	27.9	23%
Basic and diluted earnings per share for profit attributable to the owners of the Company during the year	0.24	0.29	-	-
Non-IFRS financial information				
Adjusted EBITDA	206.6*	282.2*	75.6	37%
Adjusted EBITDA Margin	54%*	56%*	-	-
ROCE	16%*	22%*	-	-

31%

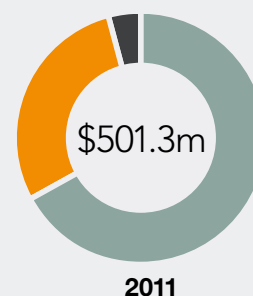
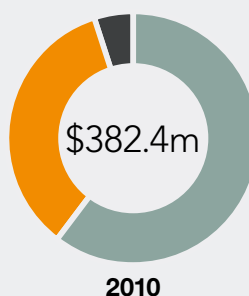
The increase in the Group's revenue

21%

increase in Group total cost of sales, administrative, selling and marketing expenses

REVENUE BY BUSINESS SEGMENT

● Russian Ports segment		
2010:	\$231.5m	61%
2011:	\$337.9m	67%
● Oil Products Terminal segment		
2010:	\$132.7m	35%
2011:	\$143.0m	29%
● Finnish Ports segment		
2010:	\$18.5m	5%
2011:	\$20.6m	4%



REVENUE

The Group's revenue in 2011 rose 31% or USD 118.9 million to USD 501.3 million compared to 2010. This increase was primarily driven by a strong increase in revenue in the Russian Ports segment as well as respectable growth in revenues of the Oil Products Terminal segment.

In 2011 the Russian Ports segment contributed 67% of Group revenue, with the Oil Products Terminal segment and Finnish Ports segment accounting for 29% and 4% respectively.

The chart above sets out the Group's revenue by operating segments adjusted for the effect of proportionate consolidation.

The Group's revenue is discussed in greater details in the Analysis by Operating Segment section that follows.

COST OF SALES

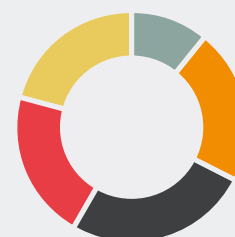
The Group's cost of sales in 2011 increased by 20% or USD 39.1 million to USD 237.6 million compared to 2010, driven

largely by increased staff costs (up 21% or USD 10.9 million), transportation expenses (up 15% or USD 6.7 million), fuel, electricity and gas expenses (up 32% or USD 6.2 million) as well as purchased services (up 179% or USD 5.2 million).

In particular, **staff costs** increased, mainly due to the rise in staff costs in the Russian Ports segment, which was driven by growth in the variable parts of salaries resulting from the increased throughput, wage inflation and an increase in the

GROUP'S COST OF SALES BREAKDOWN, 2011

● Staff costs	26%
● Depreciation of property plant and equipment	21%
● Transportation expenses	21%
● Fuel, electricity and gas	11%
● Total other cost of sales (non-IFRS measure)	22%





The majority of key cost items grew at a lower rate than revenue growth, reflecting the Group's continued strong cost control

56%*

Adjusted EBITDA Margin in 2011

FINANCE INCOME / (COSTS) – NET

	2010 \$m	2011 \$m	Change \$m	Change %
Included in finance income:				
Interest income	0.9	2.7	1.8	205
Other financial income	0.1	–	(0.1)	(100)
Net foreign exchange gains/(losses) on cash and cash equivalents	(0.8)	(2.8)	(2.0)	234
Finance income total	0.1	(0.1)	(0.2)	(198)
Included in finance costs:				
Interest expenses	(16.9)	(13.8)	3.1	(18)
Other finance costs	(0.1)	–	0.1	(100)
Net foreign exchange gains/(losses) on borrowings and other financial items	2.1	(16.2)	(18.3)	(866)
Finance costs total	(14.9)	(30.0)	(15.1)	101
Finance income/(costs) - net	(14.8)	(30.1)	(15.3)	103

rate of unified social tax in Russia. These factors were partially offset by the increased outsourcing of auxiliary personnel.

The increase in **transportation expenses** resulted largely from the growth in container throughput in the Russian Ports segment.

Fuel, electricity and gas expenses increased due to increased fuel, electricity and gas prices, increased throughput in the Russian Ports segment as well as the change in cargo mix coming to the Oil Products terminal.

The **purchased services** increased as a result of the outsourcing of auxiliary services in the Russian Ports segment.

ADMINISTRATIVE, SELLING AND MARKETING EXPENSES

The Group's total administrative, selling and marketing expenses in 2011 increased by 30% or USD 9.2 million to USD 39.8 million compared to 2010, driven primarily by staff costs (up 25% or USD 3.5 million) and legal, consulting and other professional services expenses (up 132% or USD 3.1 million). Staff costs increased, mainly due to wage and salary inflation as well as a higher number of administrative employees. Legal, consulting and other professional services expenses growth primarily reflects the additional expenses associated with the Initial Public

Offering and listing of Global Depository Receipts of the Company on the Main Market of the London Stock Exchange in June 2011.

OPERATING PROFIT

The majority of key cost items grew at a lower rate than revenue growth, reflecting the Group's continued strong cost control as well as its operating leverage.

As a result, operating profit increased 44% or USD 69.0 million to USD 226.0 million during 2011.

FINANCE INCOME / (COSTS) – NET

In 2011 the Group recorded a net finance loss of USD 30.1 million compared to a net finance loss of USD 14.8 million in the previous year. This was primarily due to a USD 20.3 million increase in net foreign exchange, loss on borrowings and other financial items compared to the previous year, primarily reflecting the depreciation of the Russian rouble against the US dollar at 31 December 2011 in comparison to the same date in 2010 (USD/RUB 32.2 at 31 December 2011 in comparison to USD/RUB 30.5 at 31 December 2010). The impact was partially offset by a decrease in interest expenses of USD 3.1 million, arising from lower average interest rates in 2011 compared to the previous year and an increase of interest income of USD 1.8 million.

ADJUSTED EBITDA BREAKDOWN

	2010 \$m	2011 \$m	Change \$m	Change %
Profit for the year	119.0	146.9	27.9	23
Plus (Minus)				
Income tax expense	23.2	49.0	25.8	111
Finance costs - net	14.8	30.1	15.3	103
Amortisation of intangible assets	7.6	8.2	0.5	7
Depreciation of property, plant and equipment	45.6	50.1	4.5	10
Other losses/(gains)	(3.6)	(2.1)	1.6	(43)
Adjusted EBITDA	206.6*	282.2*	75.6	37

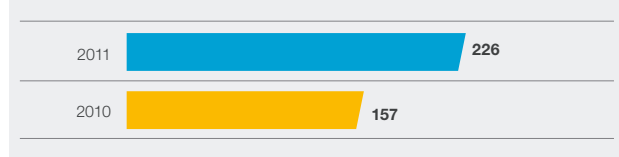
37%

increase in Group's Adjusted EBITDA

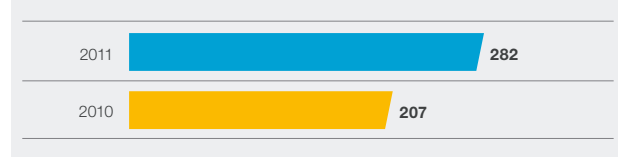
23%

increase in Group's profit for the year

GROUP'S OPERATING PROFIT DYNAMICS (USD MILLIONS)



GROUP'S ADJUSTED EBITDA DYNAMICS (USD MILLIONS)



PROFIT BEFORE INCOME TAX

Profit before income tax increased by 38% or USD 53.8 million to USD 195.9 million compared to 2010, due to the factors detailed above.

INCOME TAX EXPENSE

Income tax expense in the year more than doubled from USD 23.2 million in 2010 to USD 49.0 million, an increase of USD 25.8 million. This was mainly driven by (i) an increase in profit before income tax as described above and (ii) a non-recurring deferred tax charge of USD 8.9 million on the Oil Products Terminal segment's distributable retained earnings due to a change in management's intentions concerning payment of future dividends.

PROFIT FOR THE YEAR

Profit for the year increased 23% to USD 146.9 million compared to the previous year due to the factors detailed above.

ADJUSTED EBITDA (NON-IFRS FINANCIAL MEASURE)

The Group's Adjusted EBITDA increased 37% to USD 282.2* million compared to 2010, reflecting the strong growth in revenues and strict cost management as described above.

The Group's profitability improved with the Adjusted EBITDA Margin increasing to 56%* compared to 54%* in the previous

year, reflecting the continued cost control measures and the operating leverage of the Group's business.

LIQUIDITY AND CAPITAL RESOURCES

The Group's liquidity requirements arise primarily in connection with the capital investment programmes of each of its operations as well as their operating costs. In the year under review, the Group's liquidity needs were met primarily by revenues generated from operating activities, proceeds from the Initial Public Offering and borrowings. The management of the Group expects to fund its liquidity requirements in both the short and medium term with cash generated from operating activities, borrowings and available cash balances.

Net cash from operating activities rose from USD 174.4 million in 2010 to USD 230.2 million in 2011, an increase of 32%. This was primarily driven by a strong performance in all the Group's segments.

Net cash used in investing activities increased by USD 43.7 million or 66% year on year to USD 110.2 million in 2011, mainly reflecting a 153% growth in purchases of property, plant and equipment. In addition, the Group acquired a leasehold title to a plot of land adjacent to the existing terminal sites that will be used for capacity expansion (reflected in purchases of intangible assets). The above increase of net cash used in investing activities was impacted by the increase in net cash from the deposits

with maturity over 90 days and loan repayments from related parties.

Net cash used in financing activities amounted to USD 25.8 million in 2011 compared to USD 104.2 million in 2010. Net cash used in financing activities for 2011 can largely be broken down into the following:

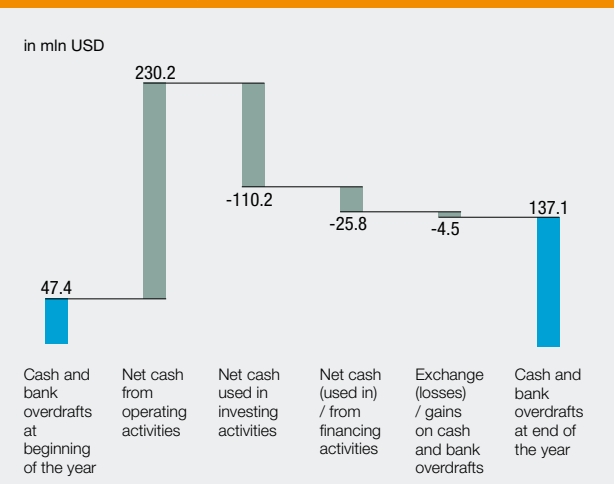
- ▶ Net proceeds from the issue of shares of USD 96.6 million;
- ▶ Net cash outflows from borrowings and financial leases²⁷ of USD 41.0 million, reflecting mainly cash outflow from repayment of borrowings and finance lease principal payments, offset in part by proceeds from borrowings;
- ▶ Interest paid of USD 17.0 million;
- ▶ Dividends paid to non-controlling interests of USD 11.2 million;
- ▶ Dividends paid to the owners of the Company of USD 53.2 million²⁸.

CAPITAL EXPENDITURES (ON A CASH BASIS)

The Group's capital expenditures on a cash basis in 2011 more than doubled to USD 132.0 million, increasing by USD 79.8 million compared to the previous year, reflecting the accelerated expansion of its terminal facilities and the purchase and renovation of equipment as well as investments to develop the service offering.

The Russian Ports segment's capital expenditures on a cash and 100% basis increased by USD 70.0 million year on year to USD 117.7 million in 2011 and were primarily used to finance the construction of a new reefer container yard and new customs inspection zone in PLP, the expansion of the railway front and construction of a new

CASH AND CASH EQUIVALENTS BRIDGE

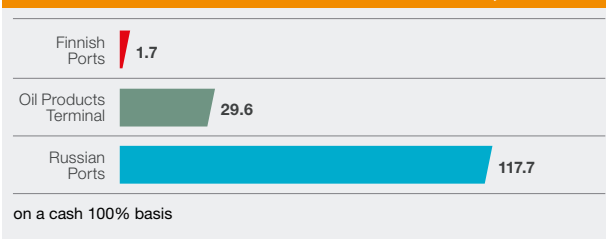


coal handling facility in VSC, and the purchase of new handling equipment across all terminals.

The Oil Products Terminal segment's capital expenditures on a cash and 100% basis increased by USD 8.9 million year on year to USD 29.6 million in 2011. The majority of investments were used to finance the construction of additional railcar unloading facilities, truck loading rack and the improvements to the terminal storage tanks' interconnectivity with additional pipeline pumping equipment.

The Finnish Ports segment's capital expenditures on a cash and 100% basis rose USD 1.6 million year on year to USD 1.7 million in 2011, mainly reflecting the purchase of handling equipment and spare parts.

CAPITAL EXPENDITURES BREAKDOWN BY SEGMENTS, 2011



CAPITAL RESOURCES

The Group's financial indebtedness consisting of bank borrowings, loans from third parties and finance lease liabilities remained broadly flat at USD 206.9 million at 31 December 2011, up only USD 0.2 million compared to the end of 2010.

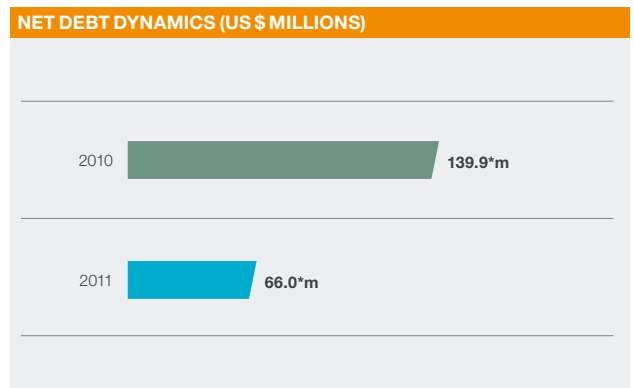
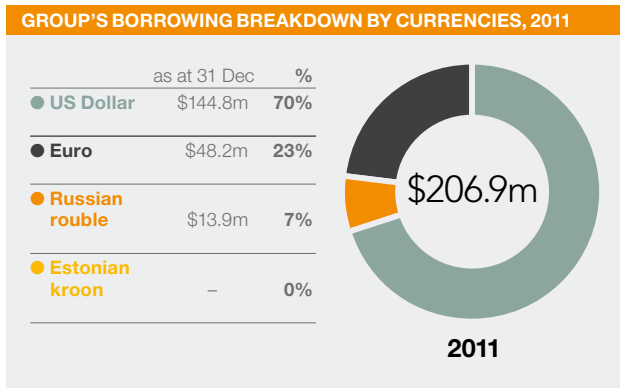
As at 31 December 2011, the Group had USD 137.1 million in cash and cash equivalents and USD 3.9 million in bank deposits with maturity over 90 days.

The Group's Net Debt declined by 53% or USD 73.9 million to USD 66.0* million at 31 December 2011 compared to USD 139.9* million the end of 2010. Net Debt to Adjusted EBITDA ratio decreased to 0.2x* at 31 December 2011 compared to 0.7x* at the end of 2010.

The Group's weighted average effective interest rate was 6.1%* as at 31 December 2011 compared to 6.9%* as at 31 December 2010.

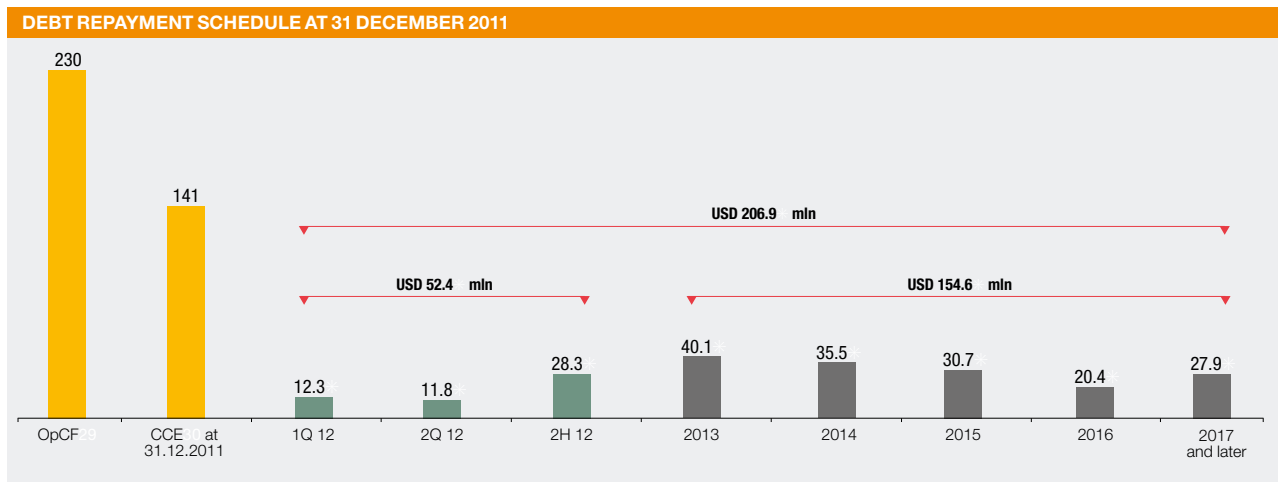
27. Defined as the balance between "proceeds from borrowings", "repayments of borrowings" and "finance lease principal payments (to third parties)".

28. Includes the USD 25.0 million dividend paid to shareholders in June 2011 prior to the initial public offering of the Company attributable to previous periods.



As at 31 December 2010 and 31 December 2011, the carrying amounts of the Group's borrowings were denominated in the currencies above.

The following graph sets forth the maturity profile of the Group's borrowings (including finance leases) as at 31 December 2011.



MOBY DIK, BALTIC SEA BASIN

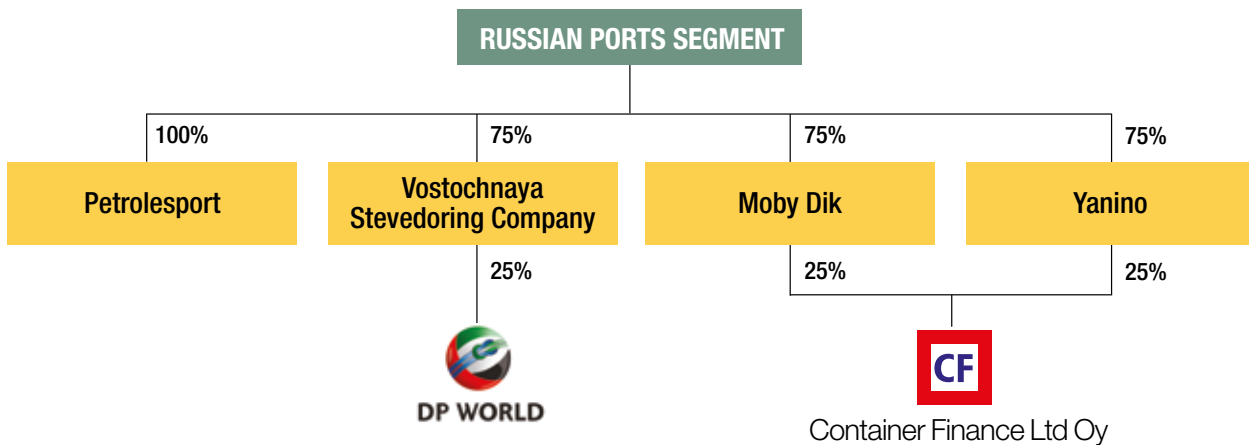


29.OpCF is defined as net cash from operating activities in 2011.
30.CCE is defined as cash and cash equivalents.

RUSSIAN PORTS SEGMENT

THE GROUP'S RUSSIAN PORTS SEGMENT SIGNIFICANTLY OUTPERFORMED THE MARKET, WITH CONTAINER THROUGHPUT GROWING BY 44%

Container throughput in the Russian Federation Ports increased by 29% year on year, faster than the market, reflecting strong GDP growth and growth in consumer spending. The Group's container terminals market share of overall container throughput in the Russian Federation Ports rose from 27% to 30% in 2011.



EDUARD CHOVUSHYAN

General Manager, PLP



VALERY MESTULOV

General Manager, VSC and Yanino



ALEXANDER DUDKO

General Manager, Moby Dik

OPERATIONAL PERFORMANCE

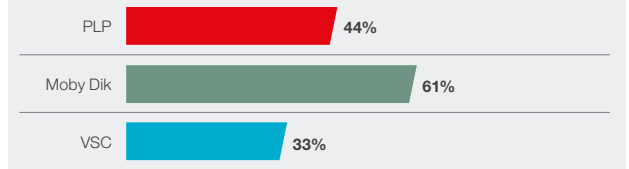
During 2011, the Group's Russian Ports segment significantly outperformed the market with container throughput in the Russian Ports segment growing 44% to 1,344,000 TEUs in 2011. Container Throughput in the Russian Federation Ports increased by 29% year on year to approximately 4,508,000 TEUs, reflecting strong GDP growth (up 4.3%³⁴) and growth in consumer spending (up 6.4%³⁴). The Group's container terminals market share³⁵ of overall Container Throughput in the Russian Federation Ports rose from 27% in 2010 to 30% in 2011.

Gross Container Throughput increased across all the Group's terminals with both PLP and Moby Dik (both located in the Baltic Sea Basin) delivering a 44% and 61% increase respectively, and VSC (located in the Far East Basin) posting a 33% increase. The container capacity utilisation³⁶ of the Russian Ports segment improved to 69% in 2011.

This strong performance was driven primarily by the strategic initiative to make significant investments in capacity expansion during 2008-2011 which has enabled the Group to capture a significant part of the market growth and win market share. In addition, the Group retained its strong customer focus, implementing a number of commercial initiatives including the following:

- ▶ In 2011 PLP increased its presence in the refrigerated container segment by expanding its container yard for refrigerated containers. In 2011, PLP also commissioned a new customs inspection zone.

INCREASE IN GROSS CONTAINER THROUGHPUT IN 2011, %



- ▶ PLP attracted new weekly services from global liner operators including CMA CGM, MSC and OOCL. In addition, PLP handled two regular mainline services calling at St. Petersburg: the ECUBEX service from South America and the MARUS service from Morocco, both of which are operating in the lucrative reefer segment of the container business.
- ▶ Moby Dik attracted new services from Hyundai Merchant Marine.
- ▶ VSC continued to enjoy strong support for its dedicated block train services to Western Siberia, Urals and central Russia (frequency up by 24% in 2011) and has attracted new direct services from mainland China by Sasco and Maersk Line.

Traditional Ro-Ro and cars throughput increased 50% and 56% respectively in 2011 compared to the year before, driven by growth in the construction and agriculture sectors and very strong growth in passenger car sales in Russia.

Reflecting the Group's strategy of focusing on containerised cargo, handling of dry bulk cargo and refrigerated bulk cargo declined 17% and 70% respectively.

PETROLESPORT, BALTIC SEA BASIN



31. Excluding volumes of inland container terminal Yanino.
 32. Source: ASOP.
 33. Market share calculated as Global Ports' Russian Ports segments' Gross Container Throughput in corresponding period divided by Container Throughput in the Russian Federation Ports in the same period. Sourced from ASOP.
 34. Source: Rosstat.
 35. Market share calculated as Global Ports' Russian Ports segments' Gross Container Throughput in corresponding period divided by Container

Throughput in the Russian Federation Ports in the same period. Sourced from ASOP ("Association of Sea Commercial Ports", www.morport.com).
 36. Container capacity utilisation is defined as annualised container throughput for the corresponding period (for the half-year period, container throughput in first six month of respective year multiplied by two) divided by annual container handling capacity for the period. It excludes the Group's inland container terminal, Yanino.

PETROLESPORT, BALTIC SEA BASIN



The inland container terminal, Yanino, continued expanding its customer base and increasing throughput, recording growth in container throughput of 104% and gross bulk cargo throughput of 61% compared to 2010. The Group's coal handling facility in VSC was commissioned and started operations in late 2011.

FINANCIAL PERFORMANCE

REVENUE

The Russian Ports segment's revenue increased by 46% or USD 110.5 million year on year to USD 349.7 million in 2011.

Revenue from container handling, the key revenue driver for the Russian Ports segment, contributing 75% of its revenue in 2011, increased 46% year on year to USD 261.4* million. This reflected strong growth in container throughput as well as a moderate increase in average revenue per TEU. The growth of average revenue per TEU in 2011 was driven by increased headline tariffs partially offset by changes in the service mix – predominantly decreased average storage revenue as clients focused on optimising their port costs and better managed their dwell times.

Other revenue, accounting for 25% of the segment's revenue, increased by 48% year on year to USD 88.3* million, supported by a strong increase in the number of block trains operated in VSC as well as significant increase in Ro-Ro and car handling volumes.

The table (right) sets forth the components of the Russian Ports segment's revenue for 2011 and 2010 on a 100% basis.

TOTAL COST OF SALES, ADMINISTRATIVE, SELLING AND MARKETING EXPENSES

The Russian Ports segment's total cost of sales, administrative, selling and marketing expenses increased 28% year on year to USD 178.9 million in 2011, significantly below the 46% growth rate of the segment's revenues, reflecting the Group's successful cost-cutting measures as well as the segment's operating leverage.

44%

increase in the segment's Gross Container Throughput in 2011

56%

increase in segment's car handling in 2011

In particular, **staff costs**, which accounted for 33% of the segment's total cost of sales, administrative, selling and marketing expenses in 2011, were up 29% or USD 13.2 million year on year to USD 58.9 million. This increase was primarily due to the growth in the variable parts of salaries (resulting from increased throughput), wage inflation and an increase in the rate of unified social tax in Russia, and was offset in part by a reduction in the number of employees arising from staff optimisation measures and outsourcing.

Transportation expenses accounted for 8% of the segment's total cost of sales, administrative, selling and marketing expenses in 2011, up 90% or USD 6.6 million year on year at USD 13.8 million. This was primarily due to an increase of railway services in VSC, increased outsourcing of intra-terminal transportation services and general cost inflation.

Fuel, electricity and gas contributed 6% of the segment's total cost of sales, administrative, selling and marketing expenses in 2011, up 53% or USD 3.7 million year on year to USD 10.7 million, primarily due to increased throughput and higher prices for these supplies.

Repair and maintenance of property, plant and equipment contributed 6% of the segment's total cost of sales, administrative, selling and marketing expenses in

RUSSIAN PORTS' SEGMENT REVENUE BREAKDOWN

	2010 \$m	2011 \$m	Change \$m	Change %
Revenue	239.2*	349.7*	110.5	46
Container handling ³⁷	179.4*	261.4*	82.1	46
Other	59.8*	88.3*	28.5	48

TOTAL COST OF SALES, ADMINISTRATIVE, SELLING AND MARKETING EXPENSES

	2010 \$m	2011 \$m	Change %
Depreciation of property, plant and equipment	37.3	40.7	9
Amortisation of intangible assets	6.7	7.2	7
Staff costs	45.7	58.9	29
Transportation expenses	7.2	13.8	90
Fuel, electricity and gas	7.0	10.7	53
Repair and maintenance of property, plant and equipment	9.4	11.3	20
Total	113.4	142.6	26
Other operating expenses	26.6	36.3	37
Total cost of sales, administrative, selling and marketing expenses	140.0	178.9	28

2011, up 20% or USD 1.9 million, primarily due to increased throughput, additional equipment purchased in the course of 2011 and general cost inflation.

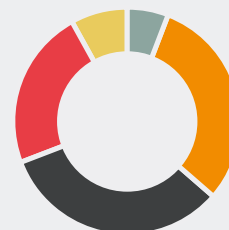
ADJUSTED EBITDA (NON-IFRS FINANCIAL MEASURE)

The segment's Adjusted EBITDA increased by 53% or USD 75.5* million to USD 218.8* million compared to 2010, reflecting the factors described above.

The segment's profitability improved, with the Adjusted EBITDA Margin increasing to 63%* compared to 60%* in the previous year, reflecting strict cost controls as well as operating leverage in the segment's business.

TOTAL COST OF SALES, ADMINISTRATIVE, SELLING AND MARKETING EXPENSES BREAKDOWN

● Staff costs	33%
● Depreciation of property, plant and equipment	23%
● Transportation expenses	8%
● Fuel, electricity and gas	6%
● Total other operating expenses (non-IFRS measure)	31%



PETROLESPORT, BALTIC SEA BASIN



46%

increase in revenue

53%

Adjusted EBITDA increase



63%*

Adjusted EBITDA margin

OIL PRODUCTS TERMINAL SEGMENT

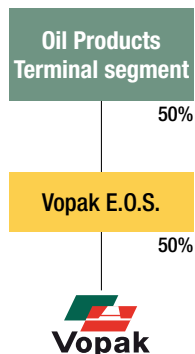
2011 WAS A YEAR OF CHANGE IN THE INDUSTRY LANDSCAPE. WE TOOK ACTIVE STEPS TO ADDRESS THIS

Global Ports' Oil Products Terminal segment delivered a stable performance, with a modest increase of Revenue Per CBM of Storage of 4% in 2011 compared to 2010. Average Storage Capacity increased by 4% year on year due to the additional storage commissioned in 2010.



**ARNOUT DIRK
LUGTMEIJER**

General Manager, Vopak E.O.S.



replaced over half of the volumes captive to the newly commissioned Ust-Luga terminal with cargoes from new and existing clients. This resulted in Vopak E.O.S. increasing the share of cargoes originating from distant refineries – the handling of which requires more discharging capacity.

In addition, the above change together with the overall market trend resulted in an improved service mix that positively affected Vopak E.O.S.'s revenues – driven mainly by increased demand for railway services provided by Vopak E.O.S. and segregated storage.

The change in cargo mix and the implementation time lag of the change in client mix affected the Oil Products Gross Throughput, which declined by 13% in 2011 compared to 2010.

OPERATIONAL PERFORMANCE

Global Ports' Oil Products Terminal segment delivered a stable performance, with a modest increase of Revenue Per CBM of Storage of 4% in 2011 compared to 2010.

Vopak E.O.S.'s Average Storage Capacity increased by 4% in 2011, driven by the additional storage commissioned in 2010. In parallel, Revenue Per CBM of Storage increased 4% in 2011 compared to 2010 – driven mainly by (i) increased headline tariffs (ii) changed cargo and client mix and (iii) improved service mix.

2011 was a year of change in the industry landscape. Vopak E.O.S. took active steps to address this and successfully further diversified its client base. It swiftly

FINANCIAL PERFORMANCE

REVENUE

The Oil Products Terminal segment's revenue increased 8% year on year to USD 285.9 million in 2011, mainly due to a 4% increase in Average Storage Capacity as well as the 4% growth in Revenue Per CBM of Storage. The latter was driven mainly by (i) increases in headline tariffs; (ii) the improved service mix, including increased demand for railway services provided by Vopak E.O.S. and increased demand for segregated storage and other factors; and (iii) changed product mix.

TOTAL COST OF SALES, ADMINISTRATIVE, SELLING AND MARKETING EXPENSES

	2010 \$m	2011 \$m	Change %
Depreciation of property, plant and equipment	16.9	19.0	12
Amortisation of intangible assets	2.3	2.4	6
Staff costs	24.1	26.3	9
Transportation expenses	68.4	69.3	1
Fuel, electricity and gas	24.1	29.1	20
Repair and maintenance of property, plant and equipment	4.0	4.7	17
Total	139.8	150.7	8
Other operating expenses	11.1	11.4	3
Total cost of sales, administrative, selling and marketing expenses	150.9	162.1	7

TOTAL COST OF SALES, ADMINISTRATIVE, SELLING AND MARKETING EXPENSES

The Oil Products Terminal segment's total cost of sales, administrative, selling and marketing expenses increased 7% year on year to USD 162.1 million in 2011, primarily due to an increase in major cost items.

In particular, Staff costs accounted for 16% of the segment's total cost of sales, administrative, selling and marketing expenses in 2011, up 9% or USD 2.2 million year on year to USD 26.3 million, primarily due to an increase in the number of employees to support growth in railway operations and wage inflation.

Transportation expenses accounted for 43% of the segment's total cost of sales, administrative, selling and marketing expenses in 2011, up only 1% or USD 0.9 million year on year to USD 69.3 million.

Fuel, electricity and gas contributed 18% of the segment's total cost of sales, administrative, selling and marketing expenses in 2011, up 20% or USD 5.0 million year on year to USD 29.1 million. This change is mainly due to inflation in fuel, electricity and gas unit costs as well as the changed cargo mix requiring longer railway transportation and increased heating when unloading.

Repair and maintenance of property, plant and equipment contributed 3% of the segment's total cost of sales, administrative, selling and marketing expenses in 2011, up 17% or USD 0.7 million, primarily due to deferred repair maintenance work from the previous periods and cost inflation.

ADJUSTED EBITDA (NON-IFRS FINANCIAL MEASURE)

The segment's Adjusted EBITDA increased 9% to USD 145.2* million compared to 2010, reflecting the factors described above.

The segment's profitability slightly improved with the Adjusted EBITDA Margin rising to 50.8%* compared to 50.4%* in the previous year, reflecting management's achievements in increasing revenue and Adjusted EBITDA.

8%

increase in revenue

9%

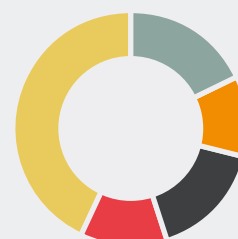
Adjusted EBITDA increase

51%*

Adjusted EBITDA margin in 2011

TOTAL COST OF SALES, ADMINISTRATION, SELLING AND MARKETING EXPENSES BREAKDOWN, %

● Staff costs	16%
● Depreciation of property plant and equipment	12%
● Transportation expenses	43%
● Fuel, electricity and gas	18%
● Total other operating expenses (non-IFRS measure)	11%



FINNISH PORTS SEGMENT

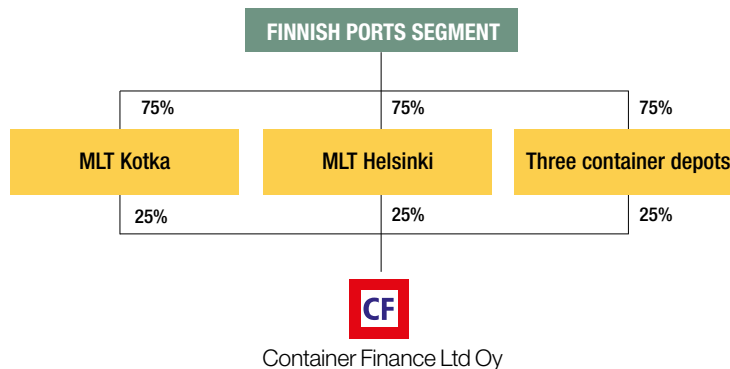
A RISE IN CONTAINER THROUGHPUT AND RO-RO CARGO HAS INCREASED REVENUE IN THE FINNISH PORTS BY 9.8%

The Gross Container Throughput of the Finnish Ports segment in 2011 increased by 2% to 163,000 TEUs compared to 2010.



DIRK VAN ASSENDELFT

General Manager, Mult-Link Terminals



KOTKA, FINNISH PORTS



OPERATIONAL PERFORMANCE

The Gross Container Throughput of the Finnish Port segment remained broadly stable with a 2% increase year on year to 163,000 TEUs, supporting a 9.8% increase in revenues and an almost two-fold increase in the adjusted EBITDA Margin.

In MLT Kotka, which operates in the port of Kotka and focuses primarily on Russian import and Finnish export cargo flows, a shift from mobile crane operation to more advanced STS operation resulted in increased operational efficiency. These upgrades will further support customer acquisition and future growth in throughput.

TOTAL COST OF SALES, ADMINISTRATIVE, SELLING AND MARKETING EXPENSES

	2010 \$m	2011 \$m	Change %
Depreciation of property, plant and equipment	2.7	3.1	16
Staff costs	10.5	11.0	5
Transportation expenses	2.7	2.9	7
Fuel, electricity and gas	0.9	1.4	46
Repair and maintenance of property, plant and equipment	1.3	1.3	(2)
Total	18.2	19.8	9
Other operating expenses	9.7	8.1	(17)
Total cost of sales, administrative, selling and marketing expenses	27.9	27.9	0

FINANCIAL PERFORMANCE

REVENUE

The Finnish Ports segment's revenue increased by 9.8% year on year to USD 31.0 million in 2011, largely reflecting the increased Gross Container Throughput and management efforts to attract other cargoes to the terminal, namely Ro-Ro cargoes.

TOTAL COST OF SALES, ADMINISTRATIVE, SELLING AND MARKETING EXPENSES

The Finnish Ports segment's total cost of sales, administrative, selling and marketing expenses remained broadly flat year on year and amounted to USD 27.9 million in 2011. Total cost of sales, administrative, selling and marketing expenses increased due to the Gross Container and Ro-Ro cargoes throughput growth as well as higher fuel, electricity and gas costs (due to inflation in average prices for fuel and electricity). This rise in costs was offset by cost-cutting initiatives implemented by the management (in particular, a number of staff optimisation measures) and the 5% depreciation of the average exchange rate of the euro against the US dollar.

ADJUSTED EBITDA (NON-IFRS FINANCIAL MEASURE)

The segment's Adjusted EBITDA increased 105% to USD 6.3* million compared to 2010, reflecting the factors described above.

The segment's profitability improved with Adjusted EBITDA Margin increasing to 20.3%* in 2011 compared to 10.9%* in the previous year, reflecting the increased revenues and cost control measures implemented by the management.

10%

increase in revenue

105%

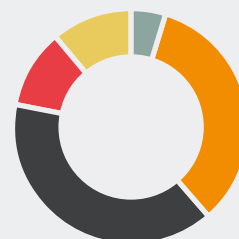
Adjusted EBITDA increase

20%*

Adjusted EBITDA margin

TOTAL COST OF SALES, ADMINISTRATIVE, SELLING AND MARKETING EXPENSES BREAKDOWN, %

● Staff costs	40%
● Depreciation of property, plant and equipment	11%
● Transportation expenses	11%
● Fuel, electricity and gas	5%
● Total other operating expenses (non-IFRS measure)	34%



SELECTED OPERATIONAL INFORMATION FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2011

	2010	2011	Change	Change, %
Russian Ports segment				
Containerised cargo (in thousand TEUs)				
PLP	541	779	238	44%
VSC	254	339	85	33%
Moby Dik	141	227	86	61%
Total³⁸	936	1,344	408	44%
Non-Containerised cargo (in thousand TEUs)				
Ro-Ro (units)	15	22	7	50%
Cars (units)	45	70	25	56%
Refrigerated bulk cargo (tonnes)	107	33	-74	-69%
Other bulk cargo (tonnes) ³⁹	973	810	-163	-17%
Finnish Ports segment				
Containerised cargo (in thousand TEUs)	159	163	4	2%
Oil Products Terminal segment				
Average Storage Capacity (ths. cbm)	989	1,026	37	4%
Revenue Per CBM of Storage (USD per cbm)	269	279	10	4%
Number of employees (end of the period)				
Russian Ports	2,482	2,314	-168	-7%
Oil Products Terminal	533	545	12	2%
Finnish Ports	109	108	-1	-1%
Total	3,124	2,967	-157	-5%

Each of the Directors confirms that, to the best of his or her knowledge, the Management Report (section "Business review") includes a fair review of the development and performance of the business and the position of Global Ports Investments PLC and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By Order of the Board



Michalis Thomaidis
Director



Alexander Iodchin
Director

38. Total container throughput of Russian Ports excludes the throughput of Yanino which, in 2010 and 2011, was 32 thousand TEUs and 65 thousand TEUs respectively.

39. Does not contain coal. Excludes Yanino volumes which, in 2010 and 2011, were 142 thousand tonnes and 229 thousand tonnes respectively.



CAPACITY (AS OF 31 DECEMBER 2011)

Russian Ports segment

Russian container terminals (excluding Yanino) Annual container handling capacity (in thousand TEUs)

PLP	1,000
VSC	550
Moby Dik	400
Total	1,950

Yanino, inland container terminal

Annual container handling capacity (in thousand TEUs)	200
Annual general cargo handling capacity (in thousand tonnes)	400

Finnish Ports segment

MLT Kotka (in thousand TEUs)	90
MLT Helsinki (in thousand TEUs)	270
Total	360

Oil Products Terminal segment

Storage Capacity (in thousand cbm)	1,026
------------------------------------	-------



THE GROUP IS DETERMINED TO MATCH INTERNATIONAL CORPORATE GOVERNANCE PRACTICE REQUIREMENTS

As a company listed on the London Stock Exchange, Global Ports recognises that it has a responsibility to its shareholders and wider stakeholder community to deliver the highest standards of transparency and governance.

In order to safeguard the rights of Global Ports' (GPI) shareholders, the Group is determined to match international corporate governance practice requirements. As such, the Group seeks to ensure its corporate governance framework is in line with the expectations of investors and other stakeholders.

GPI's Board believes that its participation in an established investment market carries a significant responsibility to manage the Group transparently and in a manner appropriate to a successful business. Accordingly, the Board aims to match international corporate governance standards in time and endeavours to ensure that its corporate governance framework is in line with the interests of shareholders and other stakeholders.

As the Ordinary Shares are not listed on the Cyprus Stock Exchange, the Cypriot corporate governance regime, which only relates to companies that are listed on the Cyprus Stock Exchange, does not apply to the Company and, accordingly, the Company does not monitor its compliance with that regime or any other regime.

The Company has adopted its own corporate governance procedures, which are described in the corporate governance section of the annual report and the policies for which can be found on the Global Ports website. The Company's operating subsidiaries in Russia comply with the limited corporate governance requirements applicable to private Russian companies.

POLICIES

To improve its corporate governance framework in accordance with internationally recognised best practice, GPI adopted a number of key policies and procedures in 2008.

These policies and practices are designed to ensure the Group is focused on upholding its responsibilities to shareholders. They include, inter alia:

- ▣ Appointment policy;
- ▣ Terms of reference of the Board of Directors;
- ▣ Terms of reference of the Audit and Risk Committee;
- ▣ Terms of reference of the Nomination Committee;
- ▣ Terms of reference of the Remuneration Committee;
- ▣ Anti-fraud policy;
- ▣ Policy on reporting and investigating allegations of suspected improper activities ("Whistleblowing" policy)

CODE OF ETHICS AND CONDUCT

GPI's Code of Ethics and Conduct outlines the general business ethics and acceptable standards of professional behaviour we expect of all our Directors, employees and contractors. This Code, which is given to all new staff as part of their induction, means that everyone at GPI is accountable for their own decisions and conduct. The Code covers general behaviour expectations, fraud and corruption responsibilities, including approaches on acceptance of gifts and benefits, ethics and conflicts of interest requirements. As such, employees are encouraged to report any suspected breaches.

The Code is available to all staff on GPI's website (under the Corporate Governance section) and at the HR department at each of the Group's facilities. The Code also interacts with other more detailed policies concerning anti-fraud policy and policy on reporting and investigating allegations of suspected improper activities ("Whistleblowing" policy).

The Board receives a summary of any breaches and resulting actions on a quarterly basis, however any significant breaches must be immediately reported to Board Members.

BOARD OF DIRECTORS

Mr. Nikita Mishin

Chairman of the Board of Directors

Mr. Mishin was appointed as a Non-Executive member of the Board of Directors and elected as its Chairman in 2008. In addition, Mr. Mishin has served as a member of the Board of Directors of Petrolesport since 2007 and a member of the Board of Directors of VSC since October 2005. Mr. Mishin has also held the positions of a member of the Board of Directors of Sevtekhnotrans OOO since September 2007 and member of the Board of Directors of New Forwarding Company OAO since June 2007. Mr. Mishin served as a member of the Board of Directors and the Commercial Director of Severstaltrans ZAO from 1996 until April 2008.



Dr. Alexander Nazarchuk

Member of the Board of Directors
and Chief Executive Officer

Dr. Nazarchuk was appointed as an Executive member of the Board of Directors in 2008 and has been the Chief Executive Officer of the Company since 2008. Mr. Nazarchuk has also held the positions of Chairman of the council of Vopak E.O.S. (earlier E.O.S.) since December 2004, member of the Board of Directors of Petrolesport since December 2007 and member of the Board of Directors of VSC since October 2005. Dr. Nazarchuk served as a member of the Board of New Forwarding Company OAO from June 2003 until August 2008, a member of the Board of Directors of Sevtekhnotrans OOO from September 2007 until August 2008, a member of the Board of Directors of AS Spacecom from April 2003 until June 2008 and a senior scientist at the International Centre of Scientific and Technical Information of Moscow from 1996 until 1998. He graduated from the Lomonosov Moscow State University with a doctorate in philosophy. Dr. Nazarchuk has been a Professor of Social Philosophy at the Lomonosov Moscow State University since September 2002.



Capt. Bryan Smith

Member of the Board of Directors and
Independent Non-Executive Director

Capt. Smith was appointed as a member of the Board of Directors in 2008 and is an Independent Non-Executive Director. He currently holds the position of Chairman of Sydney Ports Corporation, NSW, Australia. He has extensive experience in the logistics industry, having been Vice President and Managing Director for South East Asia at DP World for two years until his retirement from this position in August 2008. Prior to this role he was East Asia Regional Director for P&O Ports and over a period of 12 years served as a member of the Board of Directors of VSC and VICS, Railfleet Holdings Limited, Chairman of the Board of Directors of Asian Terminals Incorporated (2005 to 2009), Chairman of the Board of Directors of SPCT (Saigon, Vietnam), Deputy Chairman of the Board of Directors of LCIT (Laem Chabang, Thailand) and a Director of numerous other port and stevedoring related companies in China, Indonesia, Thailand and the Philippines.



Mr. Michael Thomaidis

Member of the Board of Directors

Mr. Thomaidis was appointed as an Executive member of the Board of Directors in February 2008. He is also a Director at Leverret Holding Ltd (Cyprus), a position he has held since 2001. He previously served as a Director at Globaltrans Investment Plc from 2004 until 2008. Mr. Thomaidis has a B.Sc. (Hons) in Consumer Product Management from London South Bank University, UK and has a Bachelor of Science degree. He is a member of the Cyprus Chamber of Commerce.



Mrs. Siobhan Walker

Member of the Board of Directors,
Independent Non-Executive Director

Mrs. Walker was appointed as a member of the Board of Directors in 2011 and is an Independent Non-Executive Director. She has 20 years of banking experience across various industries and countries. She has been working as a Managing Director in the financial sponsors coverage group in ING Bank N.V., London branch, since August 2010. Prior to that, Mrs. Walker worked in various managerial positions in the Moscow office of ING Bank Eurasia for 13 years. She graduated with honours from the University of Sussex with a B.A. in International Relations.



Mr. Alexander Iodchin

Member of the Board of Directors

Mr. Iodchin was appointed as an Executive member of the Board of Directors in 2008. He is also a member of the Board of Directors of Railfleet Holdings Limited. Prior to joining the Company, Mr. Iodchin held the position of Director for Strategic Planning in Promyshlennoe Snabzhenie LLC for two years and worked in the Economics Faculty of Lomonosov Moscow State University for four years. Mr. Iodchin holds a Master's degree in Economics from Lomonosov Moscow State University and studied a post-graduate programme at the Moscow Institute for Economics and Linguistics. He was also awarded a PhD in Economics at Lomonosov Moscow State University. He has a diploma in International Finance Reporting Standards and Corporate Finance.

**Mrs. Elia Nicolaou**

Member of the Board of Directors

Mrs. Nicolaou was appointed as a Non-Executive member of the Board of Directors in 2009. She is currently Managing Director of Amicorp (Cyprus) Ltd in Nicosia, Cyprus, a position she has held since 2009. Her legal career includes roles at Polakis Sarris & Co from July 2003 until March 2007 as the Head of the Corporate Law Department and C. Patsalides LLC from 2002 until 2003. She is also a member and secretary of the Board of Directors and Committees of the Board of various public and private companies. Mrs. Nicolaou graduated from the University of Nottingham with a Bachelor of Law and she also has an LLM in Commercial and Corporate Law from University College London and an MBA from the Cyprus International Institute of Management.

**Mr. Mikhail Loganov**

Member of the Board of Directors

Mr. Loganov was appointed as a Non-Executive member of the Board of Directors in 2008. He currently serves as a Director at Globaltrans and has been on its Nomination Committee since March 2008. He is currently also Chief Finance Officer of Leverret Holding Ltd (Cyprus) and prior to joining the Company, was a finance manager at Sevtekhnotrans OOO from June 2004 until May 2006. For the four years before that, Mr. Loganov worked as a financial analyst for American Express (Europe) Ltd, in the UK. Mr. Loganov holds a BA (Hons) in Business Studies with finance from the University of Brighton.

**Mr. Alexander Pevzner**

Member of the Board of Directors

Mr. Pevzner was appointed as a Non-Executive member of the Board of Directors in 2009. He is currently a Head of Administration and Director General of Sberbank Capital OOO. Previously he held the position of adviser to the CEO of OGG-6 OAO (The Sixth Wholesale Power Market Generation Company) from 2006 to 2008 and prior to that, he served as the Assisting Adviser to the Minister of Transport of the Russian Federation. He is a graduate of Gubkin Russian State University of Oil and Gas with a degree in Production Engineering in the chemical industry.

**Mr. Konstantin Shirokov**

Member of the Board of Directors

Mr. Shirokov was appointed as a Non-Executive member of the Board of Directors in 2008. He is currently Financial Manager and a member of the Revision Committees of a number of TIHL group companies, positions he has held since 2005 and 2007, respectively. Mr. Shirokov is also a member of the Board of Directors and an internal auditor for Globaltrans. He has more than ten years of experience in financial planning, budgeting, and auditing. Mr. Shirokov graduated from the Finance Academy of the Russian Federation where he studied International Economic Relations. He also studied Business Management at the Business School of Oxford Brookes University, UK.

**Mr. Marios Tofaros**

Member of the Board of Directors

Mr. Tofaros was appointed as a Non-Executive member of the Board of Directors in 2009. He is currently an accounting manager at Amicorp (Cyprus) Ltd in Nicosia, Cyprus, a position he has held since 2008. Prior to that Mr Tofaros was a financial accountant at Depfa Investment Bank Ltd for four years following roles as a financial officer at Louis Catering Ltd and KPMG Cyprus, where he held various positions in the Audit Department. He graduated from the University of Kent in the UK with a BA in Accounting, Finance & Economics and a Master's degree in Business Studies and has a Chartered Certified Accountant (FCCA) diploma.



THE ROLE OF THE BOARD OF DIRECTORS

GPI is governed by its Board of Directors (hereafter also referred as “the Board”) which is collectively responsible to the shareholders for the successful performance of the Group.

The Board’s role is to provide entrepreneurial leadership to the Group by setting corporate strategic objectives to ensure that the necessary financial and human resources are in place for the Group to meet its objectives and reviewing management performance. The Board sets the Group’s values and standards and ensures all obligations to shareholders are understood and met. The Board maintains a sound system of internal controls and enterprise risk management to safeguard the Group’s assets and its shareholders’ investments in the Group.

MEMBERS OF THE BOARD OF DIRECTORS

The Board of Directors leads the process in making new Board member appointments and makes recommendations on appointments to shareholders. In accordance with the Terms of Reference of the Board, all Directors are subject to election by shareholders at the first Annual General Meeting after their appointment, and to re-election at intervals of no more than three years. Any term beyond six years for a Non-Executive Director is subject to particularly rigorous review and takes into account the need for a progressive system of refreshing the Board.



The Board maintains a sound system of internal controls and enterprise risk management to safeguard the Group’s assets and its shareholders’ investments

There are 11 Board members and Mr. Nikita Mishin is the Chairman of the Board of Directors. In this role he ensures that Board meetings are held as and when necessary, leads its Directors in ensuring their effectiveness and approves the agenda of each Board Meeting. The Chairman reviews all Board papers before they are presented to the Board and ensures that Board members are provided with accurate, timely and clear information. Management staff who have prepared the papers, or who can provide additional insight into the matters to be discussed, are invited to present the paper or attend at the relevant time during the Board meeting.

The Chairman monitors communications and relations between the Company and its shareholders, between the Board and management, and between Independent and Non-Independent Directors, with a view to encouraging constructive relations and dialogue among them. The Chairman works to facilitate the effective contribution of Non-Executive Directors.

The Company separates the positions of the Chairman and Chief Executive Officer (CEO) to ensure an appropriate segregation of roles and duties. The CEO, Mr. Alexander Nazarchuk, is responsible for day-to-day management of the Group and its operations and for implementing the strategy laid down by the Board.

Eight directors are non-executive (including the Chairman). Capt. Bryan Smith (Senior Independent Director) and Mrs. Siobhan Walker are Independent Directors, and as such have no relationship with the Company, its related companies or their officers. In this regard they are in a position to exercise objective judgment on corporate affairs independently from management.

The Board reviews its size on an annual basis and considers the present Board size as appropriate for the current scope and nature of the Group’s operations.

Although all Directors have an equal responsibility for the Group’s operations, the role of Independent Non-Executive Directors is particularly important in ensuring that the strategies proposed by management are constructively challenged. They must also ensure the strategies are fully discussed and examined, and take account of the long-term interests, not only of the major shareholders, but also of employees, customers, suppliers and the communities in which the Group conducts business.

There is no provision in the Company’s Articles of Association for retirement of Directors by rotation. In accordance with the Terms of Reference of the Board of Directors and shareholders’ resolutions dated 30 May 2011 and 17 April 2012, all current Directors were re-elected.

The Board nominated Mr. Alexander Iodchin to the position of Managing Director and granted him the powers to carry

out all business related to the business of the Company up to a total value per transaction of €1 million. It also granted him powers to discharge other managerial duties related to the ordinary course of business of the Company, including representing the Company before any government or government-backed authority.

The decisions for all other matters are reserved for the Board. Mr. Iodchin has also been acting as the Board Secretary since December 2008.

There were no significant changes in the responsibilities of the Directors during 2011, except for the resignation of Mr. Mikhail Loganov from the position of the Chairman of the Audit and Risk Committee. Mrs. Walker took this position upon appointment to the Board of Directors.



In 2011, the Board met formally 12 times to review current performance and to discuss and approve important business decisions

BOARD PERFORMANCE

The Board meets at least four times a year. Fixed meetings are scheduled at the start of each year. Ad-hoc meetings are called when there are pressing matters requiring the Board's consideration and decision in between the scheduled meetings.

In 2011 the Board met formally 12 times (2010: 9) to review current performance and to discuss and approve important business decisions, including inter alia:

- ▣ Consideration and approval of IPO and related documents;
- ▣ Consideration and approval of financial statements;
- ▣ Consideration and approval of 2012 financial budget;
- ▣ Consideration and approval of redemption of Vopak E.O.S. shares; and
- ▣ Consideration and approval of various resolutions relating to Group members.

The operation of the Board, its Committees and individual Directors is subject to annual evaluation. The evaluation of the Board and individual Directors' performance is conducted through self-assessment, cross-assessment or by an external third party. The Non-Executive Directors, led by the Senior Independent Director Capt. Smith, are responsible for the performance evaluation of the Chairman of the Board.

BOARD COMMITTEE MEETINGS HELD IN 2011 AND THE ATTENDANCE OF DIRECTORS DURING THESE MEETINGS

	Board of Directors		Nomination Committee		Remuneration Committee		Audit and Risk Committee	
	A	B	A	B	A	B	A	B
Michalis Thomaides	12	11	-	-	-	-	-	-
Alexander Iodchin	12	12	1	1	-	-	-	-
Bryan Smith	12	12	1	1	1	1	-	-
Nikita Mishin	12	5	1	1	1	1	-	-
Alexander Nazarchuk	12	3	-	-	-	-	-	-
Mikhail Loganov	12	12	1	1	-	-	11	11
Konstantin Shirokov	12	12	-	-	-	-	11	11
Ashot Khachataryants	5	3	-	-	-	-	-	-
Elia Nicolaou	12	10	-	-	-	-	-	-
Alexander Pevzner	12	12	-	-	-	-	-	-
Marios Tofaros	12	11	-	-	-	-	-	-
Siobhan Walker	8	7	-	-	-	-	6	6

A = Number of meetings eligible to attend during the year

B = Number of meetings attended

DIRECTORS' INTERESTS

The interests in the share capital of Global Ports Investments PLC and its Group companies, both direct and indirect, of those who were Directors as at 31 December 2011 and 31 December 2010 are shown below.

INTERESTS OF DIRECTORS

Name	Type of holding	Type of holding	Shares held at
Nikita Mishin	Through beneficial shareholding in Transportation Investments Holding Limited and other related entities	110,438,954	126,887,310

1. Total number of issued shares of the Company as at 31 December 2011 was 470,000,001 (as at 31 December 2010: 450,000,000).

THE BOARD COMMITTEES

In December 2008, the Board of Directors established the operation of three committees: an Audit and Risk Committee, a Nomination Committee and a Remuneration Committee.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee comprises three Non-Executive Directors and meets at least four times a year. The committee is currently chaired by Mrs. Siobhan Walker and is also attended by Mr. Mikhail Loganov (Chairman of Committee up to 30 May 2011) and Mr. Konstantin Shirokov. The Committee is responsible for considering, among other matters: (i) the integrity of the Company's financial information, including its annual and interim condensed consolidated financial information, and the effectiveness of the Company's internal controls and risk management systems; (ii) auditors' reports; and (iii) the terms of appointment and remuneration of the auditor. The Committee supervises and monitors, and advises the Board of Directors on risk management and control systems and the implementation of codes of conduct. In addition, the Committee supervises the submission by the Company of financial information and a number of other audit related issues and assesses the efficiency of the performance of the Chairman of the Board of Directors.

The Committee manages the relationship with the external auditor on behalf of the Board. It also considers the reappointment of the external auditor each year as well as

remuneration and other terms of engagement and makes a recommendation to the Board or the Managing Director. Shareholders are asked to approve the reappointment of the auditor each year at the Annual General Meeting.

The Audit and Risk Committee met 11 times in 2011, including four meetings attended by the external auditors of the Company. The principal issues which were considered during 2011 were:

- ▶ Review of the parent financial statements of Global Ports Investments PLC and consolidated financial statements of the Group for 2010 and recommendation for approval of the same to the Board;
- ▶ Review of the interim condensed consolidated financial statements for the first three and six month periods ended 31 March 2011 and 30 June 2011 respectively and recommendation for approval to the Board;
- ▶ Review of the three-year special purpose consolidated financial statements of the Group for 2008, 2009 and 2010 and recommendation for approval of the same to the Board;
- ▶ Approval of resignation and appointment of the Internal Auditor of the Group;
- ▶ Review of the fees and terms of engagement of external auditors and recommendation for their approval;
- ▶ Oversight of the reporting process, review of the audit plan and closure process;
- ▶ Review of risk management policies of the Group;
- ▶ Review and recommendation for approval of various internal documents and policies related to the financial reporting process;

Global Ports has established three committees to help the Board maintain good governance of the Company

- Review of the internal audit process and report on activities of the internal audit function in 2011 and approval of the internal audit plan for 2012.

INTERNAL AUDIT

The Internal Audit Function is carried out internally by the Group's Internal Audit Service ('IAS'). IAS is responsible for analysing the systems of risk management, internal control procedures and the corporate governance process for the Group with a view to obtaining a reasonable assurance that:

- The risk management system functions efficiently;
- Material financial, management and operating information is accurate, reliable and up-to-date;
- Actions of employees and management bodies are in compliance with the Group's internal policies, standards and procedures, and the applicable laws;
- Resources are procured reasonably, used efficiently and their safe keeping is fully guaranteed;
- Group companies conduct their business in compliance with applicable laws.

NOMINATION COMMITTEE

The Nomination Committee comprises three Directors, one of whom is independent, and is chaired by an independent non-executive director. The Committee meets at least once each year. Currently the Nomination Committee is chaired by Capt. Bryan Smith and the other members are Mr. Nikita Mishin and Mr. Alexander Iodchin. The Committee's role is to prepare selection criteria and appointment procedures for members of the Board of Directors and to review, on a regular basis, the structure, size and composition of the Board. In undertaking this role, the Committee refers to the skills, knowledge and experience required of the Board given the Company's stage of development and makes recommendations as to any changes. The Committee also considers future appointments in respect to the composition of the Board of Directors as well as making recommendations regarding the membership of the Audit and Risk Committee and the Remuneration Committee.

The Nomination Committee met once in 2011. Principal issues considered during the meeting were recommendations to the Board of Directors for the independence of certain members of the Board and the recommendations to the Board for the composition of the Remuneration and Audit and Risk Committees.

REMUNERATION COMMITTEE

The Remuneration Committee is comprised of at least three Directors, including one Independent Non-Executive Director, and expects to meet at least once each year. Currently the Remuneration Committee is chaired by Capt. Bryan Smith, and the other members are Mr. Nikita Mishin

and Mr. Mikhail Loganov. The Committee is responsible for determining and reviewing, among other matters, the remuneration of the Executive Directors and the Company's remuneration policies. The remuneration of Independent Directors is a matter for the Chairman of the Board of Directors and the Executive Directors. No Director or manager may be involved in any decisions as to his or her own remuneration.

The Remuneration Committee met once in 2011 to consider and approve the remuneration of the Chairman and Executive members of the Board of Directors.

BOARD AND MANAGEMENT REMUNERATION

Directors serve on the Board pursuant to the letters of appointment which are subject to approval by shareholders at the Annual General Meeting. Such letters of appointment specify the terms of appointment and the remuneration of Directors.

Levels of remuneration for Non-Executive Directors reflect the time commitment, responsibilities of the role and membership of the respective committees of the Board. Directors are also reimbursed for expenses associated with discharge of their duties. Non-Executive Directors are not eligible for bonuses, retirement benefits or to participate in any incentive plans operated by the Company.

The shareholders of the Company approved the remuneration of the members of the Board on 17 April 2012.

The total remuneration of the members of the Board of Directors paid by the Company and its subsidiaries in 2011 amounted to USD 1,102,000 (2010: USD 1,096,000).

INVESTOR RELATIONS/DISCLOSURES

The Company's external relations are guided by its information policy, which is consistent with best international practice applicable to shareholder and potential investor relations. Given that the Company in June 2011 became public upon placing 25% of its shares on the London Stock Exchange (LSE) in the form of Global Depositary Receipts (GDRs), all companies of the Group should meet information disclosure standards set forth by the LSE.

The main principles of the Company's information policy are regularity, efficiency, availability, reliability, completeness, balance, equality and safety of information resources.

The Group maintains a Company Secretary, who is responsible for safeguarding the rights and interests of shareholders, including the establishment of effective and transparent arrangements for securing the rights of shareholders.

The Company Secretary's responsibilities include securing compliance by the Company, its management bodies and officers with the law and the Company's Charter and internal documents. The Company Secretary organises the communication process between the parties and corporate relations, including the preparation and holding of General Meetings; storage, maintenance and dissemination of information about the Company and reviewing communications from shareholders.

Members of the Board of Directors and senior management participate in regular meetings with current and potential investors. During the course of these meetings the Group's representatives inform them of strategic areas of development, in addition to taking into account shareholders' opinions on key strategic matters when making important decisions.

The Investor Relations (IR) department interacts with the investor community on a regular basis, reporting on the most important matters to the Group's senior management. The IR team maintains a continuous dialogue with the investor community by arranging teleconferences to discuss the Group's financial performance, one-on-one meetings and participation in international conferences. The Group also organises regular visits to its production facilities, thus providing investors with an opportunity to see the production assets first-hand and to meet senior management.

EXTERNAL AUDITORS

At the Annual General Meeting of GPI an external auditor is appointed on an annual basis to review the financial and operating performance of the Group.

This follows proposals drafted by the Audit and Risk Committee for the Board of Directors regarding the nomination of the external auditor of the Group, selected from a list of recognised independent auditors of high professional repute. While drafting its proposals, the Audit and Risk Committee is guided by the following principles:

- ▶ Qualifications of the external auditor and its professional reputation;
- ▶ Quality of services; and
- ▶ Compliance with requirements for external auditor independence.

In 2011 PricewaterhouseCoopers Limited were the external auditor for the purposes of auditing the Group's IFRS financial statements for the year 2011. PricewaterhouseCoopers were re-appointed by GPI shareholders at the Annual General Meeting on 17 April 2012.



The Investor Relations department interacts with the investor community on a regular basis, reporting on the most important matters to the Group's senior management

PRINCIPAL RISKS AND UNCERTAINTIES

WELL-DEFINED RISK MANAGEMENT PRINCIPLES, DERIVED FROM EXPERIENCE, BEST PRACTICE AND GOOD GOVERNANCE

By identifying and mitigating risk, we seek to achieve long-term growth for our shareholders. Risks are those things that could prevent us from achieving our corporate goals.

RISK MANAGEMENT PROCESS

1

RISK IDENTIFICATION

2

RISK ASSESSMENT

3

RISK CONTROL

4

RISK REPORTING AND MONITORING

RISK MANAGEMENT PROCESS, PRINCIPAL RISKS AND UNCERTAINTIES

The Company's risk management efforts are focused on mitigating the potential negative impact on its business from changes in the external and internal environment. That is despite the Group ensuring it has as well-balanced a structure as possible in which sites are owned in partnership with world industry leaders and managers have been in place since its foundation 15 years ago. This is also despite a revenue and debt structure diversified across the US dollar, euro and Russian rouble.

We believe that identifying and managing risk is central to achieving the corporate objective of delivering long-term value to shareholders. The Board reviews and considers the risk register for the whole Group regularly.

Risks are defined as the possibility that an action or inaction would adversely affect the achievement of corporate goals. The Board has delegated the oversight of risk management to the Audit and Risk Committee. In addition, it delegated to the Chief Executive Officer responsibility for the effective and efficient implementation and maintenance of the risk management system. The Board members, through the Audit and Risk Committee, review the effectiveness of systems that have been established for this purpose. The Board has adopted a Risk Management Policy and a Risk Management Standard that provide a consistent framework for the identification, assessment and management of the risks. The Group's risk management system is subject to a continual improvement process.

The Group bases its risk management activity on a series of well-defined risk management principles, derived from experience, best practice and corporate governance principles.



0.2x

Net debt/EBITDA ratio of 0.2x in 2011

THE GROUP'S RISK MANAGEMENT PRINCIPLES CONSIST OF NINE INTERDEPENDENT COMPONENTS:

STRATEGY COMPONENT	DESCRIPTION	STRATEGY COMPONENT	DESCRIPTION
Enterprise-wide	<ul style="list-style-type: none"> Risks that the Group is facing shall be managed on an enterprise-wide basis. It shall be a continuous and developing process which runs throughout the Group's strategy and the implementation of that strategy; 	Aligned with Group's objectives	<ul style="list-style-type: none"> Risk management shall be aligned with Group's objectives. Risk management shall provide reasonable assurance regarding the achievement of Group's objectives;
Systematic and structured	<ul style="list-style-type: none"> Risk management shall involve recognised processes and activities in a systematic, methodical way that ensures that the results of risk management activities are reliable, robust and comparable; 	Integrated into Group's business	<ul style="list-style-type: none"> Risk management shall be embedded in all the Group's practices and business processes so that it is relevant, effective, efficient and sustained. In particular, risk management shall be embedded in key business processes, including business and strategic planning, budgeting and decision-making. Everyone shall be responsible and accountable for managing the risks in their activities;
Based on upside and downside approach	<ul style="list-style-type: none"> Risk management shall include the understanding of the potential upside and downside of all risks which can affect the Group. It shall increase the probability of success, and reduce both the probability of failure and the uncertainty of achieving the Group's overall objectives. Risk management activity shall include development and implementation of risk response actions to remove or reduce all the risks the Group is facing, transfer them to a third party or accept them; 	Integrated into corporate culture	<ul style="list-style-type: none"> Risk management shall be a part of Group's corporate culture. All employees shall be aware of the relevance of risk to the achievement of their objectives;
Forward thinking approach	<ul style="list-style-type: none"> Risk management shall be forward thinking. It shall involve identification and preparation for what might happen rather than always managing retrospectively. Risk management shall encourage the Group to manage proactively rather than reactively; 	Clear and plain	<ul style="list-style-type: none"> Risk management principles, methods and tools shall be clear and plain for the Group's employees;
		Evolving	<ul style="list-style-type: none"> The Group's risk management system shall be evolving. This is an ongoing process and it is recognised that the level and extent of the risk management system will evolve as the Group evolves from research and development into commercialisation and exploitation.

13%

Less than 13% of the Group's revenue is subject to tariff regulation, as of 2011

Secured capacity expansion with major approvals in place.

VSC TERMINAL



Effective risk management is critical to achieving the Group's strategic objectives. Global Ports has comprehensive risk control and management systems in place to prevent potential adverse effects of changes in its environment or situation.

In order to manage risks, The Board of Directors has established a risk management process comprising the necessary organisational rules and procedures for identifying risks at an early stage, and taking proactive steps to manage the risks inherent to any commercial activity. The Board of Directors systematically monitors and undertakes an assessment of risks critical to the Group's performance and strategic delivery. After identifying and assessing the risk, the Company then defines control measures aimed at reducing the likelihood of its occurrence and/or the potential impact. The Group's business involves a certain number of risks, the most notable of which are presented below.

The order in which the following risks are presented is not intended to be an indication of the probability of their occurrence or the magnitude of their potential effects. Additional risks that are not known to the Group at this time, or that it currently believes are immaterial, could also have a material adverse effect on the Group's business, financial position, results of operations or future prospects and the trading price of the GDRs.

For more detail on some of the risks set forth here, see the prospectus dated 24 June 2011 ("Risk Factors", pages 9-42), available for viewing on the corporate website of Global Ports at <http://www.globalports.com/globalports/investors/reporting-transactions/corporate-transactions>.

STRATEGIC RISKS

- ▶ The Group is dependent on the growth of trade volumes and, accordingly, on economic growth and the liberalisation of trade;
- ▶ The introduction of significant new capacity planned by the Group's competitors could result in surplus capacity and subject the Group to intensified price competition and lower utilisation;
- ▶ The Group may be subject to increasing competition from other container and oil products terminals, and consolidation between container terminal operators and container shipping companies may enable the Group's competitors to compete more effectively with Global Ports;
- ▶ The Group's growth depends on substantial capital investment it may not have sufficient capital to make, or may be restricted by covenants in financing agreements from making sufficient future capital expenditures;
- ▶ Expansion through acquisition entails certain risks, and the Group may experience problems in integrating and managing new acquisitions;
- ▶ The Group's current operations and future expansion may depend on the construction of new quays, dredging of existing quays and canals, and maintenance of quay drafts, which are governed by port and other governmental authorities and are outside of the Group's control;
- ▶ The Group's ability to substantially increase throughput volumes depends on the ongoing improvement and development of railway and road infrastructure.

Major mainline operators including Maersk, MSC, CMA CGM and OCCL are served by the Group's terminals. Around 60% of the gross container throughput is generated by mainline operators, so reducing the volatility of cargo flows.

OPERATIONAL RISKS

- ▶ The Group is dependent on a limited number of shipping lines and customers for a significant portion of its business;
- ▶ Failure to meet customer expectations could damage the Group's customer relationships and business reputation;
- ▶ The Group is subject to a wide variety of regulations and standards requirements and may face substantial liability if it fails to comply with existing or future regulations applicable to its businesses;
- ▶ The Group leases a significant amount of the land and quays required to operate its terminals from government agencies and any revision or alteration of the terms of these leases or the termination of these leases could adversely affect the Group's business;
- ▶ The Group's oil products business could be affected by changes in Russia's exports of oil products, a decline in global demand for oil products, Russian oil product export volumes or any change in trade relationships with Estonia;
- ▶ Inflation could increase the Group's cost base;
- ▶ The Group may be adversely affected by wage increases in Russia;
- ▶ The Group's insurance policies may be insufficient to cover certain losses;
- ▶ The Group's competitive position and prospects

depend on the expertise and experience of its key managers and its ability to continue to attract, retain and motivate qualified personnel;

- ▶ Failure of the operational information and technology systems at the Group's terminals could result in disruptions to the services it provides;
- ▶ Accidents involving the handling of hazardous materials and oil products at the Group's terminals could disrupt its business and operations and/or subject the Group to environmental and other liabilities.

COMPLIANCE AND SHAREHOLDER RISKS

- ▶ The Group's controlling beneficial shareholders may have interests that conflict with those of the holders of the GDRs;
- ▶ The Group is exposed to risks in connection with its interests in joint venture and strategic partnership businesses;
- ▶ Adverse determination of pending and potential legal actions involving the Company's subsidiaries could have an adverse effect on the Group's business, revenues, cash flows and the price of the GDRs;
- ▶ The lack of independence of certain members of the judiciary, the difficulty of enforcing court decisions and governmental discretion in instigating, joining and enforcing claims could prevent the Group from obtaining effective redress in court proceedings.

FINANCIAL RISKS

- ▶ The Company is a holding company and its ability to pay dividends or meet costs depends on the receipt of funds from its subsidiaries;
- ▶ The Group may be subject to foreign exchange risk arising from various currency exposures primarily with respect to the euro, the Russian rouble and the US dollar;
- ▶ The Group is subject to interest rate risk due to floating rate liabilities in relation to its leases and long-term borrowings. Increases in interest rates may adversely affect the Group's financial condition;
- ▶ The Group may be subject to credit risk due to its dependence on key customers and suppliers;
- ▶ The Group's indebtedness or the enforcement of certain provisions of its financing arrangements could affect its business or growth prospects.

GLOBAL PORTS PLAYS A SIGNIFICANT ROLE IN THE DEVELOPMENT OF THE REGIONS WHERE IT OPERATES

All the companies of Global Ports Group adhere to the principle of corporate social responsibility, taking into account the interests of all stakeholders including their employees, customers, local authorities and communities. Programmes are being implemented in every region in which the Group's terminals operate and these activities are aimed at supporting the social, cultural and economic development of these regions.

The Group's main activities in the field of corporate social responsibility are as follows: environment, health and safety, charity and local community sponsorship and people.

We consider that honest, constructive collaboration with all our stakeholders is an important part of our dynamic development in the international business community and our contribution to sustainable social development.

ENVIRONMENT

A responsible attitude towards the environment is one of the key components of our corporate social responsibility approach and an important factor in the stable, long-term development of Global Ports. The Group seeks to comply strictly with all applicable requirements of environmental law in the regions where we operate.

Responsibility towards the environment is at the forefront of the Group's investment programmes. Investments in the key projects with environmental protection effect are mainly represented by construction of new local cleaning facilities at terminals' territory and modernisation of currently operating cleaning equipment.

- ▣ Moby Dik contributed to the Environmental development programme in Kronshtadt, financing a tree planting programme in the city
- ▣ Vopak E.O.S. partners with the Estonian Nature Society rendering financial support of the Society's programmes

- ▣ In 2011 Vopak E.O.S. supported the Estonian Scuba-diving Club, sponsoring an event through the global AWARE initiative related to cleaning ponds

HEALTH AND SAFETY

Over the last three years the occurrence and severity rates of industrial injuries at Global Ports has decreased by more than twice. The Group aims to steadily reduce these rates further over time through training and increased awareness.

All the companies of the Group adhere to three major Health and Safety principles: providing safe labour conditions, involving employees in safety rules and policies, and training in safe behaviour. Each of these includes special tools or detailed procedures, such as:

- ▣ Regular monitoring of Occupational Health and Safety (OHS) measures at the Company divisions for compliance with statutory Federal and local requirements
- ▣ Conduct of proper medical examinations and regular reviews of employee health to improve their wellbeing
- ▣ Preventative medical action to reduce the occurrence of occupational diseases
- ▣ Regular workplace reviews for compliance with working environment standards

- ▶ Training and skill improvement for OHS specialists, training of workers in safe methods of operation, Group-wide OHS briefings
- ▶ Measures to increase personnel motivation to uphold strict compliance with OHS requirements and promote stronger labour discipline

CHARITY AND LOCAL COMMUNITY SPONSORSHIP

The Group's cooperation with regions in the social sphere is based on strategic programmes in areas such as employment and occupational guidance, health care and the support of culture, sport and socially or physically vulnerable people.

Each Group company plays an important role in the socio-economic status of their respective towns and regions. The companies invest in the development of social infrastructure and cooperate with the local authorities and social institutions of their regions.

Global Ports is committed to charitable support and conducts the following:

- ▶ Petrosport and VSC both support the development and reconstruction of churches. In 2011 Petrosport and VSC continued to donate to their chosen charity, the Lifeline Charity Fund – financial support for complex medical treatment of children with cardiac disease

- ▶ VSC donated to Japanese victims of the tsunami.

It is an important objective to Global Ports to maintain and support local sport and cultural events in the regions in which it operates. The Group's sponsorship programmes are also aimed at preserving local historical heritage, supporting schools, hospitals and orphanages:

- ▶ VSC currently supports Vostochny Hospital, Kindergarten No 55 and No 65 in Vrangal village, an orphanage house for orphans with disabilities in Nakhodka city, a children's rehabilitation shelter "Albatros" in Vrangal village, and a maternity hospital in Nakhodka city
- ▶ Moby Dik sponsored presents for graduates of orphanage No 6 in St Petersburg
- ▶ Vopak E.O.S. supported the Maidla orphanage in Rapla, Estonia

RS FEVA BOATS OF THE ESTONIAN YACHTING UNION



Children and young people enjoyed the chance to try sailing thanks to Vopak E.O.S.'s support for the Estonian Yachting Union

- ▶ Vopak E.O.S. contributed to the development of the Estonian Yachting Union: a fleet of 18 RS Feva boats was introduced in Estonia, creating a completely new opportunity for children and young people to take up team sailing on a double-handed dinghy
- ▶ Moby Dik supported sporting activities and events for those with special needs and, in 2011, continued to support a disabled local sportsman
- ▶ In 2010 Vopak E.O.S. donated to SOS Children's Village, a non-profit organisation in Estonia, which supports children without parental care. In 2011 Vopak E.O.S. donated to a Food Bank for poor families
- ▶ Moby Dik and Petrolesport traditionally sponsor cultural and sports events held by local authorities. Moby Dik supports the Children and Youth Sports School
- ▶ In 2011 Vopak E.O.S. continued its sponsorship of the Maardu city youth centre, focusing on various educational, cultural and sports programmes
- ▶ VSC sponsored the annual Argo music festival, Nakhodka, and the Neptun holiday celebration in Vrangell village
- ▶ In 2011 VSC supported the local Taekwondo Association
- ▶ In 2010 Moby Dik supported the creation and development of marine activity programmes of the Marine Council of St. Petersburg
- ▶ Vopak E.O.S. was a sponsor of the Annual Christmas Bazaar, an event that attracts large crowds, making it one of the major Christmas markets in Tallinn. The Bazaar features gifts, arts, handicrafts, foods, local work by Estonian artisans and international stalls from approximately 30 embassies from around the world. All the proceeds from the event go to children's and women's charities in Estonia, where the main beneficiary is the SOS Children's Village Association of Estonia
- ▶ Vopak E.O.S. sponsored the Estonia Tulip Festival in cooperation with volunteers and the Botanical Garden. The aim of this activity is to make the land more beautiful and educate children about nature. In 2011 a number of school workshops were organised
- ▶ As a part of the preparation for Vsevolozhsky district's 75 year anniversary celebration (the area where Yanino logistic park is located), Yanino, sponsored the Priutino literary and art country house museum.

SUPPORTING DISABLED SPORTSPEOPLE



SUPPORTING DISABLED SPORTSPEOPLE



PEOPLE ARE OUR GREATEST ASSET



PEOPLE

Global Ports employs more than 2,900 people and we consider our employees to be one of the Group's greatest assets. The Group strives to create the conditions to stimulate and realise the creative potential of its employees and shape a corporate culture based on professionalism, personal initiative and responsibility.

Key areas of CSR activity in the employment sphere include basic training, support for working mothers and their children, catering and recreation activities for workers, employee development and professional training, incentives for employee improvement, social support for retirees and veterans, insurance and many other kinds of benefits.

The Group companies rely on the following fundamental principles to look after its employees adequately in the long-term:

- ▶ Providing adequate wage levels and social environment for our employees (i.e. sponsorships of various celebration parties for employees and their children)
- ▶ Offering improved procedures for employee recruitment, adaptation and skill development through professional training programmes, training to acquire additional skills and skill improvement across all areas of professional expertise
- ▶ Creating a safe and comfortable operating environment
- ▶ Offering health improvement programs for employees and their families, providing preventive treatment for those who need it
- ▶ Providing financial assistance, medical and special-purpose charitable support for its retirees.

Terms that require definitions are marked with capital letters in this report and definitions of these are provided below in alphabetical order:



Adjusted EBITDA (a non-IFRS financial measure) is defined as profit for the period before income tax expense, finance income/(costs) – net, depreciation of property, plant and equipment, amortisation of intangible assets, other gains/(losses) – net, impairment charge of property, plant and equipment and impairment charge of goodwill.

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

Average Storage Capacity (a non-IFRS financial measure) is a storage capacity available at Vopak E.O.S. oil products terminals, averaged for the beginning and end of the year.

Baltic Sea Basin: the geographic region of North West Russia, Estonia and Finland surrounding the Gulf of Finland on the eastern Baltic Sea, including St. Petersburg, Tallinn, Helsinki and Kotka.

Container Throughput in the Russian Federation Ports is defined as total container throughput of the ports located in the Russian Federation excluding transit cargo volumes. Respective information is sourced from ASOP (“Association of Sea Commercial Ports”, www.morport.com).

E.R.S is a wholly-owned subsidiary of Vopak E.O.S which extends the range of provided services to include railway transportation services in the territory of Estonia and railway shunting services in and around terminal facilities. In addition, E.R.S secures, through its control over railway logistics, a smooth flow of rail tank car deliveries.

Far East Basin: the geographic region of South East Russia, surrounding the Peter the Great Gulf, including Vladivostok and the Nakhodka Gulf, including Nakhodka on the Sea of Japan.

Finnish Ports segment consists of two terminals in Finland, MLT Kotka and MLT Helsinki (in port of Vuosaari), and three container depots (in each of which Container Finance currently has a 25% effective ownership interest). The financial results of the Finnish Ports segment have been proportionally consolidated in the Group’s report and consolidated financial statements for the year ended 31 December 2011.

Functional Currency is defined as the currency of the primary economic environment in which the entity operates. The functional currency of the Company and certain other entities in the Group is US dollars. The functional currency of the Group’s operating companies for the years under review was (a) for the Russian Ports segment, the Russian rouble, (b) for Oil Products Terminal segment, the Estonian kroon (until 31 December 2010) and the euro (from 1 January 2011), and (c) for the Finnish Ports segment, the euro.

Gross Container Throughput represents total container throughput of a Group’s terminal or a Group’s operating segment shown on a 100% basis. For the Russian Ports segment it excludes the container throughput of the Group’s inland container terminal, Yanino.

Gross Throughput is throughput shown on a 100% basis for each terminal, including terminals held through joint ventures and proportionally consolidated.

Net Debt (a non-IFRS financial measure) is defined as a sum of current borrowings and non-current borrowings, less cash and cash equivalents and bank deposits with maturity over 90 days.



PLP includes Petrolesport OAO, Farwater ZAO and various other entities (including some intermediate holdings) that own and manage a container terminal in St. Petersburg port, North West Russia. The Group owns a 100% effective ownership interest in PLP. The results of PLP have been fully consolidated in the Group's report and consolidated financial statements for the year ended 31 December 2011.

Revenue Per CBM of Storage (a non-IFRS financial measure) is defined as the total revenue of Oil Products segment (Vopak E.O.S.) for a respective period divided by Average Storage Capacity during that period.

Russian Ports segment consists of the Group's 100% interest in PLP, 75% interest in VSC (with DP World having 25% interest), and 75% interest in Moby Dik and Yanino (in each of which Container Finance currently has a 25% effective ownership interest). The financial results of Moby Dik and Yanino are proportionally consolidated and the financial results of VSC are fully consolidated.

ROCE (Return on capital employed, a non-IFRS financial measure) is defined as operating profit for the last twelve months divided by the sum of Net Debt and total equity, averaged for the beginning and end of the last twelve month period.

Ro-Ro, roll on-roll off: cargo that can be driven into the belly of a ship rather than lifted aboard. Includes cars, buses, trucks and other vehicles.

Oil Products Terminal segment consists of the Group's 50% ownership interest in Vopak E.O.S. (in which Royal Vopak currently has a 50% effective ownership interest). The financial results of the Oil Products Terminal segment are proportionally consolidated.

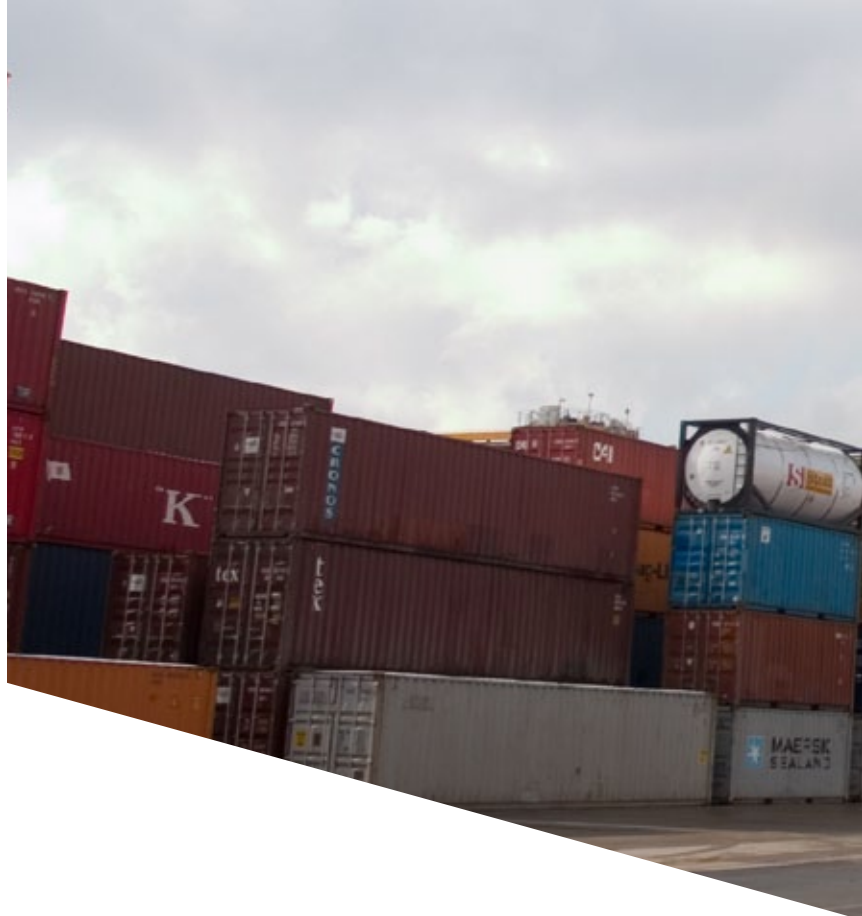
TEU is defined as twenty-foot equivalent unit, which is the standard container used worldwide as the uniform measure of container capacity; a TEU is 20 feet (6.06 metres) long and eight feet (2.44 metres) wide and tall.

Vopak E.O.S. manage an oil products terminal in Muuga port near Tallinn, Estonia. The Group owns a 50% effective ownership interest in Vopak E.O.S.. The remaining 50% ownership interest is held by Royal Vopak. The results of Vopak E.O.S. have been proportionally consolidated in the Group's report and consolidated financial statements for the year ended 31 December 2011.

VLCC is defined as a very large carrier: a ship that can carry up to two million barrels of crude oil and oil products has a maximum deadweight size of 300,000 metric tonnes.

VSC includes Vostochnaya Stevedoring Company OOO and various other entities (including some intermediate holdings) that own and manage a container terminal in Vostochny port near Nakhodka, Far-East Russia. The Group owns a 75% effective ownership interest in VSC. The remaining 25% ownership interest is held by DP World. The results of VSC have been fully consolidated in the Group's report and consolidated financial statements for the year ended 31 December 2011.

Below, you can find
and explanation of how
the information in this
Annual Report is presented:



FINANCIAL INFORMATION

Unless otherwise stated, all financial information presented in this Annual Report is derived from the consolidated financial statements of Global Ports Investments PLC (“the Company” or, together with its subsidiaries, “the Group”) and prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

The Group’s consolidated financial statements for the year ended 31 December 2011 are included in Appendix 1 “Directors’ report and consolidated financial statements” of this Annual Report. Financial statements for prior years can be found on the Group’s website (www.globalports.com).

The parent company financial statements for the year ended 31 December 2011 are included in Appendix 2 “Directors’ report and parent company financial statements for the year ended 31 December 2011”.

The Group’s consolidated financial information is presented in US dollars, which the Group’s management believes to be the most useful for readers of the financial statements and which is the functional currency of the Company and certain other entities in the Group. The functional currency of the Group’s operating companies for the periods under review was (a) for the Russian Ports segment, the rouble, (b) for Oil Products Terminal segment, the Estonian kroon (until 31 December 2010) and the euro (from 1 January 2011), and (c) for the Finnish Ports segment, the euro.

Certain financial information which is derived from the management accounts is marked in this Annual Report with an asterisk (*).

Rounding adjustments have been made in calculating some of the financial and operational information included in this Annual Report. As a result, numerical figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

NON-IFRS FINANCIAL INFORMATION

In this Annual Report the Group has used the certain non-IFRS financial information (not recognized by EU IFRS or IFRS) as supplemental measures of the Group’s operating performance. The Group’s management believes that these non-IFRS measures provide valuable information to readers because they enable the reader to focus more directly on the underlying day-to-day performance of the Group’s business and are frequently used by securities analysts, investors and other interested parties in the valuation of companies in the transportation industry and particularly in the port operation segment. The following non-IFRS measures have been used in this Annual Report: Adjusted EBITDA, Adjusted EBITDA Margin, Net Debt to Adjusted EBITDA, and Return on Capital Employed (ROCE). All non-IFRS financial information is calculated on the basis of EU IFRS financial statements and/or management accounts.

Non-IFRS financial information requiring additional explanation or definitions are marked with capital letters and the explanations or definitions are provided on page 62 of this Annual Report.

Other companies in the port operation segment may calculate the above non-IFRS measures differently or may use each of them for different purposes than the Group, limiting their usefulness as comparative measures.



OPERATIONAL AND MARKET INFORMATION

Global Ports reports certain operational information which is presented to illustrate the changes in the Group's operational and financial performance during the reporting periods and is derived from management accounts.

Certain abbreviations of operational information are marked with initial capital letters with definitions provided on page 62 of this Annual Report. Data on container and fuel oil markets has been sourced from ASOP (Association of Russian Sea Ports) and Argus Nefte Transport respectively.

All financial and operational information presented in this Annual Report should be used only as an analytical tool, and investors should not consider any of them in isolation or any combination of them together as a substitute for analysis of the Group's consolidated financial statements reported under EU IFRS and included in Appendix 1 "Directors' report and consolidated financial statements" of this Annual Report.

CAUTIONARY NOTE

This Annual Report including its appendices may contain forward-looking statements regarding future events or the future financial performance of the Group. You can identify forward-looking statements by terms such as "expect", "believe", "estimate", "anticipate", "intend", "will", "could", "may", or "might", the negative of such terms or other similar expressions. These forward-looking statements include matters that are not historical facts and statements regarding the Group's intentions, beliefs or current expectations concerning, among other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies, and the industry in which the Group operates. By their nature, forward-looking statements involve risks and uncertainties, because they relate to events and depend on

circumstances that may or may not occur in the future. The Group cautions you that forward-looking statements are not guarantees of future performance and that the Group's actual results of operations, financial condition, liquidity, prospects, growth, strategies and the development of the industry in which the Group operates may differ materially from those described in or suggested by the forward-looking statements contained in these materials.

In addition, even if the Group's results of operations, financial condition, liquidity, prospects, growth, strategies and the development of the industry in which the Group operates are consistent with the forward-looking statements contained in these materials, those results or developments may not be indicative of results or developments in future periods. The Group does not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in forward-looking statements of the Group including, among others, general economic conditions, the competitive environment, risks associated with operating in Russia, market change in the Russian transportation industry or in the ports operation segment, as well as many other risks specifically related to the Group and its operations.

This Annual Report has been prepared to assist shareholders to assess the Group's strategies and the potential for those strategies to succeed and for no other purpose. The Group, its Directors, employees, agents and advisers do not accept or assume responsibility for any other purpose or to any other person to whom this Annual Report is shown or into whose access it may come and any such responsibility or liability is expressly disclaimed.



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BOARD OF DIRECTORS AND OTHER OFFICERS

BOARD OF DIRECTORS

Mr. Nikita Mishin (appointed 15 December 2008)

Chairman of the Board of Directors

Non-executive Director

Member of Remuneration and Nomination Committees

Capt. Bryan Smith (appointed 19 August 2008)

Senior Independent Non-executive Director

Chairman of Remuneration and Nomination Committees

Mrs. Siobhan Walker (appointed 30 May 2011)

Independent Non-executive Director

Chairman of Audit and Risk Committee

Dr. Alexander Nazarchuk (appointed 15 December 2008)

Executive Director

Chief Executive Officer

Mr. Michalis Thomaides (appointed 29 February 2008)

Executive Director

Mr. Alexander Iodchin (appointed 18 August 2008)

Executive Director

Member of Nomination Committee

Mr. Mikhail Loganov (appointed 15 December 2008)

Non-executive Director

Member of Audit and Risk Committee

Mr. Konstantin Shirokov (appointed 15 December 2008)

Non-executive Director

Member of Audit and Risk Committee

Mr. Ashot Khachataryants (appointed 22 June 2009, resigned 07 June 2011)

(Mr. Sergey Ludin and Mr. Denis Zhilenko were the alternates to Mr Ashot Khachataryants)

Non-executive Director

Ms. Elia Nicolaou (appointed 22 June 2009)

Non-executive Director

Mr. Alexander Pevzner (appointed 26 October 2009)

(Mr. Alexander Iodchin is the alternate to Mr. Alexander Pevzner)

Non-executive Director

Mr. Marios Tofaros (appointed 26 October 2009)

Non-executive Director

Board of Directors and other officers continued

Board support

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

Company Secretary

Team Nominees Limited

20 Omirou Street
Ayios Nicolaos
CY-3095 Limassol
Cyprus

Registered office

20 Omirou Street
Ayios Nicolaos
CY-3095 Limassol
Cyprus

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report together with the audited consolidated financial statements of Global Ports Investments Plc (hereafter also referred to as "GPI" or the "Company") and its subsidiaries and joint-ventures (hereinafter collectively referred to as the "Group") for the year ended 31 December 2011. The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (hereafter also referred to as "IFRS") as adopted by the European Union ("EU") and the requirements of Cyprus Companies Law, Cap. 113.

Principal activities

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

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

The net profit of the Group for the year ended 31 December 2011 was US\$146,933 thousand (2010: US\$118,996 thousand). On 31 December 2011 the total assets of the Group were US\$1,337,974 thousand (2010: US\$1,198,025 thousand) and the net assets were US\$975,221 thousand (2010: US\$837,349 thousand). The financial position, development and performance of the Group as presented in these consolidated financial statements are considered satisfactory.

Principal Risks and Uncertainties

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

The Group's contingencies are disclosed in Note 28 to the consolidated financial statements.

The Board has adopted a formal process to identify, evaluate and manage significant risks faced by the Group.

Future Developments of the Company

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

Results

The Group's results for the year are set out on pages 12 and 13. The Board of Directors recommends the payment of a dividend as detailed below and the remaining profit for the year is retained.

Dividends

Pursuant to the Articles of Association the Company may pay dividends out of its profits. To the extent that the Company declares and pays dividends, owners of Global Depositary Receipts (hereafter also referred to as "GDRs") on the relevant record date will be entitled to receive dividends payable in respect of Ordinary Shares underlying the GDRs, subject to the terms of the Deposit Agreement. The Company expects to pay dividends in US Dollars. If dividends are not paid in US Dollars, they will be converted into US Dollars by the Depositary and paid to holders of GDRs net of currency conversion expenses.

The Company is a holding company and thus its ability to pay dividends depends on the ability of its subsidiaries and joint-ventures to pay dividends to the Company in accordance with the relevant legislation and contractual restrictions. The payment of such dividends by its subsidiaries and joint-ventures is contingent upon the sufficiency of their earnings, cash flows and distributable reserves. The maximum dividend payable by the Company's subsidiaries and joint-ventures is restricted to the total accumulated retained earnings of the relevant subsidiary or joint-venture, determined according to the law.

Report of the Board of Directors continued

Dividends continued

During the year 2011 the Company declared and paid dividends on the total amount of US\$53.2 million (0.116 US\$ per share¹).

During the year 2010 the Company declared and paid dividends on the total amount of US\$40 million (0.089 US\$ per share²).

On 23 March 2012, the Board of Directors of the Company resolved to recommend the payment of a final dividend for the year 2011 amounting to US\$32.9 million (US\$0.070 per share). The dividend is subject to the approval of the shareholders at the Company's Annual General meeting.

Share Capital

On 30 May 2011 the Company increased its authorised share capital from US\$45,000 thousand divided into 450,000,000 shares with a par value of US\$0.10 per share to US\$53,000 thousand divided into 530,000,000 shares with a par value of US\$0.10 per share.

As a result of the initial public offering (hereafter also referred as "IPO"), the Company issued 20,000,001 ordinary shares with a par value of US\$0.10 per share at price of US\$5 per share (the share premium was US\$4.9 per share). The shares were fully paid as described in note 22.

The Role of the Board of Directors

GPI is governed by its Board of Directors (hereafter also referred as "the Board") which is collectively responsible to the shareholders for the successful performance of the Group.

The Board of Directors' role is to provide entrepreneurial leadership to the Group through setting the corporate strategic objectives, ensuring that the necessary financial and human resources are in place for the Group to meet its objectives and reviewing management performance. The Board sets the Group's values and standards and ensures all obligations to shareholders are understood and met. The Board maintains a sound system of internal control and enterprise risk management to safeguard the Group's assets and shareholders's investments in the Group.

Members of the Board of Directors

The Board of Directors leads the process in making new Board member appointments and makes recommendations on appointments to shareholders. In accordance with the Terms of Reference of the Board, all Directors are subject to election by shareholders at the first Annual General Meeting after their appointment, and to re-election at intervals of no more than three years. Any term beyond six years for a Non-Executive Director is subject to particularly rigorous review, and takes into account the need for progressive system of refreshing of the Board.

The members of the Board of Directors at 31 December 2011 and at the date of this report are shown on pages 2-3. Mrs. Siobhan Walker was appointed as Independent Non-Executive Director and the Chairman of the Audit and Risk Committee on 30 May 2011. Mr. Ashot Khachataryants resigned on 07 June 2011. All other Directors were members of the Board throughout the year ended 31 December 2011.

The Board currently has 11 members and they were appointed as shown on pages 2-3.

There is no provision in the Company's Articles of Association for retirement of Directors by rotation. In accordance with the Terms of Reference of the Board of Directors and shareholders' resolution dated 30 May 2011 all current Directors except Mrs. Siobhan Walker were re-elected. Mrs. Siobhan Walker will be offered for re-election at the next Annual General Meeting of the Shareholders of the Company.

Team Nominees Limited has been acting as the Company Secretary since its incorporation in February 2008. Mr. Alexander Iodchin has been acting as the Board Secretary since December 2008.

There were no significant changes in the responsibilities of the Directors during 2011, except for the resignation of Mr. Mikhail Loganov from the position of the Chairman of the Audit and Risk Committee. Mrs. Siobhan Walker took this position upon appointment to the Board of Directors. The total remuneration of the members of the Board of Directors paid by the Company and its subsidiaries in 2011 amounted to US\$1,132 thousand (2010: US\$1,122 thousand).

¹ The weighted average number of ordinary shares in 2011 was 460 million.

² The weighted average number of ordinary shares in 2010 was 450 million.

Report of the Board of Directors continued

Directors' Interests

The interests in the share capital of Global Ports Investments Plc, both direct and indirect, of those who were Directors as at 31 December 2011 and 31 December 2010 are shown below:

Name	Type of holding	Shares held at 31 December 2011	Shares held at 31 December 2010
Nikita Mishin	Through beneficial shareholding in Transportation Investments Holding Limited and other related entities	110,438,954	126,887,310

Total number of issued shares of the Company as at 31 December 2011 was 470,000,001 (as at 31 December 2010: 450,000,000).

Board Performance

The Board meets at least four times a year. Fixed meetings are scheduled at the start of each year. Ad hoc meetings are called when there are pressing matters requiring the Board's consideration and decision in between the scheduled meetings.

In 2011 the Board met formally 12 (2010: 9) times to review current performance and to discuss and approve important business decisions.

The number of Board and Board Committee meetings held in the year 2011 and the attendance of directors during these meetings is as follows:

	Board of Directors		Nomination Committee		Remuneration Committee		Audit and Risk Committee	
	A	B	A	B	A	B	A	B
Michalis Thomaides	12	11	–	–	–	–	–	–
Alexander Iodchin	12	12	1	1	–	–	–	–
Bryan Smith	12	12	1	1	1	1	–	–
Nikita Mishin	12	5	1	1	1	1	–	–
Alexander Nazarchuk	12	3	–	–	–	–	–	–
Mikhail Loganov	12	12	–	–	1	1	11	11
Konstantin Shirokov	12	12	–	–	–	–	11	11
Ashot Khachaturyants	5	3	–	–	–	–	–	–
Elia Nicolaou	12	10	–	–	–	–	–	–
Alexander Pevzner	12	12	–	–	–	–	–	–
Marios Tofaros	12	11	–	–	–	–	–	–
Siobhan Walker	8	7	–	–	–	–	6	6

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

The operation of the Board, its Committees and individual Directors is subject to annual evaluation. The evaluation of the Board and individual Directors' performance is conducted through self-assessment, cross-assessment or by an external third party. The Non-Executive Directors, led by the Senior Independent Director, are responsible for the performance evaluation of the Chairman of the Board.

Report of the Board of Directors continued

The Board Committees

Since December 2008 the Board of Directors established the operation of three committees: an Audit and Risk Committee, a Nomination Committee and a Remuneration Committee.

The Audit and Risk Committee comprises three Non-Executive Directors, and meets at least four times a year. The Committee is currently chaired by Mrs. Siobhan Walker and is also attended by Mr. Mikhail Loganov (Chairman of Committee up to 30 May 2011) and Mr. Konstantin Shirokov. The Committee is responsible for considering, among other matters: (i) the integrity of the Company's financial information, including its annual and interim condensed consolidated financial information, and the effectiveness of the Company's internal controls and risk management systems; (ii) auditors' reports; and (iii) the terms of appointment and remuneration of the auditor. The Committee supervises and monitors, and advises the Board of Directors on risk management and control systems and the implementation of codes of conduct. In addition, the Committee supervises the submission of financial information by the Company and a number of other audit-related issues and assesses the efficiency of the performance of the Chairman of the Board of Directors.

The Nomination Committee comprises three directors, one of whom is independent, and is chaired by an independent non-executive director. The Committee meets at least once each year. Currently the Nomination Committee is chaired by Capt. Bryan Smith and the other members are Mr. Nikita Mishin and Mr. Alexander Iodchin. The Committee's role is to prepare selection criteria and appointment procedures for members of the Board of Directors and to review on a regular basis the structure, size and composition of the Board. In undertaking this role, the Committee refers to the skills, knowledge and experience required of the Board given the Company's stage of development and makes recommendations to directors as to any changes. The Committee also considers future appointments in respect to the composition of the Board of Directors as well as making recommendations regarding the membership of the Audit and Risk Committee and the Remuneration Committee.

The Remuneration Committee is comprised of at least three directors, including one independent non-executive director, and expects to meet at least once each quarter. Currently the Remuneration Committee is chaired by Capt. Bryan Smith, and the other members are Mr. Nikita Mishin and Mr. Mikhail Loganov. The Committee is responsible for determining and reviewing, among other matters, the remuneration of the executive directors and the Company's remuneration policies. The remuneration of independent directors is a matter for the chairman of the Board of Directors and the executive directors. No director or manager may be involved in any decisions as to his or her own remuneration.

Corporate Governance

Improving its corporate governance structure in accordance with the internationally recognised best practices the Company adopted in 2008 important policies and procedures.

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

- Appointment policy;
- Terms of reference of the Board of Directors;
- Terms of reference of the Audit and Risk Committee;
- Terms of reference of the Nomination Committee;
- Terms of reference of the Remuneration Committee;
- Code of Ethics and Conduct; and
- Antifraud policy.

Board and Management Remuneration

Non-executive directors serve on the Board pursuant to the letters of appointment which are subject to approval by the shareholders at the Annual General Meeting. Such letters of appointment specify the terms of appointment and the remuneration of non-executive directors.

Levels of remuneration for the Non-executive Directors reflect the time commitment, responsibilities of the role and membership of the respective committees of the Board. Directors are also reimbursed for expenses associated with discharge of their duties.

The shareholders of the Company approved the remuneration of the members of the Board on 30 May 2011.

Refer to Note 30(h) to the consolidated financial statements for detail of remuneration paid to the members of the Board and key management.

Report of the Board of Directors continued

Events after the balance sheet date

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

Branches

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

Treasury shares

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

Going Concern

Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the consolidated financial statements based on the fact that, after making enquiries and following a review of the Group's budget for 2012, including cash flows and borrowing facilities, the Directors consider that the Group has adequate resources to continue in operation for the foreseeable future.

Auditors

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

By Order of the Board



Nikita Mishin
Chairman of the Board of Directors

Limassol
23 March 2012

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

Each of the Directors confirms to the best of his or her knowledge that these consolidated financial statements (which are presented on pages 12 to 69 have been prepared in accordance with IFRS as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113, and give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as whole.

By Order of the Board



Michalis Thomaides
Director



Alexander Iodchin
Director

Limassol
23 March 2012

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GLOBAL PORTS INVESTMENTS PLC

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Global Ports Investments Plc (the "Company") and its subsidiaries (together with the Company, the "Group"), which comprise the consolidated balance sheet as at 31 December 2011, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Independent Auditor's Report continued

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap 113.

Report on other legal and regulatory requirements

Pursuant to the requirements of the Law of 2009 on Statutory Audits of Annual and Consolidated Accounts, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the consolidated financial statements.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Law of 2009 on Statutory Audits of Annual and Consolidated Accounts 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.



Yiannos Kaponides
Certified Public Accountant and Registered Auditor

for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Limassol, 23 March 2012

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2011

(in thousands of US dollars)	Note	For the year ended 31 December	
		2011	2010
Revenue	5	501,341	382,437
Cost of sales	6	(237,628)	(198,509)
Gross profit		263,713	183,928
Administrative, selling and marketing expenses	6	(39,793)	(30,618)
Other gains – net	7	2,065	3,641
Operating profit		225,985	156,951
Finance costs – net	9	(30,079)	(14,795)
Profit before income tax		195,906	142,156
Income tax expense	10	(48,973)	(23,160)
Profit for the year		146,933	118,996
<i>Attributable to:</i>			
Owners of the Company		134,123	109,390
Non-controlling interest		12,810	9,606
		146,933	118,996
Basic and diluted earnings per share for profit attributable to the owners of the parent of the Company during the year (expressed in US\$ per share)	12	0.29	0.24

The notes on pages 17 to 69 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

(in thousands of US dollars)	For the year ended 31 December	
	2011	2010
Profit for the year	146,933	118,996
<i>Other comprehensive loss</i>		
Currency translation differences	(41,304)	(15,288)
Other comprehensive loss for the year, net of tax	(41,304)	(15,288)
Total comprehensive income for the year	105,629	103,708
<i>Total comprehensive income attributable to:</i>		
Owners of the Company	94,246	94,091
Non-controlling interest	11,383	9,617
Total comprehensive income for the year	105,629	103,708

Items in the statement above are disclosed net of tax. There is no income tax relating to the components of other comprehensive income above.

The notes on pages 17 to 69 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 December 2011

(in thousands of US dollars)	Note	At 31 December	
		2011	2010
ASSETS			
Non-current assets		1,115,135	1,073,931
Property, plant and equipment	14	889,961	886,691
Intangible assets	15	177,281	171,791
Prepayments for property, plant and equipment	14	39,530	9,693
Trade and other receivables	19	8,363	5,756
Current assets		222,839	124,094
Inventories	18	6,290	6,272
Trade and other receivables	19	75,272	50,876
Income tax receivable		325	218
Bank deposits with maturity over 90 days	20	3,884	19,373
Cash and cash equivalents	21	137,068	47,355
TOTAL ASSETS		1,337,974	1,198,025
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company		954,104	816,465
Share capital	22	47,000	45,000
Share premium	22	454,513	359,920
Capital contribution		101,300	101,300
Translation reserve		(163,247)	(123,370)
Retained earnings		514,538	433,615
Non-controlling interest		21,117	20,884
Total equity		975,221	837,349
Non-current liabilities		267,486	272,685
Borrowings	23	154,555	170,568
Deferred tax liabilities	24	110,819	100,829
Trade and other payables	26	2,112	1,288
Current liabilities		95,267	87,991
Borrowings	23	52,383	36,091
Trade and other payables	26	41,117	49,318
Current income tax liabilities		1,767	1,322
Provisions for other liabilities and charges	25	-	1,260
Total liabilities		362,753	360,676
TOTAL EQUITY AND LIABILITIES		1,337,974	1,198,025

On 23 March 2012 the Board of Directors of Global Ports Investments Plc authorised these consolidated financial statements for issue.



Michalis Thomaidis
Director



Alexander Iodchin
Director

The notes on pages 17 to 69 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011

	Note	Attributable to the owners of the Company					Total	Non-controlling interest	Total
		Share capital	Share premium	Capital contribution	Translation reserve	Retained earnings*			
(in thousands of US dollars)									
Balance at 1 January 2010		45,000	359,920	101,300	(108,071)	366,625	764,774	20,071	784,845
Currency translation differences		-	-	-	(15,299)	-	(15,299)	11	(15,288)
Total other comprehensive loss		-	-	-	(15,299)	-	(15,299)	11	(15,288)
Profit for the year		-	-	-	-	109,390	109,390	9,606	118,996
Total comprehensive income for the year ended 31 December 2010		-	-	-	(15,299)	109,390	94,091	9,617	103,708
Distributions to shareholders	13	-	-	-	-	(40,000)	(40,000)	(11,380)	(51,380)
Fair value of guarantee issued to the parent	30 (k)	-	-	-	-	(2,400)	(2,400)	-	(2,400)
Non-controlling interest on acquisition of asset	14	-	-	-	-	-	-	2,576	2,576
Total transactions with owners for the year ended 31 December 2010		-	-	-	-	(42,400)	(42,400)	(8,804)	(51,204)
Balance at 31 December 2010		45,000	359,920	101,300	(123,370)	433,615	816,465	20,884	837,349
Currency translation differences		-	-	-	(39,877)	-	(39,877)	(1,427)	(41,304)
Total other comprehensive loss		-	-	-	(39,877)	-	(39,877)	(1,427)	(41,304)
Profit for the year		-	-	-	-	134,123	134,123	12,810	146,933
Total comprehensive income for the year ended 31 December 2011		-	-	-	(39,877)	134,123	94,246	11,383	105,629
Issue of shares – net of incremental expenses	22	2,000	94,593	-	-	-	96,593	-	96,593
Distributions to shareholders	13	-	-	-	-	(53,200)	(53,200)	(11,150)	(64,350)
Total transactions with owners for the year ended 31 December 2011		2,000	94,593	-	-	(53,200)	43,393	(11,150)	32,243
Balance at 31 December 2011		47,000	454,513	101,300	(163,247)	514,538	954,104	21,117	975,221

* Retained earnings in the separate financial statements of the Company is the only reserve that is available for distribution in the form of dividends.

The notes on pages 17 to 69 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2011

(in thousands of US dollars)	Note	For the year ended 31 December	
		2011	2010
<i>Cash flows from operating activities</i>			
Profit before income tax		195,906	142,156
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	14	50,091	45,634
(Gain)/loss on sale of property, plant and equipment	14	(1,350)	652
Amortisation of intangible assets	15	8,172	7,626
Amortisation of guarantees issued to parent company	30 (k)	(2,000)	(2,335)
Interest income	9	(2,710)	(888)
Interest expense	9	13,809	16,884
Foreign exchange losses/(gains) on non-operating activities		19,007	(2,111)
Other non-cash items		234	(639)
Operating cash flows before working capital changes		281,159	206,979
<i>Changes in working capital</i>			
Inventories		(316)	(569)
Trade and other receivables		(11,708)	(15,889)
Trade and other payables		(4,331)	5,774
Cash generated from operations		264,804	196,295
Income tax paid		(34,648)	(21,862)
Net cash from operating activities		230,156	174,433
<i>Cash flows from investing activities</i>			
Purchases of intangible assets	15	(20,482)	(212)
Purchases of property, plant and equipment		(131,971)	(52,211)
Proceeds from sale of property, plant and equipment	14	54	987
Loans granted to related parties	30 (i)	(1,520)	(769)
Loans granted to third parties		(73)	–
Loan repayments received from related parties		25,750	–
Loan repayments received from third parties		73	373
Interest received		2,239	545
Investment in bank deposits with maturity over 90 days	20	(3,884)	(19,201)
Cash from bank deposits with maturity over 90 days	20	19,590	4,000
Net cash used in investing activities		(110,224)	(66,488)
<i>Cash flows from financing activities</i>			
Proceeds from borrowings		72,114	57,452
Repayments of borrowings		(106,838)	(90,790)
Interest paid		(16,967)	(10,912)
Proceeds from issue of shares – net	22	96,593	–
Finance lease principal payments (third parties)		(6,320)	(8,593)
Dividends paid to the owners of the Company	13	(53,200)	(40,000)
Dividends paid to non-controlling interests	13	(11,150)	(11,380)
Net cash used in financing activities		(25,768)	(104,223)
Net increase in cash and cash equivalents		94,164	3,722
Cash and cash equivalents at beginning of the year		47,355	44,093
Exchange losses on cash and cash equivalents		(4,451)	(460)
Cash and cash equivalents at end of the year	21	137,068	47,355

The notes on pages 17 to 69 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Country of incorporation

Global Ports Investments Plc (hereafter the “Company” or “GPI”) was incorporated on 29 February 2008 (being a 100% subsidiary of Transportation Investments Holding Limited (“TIHL”), a company registered in Cyprus) and is domiciled in Cyprus as a private limited liability company in accordance with the provisions of the Companies Law, Cap. 113. The address of the Company’s registered office is 20 Omirou Avenue, Limassol, Cyprus.

On 18 August 2008, following the special resolution passed by the shareholder, the name of the Company was changed from “Global Ports Investments Ltd” to “Global Ports Investments Plc” and the Company was converted into a public limited liability company in accordance with the provisions of the Companies Law, Cap. 113.

During the first half of 2011 the Company has successfully completed an initial public offering (“IPO”) of its shares in the form of global depository receipts (“GDRs”). The Company’s GDRs (one GDR representing 3 ordinary shares) are listed on the Main Market of the London Stock Exchange under the symbol “GLPR”. For further details please refer to Note 22.

Approval of the consolidated financial statements

These consolidated financial statements were authorised for issue by the Board of Directors on 23 March 2012.

Principal activities

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

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

As of the date of the authorisation of these consolidated financial statements all International Financial Reporting Standards issued by International Accounting Standards Board (IASB) and effective as at 1 January 2011 have been adopted by the EU through the endorsement procedure established by the European Commission with the exception of certain provisions of IAS 39 “Financial Instruments: Recognition and Measurement” relating to portfolio hedge accounting.

The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Notes to the consolidated financial statements continued

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

New standards, interpretations and amendments to published standards

The following new standards and interpretations became effective for the Group on 1 January 2011:

- Amendment to IAS 24, 'Related Party Disclosures' (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. The revised standard did not have any material impact on these consolidated financial statements.
- Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on the acquiree's share-based payment arrangements that were not replaced, or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date, and not the amount obtained during the reporting period; IAS 1 was amended to clarify the requirements for the presentation and content of the statement of changes in equity (this amendment was adopted previously by the Group in its prior year's financial statements); IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits. The above amendments resulted in additional or revised disclosures, but had no material impact on measurement or recognition of transactions and balances reported in these financial statements. The financial effect of collateral required to be disclosed by the amendments to IFRS 7 is presented in these financial statements by disclosing collateral values separately for (i) those financial assets where collateral and other credit enhancements are equal to, or exceed, carrying value of the asset ("over-collateralised assets") and (ii) those financial assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets").
- Other revised standards and interpretations effective for the current period. IFRIC 19 "Extinguishing financial liabilities with equity instruments", amendments to IAS 32 on classification of rights issues, clarifications in IFRIC 14 "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" relating to prepayments of minimum funding requirements and amendments to IFRS 1 "First-time adoption of IFRS", did not have any impact on these financial statements.

Notes to the consolidated financial statements continued

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

New Accounting Pronouncements – not yet effective

Certain new standards and interpretations have been issued that are mandatory future periods which the Group has not early adopted:

(a) Adopted by the European Union:

- Amendments to IFRS 7, 'Financial instruments: Disclosures' on derecognition (effective for annual periods beginning on or after 1 July 2011). This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. Earlier application subject to EU endorsement is permitted. The Group does not expect the amendments to have any material effect on its financial statements.

(b) Not yet adopted by the European Union:

- Amendment to IFRS 1, 'First time adoption', on fixed dates and hyperinflation (effective for annual periods beginning on or after 1 July 2011). These amendments include two changes to IFRS 1, 'First-time adoption of IFRS'. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to IFRSs', thus eliminating the need for entities adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. The Group does not expect the amendments to have any material effect on these financial statements.
- Amendment to IAS 12, 'Income taxes' on deferred tax (effective for annual periods beginning on or after 1 January 2012). IAS 12, 'Income taxes', currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes – recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The Group does not expect the amendments to have any material effect on these financial statements.
- Amendment to IAS 1 'Financial Statements Presentation' on Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012). The amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. The amendment requires entities to separate items presented in OCI into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled such as revaluation gains on property, plant and equipment will be presented separately from items that may be recycled in the future, such as deferred gains and losses on cash flow hedges. Entities that choose to present other OCI items before tax will be required to show the amount of tax related to the two groups separately. Also, the title used by IAS 1 for the statement of comprehensive income has changed to 'statement of profit or loss and other comprehensive income'. However IAS 1 still permits entities to use other titles. The amendment is expected to impact only the presentation of other comprehensive income items.
- Amendment to IAS 19, 'Employee benefits' (effective for annual periods beginning on or after 1 January 2013). The amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The amendment should be applied retrospectively in accordance with IAS 8, 'Accounting policies, changes in accounting estimates and errors', except for changes to the carrying value of assets that include employee benefit costs in the carrying amount. The timing of the adoption of the amendment by the Group is dependent on endorsement by the European Union. The amendment is not expected to have a significant impact on these financial statements as the Group is not operating any defined benefit plans.

Notes to the consolidated financial statements continued

BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

New Accounting Pronouncements – not yet effective continued

(b) Not yet adopted by the European Union continued

- Amendments to IFRS 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities' (effective for annual periods beginning on or after 1 January 2013). The amendments were published in December 2011 and they amended the required disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The amendments will not have significant impact on these financial statements.
- Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' (effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The amendment will not have a significant impact on these financial statements.
- IFRS 9, 'Financial instruments' (effective for annual periods beginning on or after 1 January 2013), addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and amended in October 2010, to address parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss. All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group does not expect any significant effect on the financial statements arising from the adoption of IFRS 9.
- Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date and Transition Disclosures. The amendments were published on 16 December 2011. These amendments require entities to apply IFRS 9 for annual periods beginning on or after 1 January 2015 instead of on or after 1 January 2013. Early application of both continues to be permitted. The Amendments to IFRS 7 Financial Instruments: Disclosures modify the relief from restating prior periods and require additional disclosures on transition from IAS 39 Financial Instruments: Recognition and Measurement to IFRS 9.
- IFRS 10 'Consolidation', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IAS 27 'Separate Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' provide for the following:
 - A revised definition of control for the purposes of determining which arrangements should be consolidated, including guidance on participating and protective rights;
 - A reduction in the types of joint ventures to two: joint operations and joint ventures, and classification based on rights and obligations rather than legal structure;
 - Elimination of the policy choice of proportional consolidation for joint ventures;
 - Introduction for new requirements to disclose significant judgements and assumptions in determining whether an entity controls, jointly control or significantly influences its interests in other entities.

The standards are not applicable until January 2013, but are available for early adoption subject to endorsement by the European Union. The Group is yet to assess the impact of IFRS 10, IFRS 12, IAS 27 and IAS 28.

Notes to the consolidated financial statements continued

BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

New Accounting Pronouncements – not yet effective continued

(b) Not yet adopted by the European Union continued

- The Group is also yet to assess whether its current joint arrangements meet the new definition of joint ventures or are joint operations. The adoption of IFRS 11 is likely to affect the accounting policy followed by the Group for accounting for its joint arrangements. A joint venture gives the Group rights to the net assets or profit of the joint arrangement. A joint operation gives the Group direct rights to the assets and obligations for the liabilities of the joint arrangement.
- Investments that meet the definition of a joint operation will be accounted for by recognising assets, liabilities, revenues and expenses according to the entity's shares in the assets, liabilities, revenues and expenses of the joint operation as determined and specified in the contractual arrangement. For investments that meet the new definition of a joint venture proportionate consolidation will no longer be applicable. Under IFRS 11 joint ventures will be accounted for using the equity method of accounting. This change would impact the presentation of joint ventures with the effect that revenues and costs in the consolidated income statement and assets and liabilities in the consolidated balance sheet would be reflected in a single line through the application of the equity method.
- The adoption of IFRS 11 will not affect the layout and presentation of the segment reporting (see Note 5, Segmental information) where assets, liabilities, revenues and costs of joint ventures (as per existing standard IAS 31) are currently presented on a 100% basis.
- IFRS 12, 'Disclosures of interests in other entities' (effective for annual periods beginning on or after 1 January 2013). IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- IFRS 13, 'Fair value measurement' (effective for annual periods beginning on or after 1 January 2013). IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group does not expect any significant effect on the financial statements arising from the adoption of IFRS 13.
- IAS 27 (revised 2011), 'Separate financial statements' (effective for annual periods beginning on or after 1 January 2013). IAS 27 was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements.
- IAS 28 (revised 2011), 'Associates and joint ventures' (effective for annual periods beginning on or after 1 January 2013). IAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.
- IFRIC Interpretation 20: 'Stripping Costs in the Production Phase of a Surface Mine' (effective for annual periods beginning on or after 1 January 2013). The interpretation published on 19 October 2011 will not affect these financial statements.

Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully included in the consolidated financial statements from the date on which control was transferred to the Group or to the extent that the subsidiaries were obtained through a transaction between entities under common control from the date which control was transferred to its shareholders. They are derecognised from the financial statements from the date that control ceases.

Business combinations involving entities under common control (ultimately controlled by the same party, before and after the business combination, and that control is not transitory) are accounted using the predecessor basis of accounting. Under this method, the financial statements of the acquiree are included in the consolidated financial statements using pre-acquisition IFRS carrying amounts using uniform accounting policies, on the assumption that the Group was in existence from the date where common control was established.

Notes to the consolidated financial statements continued

BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Basis of consolidation continued

(a) Subsidiaries continued

For these transactions, the excess of the cost of acquisition over the carrying amount of the Group's share of identifiable net assets acquired, including goodwill, arising at the date of acquisition by the shareholders, is recorded in equity in retained earnings at the date of the legal restructuring.

The purchase method of accounting is used for acquisitions of subsidiaries that do not involve entities or businesses under common control with the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

All intra-company transactions, balances, income, expenses and unrealised gains and losses are eliminated on consolidation. Unrealised losses are also eliminated but considered as an impairment indicator of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into compliance with those used by the Group.

(b) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Each venturer usually contributes cash or other resources to the jointly controlled entity.

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements.

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers.

The excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired joint venture, at the date of acquisition is recognised as goodwill. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Where the participation in a joint venture was effected as a result of transactions involving entities under common control, the income and expenses, assets and liabilities and cash flows of the joint venture are proportionately included in the consolidated financial statements using pre-acquisition IFRS carrying amounts using uniform accounting policies (predecessor basis of accounting), on the assumption that the Group was a venturer from the date where common control was established.

Upon formation of a joint venture, the income and expenses, assets and liabilities and cash flows of the joint venture are proportionately included in the consolidated financial statements using pre-acquisition IFRS carrying amounts using uniform accounting policies (predecessor basis of accounting).

The Group recognises the portion of a gain or loss attributable to other venturer on transfer of non-monetary assets to the joint venture, in exchange for an equity interest in the joint venture.

Unrealised gains on transactions between the Group and its joint venturers are eliminated to the extent of the Group's interest in the joint venture.

Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The accounting policies of joint ventures have been changed where necessary to ensure consistency with the accounting policies adopted by the Company.

Notes to the consolidated financial statements continued

BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Segment reporting

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

In 2011, due to the changes in the internal management reporting reviewed by the CODM and the way operations are assessed, the operating and reportable segments disclosure has changed. For comparability purposes the presentation layout of the segment reporting in the current financial statements is restated accordingly. With the new presentation the VSC, PLP, YLP and MD segments are now included in the 'Russian ports' operating segment (Note 5).

Transactions with equity holders

The Group enters into transactions with its shareholders. When consistent with the nature of the transaction (i.e. when these transactions are not at arm's length prices), the Group's accounting policy is to recognise any gains or losses with equity holders, directly through equity and consider these transactions as the receipt of additional capital contribution or the distribution of dividends. Similar transactions with non-equity holders, or parties which are not under the control of the parent company, are recognised through the income statement in accordance with IAS 39, Financial Instruments – Recognition and Measurement. The Group believes that this policy provides a fair representation of the Group's activities.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenues earned by the Group are recognised on the following bases:

(a) Sales of services

The Group provides oil products handling, container handling, general cargoes handling, ro-ro cargoes handling, reefer cargoes handling and other related stevedoring services. Revenue from rendering of services is recognised based on the stage of completion determined by reference to services performed to date as a percentage of total services to be provided. If the income from rendering of services cannot be reliably measured, only the income up to the level of the expenses to be claimed is recognised.

(b) Sales of goods

The Group sells unused materials and goods. These sales are ex works from the sales of the terminals and with usual payment terms. Revenue from the sale of goods is recognised when the customer takes the goods out of the territory of the terminal (i.e. risks and rewards of ownership are transferred to the buyer).

(c) Rental income

See accounting policy for leases below.

(d) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method and is included within finance income.

(e) Dividend income

Dividend income is recognised when the right to receive payment is established.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in United States dollars (US\$), which is the Company's functional and presentation currency.

Notes to the consolidated financial statements continued

BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Foreign currency translation continued

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other gains – net'.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate existing at the date of the balance sheet presented;
- Income and expense items at the average monthly rate, which approximates the exchange rate existing at the date of transactions;
- Share capital, share premium and all other reserves are translated using the historic rate; and
- All exchange differences resulting from the above translation are recognised in translation reserve in equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. On disposal of a foreign operation (including partial disposals which result in loss of control, significant influence or joint control of a subsidiary, associate or joint venture respectively, that include a foreign operation), the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss is recognised. In these cases, the cumulative amount of exchange differences relating to the foreign operation sold that have been attributed to the non-controlling interests are derecognised but are not reclassified to profit or loss.

On partial disposal of a subsidiary that includes a foreign operation, the Group re-attributes the proportionate share of the cumulative amount of the exchange differences recognised in other comprehensive income to the non-controlling interests in that foreign operation. In any other partial disposal of a foreign operation, the Group reclassifies to profit or loss only the proportionate share of the cumulative amount of the exchange differences recognised in other comprehensive income.

Property, plant and equipment (PPE)

Property, plant and equipment are recorded at purchase or construction cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition or construction of the items.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost, less residual value, over their estimated useful lives, as follows:

	Number of years
Buildings and facilities	5 to 50
Loading equipment and machinery	3 to 25
Other production equipment	3 to 25
Office equipment	1 to 10

Land is not depreciated.

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Notes to the consolidated financial statements continued

BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Property, plant and equipment (PPE) continued

Expenditure for repairs and maintenance of property, plant and equipment is charged to the income statement of the year in which they are incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for intended use or sale are capitalised and amortised over the useful life of the asset. Other borrowing costs are recognised as an expense in the reporting period incurred. Interest is capitalised at a rate based on the Group's weighted average cost of borrowing or at the rate on project specific debt, where applicable.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with carrying amount and these are included within operating income.

Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/joint venture/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries and joint ventures is included in 'intangible assets'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill related to the partial disposal of an entity is not derecognised unless there is loss of control.

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each CGU (Note 5).

(b) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. These costs are amortised over their estimated useful lives (3 to 7 years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

(c) Client base

Acquired client base (mainly customer relationships) are shown at historical cost. Client base have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of client base over their estimated useful lives (2 to 7 years).

(d) Contractual rights

Acquired contractual rights are shown at historical cost. Contractual rights relate primarily to quay lease agreements and a minor part relates to other land lease arrangements and licenses. These contractual rights are not renewable. Contractual rights have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of contractual rights over their estimated useful lives (4 to 47 years) which are in accordance with the underlying agreements.

Impairment of non-financial assets

Non-financial assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

Notes to the consolidated financial statements continued

BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments, the right to use an asset for an agreed period of time.

The Group is the lessee

(a) Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

(b) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group is the lessor

(c) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term. Assets leased out under operating leases include insignificant portions of some properties which are not used by the Group which cannot be sold or leased out separately under a finance lease. These properties are included in property, plant and equipment in the balance sheet based on the nature of the asset.

Loans and receivables

The Group classifies its financial assets as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the balance sheet date.

These are classified as non-current assets. The Group's loans and receivables comprise cash and cash equivalents, bank deposits with maturity over 90 days, trade and other receivables and loans to related and third parties.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Loans and receivables are initially recognised at fair value plus transaction costs. Loans and receivables are derecognised when the rights to receive cash flows from the loans and receivables have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor/borrower, probability that the debtor/borrower will enter bankruptcy or financial difficulty, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement against 'administrative, selling and marketing expenses'.

Notes to the consolidated financial statements continued

BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Derivatives

Derivative financial instruments are initially recognised in the balance sheet at fair value (excluding transaction costs) and are subsequently remeasured at their fair value. They are classified as financial assets at fair value through profit or loss and are included in current assets. The resulting gain or loss is recorded in the income statement within 'other gains/(losses) – net'. Transaction costs arising on entering into derivatives are recognised in the income statement as incurred. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Prepayments

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with a maturity up to 90 days with banks. Cash and cash equivalents are carried at amortised cost using the effective interest method. Deposits with a maturity over 90 days are included in the cash flow from investing activities.

Cash flow statement

The cash flow statement is prepared under the indirect method. Purchases of property, plant and equipment (including prepayments for PPE) are presented within cash flows from investing activities and finance lease repayments within cash flows from financing activities are shown net of VAT. Related input VAT is included in movement in changes of working capital, within trade and other receivables.

Share capital and share premium

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Any excess of the fair value of consideration received over the par value of shares issued is recognised as share premium.

Trade payables

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

Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

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

Notes to the consolidated financial statements continued

BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Provisions and contingent liabilities continued

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

Borrowings

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

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

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised and amortised over the useful life of the asset. Other borrowing costs are recognised as an expense in the reporting period incurred. Interest is capitalised at a rate based on the Group's weighted average cost of borrowing or at the rate on project specific debt, where applicable.

Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned on a straight line basis over the life of the guarantee and the probability of realising the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of management. Any increase in the liability relating to guarantees is taken to the income statement in 'other gains – net'.

Income taxes

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

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the country where the entity operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the consolidated financial statements continued

BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Value Added Tax (VAT)

In the Russian Federation, output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice except for export sales related input VAT which is reclaimable upon confirmation of export. The tax authorities permit the settlement of VAT on a net basis. Where provision has been made for impairment of receivables, impairment loss is recognised for the gross amount of the debtor, including VAT. The lease liabilities are disclosed net of VAT. While the leasing payment includes VAT, the amount of VAT from the lease payment made is reclaimable against sales VAT. VAT related to sales and purchases is recognised in the balance sheet on a gross basis and disclosed separately as an asset and liability.

Employee benefits

Wages, salaries, contributions to state pension and social insurance funds, paid annual leave and sick leave, bonuses and other benefits (such as health services) are accrued in the year in which the associated services are rendered by the employees of the Group. These are included in staff costs and the Group has no further obligations once the contributions have been paid.

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

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved, appropriately authorised and are no longer at the discretion of the Company.

More specifically, interim dividends are recognised as liability in the period in which these are approved by the Board of Directors and in the case of final dividends, they are recognised in the period in which these are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial results.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in the currency different from the functional currency of each of the entities of the Group.

The Group's current policy is not to hedge this foreign exchange risk. Currently the long-term debt of the Group is denominated in US dollars and Euros, as the US dollar and Euro interest rates were relatively more attractive compared to the Russian Rouble interest rate.

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

For foreign exchange risk analysis purposes the Group may be divided into companies operating in Russia, where their functional currency is Russian Rouble (being Russian ports segment), and into those operating in Euro zone, where their functional currency is Euro (segments VEOS and Finnish ports). For more details please refer to Note 5.

Russian operations

Currently Russian operations attract a substantial amount of long-term borrowings and lease liabilities denominated in US dollars and Euros. Their revenues are mainly denominated in Russian Roubles and US Dollars, whereas most of expenses are denominated and settled in Russian Roubles.

Notes to the consolidated financial statements continued

FINANCIAL RISK MANAGEMENT continued

Financial risk factors continued

(a) Market risk continued

(i) Foreign exchange risk continued

The carrying amount of monetary assets and liabilities in Russian operations denominated in US dollars are as follows:

(in thousands of US dollars)	As at 31 December	
	2011	2010
Assets	34,967	32,208
Liabilities	141,159	101,072
Capital commitments	-	-

Had US dollar exchange rate strengthened/weakened by 15% against the Russian Rouble and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2011, would have (decreased)/increased by US\$12,743 thousand (2010: 10% change, effect US\$5,509 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of lease liabilities, loans, borrowings, cash and cash equivalents and accounts receivable denominated in US dollars.

The carrying amount of monetary assets and liabilities in Russian operations denominated in Euros as at 31 December 2011 and 31 December 2010 are as follows:

(in thousands of US dollars)	As at 31 December	
	2011	2010
Assets	3,967	4,705
Liabilities	17,458	14,228
Capital commitments	8,639	2,402

Had Euro exchange rate strengthened/weakened by 15% against the Russian Rouble and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2011, would have (decreased)/increased by US\$1,619 thousand (2010: 10% change, effect US\$762 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of lease liabilities, loans, borrowings, cash and cash equivalents and accounts receivable denominated in Euros.

Euro zone operations

Euro zone operations' revenues are mainly denominated in Euros and US Dollars, whereas most of expenses are denominated and settled in Euros (or Estonian Kroons until 31 December 2010 which was fixed to Euro). Their long-term borrowings and lease liabilities are denominated in US dollars and Euros.

The carrying amount of monetary assets and liabilities in Euro zone operations denominated in US dollars are as follows:

(in thousands of US dollars)	As at 31 December	
	2011	2010
Assets	636	2,178
Liabilities	3,925	8,673
Capital commitments	-	-

Notes to the consolidated financial statements continued

FINANCIAL RISK MANAGEMENT continued

Financial risk factors continued

(a) Market risk continued

(i) Foreign exchange risk continued

Had US dollar exchange rate strengthened/weakened by 15% against the Euro and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2011, would have (decreased)/increased by US\$390 thousand (2010: 10% change, effect US\$520 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of lease liabilities, borrowings, cash and cash equivalents and accounts receivable denominated in US dollars.

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are exposed to changes in market interest rates arising mainly from floating rate cash and cash equivalents and borrowings. In addition the Group is exposed to fair value interest rate risk through market value fluctuations of loans receivable, borrowings and lease liabilities with fixed rates.

Lease and long-term borrowing contracts of the Group are concluded to finance the purchase of property, plant and equipment. While analysing new investment projects and concluding credit facility agreements, loan agreements and lease contracts, various scenarios are developed taking into account terms of refinancing and alternative financing sources. Based on these scenarios the Group measures the impact of a definite change in interest rate on profit or loss and selects the financing model that allows maximising the estimated future profit.

Any potential change in the market rates of interest will not have a significant impact on the carrying amount of the fixed rate financial instruments and hence on the Group's post tax profit as these are carried at amortised cost. Had market interest rates on US dollars and Euro denominated floating interest bearing financial assets and liabilities shift by 100 basic points and all other variables remained unchanged, the post tax profit of the Group would have decreased by US\$707 thousand for the year ended 31 December 2011 (2010: US\$1,004 thousand).

The Group obtains borrowings at current market interest rates and does not use any hedging instruments to manage interest rate risk. Management monitors changes in interest rates and takes steps to mitigate these risks as far as practicable by ensuring the Group has financial liabilities with both floating and fixed interest rates.

(b) Credit risk

Financial assets, which potentially subject the Group to credit risk, consist principally of trade receivables and loans receivable (Note 19), bank deposits with maturity over 90 days (Note 20) and cash and cash equivalents (Note 21).

The Group has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history. These policies enable the Group to reduce its credit risk significantly. However, the Group's business is heavily dependent on several large key customers accounting for 41% and 45% of the Group's revenue for the year ended 31 December 2011 and 2010, respectively. The Group has policies in place to ensure that loans are granted to counterparties which it has long-standing trading relationships with and that cash balances are deposited with high credit quality financial institutions.

Notes to the consolidated financial statements continued

FINANCIAL RISK MANAGEMENT continued

Financial risk factors continued

(b) Credit risk continued

The table below summarises the analysis of trade and accounts receivables under contractual terms of settlement at the balance sheet date.

(in thousands of US dollars)	Fully performing	Past due	Impaired	Impairment provision	Total
<i>As of 31 December 2011</i>					
Trade receivables	21,072	6,542	–	–	27,614
Loans receivable	22,934	–	–	–	22,934
Other receivables	1,119	4	–	–	1,123
Bank deposits with maturity over 90 days	3,884	–	–	–	3,884
Total	49,009	6,546	–	–	55,555
<i>As of 31 December 2010</i>					
Trade receivables	17,832	8,959	5,184	(5,184)	26,791
Loans receivable	6,712	–	–	–	6,712
Other receivables	1,924	7	–	–	1,931
Bank deposits with maturity over 90 days	19,373	–	–	–	19,373
Total	45,841	8,966	5,184	(5,184)	54,807

(c) Liquidity risk

The Group has successful credit and refinancing history and maintains enough flexibility ensuring the ability to attract necessary funds either through committed credit facilities or shareholders' loans. Due to availability of cash and cash equivalents amounting to US\$137,068 thousand (31 December 2010: US\$47,355 thousand) (Note 21), bank deposits over 90 days amounting to US\$3,884 thousand (31 December 2010: US\$19,373 thousand) (Note 20), committed credit lines amounting to US\$34,258 thousand at 31 December 2011 (US\$75,153 thousand at 31 December 2010) together with long-term borrowings (Note 23) the Group has the ability to meet its liabilities as they fall due and mitigate risks of adverse changes in the financial markets environment.

Management controls current liquidity based on expected cash flows and expected revenue receipts. In the long term perspective the liquidity risk is determined by forecasting future cash flows at the moment of signing new credit, loan or lease agreements and by budgeting procedures. The management of the Group believes that it is successfully managing the exposure of the Group to liquidity risk.

Notes to the consolidated financial statements continued

FINANCIAL RISK MANAGEMENT continued

Financial risk factors continued

(c) Liquidity risk continued

The table below summarises the analysis of financial liabilities of the Group by maturity as of 31 December 2011 and 2010. The amounts in the table are contractual undiscounted cash flows. Trade and other payables balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

(in thousands of US dollars)	Less than 1 month	1–3 months	3–6 months	6 months–1 year	1–2 years	2–5 years	Over 5 years	Total
<i>As of 31 December 2011</i>								
Borrowings	3,169	6,808	10,498	39,884	47,961	100,913	90,017	299,250
Trade and other payables	10,758	9,504	81	352	–	1,502	–	22,197
Total	13,927	16,312	10,579	40,236	47,961	102,415	90,017	321,447
<i>As of 31 December 2010</i>								
Borrowings	4,470	8,407	10,722	19,909	44,851	108,704	130,433	327,496
Trade and other payables	8,005	8,098	1,835	3,536	–	–	–	21,474
Guarantee (Note 30 (k))	40,000	–	–	–	–	–	–	40,000
Total	52,475	16,505	12,557	23,445	44,851	108,704	130,433	388,970

(d) Capital risk management

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

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

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

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

The rate of borrowings to total capitalisation is as follows:

(in thousands of US dollars)	As at 31 December	
	2011	2010
Total borrowings	206,938	206,659
Total capitalisation	1,182,159	1,044,008
Total borrowings to total capitalisation ratio (percentage)	18%	20%

Notes to the consolidated financial statements continued

FINANCIAL RISK MANAGEMENT continued

Financial risk factors continued

(e) Fair value estimation

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

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

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

(i) Determination of useful lives and residual value of property, plant and equipment

The estimation of the useful lives and residual values of items of property, plant and equipment is a matter of judgement based on experience with similar assets. 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 and residual values 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. Reviews at each balance sheet date indicate whether there is a need for changes in estimations and assumptions as a result of which the useful lives and residual values need to be adjusted accordingly. The carrying amount of property, plant and equipment of the Group was US\$889,961 thousand (31 December 2010: US\$886,691 thousand). If depreciation rates were increased by 10%, the carrying amount of property, plant and equipment would decrease by around US\$5,009 thousand (2010: US\$4,563 thousand).

(ii) Tax legislation

Russian tax, currency and customs legislation is subject to varying interpretations (Note 28).

Notes to the consolidated financial statements continued

Critical accounting estimates and judgements continued

(b) Critical judgments in applying the Group's accounting policies

(i) Estimated impairment of goodwill and property, plant and equipment

The Group tests annually whether goodwill has suffered an impairment. In addition the Group reviews long-lived assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When the carrying amount of an asset does not yet include all the cash outflows to be incurred before it is ready for use or sale, the estimate of future cash outflows includes an estimate of any further cash outflow that is expected to be incurred before the asset is ready for use or sale. If the total of the discounted future cash flows is less than the carrying amount of the asset or group of assets, the asset is not recoverable and the Group recognises an impairment loss for the difference between the estimated recoverable amount (based on value in use) and the carrying value of the asset or group of assets. The Group assesses long-lived assets for possible impairment upon the occurrence of a triggering event. Events that can trigger assessments for possible impairments include, but are not limited to (a) significant decreases in the market value of an asset, (b) significant changes in the extent or manner of use of an asset, and (c) a physical change in the asset. Estimating discounted future cash flows requires making judgments about long-term forecasts of future revenues and costs related to the assets subject to review. These forecasts are uncertain as they require assumptions about volumes, prices for the products and services, future market conditions and future technological developments. Significant and unanticipated changes in these assumptions could require a provision for impairment in a future period. Given the nature of these evaluations and their application to specific assets and specific times, the Group cannot reasonably quantify the impact of changes in these assumptions. Based on the current world-wide economic circumstances, the Group performed a test of the estimated recoverable amount of the cash-generating units (CGUs), compared to their carrying value.

Goodwill has been allocated for impairment testing purposes to six individual CGUs – VEOS segment, Finnish ports segment and four CGUs in Russian ports segment (VSC, PLP, MD and YLP). The Group prepared value in use calculation models for identification of potential impairment for each CGU.

Models are prepared based on the Group's best estimates and latest budgets available as at the year end. Best estimates are based on historic experience and data of growth of each CGU and statistical data of similar entities. They are consistent with external sources of information. However, in the light of recent developments in the world economy and Russian Federation reasonable corrections of historic data have been made to arrive at best estimates of key assumptions used in value in use calculations.

For all CGUs cash flow projections cover a period of five years. Cash flows beyond that five-year period have been extrapolated using a steady terminal growth rate. The terminal growth rate used does not exceed the long-term average growth rate for the market in which entities operate. For projections prepared in 2010-2011 for CGUs in Russian ports and Finnish ports segments terminal growth rate of 3% has been applied. For projections prepared for VEOS segment as at 31 December 2011 a terminal growth rate of 2% was applied (2010: 2%). The discount rate applied for Russian ports CGUs in projections prepared as at 31 December 2011 is 11.6% (2010: 12.1%), for VEOS the discount rate is 11.54% (2010: 11.98%) and for Finnish ports the discount rate is 10.8% (2010: 11.2%).

Key assumptions for all CGUs are throughput volume and price per unit. The projected volumes reflect past experience adjusted by the management view on the prospective market developments. The growth rates for Finnish ports and VEOS revenues are conservatively estimated to be very moderate in view of the competition nature in the Finnish Ports and VEOS. For PLP, VSC and MD CGUs volume growth is estimated to be in line with the long-term market development, position of each terminal on the market and its pricing power. As supported by historical market performance and in view of relatively low containerisation level in Russia, long-term average throughput growth rate for the Russian container market is higher than in developed markets. For YLP long-term forecast takes into account the fact that as a greenfield development, which started operations only in the second half of 2010.

No impairment was recognised in 2011 and 2010. For all units except for YLP management believes that any reasonably possible change in the key assumptions on which these units' recoverable amounts are based would not cause carrying amounts of these units to exceed their recoverable amounts. For YLP CGU minor changes in any of the abovementioned parameters may lead to substantial changes in the recoverable amount of this CGU.

In YLP, the recoverable amount calculated based on value in use exceeded carrying value by US\$30.4 million. A decrease of handling volumes by 15.4% each year as opposed to volume projections used by the management or a decrease of terminal growth rate by 2.5% or an increase of discount rate by 1.8% would remove the remaining headroom.

Notes to the consolidated financial statements continued

5 SEGMENTAL INFORMATION

The chief operating decision-maker (CODM) has been identified as the Board of Directors. They review the group's internal reporting in order to assess performance and allocate resources. The operating segments were determined based on these reports.

In 2011, due to the changes in the internal management reporting reviewed by the CODM and the way operations are assessed, the operating and reportable segments disclosure has changed. The VSC, PLP, YLP and MD segments previously disclosed separately are now included in the Russian ports operating segment.

Group operations consist of several major business units which are usually and mainly organised as separate legal entities. Segment profit is obtained directly from the accounting records of each business unit and adjustments are made to bring their accounting records in line with IFRS as adopted by the EU; the accounting records are all prepared using the same accounting policies as those used for the preparation of these consolidated financial statements therefore there are no arbitrary allocations between segments. Certain business units are operating with one major operating company and some supporting companies.

The Board of Directors considers the business from both a geographic (which is represented by different port locations managed by separate legal entities) and services perspective regularly monitoring the performance of each major business unit.

The Board of Directors assesses the performance of the operating segments based on revenue (both in monetary and quantity terms) major costs items and net profit after the accounting records of business units are converted to be in line with IFRS as adopted by the EU. For the purposes of the internal reporting, joint ventures are assessed on a full consolidation basis. There are no changes in the basis of measurement of segment profit or loss compared to prior years.

The amounts provided to the Board of Directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Other information provided except as noted below to the CODM is measured in a manner consistent with that in the financial statements.

The brief description of segments is as follows:

Russian ports

The segment consists of the following operating units:

- Petrolesport OAO, Farwater ZAO (PLP) and various other entities (including some intermediate holdings) that own and manage a container terminal in St. Petersburg port, North-West Russia. PLP is engaged in handling of containers, ro-ro, general cargo and metal scrap.
- Vostochnaya Stevedoring Company OOO (VSC) and various other entities (including some intermediate holdings) that own and manage a container terminal in Vostochnyi port near Nahodka, Far-East Russia.
- Moby Dik OOO (MD) and various other entities (including some intermediate holdings) that own and manage a container terminal in Kronstadt near St. Petersburg, North-West Russia.
- Yanino Logistic Park OOO (YLP) being an in-land container terminal in Yanino near St. Petersburg, North-West Russia.

Finnish ports

The segment consists of container terminals in the ports of Vuosaari (Helsinki) and Kotka, Finland.

VEOS

The segment consists of AS V.E.O.S., various other entities and the intermediate holding company that own and manage an oil products terminal in Muuga port near Tallinn, Estonia.

The following items do not represent operating segments, however are provided to the CODM together with segment information:

Holding companies (all other)

The segment consists of Global Ports Investments Plc (GPI) and some intermediate holding and service companies, which do not have direct relationship to the intermediate holdings mentioned above.

Notes to the consolidated financial statements continued

SEGMENTAL INFORMATION continued

Reconciliation adjustments

Reconciliation adjustments consist of two major components:

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

The Group does not have any regular transactions between segments except for transactions between MD, Finnish ports and YLP. In addition there are several one-off transactions between other segments which mainly relate to financing activities.

Notes to the consolidated financial statements continued

SEGMENTAL INFORMATION continued

The segment results for the year ended 31 December 2011 are as follows:

(in thousands of US dollars)	Russian ports	VEOS	Finnish ports	Total operating segments	Holdings	Reconciliation adjustments		Group
						Effect of proportionate consolidation	Other adjustments	
Sales to third parties	347,864	285,916	27,457	661,237	–	(159,896)	–	501,341
Inter-segment revenue	1,885	–	3,569	5,454	–	(1,333)	(4,121)	–
Total revenue	349,749	285,916	31,026	666,691	–	(161,229)	(4,121)	501,341
Cost of sales	(157,171)	(145,919)	(26,312)	(329,402)	–	87,361	4,413	(237,628)
Administrative, selling and marketing expenses	(21,712)	(16,180)	(1,554)	(39,446)	(9,615)	9,268	–	(39,793)
Other gains – net	2,209	(140)	462	2,531	160,478	70	(161,014)	2,065
Operating profit	173,075	123,677	3,622	300,374	150,863	(64,530)	(160,722)	225,985
Finance costs – net	(26,169)	(4,287)	(1,389)	(31,845)	(5,256)	6,806	216	(30,079)
<i>incl. interest income</i>	3,943	357	1,431	5,731	4,085	(431)	(6,675)	2,710
<i>incl. interest expenses</i>	(16,692)	(4,464)	(2,203)	(23,359)	(2,510)	5,385	6,675	(13,809)
Profit before income tax	146,906	119,390	2,233	268,529	145,607	(57,724)	(160,506)	195,906
Income tax expense	(26,151)	(42,805)	(632)	(69,588)	(787)	21,402	–	(48,973)
Profit after tax	120,755	76,585	1,601	198,941	144,820	(36,322)	(160,506)	146,933
CAPEX* on cash basis	117,694	29,600	1,677	148,971	9	(17,009)	–	131,971
CAPEX* on accrual basis	87,077	31,161	3,930	122,168	9	(18,406)	–	103,771

*CAPEX is purchases of property, plant and equipment

Included within 'Other adjustments' on the line 'Other gains – net' is the elimination of intragroup dividends.

Notes to the consolidated financial statements continued

SEGMENTAL INFORMATION continued

The segment items operating expenses for the year ended 31 December 2011 are as follows:

(in thousands of US dollars)	Russian ports	VEOS	Finnish ports	Total operating segments	Reconciliation adjustments			Group
					Holdings	Effect of proportionate consolidation	Other adjustments	
Depreciation of property, plant and equipment	40,722	18,955	3,124	62,801	18	(12,685)	(43)	50,091
Amortisation of intangible assets	7,220	2,399	18	9,637	–	(1,465)	–	8,172
Staff costs	58,885	26,312	11,013	96,210	1,971	(18,009)	–	80,172
Transportation expenses	13,749	69,260	2,942	85,951	–	(35,830)	(121)	50,000
Fuel, electricity and gas	10,699	29,066	1,374	41,139	10	(15,448)	–	25,701
Repair and maintenance of property, plant and equipment	11,287	4,714	1,305	17,306	3	(3,192)	(11)	14,106
Total	142,562	150,706	19,776	313,044	2,002	(86,629)	(175)	228,242
Other operating expenses	36,321	11,393	8,090	55,804	7,613	(10,000)	(4,238)	49,179
Total cost of sales, administrative, selling and marketing expenses	178,883	162,099	27,866	368,848	9,615	(96,629)	(4,413)	277,421

Notes to the consolidated financial statements continued

SEGMENTAL INFORMATION continued

The segment assets and liabilities as at 31 December 2011 are as follows:

(in thousands of US dollars)	Russian ports	VEOS	Finnish ports	Total operating segments	Holdings	Reconciliation adjustments		Group
						Effect of proportionate consolidation	Other adjustments	
Property, plant and equipment (including prepayments for PPE)	838,684	242,931	20,388	1,102,003	28	(172,453)	(87)	929,491
Other non-current assets	151,591	72,891	39,474	263,956	606,659	(27,033)	(657,938)	185,644
Inventories	5,094	2,271	224	7,589	–	(1,299)	–	6,290
Trade and other receivables (including income tax prepayment and cash deposits over 90 days)	51,710	23,057	8,775	83,542	31,644	(16,163)	(19,542)	79,481
Cash and cash equivalents	51,541	1,567	48	53,156	85,942	(2,030)	–	137,068
Total assets	1,098,620	342,717	68,909	1,510,246	724,273	(218,978)	(677,567)	1,337,974
Long-term borrowings	229,979	3,938	31,905	265,822	–	(42,179)	(69,088)	154,555
Other long-term liabilities	93,191	42,736	2,096	138,023	–	(25,083)	(9)	112,931
Trade and other payables	27,546	17,911	7,260	52,717	1,431	(11,498)	(1,533)	41,117
Short-term borrowings	41,227	58,516	5,253	104,996	–	(34,761)	(17,852)	52,383
Other short-term liabilities	1,264	78	–	1,342	494	(67)	(2)	1,767
Total liabilities	393,207	123,179	46,514	562,900	1,925	(113,588)	(88,484)	362,753
Non-controlling interest	21,117	–	–	21,117	–	–	–	21,117

Included within 'Russian ports', 'Finnish ports' and 'Holdings' segments 'Other non-current assets' are investments in subsidiaries and joint ventures in the total amount of US\$8,066 thousand, US\$9,763 thousand and US\$576,596 thousand respectively (fully eliminated on consolidation).

Notes to the consolidated financial statements continued

SEGMENTAL INFORMATION continued

The segment results for the year ended 31 December 2010 are as follows:

(in thousands of US dollars)	Russian ports	VEOS	Finnish ports	Total operating segments	Holdings	Reconciliation adjustments		Group
						Effect of proportionate consolidation	Other adjustments	
Sales to third parties	237,294	265,487	24,630	527,411	174	(144,654)	(494)	382,437
Inter-segment revenue	1,890	–	3,632	5,522	–	(1,381)	(4,141)	–
Total revenue	239,184	265,487	28,262	532,933	174	(146,035)	(4,635)	382,437
Cost of sales	(121,375)	(135,570)	(26,654)	(283,599)	(136)	80,586	4,640	(198,509)
Administrative, selling and marketing expenses	(18,580)	(15,299)	(1,241)	(35,120)	(4,668)	8,675	495	(30,618)
Other gains – net	1,012	562	3,166	4,740	49,070	(1,149)	(49,020)	3,641
Operating profit	100,241	115,180	3,533	218,954	44,440	(57,923)	(48,520)	156,951
Finance income/(costs) – net	(7,324)	(7,425)	(1,053)	(15,802)	(4,326)	5,475	(142)	(14,795)
<i>incl. interest income</i>	4,466	143	1,694	6,303	1,883	(496)	(6,802)	888
<i>incl. interest expenses</i>	(16,819)	(3,909)	(2,013)	(22,741)	(5,788)	4,844	6,801	(16,884)
Profit before income tax	92,917	107,755	2,480	203,152	40,114	(52,448)	(48,662)	142,156
Income tax expense	(22,199)	–	(940)	(23,139)	(3)	(18)	–	(23,160)
Profit after tax	70,718	107,755	1,540	180,013	40,111	(52,466)	(48,662)	118,996
CAPEX* on cash basis	47,738	20,714	112	68,564	3	(14,851)	(1,505)	52,211
CAPEX* on accrual basis	60,939	20,664	480	82,083	3	(14,465)	(2,592)	65,029

*CAPEX is purchases of property, plant and equipment

Included within 'Other adjustments' on the line 'Other gains – net' is the elimination of intragroup dividends.

Notes to the consolidated financial statements continued

SEGMENTAL INFORMATION continued

The segment items operating expenses for the year ended 31 December 2010 are as follows:

(in thousands of US dollars)	Russian ports	VEOS	Finnish ports	Total operating segments	Holdings	Reconciliation adjustments		Group
						Effect of proportionate consolidation	Other adjustments	
Depreciation of property, plant and equipment	37,312	16,902	2,697	56,911	20	(11,297)	–	45,634
Amortisation of intangible assets	6,735	2,265	17	9,017	–	(1,391)	–	7,626
Staff costs	45,726	24,095	10,453	80,274	1,611	(16,135)	–	65,750
Transportation expenses	7,232	68,323	2,749	78,304	–	(34,966)	–	43,338
Fuel, electricity and gas	6,981	24,140	938	32,059	7	(12,640)	–	19,426
Repair and maintenance of property, plant and equipment	9,408	4,037	1,331	14,776	2	(2,694)	(182)	11,902
Total	113,394	139,762	18,185	271,341	1,640	(79,123)	(182)	193,676
Other operating expenses	26,562	11,106	9,711	47,379	3,165	(10,139)	(4,954)	35,451
Total cost of sales, administrative, selling and marketing expenses	139,956	150,868	27,896	318,720	4,805	(89,262)	(5,136)	229,127

Notes to the consolidated financial statements continued

SEGMENTAL INFORMATION continued

The segment assets and liabilities as at 31 December 2010 are as follows:

(in thousands of US dollars)	Russian ports	VEOS	Finnish ports	Total operating segments	Holdings	Reconciliation adjustments		Group
						Effect of proportionate consolidation	Other adjustments	
Property, plant and equipment (including prepayments for PPE)	808,628	241,811	23,588	1,074,027	37	(175,246)	(2,434)	896,384
Other non-current assets	172,117	77,333	37,208	286,658	592,619	(29,443)	(672,287)	177,547
Inventories	5,064	2,243	240	7,547	–	(1,275)	–	6,272
Trade and other receivables (including income tax prepayment and cash deposits over 90 days)	44,863	55,333	9,004	109,200	4,688	(33,191)	(10,230)	70,467
Cash and cash equivalents	39,287	1,871	1,079	42,237	8,353	(3,235)	–	47,355
Total assets	1,069,959	378,591	71,119	1,519,669	605,697	(242,390)	(684,951)	1,198,025
Long-term borrowings	189,650	12,974	36,962	239,586	74,130	(45,166)	(97,982)	170,568
Other long-term liabilities	105,899	–	(308)	105,591	–	(3,474)	–	102,117
Trade and other payables	39,586	17,124	11,204	67,914	585	(13,968)	(5,213)	49,318
Short-term borrowings	37,007	5,248	11,199	53,454	–	(10,441)	(6,922)	36,091
Other short-term liabilities	3,048	–	–	3,048	3	(469)	–	2,582
Total liabilities	375,190	35,346	59,057	469,593	74,718	(73,518)	(110,117)	360,676
Non-controlling interest	20,884	–	–	20,884	–	–	–	20,884

Included within 'Russian ports', 'Finnish ports' and 'Holdings' segments 'Other non-current assets' are investments in subsidiaries and joint ventures in the total amount of US\$44 thousand, US\$9,763 thousand and US\$566,690 thousand respectively (fully eliminated on consolidation).

Notes to the consolidated financial statements continued

SEGMENTAL INFORMATION continued

The revenue of the Group mainly comprises of stevedoring services, storage and ancillary port services for container, bulk cargoes (Russian ports and Finnish ports segments) and oil products (VEOS segment). The entities of the Group also provide services which are of support nature in relation to the core services mentioned above.

(in thousands of US dollars)	For the year ended 31 December	
	2011	2010
Revenues related to container, bulk and other cargoes	358,383	249,692
Revenues related to oil products	142,958	132,745
Total consolidated revenue	501,341	382,437

Revenue attributable to domestic and foreign customers for the year ended 31 December 2011 is disclosed below in accordance with their registered address. Major clients of the Group are internationally operating companies. Their registered addresses are usually not relevant to the location of their operations.

(in thousands of US dollars)	For the year ended 31 December	
	2011	2010
Revenue from domestic customers – Cyprus	25,146	22,318
Revenue from foreign customers by countries:		
Russia	317,011	218,750
UK	36,655	23,758
Finland	27,004	24,725
Netherlands	22,248	35,269
Other	73,277	57,617
Revenue from foreign customers total	476,195	360,119
Total revenue	501,341	382,437

In 2011 and 2010 there was only one customer representing more than 10% of consolidated revenue. This customer originates from VEOS segment. It is domiciled in Russia and contributed 13% (2010: 13%) to the consolidated revenue.

6 EXPENSES BY NATURE

(in thousands of US dollars)	For the year ended 31 December	
	2011	2010
Staff costs (Note 8)	80,172	65,750
Depreciation of property, plant and equipment (Note 14)	50,091	45,634
Amortisation of intangible assets (Note 15)	8,172	7,626
Transportation expenses	50,000	43,338
Fuel, electricity and gas	25,701	19,426
Repair and maintenance of property, plant and equipment	14,106	11,902
Taxes other than on income	7,316	6,139
Legal, consulting and other professional services	5,416	2,336
Auditors' remuneration	2,224	1,935
Operating lease rentals	7,539	6,494
Purchased services	8,101	2,902
Insurance	2,113	1,833
Other expenses	16,470	13,812
Total cost of sales, administrative, selling and marketing expenses	277,421	229,127

Notes to the consolidated financial statements continued

6 EXPENSES BY NATURE continued

The auditors' remuneration stated above includes fee of US\$452 thousand (2010: US\$414 thousand) for audit services charged by the Company's statutory audit firm.

The legal, consulting and other professional services stated above include fees of US\$26 thousand (2010: nil) for tax consultancy services charged by the Company's statutory audit firm.

The above expenses are analysed by function as follows:

(in thousands of US dollars)	For the year ended 31 December	
	2011	2010
<i>Cost of sales</i>		
Staff costs	62,328	51,446
Depreciation of property, plant and equipment	48,972	44,809
Amortisation of intangible assets	8,075	7,583
Transportation expenses	50,000	43,338
Fuel, electricity and gas	25,234	19,048
Repair and maintenance of property, plant and equipment	12,990	11,210
Taxes other than on income	6,540	5,422
Operating lease rentals	5,524	4,599
Purchased services	8,101	2,902
Insurance	1,759	1,493
Other expenses	8,105	6,659
Total cost of sales	237,628	198,509

(in thousands of US dollars)	For the year ended 31 December	
	2011	2010
<i>Administrative, selling and marketing expenses</i>		
Staff costs	17,844	14,304
Depreciation of property, plant and equipment	1,119	825
Amortisation of intangible assets	97	43
Fuel, electricity and gas	467	377
Repair and maintenance of property, plant and equipment	1,116	692
Taxes other than on income	776	717
Legal, consulting and other professional services	5,416	2,336
Auditors' remuneration	2,224	1,935
Operating lease rentals	2,015	1,895
Insurance	354	340
Other expenses	8,365	7,154
Total administrative, selling and marketing expenses	39,793	30,618

Notes to the consolidated financial statements continued

7 OTHER GAINS – NET

(in thousands of US dollars)	For the year ended 31 December	
	2011	2010
Foreign exchange gains – net (Note 11)	606	732
Amortisation of guarantee issued to the parent company (Note 30(k))	2,000	2,335
Other (losses)/gains – net	(541)	574
Total	2,065	3,641

8 EMPLOYEE BENEFIT EXPENSE

(in thousands of US dollars)	For the year ended 31 December	
	2011	2010
Wages and salaries	61,493	52,345
Social insurance costs	16,250	11,716
Other staff costs	2,429	1,689
Total	80,172	65,750

Included within 'Social insurance costs' for 2011 are contributions made to the state pension funds in the total amount of US\$10,855 thousand (2010: US\$7,701 thousand).

9 FINANCE COSTS – NET

(in thousands of US dollars)	For the year ended 31 December	
	2011	2010
<i>Included in finance income:</i>		
Interest income on bank balances	260	134
Interest income on short-term bank deposits	816	99
Interest income on loans to related parties (Note 30(i))	1,631	376
Interest income on loans to third parties and bank deposits with the maturity over 90 days	3	279
Other financial income	–	50
Net foreign exchange losses on cash, cash equivalents and loans receivable	(2,806)	(840)
Finance income total	(96)	98
<i>Included in finance costs:</i>		
Interest expenses on bank borrowings	(6,501)	(7,158)
Interest expenses on finance lease	(3,169)	(3,474)
Interest expenses on loans from related parties (Note 30(j))	(1,208)	(4,088)
Interest expenses on loans from third parties	(2,931)	(2,164)
Other finance costs	–	(120)
Net foreign exchange (losses)/gains on borrowings and other financial items	(16,174)	2,111
Finance costs total	(29,983)	(14,893)
Finance costs – net	(30,079)	(14,795)

¹ The weighted average number of ordinary shares in 2011 was 460 million.

² The weighted average number of ordinary shares in 2010 was 450 million.

Notes to the consolidated financial statements continued

10 INCOME TAX EXPENSE

(in thousands of US dollars)	For the year ended 31 December	
	2011	2010
Current tax	34,317	23,432
Deferred tax charge/(credit) (Note 24)	14,656	(272)
Total	48,973	23,160

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

(in thousands of US dollars)	For the year ended 31 December	
	2011	2010
Profit before tax	195,906	142,156
Tax calculated at the applicable tax rates – 20% ¹	39,181	28,431
Income not subject to tax – VEOS segment ²	(11,857)	(10,864)
Tax effect of expenses not deductible for tax purposes	7,383	2,930
Withholding tax on undistributed profits ³	18,577	4,693
Tax effect of reduced tax rates of entity in Russian ports segment ⁴	(4,311)	(2,030)
Tax charge	48,973	23,160

¹ The applicable tax rate used for 2011 and 2010 is 20% as this is the income statutory tax rate applicable to the Russian ports segment, where a substantial part of the taxable income arises.

² For subsidiaries incorporated in Estonia the profits earned by enterprises are not subject to income tax. The effect on the profit before tax is included within 'Income not subject to tax – VEOS segment' in the tax reconciliation note. The withholding tax rate for dividend distribution is 21% and the effect is included within 'Withholding tax on undistributed profits'.

³ Included within 'Withholding tax on undistributed profits' in the tax reconciliation note is deferred tax provision of US\$21,363 thousand due to the change in intention for distribution of profits of entities in VEOS segment.

The remaining amount of US\$(2,194) thousand is the change (decrease) in the deferred tax provision on withholding taxes related to entities in the Russian ports segment. In 2011 there was a change in intention for distribution of profits in VEOS segment (the applicable dividend tax rate is 21%) and it was no longer probable that dividend distributions would not be made in the foreseeable future. This resulted in the recognition of one-off deferred tax provision in the amount of US\$8,914 thousand (relates to the profits earned in the prior periods) and US\$12,449 thousand relating to the undistributed profits of 2011.

⁴ The statutory tax rate for OAO Petrosport (included in Russian ports segment) is 15.5% (2009: 15.5%; 2008: 20%) because of tax benefits granted by the authorities of St. Petersburg. Effective from 31 December 2009 the tax rate for PLP is 15.5% for the three years that the benefit is granted and 20% thereafter. The effect of this benefit is shown in the tax reconciliation note above as 'Tax effect of reduced tax rates of entity in Russian ports segment'. Due to the changes in the municipal tax legislation of St. Petersburg OAO Petrosport will apply the ordinary tax rate of 20% starting from 1 January 2012.

The statutory tax rate for the Finnish entities is 26%. Due to the changes in the tax legislation the tax rate will be lowered to 24.5% starting from 1 January 2012. This has no significant impact on the tax charge of the Group.

Deferred tax is provided on the undistributed profits of subsidiaries and joint ventures, except when it is probable that the Group will not distribute dividends from the specific investment in the foreseeable future and the Group can control the payment of dividends.

The Company and its Cypriot subsidiaries are subject to corporation tax on taxable profits at the rate of 10%. Under certain conditions interest may be exempt from income tax and only subject to defence contribution at the rate of 10% (increased to 15% as from 31 August 2011). In certain cases dividends received from abroad may be subject to defence contribution at the rate of 15% (increased to 17% as from 31 August 2011; increased to 20% from 1 January 2012 to 31 December 2013).

Notes to the consolidated financial statements continued

11 NET FOREIGN EXCHANGE (LOSSES)/GAINS

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

(in thousands of US dollars)	For the year ended 31 December	
	2011	2010
Included in 'finance costs – net' (Note 9)	(18,980)	1,271
Included in 'other gains – net' (Note 7)	606	732
Total	(18,374)	2,003

12 EARNINGS PER SHARE

Basic and diluted

Basic and diluted earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number in issue during the respective period.

	For the year ended 31 December	
	2011	2010
Profit attributable to the owners of the parent of the Company – in thousands of US dollars	134,123	109,390
Weighted average of ordinary shares in issue (thousands)	460,000	450,000
Basic and diluted earnings per share for profit attributable to the owners of the parent (expressed in US\$ per share)	0.29	0.24

13 DIVIDEND DISTRIBUTION

During 2011 the Company has declared and paid dividends to the equity holders of the Company amounting to US\$53,200 thousand (US\$ 0.116 per share)¹.

During the year 2011 dividend payments from Group companies to non-controlling interests amounted to US\$11,150 thousand.

On 23 March 2012, the Board of Directors of the Company resolved to recommend the payment of a final dividend for the year 2011 amounting to US\$32,900 thousand (US\$0.070 per share). The dividend is subject to the approval of the shareholders at the Company's Annual General meeting.

During 2010 the Company has declared and paid dividends to the equity holders of the Company amounting to US\$40,000 thousand (US\$0.089 per share)².

During the year 2010 dividend payments from Group companies to non-controlling interests amounted to US\$11,380 thousand.

Notes to the consolidated financial statements continued

14 PROPERTY, PLANT AND EQUIPMENT

(in thousands of USD)	Land	Buildings and facilities	Assets under construction	Loading equipment and machinery	Other production equipment	Office equipment	Total
<i>At 1 January 2010</i>							
Cost	334,619	433,354	23,565	140,588	100,539	2,929	1,035,594
Accumulated depreciation and impairment	–	(76,615)	–	(41,216)	(32,044)	(2,083)	(151,958)
Net book amount	334,619	356,739	23,565	99,372	68,495	846	883,636
<hr/>							
Additions	10,629	21,268	18,120	11,328	3,354	330	65,029
Transfers	30	8,617	(11,610)	7,001	(3,926)	(112)	–
Disposals	–	(103)	(105)	(1,814)	(241)	(5)	(2,268)
Depreciation charge (Note 6)	–	(25,402)	–	(12,814)	(6,964)	(454)	(45,634)
Translation reserve	(2,795)	(9,499)	(798)	(2,000)	(1,850)	(6)	(16,948)
Other	–	–	–	2,876	–	–	2,876
<hr/>							
Closing net book amount	342,483	351,620	29,172	103,949	58,868	599	886,691
<hr/>							
<i>At 31 December 2010</i>							
Cost	342,483	453,997	29,172	155,846	94,384	2,943	1,078,825
Accumulated depreciation and impairment	–	(102,377)	–	(51,897)	(35,516)	(2,344)	(192,134)
Net book amount	342,483	351,620	29,172	103,949	58,868	599	886,691

Notes to the consolidated financial statements continued

14 PROPERTY, PLANT AND EQUIPMENT continued

(in thousands of USD)	Land	Buildings and facilities	Assets under construction	Loading equipment and machinery	Other production equipment	Office equipment	Total
<i>At 1 January 2011</i>							
Cost	342,483	453,997	29,172	155,846	94,384	2,943	1,078,825
Accumulated depreciation and impairment	–	(102,377)	–	(51,897)	(35,516)	(2,344)	(192,134)
Net book amount	342,483	351,620	29,172	103,949	58,868	599	886,691
Additions	130	43,174	37,047	16,839	6,101	480	103,771
Transfers	1,268	4,294	(9,444)	9,108	(5,167)	(59)	–
Disposals	–	(239)	(183)	(1,147)	(68)	(8)	(1,645)
Depreciation charge (Note 6)	–	(26,681)	–	(16,024)	(7,012)	(374)	(50,091)
Translation reserve	(18,361)	(18,526)	(3,766)	(5,631)	(2,446)	(35)	(48,765)
Closing net book amount	325,520	353,642	52,826	107,094	50,276	603	889,961
<i>At 31 December 2011</i>							
Cost	325,520	479,727	52,826	179,912	93,498	3,144	1,134,627
Accumulated depreciation and impairment	–	(126,085)	–	(72,818)	(43,222)	(2,541)	(244,666)
Net book amount	325,520	353,642	52,826	107,094	50,276	603	889,961

Notes to the consolidated financial statements continued

14 PROPERTY, PLANT AND EQUIPMENT continued

In the cash flow statement proceeds from sale of property, plant and equipment comprise of:

(in thousands of US dollars)	For the year ended 31 December	
	2011	2010
Net book amount	1,645	2,268
Less: Write-offs	(2,941)	(629)
	(1,296)	1,639
Profit/(loss) on sale of property, plant and equipment ¹	1,350	(652)
Proceeds from sale of property, plant and equipment	54	987

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

In 2010 the Group acquired a 75% effective shareholding in a company owning a land plot for US\$8 million. As a result of this transaction an amount of US\$10,629 thousand has been included in additions of property, plant and equipment. The share of the non-controlling interest amounted to US\$2,576 thousand. No goodwill arose from this transaction. No revenues were contributed to the Group from this investment since the land was not yet developed.

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

(in thousands of US dollars)	As at 31 December	
	2011	2010
Buildings and constructions	13,928	14,684
Loading equipment	19,904	18,716
Other production equipment	48	18
Other assets	3	–
Total	33,883	33,418

The total net book value of pledged property, plant and equipment (included above) which are held as collateral for borrowings and loans are as follows:

(in thousands of US dollars)	As at 31 December	
	2011	2010
Land	37,447	39,560
Buildings and constructions	100,979	104,585
Construction in progress	2,533	–
Loading equipment and machinery	37,615	42,089
Other production equipment	15,113	8,297
Total	193,687	194,531

Depreciation expense amounting to US\$48,972 thousand in 2011 (2010: US\$44,809 thousand) has been charged to 'cost of sales' and US\$1,119 thousand in 2011 (2010: US\$825 thousand) has been charged to 'administrative, selling and marketing' expenses.

The amount of the borrowing costs capitalised during the period was US\$289 thousand (2010: US\$157 thousand), the average capitalisation rate was 6.1% (2010: 5.75%).

Lease rentals relating to the lease of machinery and property amounting to US\$5,524 thousand in 2011 (2010: US\$4,599 thousand) have been charged to 'cost of sales' and US\$2,015 thousand in 2011 (2010: US\$1,895 thousand) has been charged to 'administrative, selling and marketing expenses'.

As at 31 December 2011 the amounts paid for equipment not delivered and prepayments for construction works not yet completed were US\$39,530 thousand (2010: US\$9,693 thousand).

Notes to the consolidated financial statements continued

15 INTANGIBLE ASSETS

(in thousands of US dollars)	Goodwill	Contractual rights	Client base	Computer software	Total
<i>At 1 January 2010</i>					
Cost	123,810	54,161	45,494	2,640	226,105
Accumulated amortisation and impairment	–	(16,065)	(22,793)	(1,083)	(39,941)
Net book amount	123,810	38,096	22,701	1,557	186,164
Additions					
Amortisation charge (Note 6)	–	(3,449)	(3,780)	(397)	(7,626)
Translation reserve	(5,490)	(1,121)	(336)	(12)	(6,959)
Closing net book amount	118,320	33,526	18,585	1,360	171,791
<i>At 31 December 2010</i>					
Cost	118,320	49,457	33,832	9,500	211,109
Accumulated amortisation and impairment	–	(15,931)	(15,247)	(8,140)	(39,318)
Net book amount	118,320	33,526	18,585	1,360	171,791
Additions					
Amortisation charge (Note 6)	–	(3,828)	(3,916)	(428)	(8,172)
Translation reserve	(5,098)	(1,238)	(623)	139	(6,820)
Closing net book amount	113,222	48,612	14,046	1,401	177,281
<i>At 31 December 2011</i>					
Cost	113,222	68,178	33,067	9,876	224,343
Accumulated amortisation and impairment	–	(19,566)	(19,021)	(8,475)	(47,062)
Net book amount	113,222	48,612	14,046	1,401	177,281

In June 2011, the Group acquired a leasehold title to a land plot, adjacent to the existing PLP site. The lease agreement expires in 2053. As a result the carrying amount of intangible assets increased by US\$20.1 million. This area will be used for further capacity expansion in PLP.

As at 31 December 2011 the remaining useful lives for contractual rights and client base were 3-44 years and 4.5 years respectively (2010: 4-25 years and 5.5 years respectively).

Goodwill is allocated to the Group's cash generating units (CGUs) identified according to their operating segment. An operating segment-level summary of the goodwill allocation is presented below:

(in thousands of US dollars)	As at 31 December	
	2011	2010
PLP (Russian ports segment)	7,853	8,296
VSC (Russian ports segment)	10,304	10,885
MD (Russian ports segment)	35,697	37,711
YLP (Russian ports segment)	6,117	6,462
AS V.E.O.S. (VEOS segment)	48,826	50,397
Finnish ports (Finnish ports segment)	4,425	4,569
Total	113,222	118,320

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

Notes to the consolidated financial statements continued

16 FINANCIAL INSTRUMENTS BY CATEGORY

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

(in thousands of US dollars)	As at 31 December	
	2011	2010
<i>Loans and receivables</i>		
Financial assets as per balance sheet:		
Trade and other receivables ¹	51,671	35,435
Bank deposits with maturity over 90 days	3,884	19,373
Cash and cash equivalents	137,068	47,355
Total	192,623	102,163
<i>Financial liabilities measured at amortised cost</i>		
Financial liabilities as per balance sheet:		
Borrowings	206,938	206,659
Trade and other payables ²	22,197	23,474
Total	229,135	230,133

¹ Trade and other receivables do not include taxes and prepayments.

² Trade and other payables do not include taxes, advances and deferred gains.

17 CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due or impaired can be assessed by reference to external and internal sources of information like business reputation, financial position and performance, prior working history records. Customers with longer history of working with the Group are regarded by management as having lower risk of default.

The credit quality of financial assets that are neither past due nor impaired classified by reference to the working history of the counterparty with the Group is as follows:

(in thousands of US dollars)	As at 31 December	
	2011	2010
<i>Trade and other receivables</i>		
Core customers – new (less than one year of working history with the Group)	400	2,424
Core customers – existing (more than one year of working history with the Group)	14,242	11,140
Related party loans	22,711	6,498
Loans to third parties	223	214
Bank deposits with maturity over 90 days	3,884	19,373
Trade and other receivables from other customers (third parties)	7,540	6,192
Trade and other receivables from related parties	9	–
Total	49,009	45,841

Loans granted to the third parties, trade and other receivables and loans granted to related parties are related to highly reputable counterparties with no external credit rating.

Notes to the consolidated financial statements continued

CREDIT QUALITY OF FINANCIAL ASSETS continued

See Note 20 for the ratings of banks holding deposits with maturity over 90 days.

Cash at bank and short-term bank deposits:

(in thousands of US dollars)		As at 31 December	
		2011	2010
Agency	Rating		
Moody's *	A1-Aa3	101,659	10,730
Moody's *	Baa1-Baa2	34,857	36,182
Expert RA **	A-B+	154	281
***	No rating	398	162
Total		137,068	47,355

* International rating agency Moody's Investors Service.

** Russian rating agency Expert RA Rating Agency.

*** Cash in hand and cash and cash equivalents with banks for which there is no rating. These banks are highly reputable local banks in the country of operation of respective group entities.

18 INVENTORIES

(in thousands of US dollars)		As at 31 December	
		2011	2010
Spare parts		5,194	5,122
Goods for resale		1,096	1,150
Total		6,290	6,272

All inventories are stated at cost.

19 TRADE AND OTHER RECEIVABLES

(in thousands of US dollars)		As at 31 December	
		2011	2010
Trade receivables – third parties		27,610	31,975
Trade receivables – related parties (Note 30(f))		4	–
Less: Provision for impairment of receivables		–	(5,184)
Trade receivables – net		27,614	26,791
Other receivables		1,118	1,931
Other receivables – related parties (Note 30(f))		5	–
Prepayments for goods and services		12,836	11,673
Prepayments for goods and services – related parties (Note 30(f))		747	–
Loans to third parties		223	214
Loans to related parties (Note 30(i))		22,711	6,498
VAT and other taxes recoverable		18,381	9,525
Total trade and other receivables		83,635	56,632
<i>Less non-current portion:</i>			
Loans to related parties		(7,986)	(5,422)
Other receivables		(377)	(334)
Total non-current portion		(8,363)	(5,756)
Current portion		75,272	50,876

Notes to the consolidated financial statements continued

19 TRADE AND OTHER RECEIVABLES continued

According to management estimates the fair values of trade and other receivables do not materially differ from their carrying amounts.

The effective interest rate on loans receivable from third parties and related parties were in the range from 3.8% to 8.1% (2010: from 3.8% to 8.1%).

Trade and other receivables amounting to US\$22,191 thousand (31 December 2010: US\$19,756 thousand), were fully performing.

Trade and other receivables are impaired only when there is an indication that the customer is unable to repay the balance. Trade and other receivables amounting to US\$6,546 thousand (31 December 2010: US\$8,966 thousand) were past due but not impaired. These relate to a number of independent customers for whom there is no history of either non repayment in the past or renegotiation of the repayment terms due to inability of the customer to repay the balance.

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

(in thousands of US dollars)	As at 31 December	
	2011	2010
Less than 1 month overdue	4,230	6,209
From 1 to 3 months overdue	1,656	2,347
From 3 to 6 months overdue	129	323
Over 6 months overdue	531	87
Total	6,546	8,966

As of 31 December 2011 there were no impaired and provided for trade and other receivables (31 December 2010: US\$5,184 thousand). Trade receivables amounting to US\$4,801 thousand (31 December 2010: US\$104 thousand) were impaired and written off in full.

The movement on the group provision for impairment of trade receivables is as follows:

(in thousands of US dollars)	For the year ended 31 December	
	2011	2010
At the beginning of the year	5,184	5,209
Provision for receivables impairment	120	376
Unused amounts reversed	(660)	(253)
Receivables written off during the year as uncollectible	(4,801)	(104)
Foreign exchange differences	157	(44)
At the end of the year	-	5,184

None of the loans to third parties (31 December 2010: nil) were past due but not impaired.

The other classes within trade and other receivables do not contain impaired assets except as disclosed in Note .

The creation and release of allowance and write off of impaired receivables have been included in 'administrative, selling and marketing expenses' in the income statement. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

Notes to the consolidated financial statements continued

19 TRADE AND OTHER RECEIVABLES continued

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

(in thousands of US dollars)	As at 31 December	
	2011	2010
<i>Currency:</i>		
US dollar	13,873	11,484
Russian Rouble	38,508	31,956
Euro	31,254	9,137
Estonian Kroons	–	4,055
Total	83,635	56,632

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security for any receivables.

20 BANK DEPOSITS WITH MATURITY OVER 90 DAYS

(in thousands of US dollars)	As at 31 December	
	2011	2010
Bank deposits with maturity over 90 days	3,884	19,373
Total	3,884	19,373

Bank deposits that have a maturity over 90 days are denominated in Euro (2010: Euro) and the interest rate is 2.2% (2010: 1.8%) per annum. The bank credit rating according to International rating agency Moody's Investors Service is A1 (2010: A1).

21 CASH AND CASH EQUIVALENTS

(in thousands of US dollars)	As at 31 December	
	2011	2010
Cash at bank and in hand	21,460	18,387
Short term bank deposits (less than 90 days)	115,608	28,968
Total	137,068	47,355

The effective interest rate on short-term deposits was 1.5% in 2011 (2010: 1.5%) and these deposits have a maturity of 46 days in 2011 (2010: 44 days).

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

(in thousands of US dollars)	As at 31 December	
	2011	2010
Cash and cash equivalents	137,068	47,355
Total	137,068	47,355

Notes to the consolidated financial statements continued

22 SHARE CAPITAL AND SHARE PREMIUM

In June 2011 the authorised share capital of the Company increased from US\$45,000 thousand divided into 450,000,000 shares of US\$0.10 each to US\$53,000 thousand divided into 530,000,000 ordinary shares of US\$0.10 each.

As mentioned in Note 1, in June 2011 the Company successfully completed an IPO of GDRs. The IPO included an offering by the Company of 6,666,667 GDRs with each GDR representing an interest in three ordinary shares of the Company. The offering price was US\$15 per GDR (the equivalent of US\$5 per ordinary share).

As a result of the IPO, the Company issued 20,000,001 ordinary shares of par value US\$0.10 each at the price of US\$5 per share (the share premium was US\$4.90 per share). These shares were fully paid in the amount of US\$100 million resulting in an increase of the share capital and share premium by US\$2 million and US\$98 million respectively. An amount of US\$3,407 thousand out of the total expenses directly attributable to the new shares issued was written off against share premium.

(in thousands of US dollars)	Number of shares '000	Share capital	Share premium	Total
At 1 January 2010/31 December 2010	450,000	45,000	359,920	404,920
Ordinary shares issued	20,000	2,000	94,593	96,593
At 31 December 2011	470,000	47,000	454,513	501,513

23 BORROWINGS

(in thousands of US dollars)	As at 31 December	
	2011	2010
<i>Non-current borrowings</i>		
Bank loans	108,588	80,056
Finance lease liabilities	21,617	26,140
Loans from third parties	22,921	20,026
Interest payable on loans from third parties	1,429	314
Loans from related parties (Note 30(j))	-	39,632
Interest payable on loans from related parties (Note 30(j))	-	4,400
Total non-current borrowings	154,555	170,568
<i>Current borrowings</i>		
Bank loans	28,041	24,295
Interest payable on bank loans	743	826
Finance lease liabilities	5,895	5,458
Interest payable on finance lease liabilities	949	504
Loans from third parties	16,620	3,883
Interest payable on loans from third parties	135	865
Loans from related parties (Note 30(j))	-	251
Interest payable on loans from related parties (Note 30(j))	-	9
Total current borrowings	52,383	36,091
Total borrowings	206,938	206,659

Notes to the consolidated financial statements continued

23 BORROWINGS continued

The loans from third parties relate mainly to loans from other venturers that exist in the joint ventures where the Group is a participant. As at 31 December 2011 the current portion of loans from third parties includes the unsettled balance US\$13,985 thousand of a liability owed by AS VEOS to the other venturer. In 2011 AS VEOS repurchased 10% of its share capital in total, equally from its two venturers. The redemption of shares was partly settled in cash and the unsettled balance was converted to the interest bearing loan repayable by 31 December 2012.

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

(in thousands of US dollars)	As at 31 December	
	2011	2010
Between 1 and 2 years	35,570	30,636
Between 2 and 5 years	82,671	82,636
Over 5 years	14,697	31,156
Total	132,938	144,428

Bank borrowings mature until 2017 (31 December 2010: 2017) and loans from third parties mature until 2020 (31 December 2010: 2018).

Finance lease liabilities – minimum lease payments:

(in thousands of US dollars)	As at 31 December	
	2011	2010
Under 1 year	7,783	7,723
Between 1 and 2 years	6,063	7,022
Between 2 and 5 years	8,055	10,188
Over 5 years	73,261	91,925
Total	95,162	116,858
Future finance charges of finance leases	(66,701)	(84,756)
Present value of finance lease liabilities	28,461	32,102
<i>The present value of finance lease liabilities is analysed as follows:</i>		
Under 1 year	6,842	5,962
Between 1 and 2 years	4,596	5,017
Between 2 and 5 years	3,917	5,745
Over 5 years	13,106	15,378
Total	28,461	32,102

According to the management's estimates the carrying amount of borrowings do not materially differ from their fair value as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the appropriate Libor and Euribor rates.

Notes to the consolidated financial statements continued

23 BORROWINGS continued

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows (the table excludes interest payable):

(in thousands of US dollars)	As at 31 December	
	2011	2010
6 months or less	61,735	103,245
6 to 12 months	45,476	670
1 to 5 years	65,996	69,530
Over 5 years	30,475	26,296
Total	203,682	199,741

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

(in thousands of US dollars)	As at 31 December	
	2011	2010
Russian Rouble	13,935	15,649
US Dollar	144,833	143,674
Euro	48,170	45,135
Estonian Kroons	–	2,201
Total	206,938	206,659

The weighted average effective interest rates were as follows:

(percentage)	As at 31 December	
	2011	2010
Bank borrowings	5.40	5.67
Loans from third parties	6.42	7.11
Loans from related parties	–	8.38
Finance lease liabilities – third parties	8.92	9.04

The Group has the following undrawn borrowing facilities:

(in thousands of US dollars)	As at 31 December	
	2011	2010
<i>Floating rate:</i>		
Expiring after one year	14,258	34,113
Expiring within one year	20,000	–
<i>Fixed rate:</i>		
Expiring within one year	–	41,040
Total	34,258	75,153

The Group is leasing mainly container loading equipment, cars and terminal facilities.

Notes to the consolidated financial statements continued

23 BORROWINGS continued

AS V.E.O.S. has signed a rental agreement for 30 years (with maturity of 29 January 2033) for renting tank reservoirs and related infrastructure. This agreement is accounted for as a finance lease because the rental period covers the major part of the useful life of the rented assets. The rental agreement is carried in the balance sheet at the present value of minimum rental payments. The fixed rental payment is paid once a quarter. The lease agreement contains various restrictions related to the sub-rent and use of the rented assets.

The bank loans and overdrafts are secured as follows:

- by the pledge on the property, plant and equipment with carrying amount as at 31 December 2011 of US\$193,687 thousand (31 December 2010: US\$194,531 thousand) (see Note).
- the bank loan given to a group entity in Russian ports segment is secured also by the pledge on shares of that group entity.

The bank loan agreements given to some of the subsidiaries of the Group include certain covenants which set forth certain financial ratios that have to be complied with. There were no breaches of covenants as at 31 December 2011 and 2010.

24 DEFERRED INCOME TAX LIABILITIES

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

(in thousands of US dollars)	As at 31 December	
	2011	2010
<i>Deferred tax assets:</i>		
Deferred tax asset to be recovered after more than 12 months	–	–
<i>Deferred tax liabilities:</i>		
Deferred tax liability to be recovered after more than 12 months	(110,819)	(100,829)
Deferred tax liabilities (net)	(110,819)	(100,829)

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

(in thousands of US dollars)	For the year ended 31 December	
	2011	2010
At the beginning of the year	(100,829)	(102,737)
<i>Income statement charge:</i>		
Deferred tax (charge)/credit	(14,656)	272
Currency translation differences	4,666	1,061
<i>Credited directly to equity:</i>		
Deferred tax credit related to guarantee issued to the parent	–	575
At the end of the year	(110,819)	(100,829)

Notes to the consolidated financial statements continued

DEFERRED INCOME TAX LIABILITIES continued

The movement on the deferred tax assets (+) and liabilities (-) during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

(in thousands of US dollars)	Property, plant and equipment	Withholding tax provision	Intangible assets	Borrowings	Other assets	Other liabilities	Total
At 1 January 2010	(84,492)	(9,449)	(9,296)	(162)	666	(4)	(102,737)
Income statement (Note 10)	482	(999)	1,223	21	119	(574)	272
Credited directly to equity	-	-	-	-	-	575	575
Translation differences	(396)	431	212	2	(78)	890	1,061
At 31 December 2010	(84,406)	(10,017)	(7,861)	(139)	707	887	(100,829)
Income statement (Note 10)	(1,375)	(13,929)	1,285	29	(96)	(570)	(14,656)
Translation differences	4,555	(68)	312	2	(143)	8	4,666
At 31 December 2011	(81,226)	(24,014)	(6,264)	(108)	468	325	(110,819)

5 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

The provisions for the liabilities and charges represent provisions for certain legal claims brought against the Group and probable tax risks.

The provision charge is recognised in profit or loss within 'administrative, selling and marketing expenses'.

(in thousands of US dollars)	As at 31 December	
	2011	2010
Opening net book amount	1,260	2,495
Unused amounts reversed	(1,306)	(1,220)
Currency translation differences	46	(15)
Closing net book amount	-	1,260

Ageing analysis of total provisions:

(in thousands of US dollars)	As at 31 December	
	2011	2010
Current	-	1,260
Total	-	1,260

Notes to the consolidated financial statements continued

26 TRADE AND OTHER PAYABLES

(in thousands of US dollars)	As at 31 December	
	2011	2010
Trade payables – third parties	9,541	8,281
Trade payables – related parties (Note 30(g))	145	126
Payables for property, plant and equipment	1,265	1,215
Other payables – third parties	3,354	6,685
Payroll payable	4,975	5,017
Accrued expenses and deferred gains	3,681	3,094
Advances received	16,332	18,342
Taxes payable (other than income tax)	3,936	7,846
Total trade and other payables	43,229	50,606
<i>Less non-current portion:</i>		
Deferred gains	(610)	(788)
Other payables – third parties	(1,502)	(500)
Total non-current portion	(2,112)	(1,288)
Current portion	41,117	49,318

The fair value of trade and other payables approximates their carrying amount at the balance sheet date.

27 JOINT VENTURES

(a) Container-Depot Limited Oy/ Multi-Link Terminals Limited

The following amounts represent the Group's 75% share of the assets and liabilities, sales and results for the joint ventures of CD and MLT groups (comprising of entities in Finnish ports segment and MD and YLP in Russian ports segment, see Note). They are included in the balance sheet and the income statement:

(in thousands of US dollars)	As at 31 December	
	2011	2010
<i>Assets</i>		
Non-current assets	165,868	180,819
Current assets	15,251	17,298
Total assets	181,119	198,117
<i>Liabilities</i>		
Non-current liabilities	113,034	110,534
Current liabilities	21,454	33,252
Total liabilities	134,488	143,786
Net assets	46,631	54,331
Income	50,807	36,318
Expenses	(56,268)	(41,971)
Loss after income tax	(5,461)	(5,653)
Proportionate interest in joint venture's commitments	447	1,822

Notes to the consolidated financial statements continued

7 JOINT VENTURES continued

(b) AS V.E.O.S.

The following amounts represent the Group's 50% share of the assets and liabilities, sales and results for the joint venture. They are included in the balance sheet and the income statement:

(in thousands of US dollars)	As at 31 December	
	2011	2010
<i>Assets</i>		
Non-current assets	162,415	163,282
Current assets	13,446	29,720
Total assets	175,861	193,002
<i>Liabilities</i>		
Non-current liabilities	1,969	3,480
Current liabilities	38,214	11,184
Total liabilities	40,183	14,664
Net assets	135,678	178,338
Income	142,888	133,024
Expenses	(83,605)	(78,706)
Profit after income tax	59,283	54,318
Proportionate interest in joint venture's commitments	5,843	662

28 CONTINGENCIES

Operating environment of the Group

The Russian Federation displays certain characteristics of an emerging market. Tax, currency and customs legislation is subject to varying interpretations and contributes to the challenges faced by companies operating in the Russian Federation.

The international sovereign debt crisis, stock market volatility and other risks could have a negative effect on the Russian financial and corporate sectors. Management determined impairment provisions by considering the economic situation and outlook at the end of the reporting period. Provisions for trade receivables are determined using the 'incurred loss' model required by the applicable accounting standards. These standards require recognition of impairment losses for receivables that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are.

The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the government to sustain growth, and to change the tax, legal and regulatory environment. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment.

Management is unable to predict all developments which could have an impact on the Russian economy and consequently what effect, if any, they could have on the future financial position of the Group. Management believes it is taking all the necessary measures to support the sustainability and development of the Group's business.

Notes to the consolidated financial statements continued

28 CONTINGENCIES continued

Tax legislation in Russia

Russian tax and customs legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be 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 non-compliant 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.

Russian transfer pricing legislation enacted during the current period is effective prospectively to new transactions from 1 January 2012. It introduces significant reporting and documentation requirements. The transfer pricing legislation that is applicable to transactions on or prior to 31 December 2011 also provides the possibility for tax authorities to make transfer pricing adjustments and to impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%. Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective of whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. Significant difficulties exist in interpreting and applying transfer pricing legislation in practice. Any prior existing court decisions may provide guidance, but are not legally binding for decisions by other, or higher level, courts in the future.

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

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

The Group's management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained. Accordingly, as of 31 December 2011 and 2010 management believes that no additional tax liability has to be accrued in the financial statements.

Insurance policies

The Group holds insurance policies in relation to its loading machinery and facilities and in respect of public third party liability. The Group does not have full insurance for business interruption or third party liability in respect of environmental damage except for AS V.E.O.S.

Notes to the consolidated financial statements continued

28 CONTINGENCIES continued

Environmental matters

The Group is subject to laws, regulations and other legal requirements relating to the protection of the environment, including those governing the discharge of waste water and the cleanup of contaminated sites.

Issues related to protection of water resources in Russia are regulated primarily by Environmental Protection Law, the Water Code and a number of other federal and regional normative acts.

Pursuant to the Water Code, discharging waste water into the sea is allowed, provided that the volume does not exceed the established standards of admissible impact on water resources. At the same time, the Environmental Protection Law establishes a "pay-to-pollute" regime, which implies that companies need to pay for discharging waste waters. However, the payments of such fees do not relieve a company from its responsibility to comply with environmental protection measures.

If the operations of a company violate environmental requirements or cause harm to the environment or any individual or legal entity, environmental authorities may suspend these operations or a court action may be brought to limit or ban these operations and require the company to remedy the effects of the violation. The limitation period for lawsuits for the compensation of damage caused to the environment is twenty years. Courts may also impose clean-up obligations on offenders in lieu of or in addition to imposing fines.

The enforcement of environmental regulation in the countries in which the Group operates is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

Legal proceedings

From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates and both internal and external professional advice, management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these consolidated financial statements.

29 COMMITMENTS

Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

(in thousands of US dollars)	As at 31 December	
	2011	2010
Property, plant and equipment	37,915	8,406
Total	37,915	8,406

Operating lease commitments – Group as lessee

The future minimum lease payments payable under non-cancellable operating leases (mainly port infrastructure) are as follows:

(in thousands of US dollars)	As at 31 December	
	2011	2010
Not later than 1 year	1,264	1,163
Later than 1 year and not later than 5 years	3,172	3,534
Later than 5 years	12,369	10,403
Total	16,805	15,100

Notes to the consolidated financial statements continued

30 RELATED PARTY TRANSACTIONS

The Group is controlled by Transportation Investments Holding Limited incorporated in Cyprus, which controls 75% of the Company's shares (2010: 90%). The ultimate controlling party of the Group is Mirbay International Inc., a company incorporated in Bahamas.

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

The following transactions were carried out with related parties:

(a) Sale of services

(in thousands of US dollars)	For the year ended 31 December	
	2011	2010
Other related parties	6	3
Companies under common control	123	–
Common ownership companies	41	–
Total	170	3

(b) Profit from sale of property, plant and equipment

(in thousands of US dollars)	For the year ended 31 December	
	2011	2010
Common ownership companies	–	43

(c) Purchase of property, plant and equipment

(in thousands of US dollars)	For the year ended 31 December	
	2011	2010
Companies under common control	115	1,185

(d) Purchases of services

(in thousands of US dollars)	For the year ended 31 December	
	2011	2010
Companies under common control	1,840	1,099
Other related parties	3,625	758
Total	5,465	1,857

Notes to the consolidated financial statements continued

RELATED PARTY TRANSACTIONS continued

(e) Interest income and expenses

(in thousands of US dollars)	For the year ended 31 December	
	2011	2010
<i>Interest income:</i>		
Common ownership companies	1,615	376
Other related parties	16	–
Total	1,631	376
<i>Interest expense:</i>		
Parent company	1,208	4,088
Total	1,208	4,088

(f) Trade, other receivables and prepayments

(in thousands of US dollars)	As at 31 December	
	2011	2010
Other related parties	111	–
Companies under common control	643	–

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BOARD OF DIRECTORS AND OTHER OFFICERS

BOARD OF DIRECTORS

Mr. Nikita Mishin (appointed 15 December 2008)

Chairman of the Board of Directors

Non-executive Director

Member of Remuneration and Nomination Committees

Capt. Bryan Smith (appointed 19 August 2008)

Senior Independent Non-executive Director

Chairman of Remuneration and Nomination Committees

Mrs. Siobhan Walker (appointed 30 May 2011)

Independent Non-executive Director

Chairman of Audit and Risk Committee

Dr. Alexander Nazarchuk (appointed 15 December 2008)

Executive Director

Chief Executive Officer

Mr. Michalis Thomaides (appointed 29 February 2008)

Executive Director

Mr. Alexander Iodchin (appointed 18 August 2008)

Executive Director

Member of Nomination Committee

Mr. Mikhail Loganov (appointed 15 December 2008)

Non-executive Director

Member of Audit and Risk Committee

Mr. Konstantin Shirokov (appointed 15 December 2008)

Non-executive Director

Member of Audit and Risk Committee

Mr. Ashot Khachataryants (appointed 22 June 2009, resigned 07 June 2011)

(Mr. Sergey Ludin and Mr. Denis Zhilenko were the alternates to Mr Ashot Khachataryants)

Non-executive Director

Ms. Elia Nicolaou (appointed 22 June 2009)

Non-executive Director

Mr. Alexander Pevzner (appointed 26 October 2009)

(Mr. Alexander Iodchin is the alternate to Mr. Alexander Pevzner)

Non-executive Director

Mr. Marios Tofaros (appointed 26 October 2009)

Non-executive Director

Board of Directors and other officers continued

Board support

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

Company Secretary

Team Nominees Limited

20 Omirou street
Ayios Nikolaos
CY3095 Limassol
Cyprus

Registered office

20 Omirou street
Ayios Nikolaos
CY3095 Limassol
Cyprus

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report together with the audited parent company financial statements of Global Ports Investments Plc (hereafter also referred to as “GPI” or the “Company”) for the year ended 31 December 2011. These parent company financial statements have been prepared in accordance with International Financial Reporting Standards (hereafter also referred to as “IFRS”) as adopted by the European Union (“EU”) and the requirements of Cyprus Companies Law, Cap. 113.

Principal activities

The principal activity of the Company, which is unchanged from last year, is the holding of investments, including any interest earning activities.

Review of developments, position and performance of the Company's business

The profit of the Company for the year ended 31 December 2011 was US\$142,765 thousand (2010: profit of US\$38,465 thousand). On 31 December 2011 the total assets of the Company were US\$723,938 thousand (2010: US\$605,828 thousand) and the net assets were US\$722,163 thousand (2010: net assets US\$536,005 thousand). The financial position, development and performance of the Company as presented in these financial statements are considered satisfactory.

Principal risks and uncertainties

The Company's financial risk management is disclosed in Note 3 to the financial statements.

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

The Board has adopted a formal process to identify, evaluate and manage significant risks faced by the Company.

Future developments of the Company

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

Results

The Company's results for the year are set out on page 13. The Board of Directors recommends the payment of a dividend as detailed below and the remaining profit for the year is retained.

Dividends

Pursuant to the Articles of Association the Company may pay dividends out of its profits. To the extent that the Company declares and pays dividends, owners of Global Depositary Receipts (hereafter also referred to as “GDRs”) on the relevant record date will be entitled to receive dividends payable in respect of Ordinary Shares underlying the GDRs, subject to the terms of the Deposit Agreement. The Company expects to pay dividends in US Dollars. If dividends are not paid in US Dollars, except as otherwise described under “Terms and Conditions of the Global Depositary Receipts – Conversion of Foreign Currency”, they will be converted into US Dollars by the Depositary and paid to holders of GDRs net of currency conversion expenses.

The Company is a holding company and thus its ability to pay dividends depends on the ability of its subsidiaries and joint-ventures to pay dividends to the Company in accordance with the relevant legislation and contractual restrictions. The payment of such dividends by its subsidiaries and joint-ventures is contingent upon the sufficiency of their earnings, cash flows and distributable reserves. The maximum dividend payable by the Company's subsidiaries and joint-ventures is restricted to the total accumulated retained earnings of the relevant subsidiary or joint-venture, determined according to the law.

Report of the Board of Directors continued

During the year 2011 the Company declared and paid dividends in the total amount of US\$53,2 million (US\$0.0116 per share¹).

During the year 2010 the Company declared and paid dividends in the total amount of US\$40 million (US\$0.089 per share²).

On 23 March 2012 the Board of Directors of the Company resolved to recommend the payment of a final dividend for the year 2011 amounting to US\$32.9 million (US\$0.07 per share). The dividend is subject to the approval of the shareholders at the Company's Annual General Meeting.

Share Capital

On 30 May 2011 the Company increased its authorised share capital from US\$45,000 thousand divided into 450,000,000 shares with a par value of US\$0.10 per share to US\$53,000 thousand divided into 530,000,000 shares with a par value of US\$0.10 per share.

As a result of the initial public offering (hereafter also referred as "IPO"), the Company issued 20,000,001 ordinary shares with a par value of US\$0.10 per share at a price of US\$5 per share (the share premium was US\$4.9 per share). These shares were fully paid as described in Note 18.

The Role of the Board of Directors

GPI is governed by its Board of Directors (hereafter also referred as "the Board") which is collectively responsible to the shareholders for the successful performance of the Company.

The Board of Directors' role is to provide entrepreneurial leadership to the Company, through setting the corporate strategic objectives, ensuring that the necessary financial and human resources are in place for the Company to meet its objectives and reviewing management performance. The Board of Directors sets the Company's values and standards and ensures all obligations to shareholders are understood and met. The Board maintains a sound system of internal control and enterprise risk management to safeguard the Company's assets and shareholders' investments in the Company.

Members of the Board of Directors

The Board of Directors leads the process for making new Board member appointments and makes the recommendations on appointments to shareholders. In accordance with the Terms of Reference of the Board of Directors, all Directors are subject to election by shareholders at the first Annual General Meeting after their appointment, and to re-election at intervals of no more than three years. Any term beyond six years for a Non-Executive Director is subject to particularly rigorous review, and takes into account the need for progressive system of refreshing of the Board.

The members of the Board of Directors at 31 December 2011 and at the date of this report are shown on page 1. Mrs. Siobhan Walker was appointed as Independent Non-Executive Director and the Chairman of the Audit and Risk Committee on 30 May 2011. Mr. Ashot Khachatryan resigned on 07 June 2011. All other Directors were members of the Board throughout the year ended 31 December 2011.

The Board currently has 11 members and they were appointed as shown on page 1.

There is no provision in the Company's Articles of Association for retirement of Directors by rotation. In accordance with the Terms of Reference of the Board of Directors and shareholders' resolution dated 30 May 2011 all current Directors except Mrs. Siobhan Walker were re-elected. Mrs. Siobhan Walker will be offered for re-election at the next Annual General Meeting of the Shareholders of the Company.

Team Nominees Limited has been acting as the Company Secretary since its incorporation in February 2008. Mr. Alexander Iodchin has been acting as the Board Secretary since December 2008.

¹ The weighted average number of ordinary shares in 2011 was 460 million.

² The weighted average number of ordinary shares in 2010 was 450 million.

Report of the Board of Directors continued

Members of the Board of Directors continued

There were no significant changes in the responsibilities of the Directors during 2011, except for the resignation of Mr Mikhail Loganov from the position of the Chairman of the Audit and Risk Committee. Mrs Siobhan Walker took his position upon appointment to the Board of Directors. The total remuneration of the members of the Board of Directors paid by the Company in 2011 amounted to US\$1,132 thousand (2010: US\$1,122 thousand).

Directors' Interests

The interests in the share capital of Global Ports Investments Plc, both direct and indirect, of those who were Directors as at 31 December 2011 and 31 December 2010 are shown below:

	Type of holding	Shares held at 31 December 2011	Shares held at 31 December 2010
Nikita Mishin	Through beneficial shareholding in Transportation Investments Holding Limited and other related entities	110,438,954	126,887,310

Total number of issued shares of the Company as at 31 December 2011 was 470,000,001 (as at 31 December 2010: 450,000,000).

Board Performance

The Board meets at least four times a year. Fixed meetings are scheduled at the start of each year. Ad hoc meetings are called when there are pressing matters requiring the Board's consideration and decision in between the scheduled meetings.

In 2011 the Board met formally 12 (2010: 9) times to review current performance and to discuss and approve important business decisions.

The number of Board and Board Committee meetings held in the year 2011 and the attendance of directors during these meetings is as follows:

	Board of Directors		Nomination Committee		Remuneration Committee		Audit and Risk Committee	
	A	B	A	B	A	B	A	B
Michalis Thomaides	12	11	-	-	-	-	-	-
Alexander Iodchin	12	12	1	1	-	-	-	-
Bryan Smith	12	12	1	1	1	1	-	-
Nikita Mishin	12	5	1	1	1	1	-	-
Alexander Nazarchuk	12	3	-	-	-	-	-	-
Mikhail Loganov	12	12	-	-	1	1	11	11
Konstantin Shirokov	12	12	-	-	-	-	11	11
Ashot Khachataryants	5	3	-	-	-	-	-	-
Elia Nicolaou	12	10	-	-	-	-	-	-
Alexander Pevzner	12	12	-	-	-	-	-	-
Marios Tofaros	12	11	-	-	-	-	-	-
Siobhan Walker	8	7	-	-	-	-	6	6

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

Report of the Board of Directors continued

Board Performance continued

The operation of the Board, its Committees and individual Directors is subject to annual evaluation. The evaluation of the Board and individual Directors' performance is conducted through self-assessment, cross-assessment or by an external third party. The Non-Executive Directors, led by the Senior Independent Director, are responsible for the performance evaluation of the Chairman of the Board.

The Board Committees

Since December 2008 the Board of Directors established the operation of three committees: an Audit and Risk Committee, a Nomination Committee and a Remuneration Committee.

The Audit and Risk Committee comprises three Non-Executive Directors, and meets at least four times a year. The Audit and Risk Committee is currently chaired by Mrs. Siobhan Walker and is also attended by Mr. Mikhail Loganov (Chairman of Committee up to 30 May 2011) and Mr. Konstantin Shirokov. The Committee is responsible for considering, among other matters: (i) the integrity of the Company's financial information, including its annual and interim condensed consolidated financial information, and the effectiveness of the Company's internal controls and risk management systems; (ii) auditors' reports; and (iii) the terms of appointment and remuneration of the auditor. The Committee supervises and monitors, and advises the Board of Directors on risk management and control systems and the implementation of codes of conduct. In addition, the Committee supervises the submission of financial information by the Company and a number of other audit-related issues and assesses the efficiency of the performance of the Chairman of the Board of Directors.

The Nomination Committee comprises three directors, one of whom is independent, and is chaired by an independent non-executive director. The Committee meets at least once each year. Currently the Committee is chaired by Capt. Bryan Smith and the other members are Mr. Nikita Mishin and Mr. Alexander Iodchin. The Committee's role is to prepare selection criteria and appointment procedures for members of the Board of Directors and to review on a regular basis the structure, size and composition of the Board. In undertaking this role, the Committee refers to the skills, knowledge and experience required of the Board given the Company's stage of development and makes recommendations to directors as to any changes. The Committee also considers future appointments in respect to the composition of the Board of Directors as well as making recommendations regarding the membership of the Audit and Risk Committee and the Remuneration Committee.

The Remuneration Committee comprised of at least three directors, including one independent non-executive director, and expects to meet at least once each quarter. Currently the Remuneration Committee is chaired by Capt. Bryan Smith, and the other members are Mr. Nikita Mishin and Mr. Mikhail Loganov. The Committee is responsible for determining and reviewing, among other matters, the remuneration of the executive directors and the Company's remuneration policies. The remuneration of independent directors is a matter for the chairman of the Board of Directors and the executive directors. No director or manager may be involved in any decisions as to his or her own remuneration.

Corporate Governance

Improving its corporate governance structure in accordance with the internationally recognised best practices the Company adopted since 2008 important policies and procedures.

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

- Appointment policy;
- Terms of reference of the Board of Directors;
- Terms of reference of the Audit and Risk Committee;
- Terms of reference of the Nomination Committee;
- Terms of reference of the Remuneration Committee;
- Code of Ethics and Conduct; and
- Antifraud policy.

Report of the Board of Directors continued

Board and Management Remuneration

Non-executive directors serve on the Board pursuant to the letters of appointment which are subject to approval by the shareholders at the Annual General Meeting. Such letters of appointment specify the terms of appointment and the remuneration of non-executive directors.

Levels of remuneration for the Non-executive Directors reflect the time commitment, responsibilities of the role and membership of the respective committees of the Board. Directors are also reimbursed for expenses associated with discharge of their duties.

The shareholders of the Company approved the remuneration of the members of the Board on 30 May 2011.

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

Events after the balance sheet date

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

Branches

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

Treasury shares

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

Going Concern

Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the consolidated financial statements based on the fact that, after making enquiries and following a review of the Company's budget for 2012, including cash flows and borrowing facilities, the Directors consider that the Company has adequate resources to continue in operation for the foreseeable future.

Auditors

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

By Order of the Board



Nikita Mishin
Chairman of the Board of Directors

Limassol
23 March 2012

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

Each of the Directors confirms to the best of his or her knowledge that these parent company financial statements (which are presented on pages 11 to 32) 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



Michalis Thomaides
Director



Alexander Iodchin
Director

Limassol
23 March 2012

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GLOBAL PORTS INVESTMENTS PLC

Report on the financial statements

We have audited the accompanying financial statements of parent company Global Ports Investments Plc (the "Company"), which comprise the balance sheet as at 31 December 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

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

Independent Auditor's Report continued

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of parent company Global Ports Investments Plc as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the financial statements.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 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.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2011. The opinion in that report is not qualified.



Yiannos Kaponides
Certified Public Accountant and Registered Auditor

for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Limassol, 23 March 2012

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

	Note	2011 US\$000	2010 US\$000
Dividend income	22 (i)	159,250	49,000
Interest income	4	4,080	1,850
Administrative expenses	6	(6,788)	(4,606)
Other losses net	5	(3,713)	(1,499)
Operating profit		152,829	44,745
Finance costs	8	(9,400)	(6,279)
Profit before income tax		143,429	38,466
Income tax expense	9	(664)	(1)
Profit for the year		142,765	38,465
Other comprehensive income		-	-
Total comprehensive income for the year		142,765	38,465

The notes on pages 15 to 32 are an integral part of these financial statements.

BALANCE SHEET

at 31 December 2011

	Note	2011 US\$000	2010 US\$000
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	12	19	33
Investments in subsidiaries	13	420,578	410,495
Investments in joint ventures	14	157,283	157,412
Loans receivable	15	29,996	25,038
Total non-current assets		607,876	592,978
<i>Current assets</i>			
Loans receivable	15	31,404	4,632
Trade and other receivables	16	210	53
Cash and cash equivalents	17	84,448	8,165
Total current assets		116,062	12,850
TOTAL ASSETS		723,938	605,828
EQUITY AND LIABILITIES			
<i>Capital and reserves</i>			
Share capital	18	47,000	45,000
Share premium	18	454,513	359,920
Capital contribution		101,300	101,300
Retained earnings		119,350	29,785
Total equity		722,163	536,005
<i>Non-current liabilities</i>			
Borrowings	19	-	69,246
<i>Current liabilities</i>			
Trade and other payables	20	1,392	576
Current income tax liabilities		383	1
Total current liabilities		1,775	577
Total liabilities		1,775	69,823
TOTAL EQUITY AND LIABILITIES		723,938	605,828

On 23 March 2012 the Board of Directors of Global Ports Investments Plc authorised these financial statements for issue.



Michalis Thomaides
Director



Alexander Iodchin
Director

The notes on pages 15 to 32 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011

	Note	Share capital US\$000	Share premium US\$000	Capital contributions US\$000	Retained earnings ¹ US\$000	Total US\$000
Balance at 1 January 2010		45,000	359,920	101,300	31,320	537,540
<i>Comprehensive income</i>						
Profit for the year		–	–	–	38,465	38,465
Transactions with owners						
Dividends to shareholders	18	–	–	–	(40,000)	(40,000)
Total transactions with owners		–	–	–	(40,000)	(40,000)
Balance at 31 December 2010/1 January 2011		45,000	359,920	101,300	29,785	536,005
<i>Comprehensive income</i>						
Profit for the year		–	–	–	142,765	142,765
Transactions with owners						
Issue of shares	18	2,000	94,593	–	–	96,593
Dividends to shareholders	18	–	–	–	(53,200)	(53,200)
Total transactions with owners		2,000	94,593	–	(53,200)	43,393
Balance at 31 December 2011		47,000	454,513	101,300	119,350	722,163

¹ Retained earnings is the only reserve that is available for distribution in the form of dividends.

The notes on pages 15 to 32 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2011

	Note	2011 US\$000	2010 US\$000
<i>Cash flows from operating activities</i>			
Profit before tax		143,429	38,465
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	12	14	15
Dividend income	22 (i)	(159,250)	(49,000)
Interest income	4	(4,080)	(1,850)
Interest expense	8	2,568	5,788
Fair value losses on initial recognition of financial assets and liabilities	5	3,828	1,570
Foreign exchange loss		5,934	286
		(7,557)	(4,724)
<i>Changes in working capital</i>			
Trade and other receivables		(142)	1
Trade and other payables		816	(484)
Cash used in operations		(6,883)	(5,207)
Tax paid		(282)	–
Net cash used in operating activities		(7,165)	(5,207)
<i>Cash flows from investing activities</i>			
Additional investments in subsidiaries	13	(10,083)	(59)
Proceeds from distribution of equity of subsidiaries		–	1,850
Additional investments in joint ventures	14	(106)	–
Proceeds from distributions from joint ventures	14	235	647
Loans advanced to related parties	22 (vi)	(8,874)	(3,360)
Loan repayments received from related parties	22 (vi)	49,242	–
Interest received		3,332	–
Dividends received		86,585	49,150
Net cash from investing activities		120,331	48,228
<i>Cash flows from financing activities</i>			
Proceeds from the issue of shares – net	18	96,593	–
Proceeds from loans from related parties	22 (v)	–	830
Repayments of loans from related parties	22 (v)	(69,712)	(754)
Interest paid		(10,564)	(79)
Dividends paid to Company's shareholders	18	(53,200)	(40,000)
Net cash used in financing activities		(36,883)	(40,003)
Net increase in cash and cash equivalents		76,283	3,018
Cash and cash equivalents at beginning of year		8,165	5,147
Cash and cash equivalents at end of year	17	84,448	8,165

The notes on pages 15 to 32 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Country of incorporation

Global Ports Investments Plc (hereafter the “Company” or “GPI”) was incorporated on 29 February 2008 and is domiciled in Cyprus as a private limited liability company in accordance with the provisions of the Companies Law, Cap. 113. The address of the Company’s registered office is at 20 Omirou Street, Limassol, Cyprus.

On 18 August 2008, following a special resolution passed by the shareholders, the name of the Company was changed from “Global Ports Investments Ltd” to “Global Ports Investments Plc” and the Company was converted into a public limited liability company in accordance with the provisions of the Companies Law, Cap. 113.

During the first half of 2011 the Company has successfully completed an initial public offering (“IPO”) of its shares in the form of global depository receipts (“GDRs”). The Company’s GDRs (one GDR representing 3 ordinary shares) are listed on the Main Market of the London Stock Exchange under the symbol “GLPR”. For further details please refer to Note 18.

Principal activities

The principal activity of the Company, which is unchanged from last year, is the holding of investments, including any interest earning activities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

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

The financial statements have been prepared under the historical cost convention.

The Company has prepared these separate financial statements of the parent company for compliance with the requirements of the Cyprus Income Tax Law and the Disclosure Rules as issued by the Financial Services Authority of United Kingdom.

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2011 have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of IAS 39 “Financial Instruments: Recognition and Measurement” relating to portfolio hedge accounting. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Company’s accounting policies. There were no areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

Consolidated financial statements

The Company has also prepared consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU for the Company and its subsidiaries (the “Group”). A copy of the consolidated financial statements is available to the members, at the Company’s registered office and at the Company’s website at www.globalports.com.

Users of these separate financial statements of the parent company should read them together with the Group’s consolidated financial statements as at and for the year ended 31 December 2011 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group.

Notes to the financial statements continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Adoption of new and revised IFRSs

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2011. This adoption did not have a material effect on the accounting policies of the Company, with the exception of the following:

At the date of approval of these financial statements the following financial reporting standards were issued by the International Accounting Standards Board but were not yet effective:

(i) Adopted by the European Union

Amendments

- Amendments to IFRS 7 "Financial Instruments: Disclosures" on derecognition of financial instruments (effective for annual periods beginning on or after 1 July 2011).

(ii) Not adopted by the European Union

New standards

- IFRS 9 "Financial Instruments" (and subsequent amendments to IFRS 9 and IFRS 7) (effective for annual periods beginning on or after 1 January 2015).
- IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 12 "Disclosure of Interests in Other entities" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).
- IAS 27 "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013).
- IAS 28 "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2013).

Amendments

- Amendment to IAS 12 "Income Taxes" on deferred tax relating to recovery of underlying assets (effective for annual periods beginning on or after 1 January 2012).
- Amendment to IFRS 1 "First-time adoption of International Financial Reporting Standards" on severe hyperinflation and removal of fixed dates for First Time Adopters (effective for annual periods beginning on or after 1 July 2011).
- Amendment to IAS 1 "Financial Statements Presentation" on Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012).
- Amendments to IAS 19 "Employee Benefits" (effective for annual periods beginning on or after 1 July 2013).
- Amendments to IFRS 7 "Financial Instruments: Disclosures" on Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013).
- Amendments to IAS 32 "Financial Instruments: Presentation" on Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014).

New IFRICs

- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013).

Notes to the financial statements continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Adoption of new and revised IFRSs continued

The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a material effect on these separate financial statements of the parent company.

Revenue recognition

Revenues earned by the Company are recognised on the following bases:

(i) Interest income

Interest income is recognised when it is probable that benefits will flow to the Company and the amount of income can be measured reliably. Interest income is recognised on a time-proportion basis using the effective interest method.

(ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

Employee benefits

The Company and the employees contribute to the Cyprus Government Social Insurance Fund based on employees' salaries. The Company's contributions are expensed as incurred and are included in staff costs.

Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within "finance costs". All other foreign exchange gains and losses are presented in profit or loss within "other losses – net".

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.

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

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

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

Notes to the financial statements continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Current and deferred income tax continued

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

Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of property, plant and equipment.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values, over their estimated useful lives. The annual depreciation rates are as follows:

	%
Motor vehicles	20
Office equipment	50

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to the income statement of the year in which they were incurred.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are recognised in "other gains/(losses) – net" in profit or loss.

Investment in subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. In its standalone financial statements, the Company carries the investments in subsidiaries at cost less any impairment.

The Company recognises income from investments in subsidiaries to the extent that the Company receives distributions from accumulated profits of the subsidiaries arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognised as a reduction of the cost of investment.

Investments in joint ventures

Joint ventures are contractual arrangements whereby the Company together with other parties undertake an economic activity that is subject to joint control. In its standalone financial statements the Company carries its investments in joint ventures at cost less any impairment.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets, other than goodwill, that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Notes to the financial statements continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Loans

Loans originated by the Company by providing money directly to the borrower are categorised as loans and are carried at amortised cost. This is defined as the fair value of cash consideration given to originate those loans as is determined by reference to market prices at origination date. All loans are recognised when cash is advanced to the borrower.

An allowance for loan impairment is established if there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'selling and marketing costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the income statement.

Share capital and share premium

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Any excess of the fair value of consideration received over the par value of shares issued is recognised as share premium.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved, appropriately authorised and are no longer at the discretion of the Company.

More specifically, interim dividends are recognised as liability in the period in which these are approved by the Board of Directors and in the case of final dividends, they are recognised in the period in which these are approved by the Company's shareholders.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight line basis over the period of the lease.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the 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 and amortised over the period of the facility to which it relates.

Notes to the financial statements continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Borrowings continued

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

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

Trade payables

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

Cash and cash equivalents

Cash and cash equivalents include cash in bank and in hand and deposits held at call with banks.

3 FINANCIAL RISK MANAGEMENT

(i) Financial risk factors

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

The Company's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Market risk

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Company's functional currency.

Had Russian Rouble exchange rate strengthened/weakened by 15% (2010: 10%) against the US dollar and all other variables remained unchanged, the post tax profit of the Company for the year ended 31 December 2011, would have (decreased)/increased by US\$8,318 thousand (2010: (US\$ 1,871) thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of loans receivable, cash in bank, borrowings and payables denominated in Russian Rouble.

Had Euro exchange rate strengthened/weakened by 15% (2010:10%) against the US dollar and all other variables remained unchanged, the post tax profit of the Company for the year ended 31 December 2011, would have (decreased)/increased by US\$5,893 thousand (2010: US\$964 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of loans receivable, cash in bank, borrowings receivable and payables denominated in Euros.

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

Cash flow and fair value interest rate risk

The Company is exposed to cash flow interest rate risk arising from changes in market interest rates of cash and cash equivalents. In addition, the Company is exposed to fair value interest rate risk as all its loans receivable and borrowings are at fixed rates.

Had market interest rates on Euro and United States dollar denominated floating interest bearing cash and cash equivalents shift by 100 basic points and all other variables remained unchanged, the post tax profit of the Company would not significantly change for the years ended 31 December 2011 and 31 December 2010. In addition, as all of the Company's fixed rate loans receivable and borrowings are carried at amortised cost (which approximates their fair value), any reasonably possible change in the interest rates as of 31 December 2011 and 2010 would not have any significant impact on the Company's post tax profit.

The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

Notes to the financial statements continued

3 FINANCIAL RISK MANAGEMENT continued

(i) Financial risk factors continued

Market risk continued

Credit risk

Financial assets, which potentially subject the Company to credit risk, consist principally of loans receivable and cash and cash equivalents.

The majority of loans receivable are with related parties. Management believes that there is no significant risk of loss to the Company. Finally, see Note 11 for credit quality of cash and cash equivalents.

At 31 December 2011 and 2010 none of the loans receivable or cash and cash equivalents were past due or impaired.

Liquidity risk

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

	Up to 6 months US\$000	1 to 2 years US\$000	2 to 5 years US\$000	Over 5 years US\$000	Total US\$000
<i>At 31 December 2010</i>					
Borrowings	–	3,393	69,859	15,747	88,999
Trade and other payables	576	–	–	–	576
	576	3,393	69,859	15,747	89,575
<i>At 31 December 2011</i>					
Trade and other payables	1,392	–	–	–	1,392
	1,392	–	–	–	1,392

(ii) Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available for similar financial instruments.

4 INTEREST INCOME

	2011 US\$000	2010 US\$000
Bank balances	9	5
Short term deposits	316	6
Related parties (Note 22 (i))	3,755	1,839
	4,080	1,850

Notes to the financial statements continued

5 OTHER LOSSES – NET

	2011 US\$000	2010 US\$000
Net foreign exchange transaction gains/(losses)	115	(54)
Other losses	(3,828)	(1,445)
	(3,713)	(1,499)

Other (losses)/gains include an amount of US\$3,828 thousand (2010: US\$1,570 thousand) which relates to fair value loss on initial recognition of related party loans receivable and borrowings (Note 22 (v) and (vi)).

6 EXPENSES BY NATURE

	2011 US\$000	2010 US\$000
Depreciation of property, plant and equipment (Note 12)	14	15
Insurance	222	208
Auditors' remuneration	687	665
Staff costs (Note 7)	1,237	1,209
Advertising and promotion	129	137
Travelling expenses	1,981	1,313
Legal and consulting fees	1,949	767
Taxes other than on income	390	196
Office rent	29	27
Bank charges	26	12
Other expenses	124	57
Total administrative expenses	6,788	4,606

The auditors' remuneration stated above include fees of US\$452 thousand (2010: US\$383 thousand) for audit services charged by the Company's statutory audit firm.

The legal and consulting fees stated above include fees of US\$26 thousand (2010: nil) for tax consultancy services charged by the Company's statutory audit firm.

7 STAFF COSTS

	2011 US\$000	2010 US\$000
Wages and salaries	1,195	1,172
Social insurance costs	42	37
	1,237	1,209

Notes to the financial statements continued

8 FINANCE COSTS

	2011 US\$000	2010 US\$000
<i>Interest expense:</i>		
Loans from related parties (Note 22(i))	2,560	5,788
Bank overdrafts	8	–
	2,568	5,788
Net foreign exchange transaction losses	6,832	491
	9,400	6,279

9 INCOME TAX EXPENSE

	2011 US\$000	2010 US\$000
<i>Current tax:</i>		
Corporation tax	346	1
Defence contribution	43	–
Withholding tax	275	–
	664	1

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

	2011 US\$000	2010 US\$000
Profit before tax	143,429	38,466
Tax calculated at the applicable corporation tax rate of 10%	14,343	3,847
Tax effect of expenses not deductible for tax purposes	2,995	1,070
Tax effect of allowances and income not subject to tax	(17,019)	(4,920)
Tax effect of utilisation of prior year tax losses	(5)	1
Tax effect of tax losses for which no deferred tax asset was recognised	–	3
Additional tax	32	–
Special contribution for defence	43	–
Withholding tax	275	–
	664	1

The Company is subject to corporation tax on taxable profits at the rate of 10%.

From 1 January 2009 onwards, under certain conditions, interest may be exempt from income tax and only subject to defence contribution at the rate of 10%, increased to 15% as from 31 August 2011.

In certain cases dividends received from abroad may be subject to defence contribution at the rate of 15%; increased to 17% as from 31 August 2011; increased to 20% from 1 January 2012 to 31 December 2013.

Notes to the financial statements continued

10 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables US\$'000	Total US\$'000
<i>31 December 2010</i>		
Assets as per balance sheet		
Non-current receivables	25,038	25,038
Current portion of loans receivable	4,632	4,632
Cash and cash equivalents	8,165	8,165
Total	37,835	37,835

	Other financial liabilities	Total US\$'000
<i>Liabilities as per balance sheet</i>		
Borrowings	69,246	69,246
Trade and other payables	576	576
Total	69,822	69,822

	Loans and receivables US\$'000	Total US\$'000
<i>31 December 2011</i>		
Assets as per balance sheet		
Non-current receivables	29,996	29,996
Current portion of loans receivable	31,404	31,404
Cash and cash equivalents	84,448	84,448
Total	145,848	145,848

	Other financial liabilities	Total US\$'000
<i>Liabilities as per balance sheet</i>		
Trade and other payables	1,392	1,392
Total	1,392	1,392

11 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:

	2011 US\$'000	2010 US\$'000
<i>Fully performing trade and other receivables</i>		
Counterparties without external credit rating		
Group 1	61,193	29,456
Group 2	207	267
	61,400	29,723

Notes to the financial statements continued

11 CREDIT QUALITY OF FINANCIAL ASSETS continued

	2011 US\$000	2010 US\$000
<i>Cash at bank and short-term bank deposits</i>		
Ba2	633	647
A1	37,018	7,518
Aa3	46,797	–
	84,448	8,165

Group 1 – related party balances with no defaults in the past.

Group 2 – other receivables and prepayments.

12 PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles and other equipment US\$000	Total US\$000
<i>Year ended 31 December 2010</i>		
Opening net book amount	48	48
Depreciation charge	(15)	(15)
Closing net book amount	33	33
<i>At 31 December 2010</i>		
Cost	70	70
Accumulated depreciation	(37)	(37)
Net book amount	33	33
<i>Year ended 31 December 2011</i>		
Opening net book amount	33	33
Depreciation charge	(14)	(14)
Closing net book amount	19	19
<i>At 31 December 2011</i>		
Cost	70	70
Accumulated depreciation	(51)	(51)
Net book amount	19	19

13 INVESTMENTS IN SUBSIDIARIES

	2011 US\$000	2010 US\$000
At beginning of year	410,495	412,271
Additions	10,083	59
Disposals/distribution of equity	–	(1,850)
Exchange differences	–	15
At end of year	420,578	410,495

Notes to the financial statements continued

13 INVESTMENTS IN SUBSIDIARIES continued

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

Name	Principal activity	Country of incorporation	2011 % holding	2010 % holding
Arytano Holdings Limited	Holding company	Cyprus	100	100
Intercross Investments B.V.	Holding company	Netherlands	100	100
Global Ports Advisory Group AB	Holding company	Sweden	100	100
NCC Pacific Investments Limited	Holding company	Cyprus	100	100

14 INVESTMENTS IN JOINT VENTURES

	2011 US\$000	2010 US\$000
At beginning of year	157,412	158,059
Additions	106	–
Disposals/distribution of equity	(235)	(647)
At end of year	157,283	157,412

The Company's interests in joint ventures, all of which are unlisted, are as follows:

Name	Principal activity	Country of incorporation	2011 % holding	2010 % holding
Container-Depot Limited Oy	Container handling	Finland	75	75
Multi-Link Terminals Limited	Holding company	Ireland	75	75
M.L.T Container Logistics Ltd	Holding company	Cyprus	75	50

15 LOANS RECEIVABLE

	2011 US\$000	2010 US\$000
<i>Non-current</i>		
Loans to related parties (Note 22 (vi))	29,996	25,038
<i>Current</i>		
Loans to related parties (Note 22 (vi))	31,197	4,418
Loans to third parties	207	214
Total	61,400	29,670

The carrying amounts of non-current receivables approximate their fair values. The weighted average effective interest rates on loans receivable at the balance sheet date were as follows:

	2011 %	2010 %
Loans to related parties	6.00	7.10

Notes to the financial statements continued

15 LOANS RECEIVABLE continued

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

	2011 US\$000	2010 US\$000
Euro	43,726	12,197
Russian Rouble	910	407
US Dollar	16,764	17,066
	61,400	29,670

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivable mentioned above. There are no impaired or past due assets within loans receivable.

16 TRADE AND OTHER RECEIVABLES

	2011 US\$000	2010 US\$000
Prepayments	195	53
Prepayments – related parties (Note 22(vii))	15	–
	210	53

The fair values of trade and other receivables approximate their carrying amounts.

17 CASH AND CASH EQUIVALENTS

	2011 US\$000	2010 US\$000
Cash at bank	4,141	665
Short term bank deposits	80,307	7,500
	84,448	8,165

The effective interest rate on short term bank deposits as per 31 December 2011 was 0.56% (2010: 0.62%) and these deposits have on average maturity of 45 days (2010: 24 days).

Cash and cash equivalents are denominated in the following currencies:

	2011 US\$000	2010 US\$000
Euro	23,739	18
US Dollar	60,709	8,145
Russian Rouble	–	2
	84,448	8,165

Notes to the financial statements continued

18 SHARE CAPITAL, SHARE PREMIUM AND DIVIDENDS

	Share capital US\$000	Share premium US\$000	Total US\$000
At 1 January 2010, 31 December 2010/1 January 2011	45,000	359,920	404,920
Issue of new shares	2,000	94,593	96,593
At 31 December 2011	47,000	454,513	501,513

In June 2011 the authorised share capital of the Company increased from US\$45,000 thousand divided into 450,000,000 ordinary shares of US\$0.10 each to US\$53,000 thousand divided into 530,000,000 ordinary shares of US\$0.10 each.

As mentioned in Note 1, in June 2011 the Company successfully completed an IPO of GDRs. The IPO included an offering by the Company of 6,666,667 GDRs with each GDR representing an interest in three ordinary shares of the Company. The offering price was US\$15 per GDR (the equivalent of US\$5 per ordinary share).

As a result of the IPO, the Company has issued 20,000,001 ordinary shares of par value of US\$0.10 each at the price of US\$5 per share (the share premium was US\$4.9 per share). These shares were fully paid in the amount of US\$100 million resulting in the increase of the share capital and the share premium by US\$2 million and US\$98 million respectively. An amount of US\$3,407 thousand out of the total expenses directly attributable to the new shares issued was written off against the share premium.

During 2011 the Company declared and paid to the shareholders of the Company dividend in the total amount of US\$53,200 thousand (US\$0.113 per share¹).

During 2010 the Company declared and paid to the shareholders of the company dividend in the total amount of US\$40,000 thousand (US\$0.090 per share²).

On 23 March 2012, the Board of Directors of the Company resolved to recommend the payment of a final dividend for the year 2011 amounting to US\$32,900 thousand (US\$0.07 per share). The dividend is subject to the approval of the shareholders at the Company's Annual General Meeting.

19 BORROWINGS

	2011 US\$000	2010 US\$000
<i>Non-current</i>		
Borrowings from subsidiaries (Note 22(v))	–	29,337
Borrowings from parent entity (Note 22(v))	–	39,909
	–	69,246
<i>Maturity of non-current borrowings</i>		
Between 1 and 2 years	–	5,990
Between 2 and 5 years	–	52,890
Over 5 years	–	10,366
	–	69,246

The weighted average effective interest rates at the balance sheet date were as follows:

	2011 %	2010 %
Borrowings from related parties (Note 22(v))	–	8.60

¹ The weighted average number of ordinary shares in 2011 was 460 million.

² The weighted average number of ordinary shares in 2010 was 450 million.

Notes to the financial statements continued

19 BORROWINGS continued

The exposure of the Company's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	2011 US\$000	2010 US\$000
1 to 5 years	–	69,246
	–	69,246

The carrying amounts of borrowings approximate their fair value. The carrying amounts of the Company's borrowings are denominated in the following currencies:

	2011 US\$000	2010 US\$000
Euro	–	1,462
US Dollar – functional and presentation currency	–	38,446
Russian Rouble	–	29,338
	–	69,246

20 TRADE AND OTHER PAYABLES

	2011 US\$000	2010 US\$000
Other payables	1,046	98
Accrued expenses	346	478
	1,392	576

The fair value of trade and other payables which are due within one year approximates their carrying amount at the balance sheet date.

21 CONTINGENCIES

Operating environment

The Company's subsidiaries and joint ventures mainly operate in the Russian Federation, Estonia and Finland.

The Russian Federation displays certain characteristics of an emerging market. Tax, currency and customs legislation is subject to varying interpretations and contributes to the challenges faced by companies operating in the Russian Federation. The international sovereign debt crisis, stock market volatility and other risks could have a negative effect on the Russian financial and corporate sectors.

The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the government to sustain growth, and to change the tax, legal and regulatory environment. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment.

Management is unable to predict all developments which could have an impact on the Russian economy and consequently what effect, if any, they could have on the future financial position of the Group. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business.

Estonia and Finland represents a well established market economy with stable political systems and developed legislation based on EU requirements and regulations.

Notes to the financial statements continued

22 RELATED PARTY TRANSACTIONS

The Company is controlled by Transportation Investments Holding Limited incorporated in Cyprus, which controls 75% of the Company's shares. The ultimate controlling party of the Group is Mirbay International Inc, Bahamas.

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

The following transactions were carried out with related parties:

(i) Operating activities

	2011 US\$000	2010 US\$000
<i>Dividend income:</i>		
Subsidiaries	159,250	49,000

	2011 US\$000	2010 US\$000
<i>Interest income:</i>		
Subsidiaries and joint ventures	3,755	1,839

	2011 US\$000	2010 US\$000
<i>Interest expense:</i>		
Parent entity	1,067	3,078
Subsidiaries	1,493	2,710
	2,560	5,788

	2011 US\$000	2010 US\$000
<i>Other losses – net:</i>		
Subsidiaries	3,828	1,570

(ii) Acquisitions/disposals of subsidiaries/joint ventures

	2011 US\$000	2010 US\$000
<i>Additions/contributions:</i>		
Subsidiaries	10,083	59
Joint ventures	106	–
	10,189	59

	2011 US\$000	2010 US\$000
<i>Disposals/distributions of equity:</i>		
Joint ventures	235	–

Notes to the financial statements continued

22 RELATED PARTY TRANSACTIONS continued

(iii) Key management personnel compensation

The compensation of key management personnel is as follows:

	2011 US\$000	2010 US\$000
Salaries and other short-term employee benefits	1,132	1,122

(iv) Directors' remuneration

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

	2011 US\$000	2010 US\$000
Fees	740	815
Emoluments in their executive capacity	392	307
	1,132	1,122

(v) Borrowings from related parties

	2011 US\$000	2010 US\$000
<i>Borrowings from subsidiaries:</i>		
At beginning of the year	29,337	24,384
Borrowings advanced	-	830
Borrowings repaid	(33,483)	-
Interest charged (Note 8)	1,493	2,710
Interest repaid	(5,361)	(11)
Foreign exchange gain/(loss)	3,092	(217)
Fair value loss on initial recognition	4,922	1,641
At end of the year (Note 19)	-	29,337
<i>Borrowings from parent entity:</i>		
At beginning of the year	39,909	37,757
Loans repaid	(36,229)	(754)
Interest charged (Note 8)	1,067	3,078
Interest repaid	(5,203)	(68)
Foreign exchange gain/(loss)	456	(104)
At end of the year (Note 19)	-	39,909

The loans from the parent and subsidiaries as at 31 December 2010 were unsecured and bore interest at the rates of 6.5% to 9%.

Notes to the financial statements continued

22 RELATED PARTY TRANSACTIONS continued

(vi) Loans to related parties

	2011 US\$000	2010 US\$000
<i>Loans to subsidiaries and joint ventures:</i>		
At beginning of year	29,456	24,907
Assignment of loans	72,502	–
Loans advanced	8,874	3,360
Loans repaid	(49,242)	–
Interest charged	3,755	1,839
Interest repaid	(3,009)	–
Foreign exchange loss	(2,237)	(722)
Fair value gain on initial recognition	1,094	72
At end of the year (Note 15)	61,193	29,456

The loans to related parties bear interest at the rate of 0% to 8.75%, are unsecured and are repayable by June 2018.

(vii) Prepayments

	2011 US\$000	2010 US\$000
<i>Prepayments:</i>		
Subsidiaries	215	–

(viii) Securities granted to common ownership companies

In November 2008 the Company has pledged its 25% shareholding in Multi-Link Terminals Limited as security for a loan obtained by a common ownership company. The loan was repaid in full in September 2010. The gain on amortisation of the guarantee amounted to US\$125 thousand in 2010.

23 EVENTS AFTER THE BALANCE SHEET DATE

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

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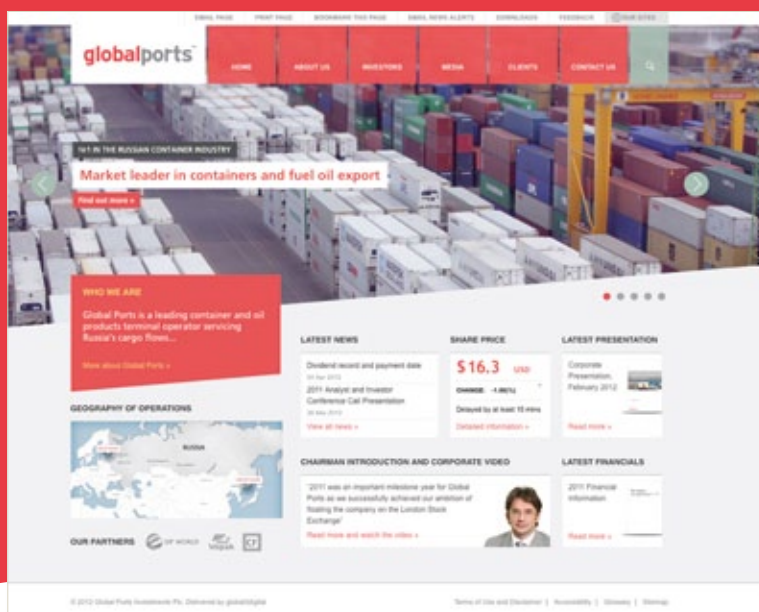
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