Globaltrans Investment PLC

Consolidated Management report and consolidated financial statements for the year ended 31 December 2018

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Consolidated Management report and consolidated financial statements for the year ended 31 December 2018

Board of Directors and other officers

Board of Directors

Mr. Michael Zampelas
Senior Independent Non-executive Director
Chairman of the Nomination Committee
Member of the Remuneration Committee

Dr. Johann Franz Durrer
Independent Non-Executive Director
Chairman of the Remuneration Committee
Member of the Nomination Committee

Mr. John Carroll Colley
Independent Non-Executive Director
Chairman of the Audit Committee

Mr. George Papaioannou
Independent Non-Executive Director
Member of the Audit Committee

Ms. Elia Nicolaou
Non-executive Director
Member of the Audit Committee
Company Secretary
Secretary of the Board
Alternate Director: Mr. Marios Tofaros

Mr. Michalakis Thomaides
Non-Executive Director

Ms. Melina Pyrgou
Non-executive Director

Mr. Marios Tofaros
Non-executive Director

Mr. Sergey Maltsev
Chairman of the Board of Directors
Executive Director
Appointed on 23 April 2018
Alternate Director: Mr Yuri Isaev

Mr. Alexander Eliseev
Executive Director
Alternate Director: Ms Ekaterina Golubeva

Mr. Sergey Tolmachev
Executive Director

Mr. Alexander Storozhev
Executive Director
Alternate Director: Ms. Elia Nicolaou

Mr. Konstantin Shirokov
Executive Director

Mr Andrey Gomon
Executive Director
Alternate Director: Ms. Melina Pyrgou

Mr. Alexander Tarasov
Non-executive Director

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

Ms. Elia Nicolaou
Dimitriou Karatasou, 15
Anastasio Building, 6th floor, Office 601
Strovolos, 2024, Nicosia, Cyprus

Assistant secretary: Mr. Marios Tofaros

Registered office

20 Omirou Street
Agios Nicolaos
CY-3095 Limassol, Cyprus

Consolidated Management Report

The Board of Directors presents its report together with the audited consolidated financial statements for the year ended 31 December 2018. The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of Cyprus Companies Law, Cap. 113.

Principal activities

The principal activities of the Group, which are unchanged from last year, are the provision of railway transportation services using own and leased rolling stock as well as fleet engaged from third party rail operators and the operating lease of rolling stock.

Review of developments, position and performance of the Group's business

Globaltrans produced a solid overall financial performance in 2018. The strong gondola market combined with slightly increased pricing in rail transportation for the oil products and oil segment translated into a strong set of results.

IFRS financial information

Management considers amongst others the following IFRS measures in analysing the performance of the Group.

The Group's Total revenue rose 11% year on year to RUB 86,772,742 thousand in 2018 (2017: RUB 78,080,532 thousand). Operating profit increased 33% year on year to RUB 26,901,055 thousand in 2018 (2017: RUB 20,156,135 thousand). The Profit for the year ended 31 December 2018 grew 42% year on year to RUB 19,583,435 thousand (2017: RUB 13,819,874 thousand).

On 31 December 2018 the total assets of the Group were RUB 91,217,322 thousand (2017: RUB 77,421,556 thousand) and net assets were RUB 53,525,434 (2017: RUB 50,617,630 thousand).

On 31 December 2018 the total debt of the Group was RUB 25,728,911 thousand and increased by 58% as compared to end of 2017 which amounted to RUB 16,331,356 thousand. Total cash and cash equivalents on 31 December 2018 grew by 44% and amounted to RUB 7,129,918 thousand (31 December 2017: 4,966,171 thousand).

Non-IFRS financial information

Amongst others, management analyses the following key non-IFRS measures. These non-IFRS measures are marked with capital letters and their definitions are provided at the end of this section in alphabetical order.

Adjusted Revenue increased 17% year on year to RUB 60,859,424 thousand (2017: RUB 52,094,289 thousand) supported by the strong performance of the gondola business and slightly improving pricing in rail transportation for the oil products and oil. Total Operating Cash Costs were up 6% year on year to RUB 27,893,504 thousand (2017: RUB 26,302,818 thousand).

Adjusted EBITDA rose 28% year on year to RUB 33,069,961 thousand (2017: RUB 25,788,683 thousand) with the Adjusted EBITDA Margin expanding to 54% (2017: 50%). The Group' Free Cash Flow was RUB 12,314,346 thousand, a 28% decline compared RUB 17,047,982 thousand in 2017, largely due to increase in Total CAPEX.

The Group had a strong balance sheet with Net Debt to Adjusted EBITDA increasing to 0.56x (2017 end: 0.44x). Net Debt rose by 64% to RUB 18,598,993 thousand (2017 end: RUB 11,365,185 thousand). As at 31 December 2018 and 31 December 2017 almost 100% of the Group's debt was denominated in Russian roubles.

In 2018, management continued to make disciplined decisions on capital allocation whilst pursuing cost improvement and productivity measures. The Total Capex rose 165% year on year to RUB 12,888,898 thousand (2017: RUB 4,872,076 thousand). This higher capital expenditure reflected primarily larger expansion CAPEX in response to strong demand and in order to support the new long-term contracts and further development of niche projects. In 2018, the Group acquired 4,747 units (including 3,862 gondola cars, 481 flat cars and 404 containers) compared to 1,332 units (including 706 gondola cars, 70 flat cars and 556 containers) in the previous year.

Operational information

In 2018, the Group's Transportation Volume and Freight Rail Turnover (both excluding Engaged Fleet) decreased 4% and 9% year on year respectively, impacted by gondola car fleet rebalancing, changed client logistics and a reduction in average speeds on the RZD rail network over the course of 2018, caused by ongoing major rail infrastructure modernisation projects. The Group's Transportation Volume was 88.5 million tones in 2018 (2017: 91.9 million tones) with Freight Rail Turnover amounting to 146.2 billion tonnes-km (2017: 160.1 billion tonnes-km).

The Average Number of Loaded Trips per Railcar decreased by 4% year on year, while the Average Distance of Loaded Trips reduced by 4% year on year.

Average Price per Trip increased 20% year on year to RUB 41,859.

The high operational efficiency was maintained with the Empty Run Ratio for gondola cars increasing to 38% (2017: 37%) and the Total Empty Run Ratio amounting to 46% (2017: 45%).

Total Fleet increased 3% to 69,023 units (2017 end: 66,692 units) primarily reflecting sizeable increase in Owned Fleet, which was partially offset by the intended reduction in number of leased-in fleet.

The financial position, development and performance of the Group as presented in the financial statements is considered satisfactory.

Definitions to Non-IFRS financial measures

Adjusted EBITDA represents EBITDA excluding “Net foreign exchange transaction losses from financing activities”, “Share of loss of associate”, “Other losses/(gains) - net”, “Net (gain)/loss on sale of property, plant and equipment”, “Impairment of property, plant and equipment”, “Loss on derecognition arising on capital repairs” and “Reversal of impairment of intangible assets”.

Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by Adjusted Revenue.

Adjusted Revenue is calculated as “Total revenue” less the following “pass through” items “Infrastructure and locomotive tariffs: loaded trips” and “Services provided by other transportation organisations”.

Average Distance of Loaded Trip is calculated as the sum of the distances of all loaded trips for a period divided by the number of loaded trips for the same period.

Average Number of Loaded Trips per Railcar is calculated as total number of loaded trips in the relevant period divided by Average Rolling Stock Operated.

Average Price per Trip is calculated as Net Revenue from Operation of Rolling Stock divided by the total number of loaded trips during the relevant period in the respective currency. Net Revenue from Operation of Rolling Stock is defined as the sum of “Revenue from railway transportation - operators services (tariff borne by the Group)” and “Revenue from railway transportation - operators services (tariff borne by the client)” less “Infrastructure and locomotive tariffs: loaded trips”, “Services provided by other transportation organisation” and net revenue from engaged fleet.

Average Rolling Stock Operated is calculated as the average weighted (by days) number of rolling stock available for operator services (not including rolling stock in maintenance, purchased rolling stock in transition to its first place of commercial utilisation, rolling stock leased out, Engaged Fleet, flat cars and tank containers used in petrochemical business).

EBITDA represents “Profit for the year” before “Income tax expense”, “Finance costs- net” (excluding “Net foreign exchange transaction losses from financing activities), “Depreciation of property, plant and equipment” and “Amortisation of intangible assets”.

Empty Run Ratio is calculated as the total of empty trips in kilometres by respective rolling stock type divided by total loaded trips in kilometres of such rolling stock type. Empty trips are only applicable to rolling stock operated (not including rolling stock in maintenance, purchased rolling stock in transition to its first place of commercial utilisation, rolling stock leased out, engaged fleet, platforms and tank containers used in petrochemical business).

Engaged Fleet is defined as rolling stock subcontracted or otherwise engaged from a third-party rail operator for a loaded trip from the point of origination to the cargo’s destination, at which point the railcar is then released to such third-party.

Free Cash Flow is calculated as “Cash generated from operations” (after “Changes in working capital”) less “Tax paid”, “Interest paid”, “Purchases of property, plant and equipment”, “Finance lease principal payments” and “Purchases of intangible assets”.

Freight Rail Turnover is a measure of freight carriage activity over a particular period calculated as the sum of tonnage of each loaded trip multiplied by the distance of each loaded trip, expressed in tonnes-km. It includes volumes transported by the engaged fleet and excludes performance of petrochemical tank container segment, unless otherwise stated.

Net Debt is defined as the sum of total borrowings (including interest accrued) less “Cash and cash equivalents”.

Net revenue from engaged fleet represents the net sum of the price charged for transportation to clients by the Group utilising Engaged Fleet less the loaded railway tariff charged by OAO "Russian Railways" (included in "Infrastructure and locomotive tariffs: loaded trips") less the cost of attracting fleet from third-party operators (included in "Services provided by other transportation organisations").

Total CAPEX calculated on a cash basis as the sum of "Purchases of property, plant and equipment", "Purchases of intangible assets", "Acquisition of subsidiary undertakings – net of cash acquired" and "Finance lease principal payments".

Total Empty Run Ratio is calculated as total kilometres travelled empty divided by the total kilometres travelled loaded by the rolling stock fleet operated by Globaltrans (not including the relocation of rolling stock to and from maintenance, purchased rolling stock in transition to its first place of commercial utilisation, or rolling stock leased out, Engaged Fleet, platforms and tank containers used in petrochemical business) in the relevant period.

Total Fleet is defined as the fleet owned and leased in under finance and operating leases as at the end of reporting period. It includes railcars, locomotives and petrochemical tank containers, unless otherwise stated, and excludes engaged fleet.

Total Operating Cash Costs represent operating cost items payable in cash and calculated as "Total cost of sales, selling and marketing costs and administrative expenses" less the "pass through" items: "Infrastructure and locomotive tariffs: loaded trips" and "Services provided by other transportation organisations" and non-cash items: "Depreciation of property, plant and equipment", "Amortisation of intangible assets", "Net impairment losses on financial assets", "Impairment of property, plant and equipment", "Net (gain)/loss on sale of property, plant and equipment" and "Loss on derecognition arising on capital repairs".

Transportation Volume is a measure of freight carriage activity over a particular period, measuring weight of cargo carried in million tonnes. It excludes volumes transported by Engaged Fleet and the performance of petrochemical tank container segment, unless otherwise stated.

Changes in group structure

During 2018 Spacecom AS acquired 100% of the shares of Spacecom Trans AS from the Company and the non-controlling shareholders. As a result, the proportion of ordinary shares held by the Company in Spacecom Trans AS increased from a direct holding of 65% to an indirect holding of 65.25%. The transaction aimed to optimise the management of both Estonian subsidiaries. There were no other changes in the group structure of the Group during the year ended 31 December 2018. For the principal subsidiaries of the Company, refer to Note 19 of the consolidated financial statements.

Non-Financial Information and Diversity Statement

The Group will be publishing its Non-Financial Information and Diversity Statement within its Annual report that will be issued within four months after the balance sheet date and will be available on the Company's website, www.globaltrans.com

Environmental matters

Rail is one of the most environmentally friendly modes of transport. Nonetheless, any commercial activity has an environmental impact and Globaltrans strives to minimise those from its operations where possible. To this end, the Group ensures that its activities fully comply with local environmental regulations. It also aims to help business and nature co-exist by focusing on applying modern technology in its operations and using natural resources rationally.

Human resources

Globaltrans considers the wellbeing of employees central to its success and strives to maintain exemplary working standards, ensure job satisfaction and create opportunities for professional growth. The Group's personnel policy focuses on creating a positive atmosphere at all offices and facilities to maximise productivity. As part of this, it offers medical insurance, support for education, opportunities to obtain additional qualifications and training, and financial aid in particularly difficult times.

The Group's future success will partly depend on its ability to continue to attract, retain and motivate key employees and qualified personnel, in particular an experienced management team. Competition in Russia for such personnel with relevant expertise is intense due to the small number of qualified individuals with suitable practical experience in the rail industry.

Adequate remuneration packages, which are in line with or in excess of market levels, are offered to all employees and key managers and remuneration is linked to the Group's financial results. The Human Resource function regularly monitors salary levels and other benefits offered by competitors to ensure that the Group's remuneration packages are adequate.

Principal risks and uncertainties

The Company faces a number of diverse potential and actual risks to its business. The Board has adopted a formal process to identify, evaluate and manage principal risks and uncertainties faced by the Group.

To identify, evaluate and mitigate these, the Group has established an in-house system to monitor and control uncertainties and threats throughout its activities. This is overseen by a dedicated Risk Management function, which works directly with the Board of Directors in this area.

The Company has grouped the risks that it considers to be significant into key categories – strategic, operational, compliance and financial – and they are presented below.

Strategic risks

The strategic risks faced by the Group that pose risks that influence the Group's ability to achieve its strategy include the general economic situation and operating environment in Russia, Kazakhstan, Ukraine, CIS and Baltic countries in which the Group operates; the regulatory risk relating to the operation of the Russian railway transportation market, including railway tariff regulation and technical requirements for fleet maintenance; the highly competitive Russian rail transportation market with unregulated operator's services tariffs; the significant concentration of the Group's customer base with the top 10 customers (including their affiliates and suppliers) accounting for around 74% of the Group's Net Revenue from the operation of rolling stock in 2018; cost of borrowing and/or deterioration in market conditions with potential impacts on the profitability and payback period of investments; and reliance on RZD for issuing permits allowing the Group to operate locomotives.

The Group operates mainly in Russia, other emerging markets and Estonia. Emerging markets, such as Russia, Kazakhstan and Ukraine, are subject to greater risks than more developed markets, including significant economic, political, social, legal and legislative uncertainties. Moreover, the Group's business depends on the demand in the Russian freight rail transportation market, which in turn depends on certain key commodity sectors and, accordingly, on economic conditions in Russia, Europe and elsewhere. A decrease in production and demand for key commodities in Russia, or in adjacent countries where the commodities of the Group's key customers are shipped by rail, as a result of a technological shift, economic downturn, political crisis or other event in Russia or another relevant country, negatively impacts the Group's business and growth prospects.

The management of the Group constantly monitors the developments in the operating environment and regulatory regime of the railway transportation market in the countries in which the Group operates. The Group's business model is to maintain a balanced fleet between universal gondola cars, adaptable to the demand for transportation of various bulk cargoes and rail tank cars, which are used for the transportation of oil products and oil. Further, the Group has long-term, established relationships with its key customers and their affiliates and suppliers and in some cases, the Group becomes an integrated part of its customers' operations. Around 60% of the Group's Net Revenue from the Operation of Rolling Stock in 2018 was covered by long-term service contracts with several large clients. Such contracts provide additional stability and greater certainty regarding transport volumes for the Group. In addition, the Group's marketing function regularly monitors competitors' strategies, their use of technology, their price strategies and industry trends.

Operational risks

The operational risks faced by the Group that could influence the Group's operational efficiency include the physical state of the Russian, Ukrainian, CIS and Baltic countries railway infrastructure which may negatively impact the condition of the Group's rolling stock and the performance of the Group; the impact of inflation in Russia on the Group's costs with limited opportunities to increase tariffs to customers; the competition for personnel with relevant expertise and experience in Russia and the impact on the Group's ability to continue to attract, retain and motivate key employees and qualified personnel; reliance on RZD for locomotive traction and infrastructure usage and the impact of this on the quality of the Group's freight transportation services and therefore customer satisfaction; IT availability and continuity considerations due to reliance on specialised trail transport and logistics software for ensuring efficient and effective logistics, dispatching and rolling stock tracking services; and risks of terrorist attacks, natural disasters or other catastrophic events beyond the Group's control.

The Group is managing operational risk by ensuring that practically all of the Group's rolling stock is insured against damage. Further, the Group monitors its rolling stock through the Group's dispatch centre on a 24/7 basis and plans routes accordingly to minimise the risks of disruption. The Group monitors FAS initiatives with the aim of detecting possible changes in tariff-setting methodology and tries to reflect respective changes in contracts with customers. Among the Group's key objectives are to increase operational efficiency and to focus on control and reduction of costs. The Group continuously monitors its costs to maintain efficiency. The Human Resource function regularly monitors salary levels and other benefits offered by competitors to ensure that the Group's remuneration packages are adequate. Customer satisfaction is one of the key metrics that the Group's management monitors, with customer feedback being analysed and appropriate follow-up actions being taken. Local IT specialists have introduced solutions to maintain the availability of IT services and ensure their recovery in case of disruption. The IT function and Internal Audit function monitor all IT-related activities and performance for compliance with IT policies and procedures. Further the Group permanently monitors any disruptive events and applies a Business Continuity Policy to ensure the safety of employees and human life; maintain continuity of time-critical services; minimise disruptions to clients and partners; and minimise operational, financial and reputational impact.

Compliance risks

The Group is also subject to compliance risk, being the risks that influence the Group's adherence to relevant laws and regulations. The Group is involved in material legal actions from time to time. Some of it may have an adverse effect on the Group. The ambiguity of the law in Russia and CIS countries creates regulatory uncertainty and might result in claims from different government authorities. Local tax, currency and customs legislation, especially in Russia, other emerging markets and Cyprus, may be subject to varying interpretations, inconsistencies between federal laws, regional and local laws, rules and regulations, frequent changes and a lack of judicial and administrative guidance on interpreting legislation.

The Group runs its operations in compliance with tax, currency, labour, customs, antimonopoly and other applicable legislation and constantly monitors any changes in the regulatory environment as well as compliance with the terms of its agreements. Standard forms of agreements are used for transportation services, and various controls are in place to ensure that the terms of agreements are adhered to. All contracts are subject to rigorous review by all of the Group functions concerned and a formal approval process prior to execution. The Group has controls in place, including highly qualified and experienced personnel, to monitor changes in legislation and determine the appropriate action needed to minimise the risk of a challenge to such treatments by the authorities. For complex matters, the Group retains external consultants.

Financial risks

The Group's activities expose it to a variety of financial risks that could influence the Group's financial performance. These include: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

Foreign exchange risk

As of 31 December 2018, almost 100% of the Group's long-term borrowings are denominated in Russian Rouble. Further, a large proportion of the Group's expenses and revenues are denominated and settled in Russian Roubles. Risks related to liabilities denominated in foreign currency are partly compensated by assets and income denominated in foreign currency.

The Group is exposed to the effects of currency fluctuations between (i) the Russian Rouble and the US Dollars in relation to US Dollar denominated balances held in the Company and the Cypriot and Russian subsidiaries of the Group having the Russian Rouble as their functional currency; (ii) the Euro and the US Dollar for US Dollar denominated balances held in the Estonian subsidiaries of the Group which have the Euro as their functional currency and (iii) the Ukrainian Hryvnia and the US Dollar for the US Dollar denominated balances held in the Ukrainian subsidiary of the Group which has the Ukrainian Hryvnia as its functional currency.

A large proportion of the Group's revenues and expenses are denominated and settled in Russian roubles. At present, the risks related to liabilities denominated in foreign currency are not material and are partly compensated by assets and income denominated in foreign currency. The Group has refinanced all of its US dollar-denominated liabilities with long-term debt denominated in Russian roubles and as of 31 December 2018 almost 100% of the Group's debt was denominated in Russian Roubles.

Had US Dollar exchange rate strengthened/weakened by 20% against the Russian Rouble and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2018, would have decreased/increased by RUB 93,454 thousand (2017: 5% change, effect RUB 11,888 thousand) and equity would have increased/decreased by RUB 528,448 thousand (2017: RUB 125,368 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of cash and cash equivalents and accounts payable denominated in US Dollars for the Group entities with Russian Rouble being their functional currency. The impact on equity is mainly due to foreign exchange gains and losses arising upon retranslation of intercompany loans being recognised as part of net investment in the foreign operation denominated in US Dollars for the Ukrainian subsidiary of the Group.

Had Euro exchange rate strengthened/weakened by 10% against the US Dollar and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2018, would have increased /decreased by RUB 37,260 thousand (2017: 10% change, effect RUB 28,517 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of payable balances and cash and cash equivalents and accounts receivable denominated in US Dollars for the Estonian subsidiaries of the Group.

Had US Dollar exchange rate strengthened/weakened by 10% against the Ukrainian Hryvnia and all other variables remained unchanged, the post-tax profit of the Group would have remained unchanged (2017: 10% change, no effect on post-tax profit) and the equity of the Group for the year ended 31 December 2018, would have decreased/increased by RUB 132,112 thousand (2017: RUB 125,368 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of intercompany loans being recognised as part of net investment in the foreign operation denominated in US Dollars for the Ukrainian subsidiary of the Group.

Interest-rate risks

The Group's income and operating cash flows are exposed to changes in market interest rates. These arise mainly from floating rate lease liabilities and borrowings. An increase in market interest rates in Russia may negatively influence the Group's profits. As of 31 December 2018, the proportion of total debt with a fixed interest rate amounted almost to 100%.

The Group concludes long-term borrowing and finance lease contracts to finance purchases of rolling stock and acquisitions of subsidiaries. The Group borrows 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 that the Group has financial liabilities with both floating and fixed interest rates. As of 31 December 2018, the proportion of total debt with a fixed interest rate amounted to almost 100%.

Credit risk

Assets that subject the Group to credit risk consist principally of trade receivables, finance lease receivables, loans and other receivables and cash and cash equivalents. Furthermore, the Group's business is substantially dependent on a few large key customers, including its affiliates and suppliers. Its top 10 clients accounted for 58.65% of the Group's trade receivables on 31 December 2018 (2017: 76.25%).

The Group has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history. The majority of bank balances are held with reliable banks.

Liquidity risk

The Group's business is capital-intensive. The political turmoil experienced within Ukraine and sanctions imposed by the United States and the European Union on Russia have had a negative impact on the Russian financial markets and may limit the Group's access to international sources of funding. The potentials lack of available funding from international and Russian sources and increase in market interest rates could have a negative impact on the Group's ability to obtain financing for the settlement of its liabilities or cash to meet its financial obligations.

The Group has a budgeting policy in place that allows the management to control current liquidity based on expected cash flows. These include, among others, operating cash flows, capital expenditure needs, funds borrowed from financial institutions and funds raised from listed debt instruments.

Contingencies

The Group's contingencies are disclosed in Note 31 to the consolidated financial statements.

Future developments

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

The Group's strategic objective is to strengthen its position as a leading private freight rail group in Russia.

Results

The Group's results for the year are set out on pages 24 and 25. The Board of Directors recommends the payment of a dividend as detailed below and the remaining net profit for the year is retained.

Dividends

Pursuant to its 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 (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 declare dividends in Russian Roubles and pay such 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 to pay dividends to the Company in accordance with relevant legislation and contractual restrictions. The payment of such dividends by its subsidiaries is contingent upon the sufficiency of their earnings, cash flows and distributable reserves. The maximum dividend payable by the Company's subsidiaries is restricted to the total accumulated retained earnings of the relevant subsidiary, determined according to the law.

In April 2017, the shareholders of the Company approved the payment of the final dividend in respect of the financial year ended 31 December 2016 in the amount of 39.20 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 7,006,644 thousand (US Dollar equivalent of US$ 124,605 thousand).

In August 2017, the Board of Directors of the Company approved payment of total dividend in the amount of 44.8 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,007,593 thousand, including interim dividend in the amount of RUB 3,603,417 thousand or RUB 20.16 per ordinary share/GDR and a special interim dividend in the amount of RUB 4,404,176 thousand or RUB 24.64 per ordinary share/GDR (US Dollar equivalent of US$ 135,401 thousand).

In April 2018, the shareholders of the Company approved the payment of a dividend for the financial year ended 31 December 2017 in the amount of 44.85 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,016,530 thousand, including final dividend for 2017 in the amount of RUB 4,155,726 thousand or RUB 23.25 per ordinary share/GDR and a special final dividend in the amount of RUB 3,860,804 thousand or RUB 21.60 per ordinary share/GDR (US Dollar equivalent of US$ 130,728 thousand).

In August 2018, the Board of Directors of the Company approved payment of total dividend in the amount of 45.9 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,204,208 thousand (US Dollar equivalent of US$ 119,724 thousand), including interim dividend in the amount of RUB 3,771,433 thousand (US Dollar equivalent of US$ 55,037 thousand) or RUB 21.10 per ordinary share/GDR and a special interim dividend in the amount of RUB 4,432,775 thousand (US Dollar equivalent of US$ 64,687 thousand) or RUB 24.80 per ordinary share/GDR.

On the date of this report, the Board of Directors of the Company, having considered the profitability and liquidity position of the Group, recommends a payment of dividend for the year 2018 total dividend in the amount of 46.50 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,311,453 thousand, including final dividend for 2018 in the amount of RUB 1,429,927 thousand or RUB 8.00 per ordinary share/GDR and a special final dividend in the amount of RUB 6,881,526 thousand or RUB 38.50 per ordinary share/GDR. Such dividends shall be paid in US Dollars at the rate as at 19 April 2019, subject to the approval of the shareholders at the Annual General Meeting on 22 April 2019.

Share capital

As at 31 December 2018 the issued share capital of the Company which remains unchanged from the prior year, comprised 178,740,916 ordinary shares with a par value of US$0.10 per share.

Research and development activities

The Group has not undertaken any research and development activities during the year ended 31 December 2018.

Events after the balance sheet date

The events after the balance sheet date are disclosed in Note 34 to the consolidated financial statements.

Branches

The Group operates through branches and representative offices, maintaining eight branches and eight representative offices during 2018 (eleven branches and eight representative offices during 2017).

Treasury shares

In 2018 the Company did not own or acquire either directly or through a person in his own name but on 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 2019, 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 Board of Directors in accordance with the requirements of the EU introduced into Cypriot legislation undertook a mandatory audit tender in respect of the 2019 audit. Following this the Independent Auditor, PricewaterhouseCoopers Limited, has 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.

Corporate governance

Globaltrans' Board of Directors adopted the Company's Code of Corporate Governance (the "Code"), guaranteeing that the interests of all shareholders are given due consideration. Although the Code is based on principles recommended by the UK Corporate Governance Code (formerly the Combined Code), this does not constitute voluntary compliance with such governance code.

Globaltrans' corporate governance policies and practices are designed to ensure that the Group upholds its responsibilities to shareholders. As such, all employees are required to comply with these guidelines and the Group's management team takes responsibility for ensuring that all departments adhere to these standards. These key principles are promoted and applied across all levels of the Group in order to establish effective and transparent corporate governance. In January 2010, the Board supplemented its Code of Corporate Governance with a corporate policy on the treatment of the rights of its non-controlling shareholders; this aims to ensure fair treatment of the rights of non-controlling shareholders of the Company.

Full details of our governance policies can be found at http://www.globaltrans.com/about-us/corporate-governance/governance-policies.

The role of the Board of Directors

The Group is managed by the Board of Directors which is collectively responsible to the shareholders for the success of the Group.

The Board sets the strategic objectives and ensures that the necessary resources are in place to enable these objectives to be met. The Board is fully involved in decision making in the most important areas of business and conducts regular reviews of the Group's operational and financial performance. One of the Board's key responsibilities is to ensure that there is in place a system of prudent and effective risk controls that enable risks to be identified, assessed and managed appropriately.

Members of the Board of Directors

As at 31 December 2018 and at the date of this report, the Board comprises 15 members (2017: 14 members), 9 (2017: 10 members) of whom are non-executive directors. Four (2017: four) of the non-executive directors are independent, they have no relationship with the Company, its related companies or their officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the Company, and they are able to exercise objective judgment on corporate affairs independently from management.

The members of the Board of Directors at 31 December 2018 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year 2018, except Mr Sergey Maltsev, who was appointed as Director 23 April 2018.

There were no significant changes in the assignment of responsibilities of the Board of Directors, with the exception of the change in the Chairman of the Board on 23 April 2018 from Mr Michael Zampelas to Mr Sergey Maltsev.

There is no provision in the Company's Articles of Association for retirement of Directors by rotation; however, in accordance with the Terms of reference of the Board of Directors all board members are required to submit for re-election at least once every three years. Should a non-executive Director serve any term beyond six years, his/her re-election would be subject to particularly rigorous review. In practice, all current appointments are for one year and all directors will stand for re-election at the forthcoming Annual General Meeting of shareholders of the Company.

The total gross remuneration of the members of the Board of Directors incurred by the Group in 2018 amounted to RUB 408,987 thousand (2017: RUB 130,387 thousand).

Board performance

The Board held 16 meetings in 2018. The Directors' attendance is presented in the table below.

	Eligible	Attended
Michael Zampelas	16	16
Johann Franz Durrer	16	16
Carroll Colley	16	16
George Papaioannou	16	16
Alexander Eliseev	16	14
Melina Pyrgou	16	15
Konstantin Shirokov	16	15
Alexander Storozhev	16	16
Marios Tofaros	16	16
Elia Nicolaou	16	16
Sergey Tolmachev	16	16
Sergey Maltsev (Chairman)*	12	10
Andrey Gomon	16	15
Alexander Tarasov	16	16
Michael Thomaides	16	16

* Note: Sergey Maltsev was appointed as a member of the Board of directors on 23 April 2018

The Board Committees

The Board has established three committees: the Audit Committee, the Nomination Committee and the Remuneration Committee. A brief description of the terms of reference of the committees is set out below.

Audit Committee

The Audit Committee comprises three Directors, two of whom are independent, and meets at least four times each year. The Audit Committee is chaired by Mr. J. Carroll Colley and is also attended by Mr. Papaioannou and Ms. Nicolaou. The Audit Committee is responsible for considering, among other matters: the integrity of the Company's financial statements, including its annual and interim accounts, and the effectiveness of the Company's internal controls and risk management systems; auditors' reports and the terms of appointment and remuneration of the auditor.

The Committee supervises, monitors and advises the Board on risk management and control systems and the implementation of codes of conduct. In addition, the Audit Committee supervises the submission by the Company of financial information and a number of other audit-related issues. The Audit Committee is also responsible for assessing the efficiency of the performance of the Chairman of the Board.

The Audit Committee manages the relationship with the external auditor on behalf of the Board. It 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. Shareholders are asked to approve the reappointment of the auditor each year at the Annual General Meeting.

The Internal Audit function is carried out internally by the Group's Internal Audit Service ("IAS"). IAS is responsible for testing the systems of risk management, internal control and corporate governance of the Group.

Nomination Committee

The Nomination Committee comprises two Independent Directors and meets at least once a year. The Nomination Committee is chaired by Mr. Zampelas and Dr. Durrer is the other member. The Committee's remit is to prepare selection criteria and appointment procedures for members of the Board 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 the Board as to any changes. The Committee also considers future appointments in respect of the Board's composition and makes recommendations regarding the membership of the Audit and Remuneration Committees.

Remuneration Committee

The Remuneration Committee comprises two Independent Directors and meets at least once a year. The Remuneration Committee is chaired by Dr. Durrer and Mr. Zampelas is the other member. The Committee's responsibility is the determination and review of, among other matters, the remuneration of Executive Directors, and the review of the Company's remuneration policies. The remuneration of Independent Directors is a matter for the Chairman of the Board and the Executive Directors. No Director or manager may be involved in any decisions as to his/her own remuneration.

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. Appointments are for one year.

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.

The shareholders of the Company approved the remuneration of the members of the Board of Directors at the Annual General Meeting of shareholders held on 23 April 2018.

Refer to Note 33 of the consolidated financial statements for details of remuneration of directors and other key management personnel.

Diversity policy

The Company does not have a formal Board diversity policy to aspects such as age, gender or educational and professional backgrounds, but, following best practice, while making the new appointments and considering the current composition of the Board of Directors, these aspects are taken into account.

As of the date of publication of these financial statements the Board has 2 females representing approximately 13.3% from the total number of directors. The age of the members of the Board of Directors ranges from over 35 to over 70 years, with the average age of directors being 52 years. The Board members have the following educational backgrounds: transportation and ports industry, accounting, economics and financial, banking sector and legal, engineering and mechanics, biophysics and mathematics, history, international affairs and risk management.

Further details of the corporate governance regime of the Company can be found on the website:
http://www.globaltrans.com/about-us/corporate-governance/

Regulations with regards to the amendment of the article of association

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

Company's internal control and risk management systems in relation to the financial reporting process

The Board of Directors is responsible for the preparation of the 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.

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

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

The Board is primarily responsible for establishing a framework of prudent and effective controls that enables risks to be assessed and managed.

The Audit Committee assists the Board in this task by reviewing and assessing the Group's internal control and risk management processes in relation to Group's financial reporting process.

The system of controls is designed to manage rather than eliminate the risks relevant to the Group's operations and, therefore, can only provide reasonable, and not absolute, assurance against material errors, losses, fraud or breaches of laws and regulations.

At Globaltrans, the body responsible for internal audit is the Internal Audit Service (IAS). It tests the Group's systems of risk management, internal control and corporate governance to obtain a reasonable assurance that:

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

Each year, the Audit Committee approves an internal audit plan, which is developed by identifying the audit universe, performing a risk analysis and obtaining input from management relative to risks, controls and governance processes. The internal auditor regularly reports to the Audit Committee on the progress of planned audits. If any material internal control deficiencies are identified, they are communicated to the Audit Committee, and consequently to the Board, at once.

Significant direct or indirect holdings (including indirect shareholding though structures or cross shareholdings)

The issued share capital of the Company consists of 178,740,916 ordinary shares with a nominal value of USD 0.10 each, a certain portion of which is held in the form of Global Depositary Receipts (GDRs). The GDRs represent one ordinary share each and are listed and traded on the Main Market of the London Stock Exchange under the ticker GLTR. The free float of Globaltrans amounts to approximately 55.5%[1] of the issued share capital. The Bank of New York Mellon is the depositary bank for the GDR programme of the Company.

The shareholder structure of the Company as at 31 December 2018 was as follows:

Onyx Investments Ltd[2]	11.5%
Marigold Investments Ltd[2]	11.5%
Maple Valley Investments Ltd[2]	10.8%
Litten Investments Ltd[3]	5.8%
Goldriver Resources Ltd[4]	4.7%
Controlled by Directors and management of Globaltrans	0.2%
Free float[1]	55.5%

(1) For these purposes, the free float consists of the ordinary shares and GDRs held by investors not affiliated or associated with the Company.
(2) Nikita Mishin, Andrey Filatov and Konstantin Nikolaev are co-founders of the Company and beneficiaries with regard to 11.5%, 11.5% and 10.8% respectively of Globaltrans' ordinary share capital each through their respective SPVs (Onyx Investments Ltd, Marigold Investments Ltd and Maple Valley Investments Ltd).
(3) Beneficially owned by Alexander Eliseev, Executive Director and co-founder of the Company.
(4) Beneficially owned by Sergey Maltsev, Executive Director and co-founder of the Company.

Directors' interests

The interests in the share capital of Globaltrans Investment PLC and its Group companies, both direct and indirect, of those who were Directors of the Company as at 31 December 2018 and 31 December 2017 are shown below:

Name	Type of holding	2018	2017
Alexander Eliseev	Indirect holding of ordinary shares and GDRs	10,315,790	11,318,909
Sergey Maltsev	Indirect holding of ordinary shares and GDRs	8,382,860	n/a
Johann Franz Durrer	Holding of GDRs	160,606	160,606

The holders of special titles that provide special control rights and description of such rights

The Company does not have any titles with special rights.

Any restrictions in exercising of voting rights of shares

There are no restrictions in the exercising of voting rights of shares issued by the Company.

By Order of the Board

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Sergey Tolmachev
Director

Limassol, 29 March 2019

Directors' responsibility

The Company's 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 it necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Each of the Directors confirms to the best of his or her knowledge that the consolidated financial statements (presented on pages 24 to 87) give a true and fair view of the financial position of Globaltrans Investment PLC (the Company") and its subsidiaries (together with the Company, the "Group") as at 31 December 2018 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.

Further, each of the Directors confirms to the best of his or her knowledge that:

(i) proper books of account have been kept by the Company;
(ii) the Company's consolidated financial statements are in agreement with the books of account;
(iii) the consolidated financial statements give the information required by the Cyprus Companies Law, Cap.113 in the manner so required;
(iv) the Consolidated Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap.113, and the information given therein is consistent with the consolidated financial statements;
(v) the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the Consolidated Management Report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap, 113, and is consistent with the consolidated financial statements; and
(vi) the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.

By order of the Board

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Sergey Tolmachev
Director

Independent Auditor's Report

To the Members of Globaltrans Investment PLC

Report on the Audit of the Consolidated Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of Globaltrans Investment PLC (the "Company") and its subsidiaries (together the "Group") give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

What we have audited

We have audited the consolidated financial statements which are presented in pages 24 to 87 and comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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

Basis for opinion

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

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

Independence

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

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Our audit approach

Overview

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

Overall group materiality: RUB 1,272,000 thousand, which represents approximately 5% of profit before tax

We conducted full scope audit for the parent entity, all the significant components and the group consolidation.

For the non-significant components we performed full scope audit, specified procedures over specific financial statement lines and/or analytical procedures.

We have identified revenue recognition under IFRS 15 “Revenue from contracts with customers”, including impact of adoption on 1 January 2018 as the key audit matter.

Materiality

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

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

Overall group materiality	RUB 1,272,000 thousand
How we determined it	approximately 5% of profit before tax
Rationale for the materiality benchmark applied	We chose the profit before tax as the benchmark, because in our view, it is the benchmark against which the performance of the Group is most commonly measured by the users of the consolidated financial statements and is a generally accepted benchmark. We chose 5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above RUB 63,600 thousand as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

How we tailored our group audit scope

Globaltrans Investment PLC is the parent of a group of companies situated in a number of territories; namely Russia, Ukraine, Estonia, Finland and Cyprus. The financial information of these companies is included in the consolidated financial statements of Globaltrans Investment PLC.

Considering our ultimate responsibility for the opinion on the Company's consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we tailored the scope of our audit and determined the nature and extent of the audit procedures for the components of the Group to ensure that we perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole. Factors that were taken into account were, amongst others, the structure of the Group, the financial significance and/or risk profile and activities of each component, the Group's accounting processes and controls and the industry in which the Group operates.

For financial reporting purposes, the Group is structured into 10 reporting units/components, comprising the Company and subsidiary or sub-subsidiary entities of the Company. We conducted full scope audit of the group consolidation, the parent entity and the 3 reporting units, in 2 countries, which were assessed as significant components due to their individual financial significance to the Group. For the non-significant components we performed full scope audit, specified procedures over specific financial statement lines and/or analytical procedures.

In establishing the overall approach to the group audit, we determined the scope of work that needed to be performed for each reporting unit and whether this would be performed by us, as the group engagement team, or component auditors from other PwC network firms, operating under our instructions. Where the work was performed by component auditors, we, as group auditors, determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

Our involvement in that work included, amongst others, discussion and agreement over the nature, timing and extent of the work of the component audit teams, frequent communications with the component audit teams to ensure that our audit plan was appropriately executed and review of the audit work performed by these component audit teams. We focused our review on significant/complex areas, such as the audit of the Group's revenue recognition policy under IFRS 15 "Revenue from contracts with customers", including the impact of adoption on 1 January 2018. The group consolidation and consolidated financial statement disclosures have been audited by the group engagement team.

By performing the procedures above at components' level, combined with the additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the consolidated financial information of the Group as a whole to provide a basis for our audit opinion on the consolidated financial statements.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

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

Key Audit Matter	**How our audit addressed the Key Audit Matter**
Revenue recognition under IFRS 15 "Revenue from contracts with customers", including impact of adoption on 1 January 2018	
IFRS 15 "Revenue from contracts with customers" and its subsequent amendment were effective for the Group from 1 January 2018. In accordance with the transition provisions of IFRS 15, the Group has elected the simplified transition method for the purpose of adopting the new standard which allows the cumulative effect of transition to IFRS 15 to be recognised as at 1 January 2018 as an adjustment to the opening retained earnings directly in equity. As a result, the Group changed its accounting policy for revenue recognition as at 1 January 2018. We focused our audit effort on the Board of Directors' assessment of the impact of adoption and ongoing impact of IFRS 15 on the Group's accounting policy for operator's	We evaluated and challenged the Board of Directors' judgments around the impact of adoption and ongoing impact of the new accounting standard from 1 January 2018 and the adequacy and appropriateness of the disclosures in this respect. We involved PwC accounting technical experts to assist us in this process. In particular: • We obtained the Board of Directors' assessment of the impact of adoption of the new accounting standard on the Group's revenue streams. • We assessed the completeness of the analysis by reference to the Group's revenue streams for the year ended 31 December 2017.

Key Audit Matter	How our audit addressed the Key Audit Matter
services contracts due to the fact that: • the Board of Directors exercised complex and subjective judgments in the process of applying the principles of IFRS 15 to the Group's operator's services contracts and, accordingly, in the process of assessing the impact of adoption and the ongoing impact of the new accounting standard on the Group's accounting policies for the said revenue stream and in preparing the relevant disclosures; and • the Group's revenue from operator's services contracts is material in the context of the consolidated financial statements. Note 3 "Adoption of new or revised standards and interpretations", Note 4 "Summary of significant accounting policies", Note 7 "Critical accounting estimates and judgements" and Note 10 "Revenue" to the consolidated financial statements provide detailed information regarding the Board of Directors' assessment, and basis thereon and the Group's new accounting policies for revenue recognition as from 1 January 2018.	• We challenged the Board of Directors' analysis and judgements for a sample of revenue contracts by reference to the five-step model in IFRS 15. We focused on the critical judgments that had the most significant effect on the Board of Directors' conclusion. In particular: (i) we challenged the Board of Directors' assessment as to why the services promised in operator's services contracts are not distinct in the context of the contracts and, accordingly, why these are considered to constitute a single performance obligation; and (ii) we challenged the Board of Directors' assessment as to the basis for concluding that the Group is acting as a principal for operator's services contracts for which the OAO "Russian Railways" tariffs are borne by the Group. • We assessed whether the Group entered into new types of contracts with customers or amended the terms of existing contracts with customers within the year ended 31 December 2018 requiring assessment under the new accounting standard. • We lastly evaluated the adequacy of the disclosures made in Notes 3, 4, 7 and 10 of the consolidated financial statements and compared the disclosures against the requirements of IFRS 15 "Revenue from contracts with customers" and IAS 1 "Presentation of financial statements". As a result of the above procedures, we determined that the Board of Directors' judgments are appropriate and reasonable and the disclosures included in the consolidated financial statements are adequate.

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Consolidated Management Report, including the Corporate Governance Statement, and the Directors' responsibility which we obtained prior to the date of this auditor's report, and the Company's complete Annual Report, including the Non-Financial Information and Diversity Statement, which is expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

When we read the Company's complete Annual Report, including the Non-Financial Information and Diversity Statement, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and, if not corrected, we will bring the matter to the attention of the members of the Company at the Company's Annual General Meeting and we will take such other action as may be required.

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

The Board of Directors is responsible for the preparation of the 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.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Company in 2005 by shareholders' resolution for the audit of the financial statements for the year ended 31 December 2004. Our appointment has been renewed annually since then, by shareholders' resolution. In 2008 the Company listed Global Depository Receipts on the Main Market of the London Stock Exchange and, accordingly, the first financial year after the Company qualified as a European Union Public Interest Entity was the year ended 31 December 2009. Since then, the total period of uninterrupted engagement appointment was 10 years.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 28 March 2019 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Group and which have not been disclosed in the consolidated financial statements or the consolidated management report.

Other Legal Requirements

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

- In our opinion, based on the work undertaken in the course of our audit, the consolidated management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated management report. We have nothing to report in this respect.

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- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the consolidated management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap, 113, and is consistent with the consolidated financial statements.
- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

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

A Loizou

Anna Loizou
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

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

29 March 2019

Consolidated income statement

for the year ended 31 December 2018

	Note	**2018 RUB'000**	2017 RUB'000
Revenue	10	86,772,742	78,080,532
Cost of sales	11	(55,154,376)	(54,608,847)
Gross profit		31,618,366	23,471,685
Selling and marketing costs	11	(220,542)	(237,640)
Administrative expenses	11	(4,629,044)	(3,851,492)
Reversal of impairment charge of intangible assets	18	-	630,223
Other income		133,754	57,967
Other (losses)/gains – net	12	(1,479)	85,392
Operating profit		26,901,055	20,156,135
Finance income	14	377,445	480,585
Finance costs	14	(1,778,460)	(2,046,403)
Net foreign exchange transaction losses on financing activities	14	(40,219)	(236,540)
Finance costs – net	14	(1,441,234)	(1,802,358)
Profit before income tax		25,459,821	18,353,777
Income tax expense	15	(5,876,386)	(4,533,903)
Profit for the year		19,583,435	13,819,874
Profit attributable to:			
Owners of the Company		17,671,968	12,288,777
Non-controlling interest		1,911,467	1,531,097
		19,583,435	13,819,874
Weighted average number of ordinary shares in issue (thousand)		178,741	178,741
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RUB per share)(1)	30	98.87	68.75

(1) Basic and diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

The notes on pages 30 to 87 these consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2018

	2018 RUB'000	2017 RUB'000
Profit for the year	19,583,435	13,819,874
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	1,282,549	504,640
Items that will not be reclassified to profit or loss		
Currency translation differences attributable to non-controlling interest	622,618	299,095
Other comprehensive income for the year, net of tax	1,905,167	803,735
Total comprehensive income for the year	21,488,602	14,623,609
Total comprehensive income for the year attributable to:		
- owners of the Company	18,954,517	12,793,417
- non-controlling interest	2,540,065	1,830,192
	21,494,582	14,623,609

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 30 to 87 these consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated balance sheet

at 31 December 2018

	Note	**31 December 2018 RUB'000**	31 December 2017 RUB'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	74,764,903	64,770,907
Intangible assets	18	757,209	1,453,801
Other assets	22	1,019,572	436,855
Trade receivables	21	221,805	183,516
Loans and other receivables	21	11,904	16,857
Total non-current assets		76,775,393	66,861,936
Current assets			
Inventories	23	904,375	776,341
Other assets	22	3,587,790	2,569,514
Loans and other receivables	21	262,846	49,367
Trade receivables	21	2,365,723	2,179,954
Current income tax assets		191,277	18,273
Cash and cash equivalents	24	7,129,918	4,966,171
Total current assets		14,441,929	10,559,620
TOTAL ASSETS		91,217,322	77,421,556
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital	25	516,957	516,957
Share premium	25	27,929,478	27,929,478
Common control transaction reserve		(10,429,876)	(10,429,876)
Translation reserve		4,317,675	3,035,126
Capital contribution		2,694,851	2,694,851
Retained earnings		22,598,941	21,146,195
Total equity attributable to the owners of the Company		47,628,026	44,892,731
Non-controlling interest		5,897,408	5,724,899
Total equity		53,525,434	50,617,630
Non-current liabilities			
Borrowings	27	17,269,321	9,050,768
Trade and other payables	29	404,357	-
Deferred tax liabilities	28	6,284,868	5,908,319
Total non-current liabilities		23,958,546	14,959,087
Current liabilities			
Borrowings	27	8,459,590	7,280,588
Trade and other payables	29	2,549,337	4,413,656
Contract liabilities	10	2,673,467	-
Current tax liabilities		50,948	150,595
Total current liabilities		13,733,342	11,844,839
TOTAL LIABILITIES		37,691,888	26,803,926
TOTAL EQUITY AND LIABILITIES		91,217,322	77,421,556

On 29 March 2019, the Board of Directors of Globaltrans Investment PLC authorised these financial statements for issue.

By order of the Board

....
Sergey Tolmachev, Director

....
Konstantin Shirokov, Director

The notes on pages 30 to 87 these consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2018

		Attributable to the owners of the Company								
	Note	Share capital RUB'000	Share premium RUB'000	Common control transaction reserve RUB'000	Translation reserve RUB'000	Capital contribution RUB'000	Retained earnings RUB'000	Total RUB'000	Non-controlling interest RUB'000	Total RUB'000
Balance at 1 January 2017		516,957	27,929,478	(10,429,876)	2,530,486	2,694,851	23,871,655	47,113,551	6,094,707	53,208,258
Comprehensive income										
Profit for the year		-	-	-	-	-	12,288,777	12,288,777	1,531,097	13,819,874
Other comprehensive income										
Currency translation differences		-	-	-	504,640	-	-	504,640	299,095	803,735
Total comprehensive income for 2017		-	-	-	504,640	-	12,288,777	12,793,417	1,830,192	14,623,609
Transactions with owners										
Dividends to owners of the Company	26	-	-	-	-	-	(15,014,237)	(15,014,237)	-	(15,014,237)
Dividends to non-controlling interest	26	-	-	-	-	-	-	-	(2,200,000)	(2,200,000)
Total transactions with owners		-	-	-	-	-	(15,014,237)	(15,014,237)	(2,200,000)	(17,214,237)
Balance at 31 December 2017		516,957	27,929,478	(10,429,876)	3,035,126	2,694,851	21,146,195	44,892,731	5,724,899	50,617,630

Consolidated statement of changes in equity

for the year ended 31 December 2018

	Note	Share capital RUB'000	Share premium RUB'000	Common control transaction reserve RUB'000	Translation reserve RUB'000	Capital contribution RUB'000	Retained earnings RUB'000	Total RUB'000	Non-controlling interest RUB'000	Total RUB'000
		Attributable to the owners of the Company								
Balance at 1 January 2018		516,957	27,929,478	(10,429,876)	3,035,126	2,694,851	21,146,195	44,892,731	5,724,899	50,617,630
Comprehensive income										
Profit for the year		-	-	-	-	-	17,671,968	17,671,968	1,911,467	19,583,435
Other comprehensive income										
Currency translation differences		-	-	-	1,282,549	-	-	1,282,549	622,618	1,905,167
Total comprehensive income for 2018		-	-	-	1,282,549	-	17,671,968	18,954,517	2,534,085	21,488,602
Transactions with owners										
Dividends to owners of the Company	26	-	-	-	-	-	(16,220,738)	(16,220,738)	-	(16,220,738)
Dividends to non-controlling interest	26	-	-	-	-	-	-	-	(1,723,005)	(1,723,005)
Increase in share capital of subsidiary		-	-	-	-	-	-	-	200,061	200,061
Payments to non-controlling interest	19	-	-	-	-	-	-	-	(831,136)	(831,136)
Acquisition of non-controlling interest	19	-	-	-	-	-	1,516	1,516	(7,496)	(5,980)
Total transactions with owners		-	-	-	-	-	(16,219,222)	(16,219,222)	(2,361,576)	(18,580,798)
Balance at 31 December 2018		516,957	27,929,478	(10,429,876)	4,317,675	2,694,851	22,598,941	47,628,026	5,897,408	53,525,434

The notes on pages 30 to 87 these consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated cash flow statement

for the year ended 31 December 2018

	Note	2018 RUB'000	2017 RUB'000
Cash flows from operating activities			
Profit before tax		25,459,821	18,353,777
Adjustments for:			
Depreciation of property, plant and equipment	17	5,110,715	4,962,459
Amortisation of intangible assets	18	696,702	717,986
Net (gain)/loss on sale of property, plant and equipment	17	(27,347)	28,507
Loss on derecognition arising on capital repairs	17	377,284	528,039
Reversal of impairment charge on intangible assets	18	-	(630,223)
Impairment of property, plant and equipment	17	10,073	111,172
Profit on sale of associates	12	-	(60,888)
Net impairment losses on financial assets	11	29,713	60,755
Interest income	14	(377,445)	(480,585)
Interest expense and other finance costs	14	1,778,460	2,046,403
Net foreign exchange transaction losses on financing activities	14	40,219	236,540
Other income/(losses)		(10,940)	3,505
		33,087,255	25,877,447
Changes in working capital:			
Inventories		169,562	106,437
Trade receivables		(316,527)	(78,548)
Other assets		(1,042,367)	859,188
Other receivables		(66,210)	(17,160)
Trade and other payables		262,742	748,209
Contract liabilities		507,939	-
Cash generated from operations		32,602,394	27,495,573
Tax paid		(5,765,818)	(3,631,769)
Net cash from operating activities		26,836,576	23,863,804
Cash flows from investing activities			
Loans repayments received from third parties		5,984	11,485
Purchases of property, plant and equipment		(11,567,554)	(4,872,076)
Purchases of intangible assets		(110)	-
Proceeds from sale of property, plant and equipment	17	409,794	267,526
Proceeds from sale of associates	12	-	60,888
Interest received		377,445	480,585
Receipts from finance lease receivable		129,251	23,830
Net cash used in investing activities		(10,645,190)	(4,027,762)
Cash flows from financing activities			
Proceeds from bank borrowings	27	15,197,467	15,710,000
Proceeds from issue of non-convertible unsecured bonds	27	5,000,000	-
Repayments of borrowings	27	(13,127,743)	(15,722,698)
Finance lease principal payments	27	(1,321,234)	-
Interest paid	27	(1,633,332)	(1,943,746)
Dividends paid to owners of the Company	26	(16,220,738)	(15,014,237)
Dividends paid to non-controlling interests in subsidiaries	26	(1,723,005)	(2,200,000)
Acquisition of non-controlling interest	19	(5,980)	-
Payments to non-controlling interest	19	(168,604)	-
Net cash used in financing activities		(14,003,169)	(19,170,681)
Net increase in cash and cash equivalents		2,188,217	665,361
Exchange losses on cash and cash equivalents		(24,470)	(472,604)
Cash and cash equivalents at beginning of year	24	4,966,171	4,773,414
Cash and cash equivalents at end of year	24	7,129,918	4,966,171

Principal non-cash investing and financing transactions

The principal non-cash investing and financing transactions consist of finance leases with the Group acting as a lessor (Note 22) and finance leases with the Group acting as the lessee (Note 27).

The notes on pages 30 to 87 these consolidated financial statements are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. General information

Country of incorporation

Globaltrans Investment Plc (“the Company”) is incorporated and domiciled in Cyprus as a limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113 and converted into a public company on 15 April 2008. The address of its registered office is 20 Omirou Street, CY-3095 Limassol, Cyprus. The Group’s principal place of business is at 16/15 Spartakovskaya Sqr., Moscow, Russia.

Approval of the consolidated financial statements

These consolidated financial statements were authorised for issue by the Board of Directors on 29 March 2019.

Global Depositary Receipts

Global Depositary Receipts each representing one ordinary share of the Company are listed on the London Stock Exchange International Main Market.

Principal activities

The principal activities of the Group, which are unchanged from last year, are the provision of railway transportation services using own and leased rolling stock as well as the fleet engaged from third party operators and the operating lease of rolling stock.

2. Basis of preparation

The consolidated financial statements of Globaltrans Investment PLC 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 authorization of the financial statements, all International Financial Reporting Standards issued by International Accounting Standards Board (IASB) that are relevant to the Group’s operations and are effective as at 1 January 2018 have been adopted by the EU through the endorsement procedure established by the European Commission.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 7.

3. Adoption of new or revised standards and interpretations

During the current year the Group adopted all the new and amended standards that are relevant to its operations and are effective for accounting periods beginning on 1 January 2018. None of these has affected these consolidated financial statements with the exception of the following standards the adoption of which resulted in changes in the Group’s accounting policies:

- IFRS 15 “Revenue from contracts with customers”, and
- IFRS 9 “Financial Instruments”.

As explained below, in accordance with the transition provisions of IFRS 15 and IFRS 9, the Group has elected the simplified approach for adoption of the standards. Accordingly, IFRS 15 and IFRS 9 were adopted without restating the comparative information, which is prepared in accordance with IAS 18 and IAS 39, and the impact of adoption has been recognised in the opening retained earnings.

The following table summarises the impact of adoption of the new standards on each financial statement line item of the consolidated balance sheet. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adoption of the new standards did not have any impact on the consolidated income statement, the consolidated statement of comprehensive income and the basic and diluted earnings per share.

	31 December 2017 - as previously presented RUB'000	Reclassifi-cations[1] RUB'000	31 December 2017 - under IAS 18 and IAS 39 RUB'000	Effect of adoption of IFRS 15 RUB'000	1 January 2018 - under IFRS 15 and IFRS 9 RUB'000
Non-current assets					
Trade and other receivables	637,228	(637,228)	-	-	-
Trade receivables	-	183,516	183,516	-	183,516
Loans and other receivables	-	16,857	16,857	-	16,857
Other assets	-	436,855	436,855	-	436,855
Total non-current assets	*66,861,936*	-	*66,861,936*	-	*66,861,936*
Current assets					
Trade and other receivables	4,798,835	(4,798,835)	-	-	-
Trade receivables	-	2,179,954	2,179,954	-	2,179,954
Loans and other receivables	-	49,367	49,367	-	49,367
Other assets	-	2,569,514	2,569,514	-	2,569,514
Total current assets	*10,559,620*	-	*10,559,620*	-	*10,559,620*
TOTAL ASSETS	**77,421,556**	**-**	**77,421,556**	**-**	**77,421,556**
Current liabilities					
Trade and other payables	4,413,656	-	4,413,656	(2,229,306)	2,184,350
Contract liabilities	-	-	-	2,229,306	2,229,306
Total current liabilities	*11,844,839*	-	*11,844,839*	-	*11,844,839*
TOTAL LIABILITIES	**26,803,926**	**-**	**26,803,926**	**-**	**26,803,926**

[1] ***Changes in presentation following adoption of IFRS 9 and IFRS 15:*** *The Group has voluntarily changed the presentation of certain amounts in the consolidated balance sheet to reflect their different nature. Comparative figures have been adjusted to conform to the changes in the presentation for the current year. In particular:*

- *Loans receivables and other receivables, which were previously presented within 'trade and other receivables', are now presented as 'loans and other receivables' on the face of the consolidated balance sheet; and*
- *Finance lease receivables, prepayments and other non-financial assets, which were previously presented within 'trade and other receivables', are now presented as 'other assets' on the face of the consolidated balance sheet.*

Comparative figures have been adjusted to conform with the changes in the presentation for the current period.

The impact of adoption of each standard is analysed in more detail in the following sections.

(i) IFRS 15 "Revenue from contracts with customers"

IFRS 15 "Revenue from contracts with customers" and related amendments superseded IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations. The new standard replaces the separate models for recognition of revenue for the sale of goods, services and construction contracts under previous IFRS and establishes uniform requirements regarding the nature, amount and timing of revenue recognition. IFRS 15 introduces the core principle that revenue must be recognised in such a way to depict the transfer of goods or services to customers and reflect the consideration that the entity expects to be entitled to in exchange for transferring those goods or services to the customer; the transaction price.

The new standard provides a principle-based five-step model that must be applied to all categories of contracts with customers. Any bundled goods or services must be assessed as to whether they contain one or more performance obligations (that is, distinct promises to provide a good or service). Individual performance obligations must be recognised and accounted for separately and any discounts or rebates in the contract price must generally be allocated to each of them.

IFRS 15 provides further guidance on the measurement of revenue arising from contracts that have variable consideration due to discounts, rebates, consignment inventories etc. In accordance with the new standard, when the consideration varies, an entity includes in the transaction price some or all of an amount of variable consideration only to the extent that it is highly probable that a significant reversal in the cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Further, incremental costs incurred to secure contracts with customers and certain costs incurred to fulfil such contracts have to be capitalised and amortised over the period when the benefits of the contract are consumed.

The amendments to IFRS 15 clarify how to identify a performance obligation in a contract, how to determine whether a company is a principal (that is, the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided) and how to determine whether the revenue from granting a license should be recognised at a point in time or over time.

Impact of adoption

In accordance with the transition provisions of IFRS 15, the Group has elected the simplified transition method for adopting the new standard which allows the cumulative effect of transition to IFRS 15 to be recognised as at 1 January 2018 as an adjustment to the opening retained earnings directly in equity. In accordance with the transition method elected by the Group for implementation of IFRS 15, the comparatives have not been restated but are prepared based on the Group's previous policies, which comply with IAS 18 and related interpretations.

Based on detailed analysis of the Group's revenue streams and individual contracts' terms and on the basis of the facts and circumstances relating to the Group's revenue transactions, the management of the Group concluded that the adoption of the new standard on 1 January 2018 did not have an impact on the nature, amount or timing of revenue recognised by the Group. Accordingly, the adoption of IFRS 15 did not have an impact on the Group's retained earnings as of 1 January 2018.

The adoption of the new standard resulted in changes in the presentation of amounts in the consolidated balance sheet, as per below. In particular, advances from customers for railway transportation services with a carrying amount of RUB 2,229,306 thousand as at 1 January 2018, that were previously included within trade and other payables, are now presented separately on the face of the consolidated balance sheet as contract liabilities.

	31 December 2017 under IAS 18 RUB'000	Effect of IFRS 15 - Reclassification RUB'000	1 January 2018 under IFRS 15 RUB'000
Current liabilities			
Trade and other payables	4,413,656	(2,229,306)	2,184,350
Contract liabilities	-	2,229,306	2,229,306

The table below summarises the impact of application of IFRS 15 on the current reporting period:

	31 December 2018 under IFRS 15 RUB'000	31 December 2018 under IAS 18 RUB'000	Change RUB'000
Current liabilities			
Trade and other payables	2,549,337	5,222,804	2,673,467
Contract liabilities	2,673,467	-	(2,673,467)

The assessment of the impact of adoption of IFRS 15 on the Group's accounting policies required management to make certain critical judgments in the process of applying the principles of the new standard. The judgments that had the most significant effect on management's conclusion are disclosed in Note 7.

The adoption of the new standard resulted in changes in the Group's accounting policies in regards to revenue recognition. The Group's new accounting policies following adoption of IFRS 15 at 1 January 2018 are set out in Note 4.

(ii) IFRS 9 "Financial instruments"

IFRS 9 "Financial instruments" replaces the provisions of IAS 39 that relate to recognition and derecognition of financial instruments and classification and measurement of financial assets and financial liabilities. IFRS 9 further introduces new principles for hedge accounting and a new forward-looking impairment model for financial assets.

The new standard requires debt financial assets to be classified into two measurement categories: those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss) and those to be measured at amortized 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 instruments. For assets measured at fair value, gains and losses are either recorded in profit or loss or in other comprehensive income.

In particular, debt financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Debt financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Lastly, debt financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

For investments in equity instruments that are not held for trading, the classification depends on whether the entity has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. If no such election has been made or the investments in equity instruments are held for trading they are required to be classified at fair value through profit or loss.

IFRS 9 also introduces a single impairment model applicable for debt financial assets at amortised cost and fair value through other comprehensive income and removes the need for a triggering event to be necessary for recognition of impairment losses. The new impairment model requires the recognition of allowances for doubtful debt based on expected credit losses ("ECL"), rather than incurred credit losses as under IAS 39. The standard further introduces a simplified approach for calculating impairment on trade receivables as well as for calculating impairment on contract assets and lease receivables; which also fall within the scope of the impairment requirements of IFRS 9.

For financial liabilities, the standard retains most of the requirements of IAS 39. The main change is that, in case 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.

With the introduction of IFRS 9 "Financial Instruments", the IASB confirmed that gains or losses that result from modification of financial liabilities that do not result in derecognition shall be recognized in profit or loss.

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedge ratio" to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

Impact of adoption

In accordance with the transition provisions in IFRS 9, the Group has elected the simplified transition method for adopting the new standard which allows for the effect of transition to IFRS 9 to be recognised as at 1 January 2018 as an adjustment to the opening retained earnings directly in equity. In accordance with the transition method elected by the Group for implementation of IFRS 9, the comparatives have not been restated but are prepared based on the Group's previous policies, which comply with IAS 39. Consequently, the revised requirements of IFRS 7 "Financial Instruments: Disclosures" have only been applied to the current period. The comparative period disclosures repeat those disclosures made in the prior period.

On 1 January 2018, the Group's management assessed which business models apply to the debt financial assets held by the Group that were classified as loans and receivables under IAS 39. Management concluded to classify all the financial assets held by the Group at the amortised cost measurement category under IFRS 9 as these are held with the objective to collect the contractual cash flows and their cash flows represent solely payments of principal and interest. As a result, the measurement basis for the Group's financial assets remained unchanged by the adoption of IFRS 9. The adoption of IFRS 9 did not have an impact on the classification and measurement basis of the Group's financial liabilities.

As a result of the adoption of IFRS 9 the Group revised its impairment methodology for each class of assets subject to the new impairment requirements. The Group has four types of assets that are subject to IFRS 9's new expected credit loss model: trade receivables, loans and other receivables, finance lease receivables and cash and cash equivalents. Based on the assessment performed by management, the incremental impairment loss as at 1 January 2018 was immaterial. Accordingly, the impact of adoption of IFRS 9 on the Group's retained earnings as at 1 January 2018 was immaterial.

The adoption of the new standard resulted in changes in the Group's accounting policies in regards to financial instruments and lease receivables. The Group's new accounting policies following adoption of IFRS 9 at 1 January 2018 are set out in Note 4.

4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 15 and IFRS 9, effective from 1 January 2018, these policies have been consistently applied to all the years presented.

Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated 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 for all periods presented. The excess of the cost of acquisition over the carrying amount of the Group's share of identifiable net assets is recorded in equity, as "common control transaction reserve".

The acquisition method of accounting is used for the acquisitions of subsidiaries that do not involve entities or businesses under common control by the Group. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, equity instruments issued by the Group and liabilities incurred to the former owners of the acquiree. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. 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.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest or the non-controlling interest's proportionate share of the acquiree's identifiable net assets over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Indemnification assets recognised at the acquisition date continue to be measured on the same basis as the related indemnified item subject to collectability and contractual terms until they are collected, sold, cancelled or expire in the post-combination period. The entity measures the indemnification asset on the same basis as the related item, subject to any restrictions in the contractual terms such as a ceiling on the amount payable and any adjustment for the seller creditworthiness. Measurement on the same basis includes recognising any gains or losses appropriately.

On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at the fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 in profit or loss (2017: in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income). Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into compliance with those used by the Group.

All inter-company transactions, balances, income, expenses and unrealised gains and losses are eliminated on consolidation. Profits and losses from intra-group transactions that are recognised in assets are also eliminated. Unrealised losses are also eliminated but considered as an impairment indicator of the asset transferred.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners in their capacity as equity owners of the Group. For purchases from non-controlling interests, the difference between the 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 attributable to owners of the Company. Gains or losses on disposals to non-controlling interests are also recorded in equity attributable to the owners of the Company.

(c) Disposal of subsidiaries

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

(d) Associates

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

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

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

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

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 of the Company that makes strategic decisions.

Revenue recognition

(i) Accounting policies applicable from 1 January 2018

Recognition and measurement. Revenue represents the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, value-added taxes); the transaction price. Revenue is recognised net off discounts and estimates for rebates that are in accordance with the contracts entered into with the customers. The Group includes in the transaction price an amount of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Estimations for rebates and discounts are based on the Group's experience with similar contracts and forecasted sales to the customer.

The Group recognises revenue when the parties have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations, the Group can identify each party's rights and the payment terms for the goods or services to be transferred, the contract has commercial substance (i.e. the risk, timing or amount of the Group's future cash flows is expected to change as a result of the contract), it is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer and when specific criteria have been met for each of the Group's contracts with customers, as described below.

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. In evaluating whether collectability of an amount of consideration is probable, the Group considers only the customer's ability and intention to pay that amount of consideration when it is due.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimates are reflected in the income statement in the period in which the circumstances that give rise to the revision become known by management.

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

Revenue from railway transportation services - using own, leased or engaged rolling stock

The Group organises transportation services for clients using its own, leased or engaged rolling stock.

There are four types of operator's services contracts:

- The Group has a contractual relationship with the client and sets the terms of the transactions, such as selling and payment terms, bears credit risk and controls the flow of receipts and payments. The OAO "Russian Railways" tariff is borne by the Group. Total proceeds from clients are included in the Group's revenue.

- The Group has a contractual relationship with the client and sets the terms of the transactions, such as selling and payment terms, bears credit risk and controls the flow of receipts and payments. The OAO "Russian Railways" tariff is borne by the Group and recharged to the customer as a reimbursement but the Group bears the variability in tariffs. Total proceeds from clients are included in the Group's revenue.

- The Group has a contractual relationship with the client and sets the terms of the transaction, excluding the OAO "Russian Railways" tariff, such as selling and payment terms, bears credit risk and controls the flow of receipts and payments. The OAO "Russian Railways" tariff is paid by the Group and recharged to the customer as a reimbursement. Under these arrangements the Group recognises revenue net of OAO "Russian Railways" tariff.

- The Group has a contractual relationship with the customer and sets the terms of the transaction, excluding the OAO "Russian Railways" tariff, such as selling and payment terms, bears credit risk and controls the flow of receipts and payments. The tariff is paid directly by the customer to OAO "Russian Railways". Under these arrangements the Group recognises revenue net of OAO "Russian railways" tariff.

Revenue for all of the above types of contracts is recognised over time while the Group satisfies its performance obligation by transferring control over the promised services to the customer in the accounting period in which the services are rendered. In particular, revenue is recognised in accordance with the stage of completion of the transaction, determined based on the actual trip days lapsed against the total estimated number of trip days for the entire trip, since the customer receives and consumes the benefits from the services simultaneously.

Customers are invoiced on a regular basis and in accordance with pre-agreed payment terms with credit periods not exceeding one year. If the services rendered by the Group exceed the payment and the Group does not have the unconditional right to consideration for the services rendered, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

Identification of performance obligations. The Group assesses whether contracts that involve the provision of a range of goods and/or services contain one or more performance obligations (that is, distinct promises to provide a good or service) and allocates the transaction price to each performance obligation identified on the basis of its stand-alone selling price. A good or service that is promised to a customer is distinct if the customer can benefit from the good or service, either on its own or together with other resources that are readily available to the customer (that is, the good or service is capable of being distinct) and the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (that is, the promise to transfer the good or service is distinct within the context of the contract).

In assessing whether two or more promises to transfer goods and/or services to a customer are separate performance obligations, the Group considers, amongst others, whether it provides a significant service of integrating the good or services with other goods or services promised in the contract into a bundle of goods or services that represent the combined output or outputs for which the customer has contracted (that is, the Group is using the goods or services as inputs to produce or deliver the combined output or outputs specified by the customer), whether one or more of the goods and/or services significantly modifies or customises, or is significantly modified or customised by, one or more of the other goods or services promised in the contract or whether the good or services are highly interdependent or highly interrelated. The Group considers that all of the above operator's services contracts contain a single performance obligation.

Financing component. In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing. In these circumstances, the contract contains a significant financing element.

The Group does not have any material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Group elected to use the practical expedient provided by IFRS 15 and does not adjust any of the transaction prices for the effect of the financing component for the time value of money.

Contract assets and contract liabilities. In case the goods transferred or services rendered by the Group as of the reporting date exceed the payments made by the customer as of that date and the Group does not have the unconditional right to charge the client for the goods transferred or services rendered, a contract asset is recognised. If the payments made by a customer exceed the goods transferred or services rendered under the relevant contract, a contract liability is recognised. The Group recognises any unconditional rights to consideration separately from contract assets as a trade receivable because only the passage of time is required before the payment is due.

The Group assesses a contract asset for impairment in accordance with IFRS 9 using the simplified approach permitted by IFRS 9 which requires lifetime expected credit losses to be recognised from initial recognition of the contract asset. Impairment of contract assets are measured, presented and disclosed on the same basis as as for trade receivables. Contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and a failure to make contractual payments for a period of greater than 180 days past due.

Costs to obtain or fulfil contracts with customers. To the extent that these are recoverable, incremental costs incurred by the Group to obtain a contract and incremental costs incurred to fulfil a contract are capitalised and amortised on a straight-line basis over the term of the specific contract – consistent with the pattern of the transfer of the goods and/or services to which they relate to – and assessed for impairment. Incremental costs of obtaining contracts are those costs that the Group incurs to obtain a contract with a customer that would not have been incurred if the contract had not been obtained.

The Group does not have any contracts where the period of transfer of the goods and/or provision of the services (that is, the period between the start and completion of a trip) exceeds one year. Accordingly, the Group recognises the incremental costs of obtaining a contract as an expense when incurred since the amortization period of the asset that it would otherwise have recognised is less than one year.

(ii) Accounting policies applied until 31 December 2017

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 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:

Revenue from railway transportation services - using own, leased or engaged rolling stock

The Group organises transportation services for clients using its own, leased or engaged rolling stock.

There are four types of operator's services:

- The Group has a contractual relationship with the client and sets the terms of the transactions, such as selling and payment terms, bears credit risk and controls the flow of receipts and payments. The OAO "Russian Railways" tariff is borne by the Group. Total proceeds from clients are included in the Group's revenue.

- The Group has a contractual relationship with the client and sets the terms of the transactions, such as selling and payment terms, bears credit risk and controls the flow of receipts and payments. The OAO "Russian Railways" tariff is borne by the Group and recharged to the customer as a reimbursement but the Group bears the variability in tariffs. Total proceeds from clients are included in the Group's revenue.

- The Group has a contractual relationship with the client and sets the terms of the transaction, excluding the OAO “Russian Railways” tariff, such as selling and payment terms, bears credit risk and controls the flow of receipts and payments. The OAO “Russian Railways” tariff is paid by the Group and recharged to the customer as a reimbursement. Under these arrangements the Group recognises revenue net of OAO “Russian Railways” tariff.

- The Group has a contractual relationship with the customer and sets the terms of the transaction, excluding the OAO “Russian Railways” tariff, such as selling and payment terms, bears credit risk and controls the flow of receipts and payments. The tariff is paid directly by the customer to OAO “Russian Railways”. Under these arrangements the Group recognizes revenue net of OAO “Russian railways” tariff.

Revenue is recognised in accordance with the stage of completion of the transaction, based on the actual trip days lapsed against the total estimated number of trip days for the entire trip.

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 functional currency of the Company and majority of the Group’s subsidiaries is the Russian Rouble (RUB). The consolidated financial statements are presented in Russian Roubles (RUB) (“the presentation currency”) because this is the currency better understood by the principal users of the financial statements.

(b) Transactions and balances

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

Net foreign exchange differences arising from borrowings and other liabilities and from cash and cash equivalents and other monetary assets are presented on the face of the income statement in the line “net foreign transaction losses on financing activities”, with the appropriate disclosure of the split between the two in the note “Finance income and costs”.

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

- Share capital, share premium and all other reserves are translated using the historic rate.

All exchange differences resulting from the above translation are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, including foreign exchange differences on long term loans receivable designated as part of the net investment in foreign operations, are recognised in other comprehensive income. When a foreign operation is disposed of or sold and control or significant influence is lost, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on disposal. On partial disposal of a foreign operation, the proportionate share of the cumulative amount of the exchange differences recorded in equity relating to the amount disposed is reclassified in the income statement. The Group assesses whether there is a partial disposal of a foreign operation on the basis of the change in the Group’s proportionate ownership interest in the foreign operation.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Property, plant and equipment

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.

Land is not depreciated.

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, range
Buildings	30
Rolling stock: (except locomotives)	
Gondola cars	22
Rail tank cars	32
Rail tank cars (specialised types)	30-40
Hoppers	15-26
Flat cars	20-32
Tank containers	20
Locomotives	9-25
Mounted wheels	7
Motor vehicles and other property, plant and equipment	3 to 10

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

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.

Borrowing costs to finance the construction of property, plant and equipment are capitalised, during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

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. The carrying amount of the replaced cost is derecognised.

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 profit as part of operating expenses.

Rolling stock repair and maintenance costs

Repair and maintenance costs relating to periodical capital repairs of locomotives and other rolling stock and periodical middle repairs of locomotives constitute major repairs that result in enhancement of the economic benefits of the rolling stock and as such are capitalised by the Group.

In particular, the cost of each major periodic capital repair is recognised in the carrying amount of the relevant item of rolling stock repaired and separately depreciated over the expected period until the next periodic capital repair or until the end of the useful economic life of the item of rolling stock, if earlier. Significant components replaced as part of periodic major capital repairs are capitalised and depreciated separately over their useful economic life. Simultaneously with the capitalisation of the costs of the new periodic major capital repair, the carrying amount of the repaired rolling stock that is attributable to the previous periodic capital repair and/or significant component replaced, if any, is derecognised and debited in 'cost of sales' in the income statement as 'loss on derecognition arising on capital repairs'.

If it is not practicable for the Group to determine the carrying amount of the repaired rolling stock that is attributable to the previous periodic capital repair and/or significant component replaced to be derecognised, the Group uses the cost of the current periodic major capital repair or replaced part as an indication of what the cost of the replaced part was at the time the rolling stock was acquired.

Other types of repairs of rolling stock, such as current repairs and depot repairs, are viewed by the Group as routine repairs and maintenance and thus their cost is charged in the Group's income statement as and when incurred.

Upon initial recognition of rolling stock, the Group's accounting policy is not to separately identify and depreciate the element of its cost that is reflecting the maintenance element of the periodic major capital repair of the rolling stock on initial recognition. The cost attributed to significant components, such as wheel pairs, is separately identified and depreciated over their useful economic life.

Intangible assets

(a) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Customer relationships relate to a transportation services contract with MMK Group. Customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Customer relationships are being amortised using the straight line method over an estimated useful life from five to seven years from the date of their acquisition. The useful lives of the customer relationships are reviewed, and adjusted if appropriate, at the end of each reporting period.

(b) Computer software

The costs of acquiring computer software for internal use are capitalised as intangible assets where the software supports a significant business system and the expenditure leads to the creation of a durable asset. Computer software is capitalised at cost and amortised over three years, which reflects its estimated useful life, using straight-line method commencing when the asset is available for its intended use. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Impairment of non-financial assets

Assets that have indefinite useful life and goodwill 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 impairment are reviewed for possible reversal of impairment whenever there is an indication that an impairment recognised in prior periods may no longer exist or may have decreased.

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 inception 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 and the lease term, except for instances, where the Group has the option to obtain ownership of the assets and it is reasonable certain that such ownership will be obtained, in which case the asset is depreciated over the useful economic life of the asset.

(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.

(c) Sale and leaseback

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term.

When the overall economic effect of a sale and leaseback transaction cannot be understood without reference to the series of transactions as a whole (i.e. when the series of transactions are closely interrelated, negotiated as a single transaction, and take place concurrently or in a continuous sequence) the transaction is accounted for as one transaction, usually a collateralized borrowing.

If a sale and leaseback transaction results in an operating lease any profit or loss will be recognised immediately. If the sale price is below fair value any profit or loss will be recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

The Group is the lessor

(a) Finance leases

Where the Group is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement (when the lease term begins) using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

The difference between the gross receivable and the present value represents unearned finance income. The income is recognised over the term of the lease using the net investment method (before income tax and other taxes) which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within interest income in the income statement.

(b) Operating leases

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet based on the nature of the asset. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment.

(c) Impairment of lease receivables

Until 31 December 2017, the Group assessed whether there was objective evidence that a lease receivable was impaired in accordance with IAS 39. The impairment provision was determined in the same way as for trade receivables.

From 1 January 2018, the Group recognises credit loss allowance on lease receivables in accordance with IFRS 9 using the simplified approach permitted by the standard, which requires expected credit losses to be recognised from initial recognition of the lease receivable at an amount equal to lifetime ECL. The ECL is determined in the same way as for trade receivables and is recognised through an allowance account to write down the lease receivables' net carrying amount to the present value of expected cash flows discounted at the interest rates implicit in the leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

(d) Revenues from leasing

Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

Financial instruments

(i) Accounting policies applicable from 1 January 2018

(a) Financial assets

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

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Any gain or loss arising upon their derecognition is recognised directly in the income statement.

Classification. The classification depends on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the assets. Management determines the classification of financial assets at initial recognition.

The Group classifies its financial assets at amortised cost. Financial assets at amortised cost are held for collection of contractual cash flows and their cash flows represent solely payments of principal and interest. 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 financial assets at amortised cost comprise of trade receivables, loans and other receivables and cash and cash equivalents on the balance sheet.

Reclassification. Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

Measurement. At initial recognition, the Group measures financial assets classified at amortised cost at their fair value plus incremental transaction costs that are directly attributable to the acquisition of the financial assets. Subsequently, these are measured at amortised cost.

Interest income. Interest income on financial assets at amortised cost is recognised using the effective interest rate method and is included within 'finance income' in the income statement. In particular, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset; that is after deduction of the loss allowance. The Group's definition of credit-impaired assets is explained in Note 6, Credit risk section.

Impairment. The Group assesses on each reporting date and on a forward looking basis the expected credit losses ("ECL") associated with its debt financial assets carried at amortised cost. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money, and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'selling and marketing costs'. Subsequent recoveries of amounts for which loss allowance was previously recognised are credited against the same line item.

The impairment methodology applied by the Group for calculating expected credit losses depends on the type of financial asset assessed for impairment. Specifically:

- For trade receivables the Group applies the simplified approach permitted by IFRS 9 for calculating expected credit losses, which requires lifetime expected losses to be recognised from initial recognition of the financial assets. The assessment is done on an individual basis.

- For all its other debt financial assets carried at amortised cost, the Group applies the general approach. In particular, the Group applies the three stage model for calculating impairment, which is based on changes in the credit quality of the financial asset since initial recognition. A financial instrument that is not credit - impaired on initial recognition is classified in Stage 1. The ECL of financial assets in Stage 1 is measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter. If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until its contractual maturity but considering expected prepayments, if any.

Refer to Note 6, Credit risk section for a description of how the Group determines when a SICR has occurred. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Group's definition of credit impaired assets and definition of default is explained in Note 6, Credit risk section.

Write-off. Financial assets are written-off, in whole or in part, when the Group has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and a failure to make contractual payments for a period of greater than 180 days past due. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the income statement.

Classification as trade receivables. Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in a normal operating cycle of the business, if longer than one year) they are classified as current assets, if not, they are presented as non-current assets. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Group holds its trade receivables with the objective to collect the contractual cash flows and their contractual cash flows represent solely payments of principal and interest and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment.

***Classification as loans and other receivables*.** These amounts generally arise from transactions outside the usual operating activities of the Group. These are held with the objective to collect their contractual cash flows and their contractual cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Loans and other receivables are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

Classification as cash and cash equivalents. In the cash flow statement, cash and cash equivalents include cash in hand and deposits held at call with banks with original maturity of three months or less, less bank overdrafts, if any. Cash and cash equivalents are carried at amortised cost using the effective interest method, less provision for impairment. Bank overdrafts are shown within borrowings in the current liabilities on the balance sheet.

(b) Financial liabilities

Classification. The Group's financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost.

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until 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 pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

Borrowings are removed from the balance sheet when the obligation specified in the contract is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement as other income or finance costs.

Modifications. An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

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

Borrowing costs. Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed in the period in which they are incurred.

Trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(ii) Accounting policies applied until 31 December 2017

(a) Financial assets

Recognition and derecognition. Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Loans and receivables are recognised when the funds are advanced to the debtor/borrower.

Classification. The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

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 trade receivables, loans and other receivables and cash and cash equivalents in the balance sheet.

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

Interest income. Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Impairment. 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 based on the incurred loss model.

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 delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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 consolidated income statement within 'selling and marketing costs'. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the income statement.

Classification as trade receivables. Trade receivables are amounts due from customers for services provided in the ordinary course of business. If collection is expected in one year or less (or in a normal operating cycle of the business, if longer than one year) they are classified as current assets, if not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Classification as cash and cash equivalents. In the consolidated cash flow statement, cash and cash equivalents include cash in hand and deposits held at call with banks with original maturity of three months or less, less bank overdrafts, if any. Cash and cash equivalents are carried at amortised cost using the effective interest method. Bank overdrafts are shown within borrowings in the current liabilities on the balance sheet.

(b) Financial 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.

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 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 pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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. Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed in the period in which they are incurred.

Trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Inventories

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

Cash flow statement

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

When the Group enters into a sale and lease back arrangement which constitutes collateralised borrowing, the proceeds received are included within cash flows from financing activities. Receipts from finance lease receivables are included within cash flows from investing activities.

Share capital, share premium and treasury shares

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. Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. Share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

Where any Group company purchases the Company’s equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company’s equity holders within a separate reserve ‘treasury shares’ until the shares are cancelled or re-issued. Where such ordinary shares are subsequently re-issued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company’s equity holders within retained earnings. The consideration initially paid for treasury shares which are subsequently re-issued is transferred from ‘treasury shares’ to retained earnings.

Capital contribution

Capital contribution constitutes contributions made by the Company’s shareholders other than for the issue of shares by the Company in their capacity as equity owners of the Company for which the Company has no contractual obligation to repay them. Such contributions are recognised directly in equity as they constitute transactions with equity owners in their capacity as equity owners of the Company.

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.

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 benefit will be required to settle the obligations, or the amount cannot be measured with sufficient reliability, are disclosed in the notes to the financial statements as contingent liabilities.

Current and deferred income tax

The tax expense for the period comprises of current and deferred tax. Tax is recognised in the income statement, 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 income 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. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate on the basis of amounts expected to be paid to 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. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. 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 the transaction affects neither accounting nor taxable profit or loss. Deferred 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 tax asset is realised or the deferred tax liability is settled.

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, when the income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities when there is an intention to settle the balances on a net basis.

Russian Value Added Tax (VAT)

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

Employee benefits

Wages, salaries, contributions to the 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.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Share based payment transactions

The Group operates a cash-settled share-based compensation plan. In accordance with compensation plan, key management personnel and selected employees of the Group are entitled to receive cash compensations based on the weighted average market quotations of the fixed number of global depository receipts ("GDR") of the Company. The fair value of the employee services received in exchange for the grant of the equivalent GDR instruments is recognised as an expense over the vesting period.

At each balance sheet date, if required by the terms of the compensation plan, the Group revises its estimates of the monetary equivalent of GDRs that are expected to vest. It recognises the impact of the revision of original estimates, including number of instruments expected to vest and fair values, in profit or loss, with a corresponding adjustment to share-based payment liability.

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 and are no longer at the discretion of the Company. More specifically, interim dividends are recognised when approved by the Board of Directors whereas in case of final dividends, these are recognised at the time when they are approved by the Company's shareholders.

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 the income statement.

Comparatives

Comparative figures have been adjusted to conform with changes in the presentation for the current year. Details of the reclassifications are disclosed in Note 3.

5. New accounting pronouncements

Certain new standards, amendments to existing standards and interpretations have been issued that are mandatory for annual periods beginning on or after 1 January 2019, that are expected to have an impact on the Group's financial statements and which the Group has not early adopted. Items marked with * have not been endorsed by the European Union (EU). The Group will only be able to apply the new standards, amendments to existing standards or interpretations when these are endorsed by the EU.

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

  In accordance with the transition provisions of IFRS 16, the Group has elected the modified retrospective transition method for adopting the new standard with the effect of transition to be recognised in the opening retained earnings as at 1 January 2019 in the consolidated financial statements for the year ending 31 December 2019; which will be the first year when the Group will apply IFRS 16. The Group opted the practical expedient provided by IFRS 16 to measure the right-of-use assets on transition at an amount equal to that of the lease liability (adjusted for any prepaid or accrued expenses), with the exception of assets under finance leases as per IAS 17 that were in place at the date of transition to IFRS 16 that will continue to be measured at their carrying amount immediately before the date of application.

  A reconciliation of the operating lease commitments as at 31 December 2018 disclosed in Note 32 to the recognised liability on 1 January 2019 is as follows:

	1 January 2019 RUB'000
Total future minimum lease payments for non-cancellable operating leases (Note 32)	1,378,832
Impact of discounting	(133,400)
(Less): short-term leases recognised on a straight-line basis as expense	(270,671)
(Less): payments for lease not yet commenced	(1,056,590)
Add: adjustments as a result of a different treatment of extension and termination options	791,689
Other	(1,365)
Total lease liabilities (excluding financial lease liabilities recognised as at 31 December 2018)	708,495

  As shown in Note 32, as of the reporting date the Group has non-cancellable operating lease commitments of RUB 1,378,832 thousand out of which approximately RUB 270,671 thousand relate to short-term leases which will be recognised on a straight line basis as an expense in the income statement. The Group opted to apply the optional exception of short term leases under IFRS 16 whose lease term, at their commencement date, is 12 months or less.

  Further, the Group's non-cancellable operating lease commitments as of 31 December 2018 include an amount of RUB 1,056,590 thousand relating to a lease contract entered into in the year 2018 for the lease of offices. In accordance with the terms of the agreement, the Group will obtain right to use the offices within the first quarter of year 2019 and thus no lease liability was recognised in respect of this lease on 1 January 2019.

  The Group had finance lease liabilities recognised as at 31 December 2018 with a carrying amount of RUB 2,212,668 thousand (Note 27) and lease assets with a carrying amount of RUB 3,414,376 thousand (Note 17). Upon adoption of IFRS 16, the Group will recognise lease liabilities and right-of-use assets in respect of these leases at amounts equal to their carrying amounts as at 31 December 2018 under IAS17.

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

Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The Group is currently assessing the impact of the interpretation on its financial statements and as of the date of issue of these financial statements the impact of the interpretation is not known.

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

- **Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020)*.** The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Group is currently assessing the impact of the amendments on its financial statements and as of the date of issue of these financial statements the impact of the amendments is not known.

- **Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020)*.** The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Group is currently assessing the impact of the amendments on its financial statements and as of the date of issue of these financial statements the impact of the amendments is not known.

6. Financial risk management

Financial risks factors

The Group’s activities exposed 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 program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial results.

Market risk

(a) 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.

As of 31 December 2018, almost 100% of the Group’s long-term borrowings are denominated in Russian Rouble. Further, a large proportion of the Group’s expenses and revenues are denominated and settled in Russian Roubles. Risks related to liabilities denominated in foreign currency are partly compensated by assets and income denominated in foreign currency.

During the year 2018 there was increased volatility in currency markets and the Russian Rouble has depreciated significantly against some major currencies, especially in the second half of the year. As of the end of December 2018 the Russian Rouble has depreciated against the US Dollar from 57.6002 as of 31 December 2017 to 69.4706 Russian Roubles (21% devaluation).

The Group is exposed to the effects of currency fluctuations between (i) the Russian Rouble and the US Dollars in relation to US Dollar denominated balances held in the Company and the Cypriot and Russian subsidiaries of the Group having the Russian Rouble as their functional currency; (ii) the Euro and the US Dollar for US Dollar denominated balances held in the Estonian subsidiaries of the Group which have the Euro as their functional currency and (iii) the Ukrainian Hryvnia and the US Dollar for the US Dollar denominated balances held in the Ukrainian subsidiary of the Group which has the Ukrainian Hryvnia as its functional currency.

The Group does not have formal arrangements for hedging this foreign exchange risk.

The carrying amounts of monetary assets and liabilities denominated in US Dollars as at 31 December 2018 and 31 December 2017 are as follows:

	2018 RUB'000	2017 RUB'000
Assets	1,013,937	680,794
Liabilities	101,055	712,908

Had US Dollar exchange rate strengthened/weakened by 20% against the Russian Rouble and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2018, would have decreased/increased by RUB 93,454 thousand (2017: 5% change, effect RUB 11,888 thousand) and equity would have increased/decreased by RUB 528,447 thousand (2017: 5% change, effect RUB 125,368 thousand).

This is mainly due to foreign exchange gains and losses arising upon retranslation of cash and cash equivalents and accounts payable denominated in US Dollars for the Group entities with Russian Rouble being their functional currency. The impact on equity is mainly due to foreign exchange gains and losses arising upon retranslation of intercompany loans being recognised as part of net investment in the foreign operation denominated in US Dollars for the Ukrainian subsidiary of the Group.

Had Euro exchange rate strengthened/weakened by 10% against the US Dollar and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2018, would have increased /decreased by RUB 37,260 thousand (2017: 10% change, effect RUB 28,517 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of payable balances and cash and cash equivalents and accounts receivable denominated in US Dollars for the Estonian subsidiaries of the Group.

Had US Dollar exchange rate strengthened/weakened by 5% against the Ukrainian Hryvnia and all other variables remained unchanged, the post-tax profit of the Group would have remained unchanged (2017: 5% change, no effect on post-tax profit) and the equity of the Group for the year ended 31 December 2018, would have decreased/increased by RUB 528,447 thousand (2017: 5% change, effect RUB 125,368 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of intercompany loans being recognised as part of net investment in the foreign operation denominated in US Dollars for the Ukrainian subsidiary of the Group.

(b) 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 borrowings. In addition the Group is exposed to fair value interest rate risk through market value fluctuations of borrowings and bank deposits with fixed interest rates. However, any potential change in the market rates of interest will not have an impact on the carrying amount of the fixed rate financial instruments and hence on the Group's post tax profit or equity as these instruments are carried at amortised cost.

Long-term borrowing contracts of the Group are concluded to finance the purchase of rolling stock. While analysing new investment projects and concluding credit facility agreements, loan agreements and lease contracts, issues of bonds and 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 maximizing the estimated future profit.

As at 31 December 2018 and 31 December 2017, the Group did not have any Russian Rouble or US Dollar credit facilities at floating interest rates, therefore any reasonably possible change in market interest rates would not have any significant impact on the post-tax profit or equity of the Group.

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.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises from cash and cash equivalents, trade receivables, loans and other receivables as well as lease receivables.

(i) Risk management

The Group has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history. Management assesses the credit quality of the Group's customers, taking into account their financial position, past experience and other factors. These policies allow the Group to reduce its credit risk. However, the Group's business is heavily dependent on a few large key customers, with the top ten customers accounting for 58.65% of the Group's trade receivables as at 31 December 2018 (2017: 76.25%).

For banks and financial institutions, the Group has established policies whreby the majority of bank balances are held with independently rated parties with a minimum rating of 'Ba2'. These policies enable the Group to reduce its credit risk significantly.

(ii) Impairment of financial assets

The Group has four types of assets that are subject to the expected credit loss model:

- trade receivables;
- finance lease receivables;
- loans and other receivables; and
- cash and cash equivalents;.

The impairment methodology applied by the Group for calculating expected credit losses depends on the type of assets assessed for impairment. All assets are assessed for impairment on an individual basis. Specifically:

- For trade receivables and finance lease receivables the Group applies the simplified approach permitted by IFRS 9 for calculating expected credit losses, which requires lifetime expected credit losses to be recognised from initial recognition of the financial assets.

- For loans and other receivables and cash and cash equivalents, the Group applies the general approach. In particular, the Group applies the three stage model for calculating impairment, which is based on changes in the credit quality of the financial asset since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. The ECL of financial assets in Stage 1 is measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter. If the Group identifies a significant increase in credit risk since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until its contractual maturity but considering expected prepayments, if any. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

Significant increase in credit risk. The Group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. In making this assessment, the Group considers available reasonable and supportive forwarding-looking information.

Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's/counterparty's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower/counterparty
- significant increases in credit risk on other financial instruments of the same borrower/counterparty
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower/counterparty, including changes in the payment status of counterparty in the group and changes in the operating results of the borrower.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivable balances. Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

Default and credit-impaired. A default on a financial asset is when the financial asset meets one or more of the following criteria: (i) the borrower is more than 90 days past due on its contractual payments, (ii) the borrower is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due, (iii) the Company, for economic or contractual reasons relating to the borrower's financial difficulty, granted to the borrower a concession(s) that it would not otherwise consider. The Company considers defaulted assets to be credit-impaired so that Stage 3 represents all debt financial assets which are considered defaulted.

Write-off. Assets are written-off, in whole or in part, when the Group has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and a failure to make contractual payments for a period of greater than 180 days past due. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the income statement.

The Group does not have any material debt financial assets that are subject to the impairment requirements of IFRS 9 and their contractual cash flows have been modified.

The Group's exposure to credit risk for each class of asset subject to the expected credit loss model is set out below:

Trade receivables and finance lease receivables

The Group assesses, on an individual basis, its exposure to credit risk arising from trade receivables and finance lease receivables. This assessment is based on the credit history of the customers with the Group as well as the period the trade receivable or finance lease receivable is past due (in days).

The following table contains an analysis of the gross carrying amount of the Group's trade receivables and finance lease receivables by reference to the days past due. This basis is aligned with the Group's internal credit risk grades for these assets.

	Trade receivables RUB'000	Finance lease receivables RUB'000
Current (not past due)	1,583,886	316,668
1-30 days past due	762,210	-
31-90 days past due	18,294	-
more than 90 days past due	369,180	-
Total	2,733,570	316,668

The gross carrying amounts, as per above, represent the Group's maximum exposure to credit risk on these assets as at 31 December 2018, without taking into account any collateral held. The Group does not hold any collateral as security for any trade receivable balances. Finance lease receivables are effectively secured as the rights to the leased asset revert to the Group in the event of default.

The movement in the credit loss allowance for trade receivables during the year 2018 is presented in the table below:

	Trade receivables RUB'000
Opening balance as at 1 January 2018	(141,336)
New assets originated or purchased	(12,044)
Assets written off during the year as uncollectible	13,071
Recoveries	4,534
Other	(10,267)
Closing balance as at 31 December 2018	(146,042)

There were no significant trade receivable balances written off during the period that are subject to enforcement activity.

The estimated expected credit loss allowance on finance lease receivables as at 31 December 2018 was immaterial. This assessment takes into consideration the presence of the leased asset, which acts as a collateral for the finance lease receivable.

Loans and other receivables

The Group assesses, on an individual basis, its exposure to credit risk arising from loans and other receivables. This assessment takes into account, amongst others, the period the loan receivable or other receivable balance is past due (in days) and history of defaults in the past, adjusted for forward looking information.

The following table contains an analysis of the credit risk exposure for loans and other receivables on the basis of the Group's internal credit risk rating grades. The gross carrying amounts below represent the Group's maximum exposure to credit risk on these assets as at 31 December 2018.

Internal credit risk rating grade	Company definition of category	Gross carrying amount RUB'000
Performing	Stage 1 - Counterparties have a low risk of default and a strong capacity to meet contractual cash flows	263,653
Under-performing	Stage 2 - Customers for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	18,017
Non-performing or Credit-impaired	Stage 3 - Interest and/or principal repayments are more than 90 days past due	42,732

The gross carrying amounts, as per above, represent the Group's maximum exposure to credit risk on these assets as at 31 December 2018, without taking into account any collateral held. The Group does not hold any collateral as security for any loans receivable and other receivable balances.

The movement in the credit loss allowance for other receivables during the year 2018 is presented in the table below:

	Other receivables Non-performing RUB'000
Opening balance as at 1 January 2018	(39,786)
New assets originated or purchased	(14,882)
Assets written off during the year as uncollectible	18,403
Other	(13,387)
Closing balance as at 31 December 2018	(49,652)

The estimated expected credit loss allowance on loans receivable as at 31 December 2018 was immaterial.

There were no significant loans and other receivable balances written off during the period that are subject to enforcement activity.

Cash and cash equivalents

The Group assesses, on an individual basis, its exposure to credit risk arising from cash at bank based on ratings from external credit rating institutions and internal ratings if external are not available.

The following table contains an analysis of the gross carrying amount of the Group's cash at bank by reference to the credit risk ratings assigned by external credit rating agencies. The gross carrying amounts below represent the Group's maximum exposure to credit risk on these assets as at 31 December 2018:

	Rating	RUB'000
Moody's (1)	A3 – Aaa	1,462,017
Moody's (1)	Ba2 – Baa1	5,659,996
Moody's (1)	B1	152
Moody's (1)	Caa1 - Caa3	2,748
Standard & Poor's (2)	B - BB+	3,349
Fitch (3)	BBB- BBB+	652
Other external non-rated banks – satisfactory credit quality (performing)		439
Total cash at bank and bank deposits(4)		7,129,353

(1) International rating agency Moody's Investors Service
(2) International rating agency Standard & Poor's
(3) International rating agency Fitch Rating

[4] The rest of the balance sheet item ‘cash and cash equivalents’ is cash on hand.

The Group does not hold any collateral as security for any of the above balances.

The estimated expected credit loss allowance on cash and cash equivalents as at 31 December 2018, based on the general approach of IFRS 9, was immaterial. All cash and cash equivalents were performing (Stage 1) as at 31 December 2018.

Credit risk at 31 December 2017

The table below summarises the analysis of accounts receivable under contractual terms of settlement at the balance sheet date for the year ended 31 December 2017:

	Fully performing RUB’000	Past due RUB’000	Impaired RUB’000	Impairment provision RUB’000	Total RUB’000
Trade receivables	1,508,473	671,481	324,852	(141,336)	2,363,470
Loans receivable	16,857	-	-	-	16,857
Other receivables	31,070	18,297	39,786	(39,786)	49,367
Finance lease receivables	445,919	-	-	-	445,919
	2,002,319	689,778	364,638	(181,122)	2,875,613

Receivables amounting to RUB 2,002,319 thousand as of 31 December 2017 were fully performing. The credit quality of financial assets that were neither past due or impaired was assessed by reference to external credit rating, if available. For accounts receivable with no external credit rating available management assessed credit quality by reference to the prior history of working with customers. Customers with longer history of working with the Group were regarded by management as having lower risk of default.

The credit quality of financial assets that were neither past due nor impaired as assessed by reference to external credit rating if available or to the working history of the counterparty with the Group was as follows:

	RUB’000
Trade and other receivables	
Counterparties with external credit rating	
Moody's[2] (B1 – Ba1)	3,170
Standard & Poor’s[3] (BB- - BB)	7,875
Fitch[4] (B- - BB+)	369,679
	380,724
Counterparties without external credit rating	
Group 1	1,527,462
Group 2	94,133
	1,621,595
Total trade and other receivables	2,002,319

Group 1 - Receivables from counterparties with more than one year of working history with the Group.
Group 2 - Receivables from counterparties with less than one year of working history with the Group.

Receivables of RUB 689,778 thousand as of 31 December 2017 were past due but not impaired. These related to a number of independent customers for whom there was 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. Trade receivables were impaired only when there is an indication that the customer is unable to repay the balance.

The ageing analysis of past due trade receivables at 31 December 2017 as follows:

	RUB’000
Less than 1 month	433,790
From 1 to 3 months	72,246
From 3 to 6 month	6,773
From 6 months to 1 year	9,055
Over one year	167,914
	689,778

Trade receivables amounting to RUB 121,699 thousand as of 31 December 2017, were impaired and fully provided for. The individually impaired receivables mainly related to customers for railway services, which were in unexpectedly difficult economic situation. It was assessed that no portion of these receivables was expected to be recovered.

Other receivables amounting to RUB 39,786 thousand as of 31 December 2017, were impaired and provided for in full. It was assessed that no portion of these receivables is expected to be recovered.

Movements on the Group's provision for impairment of trade and other receivables during the year 2017 were as follows:

	Trade receivables RUB'000	Other receivables RUB'000	Total RUB'000
At 1 January	263,972	29,163	293,135
Provision for receivables impairment (Note 11)	42,267	18,488	60,755
Bad debt written off	(167,639)	(7,834)	(175,473)
Currency translation differences	2,736	-	2,736
Other	-	(31)	(31)
At 31 December	141,336	39,786	181,122

The creation and release of provision for impaired receivables have been included in "selling and marketing costs" in the income statement (Note 11). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

Cash at bank and short-term bank deposits

	Rating	RUB'000
Moody's [2]	A3 – Aaa	1,002,389
Moody's [2]	Ba2 – Baa1	3,101,414
Moody's [2]	B1	174
Moody's [2]	Caa1 - Caa3	1,844
Standard & Poor's [3]	BB+	658,258
Fitch [4]	BBB- BBB+	151,920
Other non-rated banks – satisfactory credit quality		49,715
Total cash at bank and bank deposits[1]		4,965,714

[1] The rest of the balance sheet item Cash and cash equivalents is cash on hand
[2] International rating agency Moody's Investors Service
[3] International rating agency Standard & Poor's
[4] International rating agency Fitch Rating

The maximum exposure to credit risk at 31 December 2017 was the fair value of each class of receivables mentioned above. The Group did not hold any collateral as security for any receivables other than finance lease receivables which are effectively secured as the rights to the leased asset revert to the Group in the event of default.

Liquidity risk

The Group has an excess of current assets over current liabilities of RUB 708,587 thousand as at 31 December 2018 (2017: excess of current liabilities over current assets RUB 1,285,219 thousand).

The Group has predictable cash flows which allow the Group to repay its liabilities when they fall due. The Group also has successful credit and refinancing history and maintains enough flexibility ensuring the ability to attract necessary funds through committed credit facilities. Due to availability of committed credit lines amounting to RUB 4,515,000 thousand as of 31 December 2018 (2017: RUB 19,140,000 thousand), together with long-term borrowings (Note 27) 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 table below summarises the analysis of financial liabilities of the Group by maturity as of 31 December 2018 and 31 December 2017. 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.

	Less than one month RUB'000	Between one month and three months RUB'000	Between three and six months RUB'000	Between 6 months and less than one year RUB'000	Between 1 and 2 years RUB'000	Between 2 and 5 years RUB'000	Total RUB'000
31 December 2018							
Borrowings	427,029	2,273,971	1,893,914	5,195,738	6,186,061	11,273,818	27,250,531
Trade and other payables	820,446	35,390	34,458	115,318	197,689	98,844	1,302,145
Finance lease liabilities	56,475	110,666	165,549	329,426	609,246	1,359,462	2,630,824
	1,303,950	2,420,027	2,093,921	5,640,482	6,992,996	12,732,124	31,183,500
31 December 2017							
Borrowings	492,546	2,426,820	1,326,157	4,210,040	6,321,331	3,623,067	18,399,961
Trade and other payables	777,375	1,389	-	-	-	-	778,764
	1,269,921	2,428,209	1,326,157	4,210,040	6,321,331	3,623,067	19,178,725

Note: statutory liabilities are excluded as the analysis is provided for financial liabilities only.

(a) 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 required profitability of the Group, maintain optimum equity structure and reduce its cost of capital.

Defining capital, the Group uses the amount of net assets attributable to the Company's equity owners and the Group's borrowings.

The Group manages the capital based on borrowings to total capitalisation ratio. Borrowings include loan liabilities. To maintain or change its equity structure, the Company may vary the amount of dividend paid or sell assets in order to reduce debts.

Total capitalisation is calculated as the sum of the total Group borrowings and total equity attributable to the equity owners of the Company. The management does not currently have any specific target for the rate of borrowings to total capitalisation.

The rate of borrowings to total capitalisation as at 31 December 2018 and 31 December 2017 are as follows:

	2018 RUB'000	2017 RUB'000
Total borrowings	25,728,911	16,331,356
Total capitalisation	73,356,937	61,224,087
Total borrowings to total capitalisation ratio (percentage)	35.07%	26.67%

External requirements are imposed on the capital of the Group as defined by management in relation to long-term loans provided by financial institutions to the Company and certain subsidiaries of the Company. The Group analyses compliance with external requirements to the capital at each reporting date and when entering into new loan agreements and lease contracts. There were no instances of non-compliance with externally imposed capital requirements during 2018 and 2017. Management believes that the Group will be able to comply with its external requirements to the capital during the whole term of agreements.

Fair value estimation

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

The estimated fair values of financial instruments have been determined by the Group, using available market information, where it exists, appropriate valuation methodologies and assistance of experts. However, judgement 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.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

The fair values in level 2 and level 3 of fair value hierarchy were estimated using discounted cash flows valuation techniques. The fair value of unquoted fixed and floating interest rate instruments which are not quoted in an active market was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Financial assets at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received, discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty.

The fair values of financial assets do not materially differ from their carrying amounts as the impact of discounting is not significant.

Financial liabilities carried at amortised cost. Fair values of borrowings and other liabilities were determined using valuation techniques.

As at 31 December 2018 and 31 December 2017 there were no fixed or floating interest rate instruments with stated maturity denominated in a currency other than the Russian Rouble.

The fair value as at 31 December 2018 and 31 December 2017 of fixed and floating interest rate instruments with stated maturity denominated in Russian Rouble was estimated based on expected cash flows discounted using the rate of similar Russian Rouble denominated instruments entered into by the Group close to 31 December 2018 and 31 December 2017, respectively. The discount rate used was 9.5% p.a. (2017: 8% p.a.) (Note 27). The fair value as at 31 December 2018 of the fixed interest rate non-convertible bonds was equal to their quoted price and the resulting fair value measurement is within level 1.

The fair value of liabilities repayable on demand or after a notice period (“demandable liabilities”) is estimated as the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

7. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and 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) Tax legislation

Russian tax, currency and customs legislation is subject to varying interpretations (Note 31).

(b) Critical judgements in applying in Group’s accounting policies

The Group also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

i) Revenue recognition under IFRS 15 “Revenue from contracts with customers”, including impact of adoption

IFRS 15 “Revenue from contracts with customers” and its subsequent amendment were effective for the Group from 1 January 2018. The assessment of the impact of adoption of IFRS 15 on the Group’s accounting policies and ongoing accounting under IFRS 15 required management to make certain critical judgments in the process of applying the principles of the new standard. The judgments that had the most significant effect on management's conclusion are the following:

- Identification of performance obligations

  Operator’s services contracts involve the provision by the Group of a wide range of services. Management believes that, although some of these services can be obtained by the clients from the market separately and different combinations of services can be provided to different customers, in the context of each individual contract with a customer, the services provided by the Group are highly dependent and interrelated with each other and, therefore, are not distinct. In making this assessment, management noted that, despite the fact that the Group’s contracts contain a promise to deliver multiple services, the nature of the promise within the context of the contracts and the economic substance of the transaction is that the customers are purchasing integrated operator’s services to which the individual services promised are inputs rather than separate services and consequently this is considered to constitute a single performance obligation.

- Assessment as to whether the Group is acting as an agent or principal for certain operator’s services contracts

  Operator’s services are rendered using own or leased rolling stock. In those cases when the Group’s customers do not interact with OAO “Russian Railways”, a full service is charged by the Group to its customers and the OAO “Russian Railways” tariff is borne by the Group with or without further recharge to its customers. There are certain characteristics indicating that the Group is acting as an agent in these arrangements, particularly the fact that OAO “Russian Railways” tariffs are available to the public and therefore are known to the customer. However, the services are rendered with the use of own or leased rolling stock and the Group bears the OAO “Russian Railways” tariff to bring the rolling stock back or to the next destination. The Group is independent in its pricing policy and considers its potential loss for empty run tariff.

  Management historically took the position that the Group acts as a principal in these arrangements and the Group accounted for full receipts from customers as sales revenue and the OAO “Russian Railways” tariff was also included in cost of sales. Management re-assessed the accounting treatment followed historically by the Group by reference to the requirements of the new standard and concluded that this is still appropriate. Management believes that the Group is acting as a principal in these arrangements as it is the party that controls the services prior these are transferred to the customers and, through separate arrangements with OAO “Russian Railways”, obtains the right to direct them to provide services on its behalf.

  Had OAO “Russian Railways” tariff directly attributable to such services been excluded from revenues and cost of sales for the year ended 31 December 2018 both would have decreased by RUB 22,682,168 thousand (2017: RUB 22,507,762 thousand).

ii) Intention for the distribution of dividends by subsidiaries

Withholding tax at the rate of 5% is applied to the dividends distributed by the Russian subsidiaries of the Group to the Company. In case the dividends are distributed by the Estonian subsidiaries the tax of 20% will be applied to gross amount of such distributions. Management exercises judgment in determining the provisions to be recognised by the Group for such taxes. These provisions are based on management’s estimates and intention for future dividend distribution by each respective subsidiary out of profits of subsidiaries as of 31 December 2018.

Deferred income tax liabilities of RUB 3,474,968 thousand (2017: RUB 2,785,978 thousand) have not been recognised for the withholding taxes that would be payable in case unremitted earnings of certain subsidiaries are distributed to the Company in the form of dividends as it is the current intention of the management of the Group that such amounts are reinvested. Unremitted earnings on which no deferred tax liability was recognised totalled to RUB 28,932,126 thousand as at 31 December 2018 (2017: RUB 20,506,150 thousand).

8. Segmental information

The chief operating decision-maker has been identified as the Board of Directors of the Company. The Board reviews the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Board considers the business from two perspectives: by type of activity and by type of rolling stock used. From a type of activity perspective, the Board reviews revenues with no further analysis of the underlying cost components. From the type of rolling stock used perspective, the Board assesses the performance of each type of rolling stock at the level of adjusted revenue. In particular, the Board reviews discrete financial information for gondola cars and rail tank cars, whereas all other types of rolling stock (such as hopper cars and platforms) are reviewed together.

Adjusted revenue is the measure of profit looked at by the chief operating decision-maker and this includes the revenues derived from the relating type of rolling stock used less infrastructure and locomotive tariffs paid for the loaded trips of relating rolling stock less services provided by other transportation organisations. Further, the Board receives information in respect of relating depreciation and amortisation charges for rolling stock and customer relationships, respectively, impairment charges/reversal of impairment in respect of rolling stock and customer relationships and loss on derecognition arising on capital repairs. All information provided to the Board in relation to profit or loss items is measured in a manner consistent with that in the financial statements.

The Board also reviews additions to segment assets. Liabilities are not segmented since they are not reviewed from that perspective by the chief operating decision maker. Capital expenditure comprises additions of rolling stock to property, plant and equipment.

The Group does not have transactions between different business segments.

	Gondola cars RUB'000	Rail tank cars RUB'000	Other railcars RUB'000	Total RUB'000
Year ended 31 December 2018				
Total revenue – operator's services (recognised over time)	56,578,061	26,171,577	1,070,226	83,819,864
Total revenue – operating lease	217,875	1,131,730	44,631	1,394,236
Inter-segment revenue	-	-	-	-
Revenue (from external customers)	56,795,936	27,303,307	1,114,857	85,214,100
less Infrastructure and locomotive tariffs - loaded trips	(16,072,497)	(6,093,700	(515,971)	(22,682,168)
less Services provided by other transportation organisations	(2,631,711)	(571,819)	(27,620)	(3,231,150)
Adjusted revenue for reportable segments	**38,091,728**	**20,637,788**	**571,266**	**59,300,782**
Depreciation and amortisation	(4,445,258)	(1,085,940	(84,314)	(5,615,512)
Impairment of property, plant and equipment	(10,073)	-	-	(10,073)
Loss on derecognition arising on capital repairs	(142,020)	(217,593)	(17,671)	(377,284)
Additions to non-current assets (included in reportable segment assets)	12,117,088	658,041	1,190,307	13,965,436
Reportable segment assets	**50,970,274[(1)]**	**20,517,936**	**1,531,496**	**73,019,706**

(1) Includes RUB 752,718 thousand of intangible assets representing customer relationships.

	Gondola cars RUB'000	Rail tank cars RUB'000	Other railcars RUB'000	Total RUB'000
Year ended 31 December 2017				
Total revenue – operator's services	52,210,098	22,472,812	1,185,233	75,868,143
Total revenue – operating lease	104,838	1,020,852	86,498	1,212,188
Inter-segment revenue	-	-	-	-
Revenue (from external customers)	52,314,936	23,493,664	1,271,731	77,080,331
less Infrastructure and locomotive tariffs - loaded trips	(16,832,160)	(5,162,124	(513,478)	(22,507,762)
less Services provided by other transportation organisations	(3,228,663)	(195,297)	(54,521)	(3,478,481)
Adjusted revenue for reportable segments	**32,254,113**	**18,136,243**	**703,732**	**51,094,088**
Depreciation and amortisation	(4,398,130)	(1,018,965	(100,092)	(5,517,187)
Impairment of property, plant and equipment	-	-	(111,172)	(111,172)
Loss on derecognition arising on capital repairs	(261,336)	(265,670)	(1,033)	(528,039)
Reversal of impairment charge of intangible assets	630,223	-	-	630,223
Additions to non-current assets (included in reportable segment assets)	3,227,815	754,615	151,807	4,134,237
Reportable segment assets	***44,100,083[(1)]***	***19,445,539***	***533,320***	***64,078,942***

(1) Includes RUB 1,447,559 thousand of intangible assets representing customer relationships.

A reconciliation of total adjusted revenue to total profit before income tax is provided as follows:

	2018 RUB'000	2017 RUB'000
Adjusted revenue for reportable segments	59,300,782	51,094,088
Other revenues	1,558,642	1,000,201
Total adjusted revenue	60,859,424	52,094,289
Cost of sales (excl. Infrastructure and locomotive tariffs - loaded trips, services provided by other transportation organisations, impairment of property, plant and equipment, depreciation of property, plant and equipment and amortisation of intangible assets, loss on derecognition arising on capital repairs)	(23,094,638)	(22,352,208)
Selling, marketing and administrative expenses (excl. depreciation, amortisation and impairments)	(4,771,519)	(3,979,117)
Depreciation and amortisation	(5,807,417)	(5,680,445)
Reversal of impairment charge of customer relationships	-	630,223
Net impairment losses on financial assets	(29,713)	(60,755)
Impairment charge for property, plant and equipment	(10,073)	(111,172)
Loss on derecognition arising on capital repairs	(377,284)	(528,039)
Other income	133,754	57,967
Other gains – net	(1,479)	85,392
Operating profit	26,901,055	20,156,135
Finance income	377,445	480,585
Finance costs	(1,778,460)	(2,046,403)
Net foreign exchange transaction losses on financing activities	(40,219)	(236,540)
Profit before income tax	25,459,821	18,353,777

Segment assets and liabilities are reconciled to the Group assets and liabilities as follows:

	2018		2017	
	Assets RUB'000	Liabilities RUB'000	Assets RUB'000	Liabilities RUB'000
Segment assets/ liabilities	73,019,706	-	64,078,915	-
Unallocated:				
Deferred tax liabilities	-	6,284,868	-	5,908,319
Current income tax assets/liabilities	191,277	50,948	18,273	150,595
Property, plant and equipment	2,497,915	-	2,139,551	-
Intangible assets	4,491	-	6,242	-
Other assets	4,607,362		3,006,369	-
Trade receivables	2,587,528	-	2,363,470	-
Loans and other receivables	274,750		66,224	-
Inventories	904,375	-	776,341	-
Cash and cash equivalents	7,129,918	-	4,966,171	-
Borrowings	-	25,728,911	-	16,331,356
Trade and other payables	-	2,953,694	-	4,413,656
Contract liabilities	-	2,673,467	-	-
Total	91,217,322	37,691,888	77,421,556	26,803,926

Geographic information
Revenues from external customers

	2018 RUB'000	2017 RUB'000
Revenue		
Russia	85,532,368	77,171,269
Estonia	929,319	749,218
Finland	741	6,404
Ukraine	310,314	153,641
	86,772,742	78,080,532

The revenue information above is based on the location where the sale has originated, i.e. on the location of the respective subsidiary of the Group.

In the periods set out below, certain customers, included within the revenue generated in Russia, accounted for greater than 10% of the Group's total revenues:

	2018		2017	
	RUB'000	% revenue	RUB'000	% revenue
Revenue				
Customer A – rail tank cars segment	17,162,366	20	14,248,432	18
Customer B – gondola cars segment	24,939,534	29	24,146,713	31
Customer C – gondola cars segment	13,397,567	15	12,106,875	16

Non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts.

	2018	2017
	RUB'000	RUB'000
Non-current assets		
Russia	63,583,859	54,766,788
Estonia	12,149,137	10,947,603
Ukraine	512,102	527,835
Cyprus	7,212	4,468
	76,252,310	66,246,694

9. Non-GAAP financial information

In addition to financial information under IFRS, the Group also use certain measures not recognised by EU IFRS or IFRS (referred to as "non-GAAP measures") as supplemental measures of the Group's operating and financial performance. The management believes that these non-GAAP measures provide valuable information to readers, because they enable them to focus more directly on the underlying day-to-day performance of the Group's business. These might not be consistent with measures (of similar description) used by other entities.

Adjusted Revenue

Adjusted Revenue is defined as "Total revenue" adjusted for "pass through" items: "Infrastructure and locomotive tariffs: loaded trips" and "Services provided by other transportation organisations". "Infrastructure and locomotive tariffs: loaded trips" comprises revenue resulting from tariffs that customers pay to the Group and the Group pays on to OAO "Russian Railways", which are reflected in equal amounts in both the Group's Total revenue and Cost of sales. "Services provided by other transportation organisations" is revenue resulting from the tariffs that customers pay to the Group and the Group pays on to third-party rail operators for subcontracting their rolling stock, which are reflected in equal amounts in both the Group's Total revenue and Cost of sales.

The following table provides details of Adjusted revenue for 2018 and 2017 and its reconciliation to Total revenue.

	2018	2017
	RUB'000	RUB'000
Total revenue	86,772,742	78,080,532
Minus "pass through" items		
Infrastructure and locomotive tariffs: loaded trips	(22,682,168)	(22,507,762)
Services provided by other transportation organisations	(3,231,150)	(3,478,481)
Adjusted Revenue	60,859,424	52,094,289

Total Operating Cash Costs and Non-cash Costs

In order to show the dynamics and nature of the Group's cost base, individual items of Total cost of sales, selling and marketing costs and administrative expenses have been regrouped into Operating cash costs and Operating non-cash costs.

Total Operating Cash Costs represent operating cost items payable in cash and calculated as "Total cost of sales, selling and marketing costs and administrative expenses" less the "pass through" items: "Infrastructure and locomotive tariffs: loaded trips" and "Services provided by other transportation organisations" and non-cash items: "Depreciation of property, plant and equipment", "Amortisation of intangible assets", "Net impairment losses on financial assets", "Impairment of property, plant and equipment", "Net (gain)/loss on sale of property, plant and equipment" and "Loss on derecognition arising on capital repairs".

Total Operating Non-cash Costs include cost items such as "Depreciation of property, plant and equipment", "Amortisation of intangible assets", "Loss on derecognition arising on capital repairs", "Net impairment losses on financial assets", "Impairment of property, plant and equipment" and "Net (gain)/loss on sale of property, plant and equipment".

Other Operating Cash Costs include cost items such as “Advertising and promotion”, “Auditors’ remuneration”, “Communication costs”, “Information services”, “Legal, consulting and other professional fees”, “Rental of tank containers”, “Operating lease rentals - office”, “Taxes (other than income tax and value added taxes)” and “Other expenses”.

	2018 RUB’000	2017 RUB’000
“Pass through” cost items	**(25,913,318)**	**(25,986,243)**
Infrastructure and locomotive tariffs: loaded trips	(22,682,168)	(22,507,762)
Services provided by other transportation organisations	(3,231,150)	(3,478,481)
Total cost of sales, selling and marketing costs and administrative expenses (adjusted for “pass through” cost items)	**(34,090,644)**	**(32,711,736)**
Total Operating Cash Costs	**(27,893,504)**	**(26,302,818)**
Infrastructure and locomotive tariffs - empty runs and other tariffs	(13,848,049)	(13,103,048)
Repairs and maintenance	(3,821,338)	(3,769,086)
Employee benefit expense	(4,366,804)	(3,425,986)
Operating lease rentals - rolling stock	(826,937)	(1,634,370)
Fuel and spare parts – locomotives	(1,935,278)	(1,519,083)
Engagement of locomotive crews	(795,289)	(662,100)
Other Operating Cash Costs	(2,299,809)	(2,189,145)
Advertising and promotion	(37,716)	(31,240)
Auditors' remuneration	(58,760)	(55,903)
Communication costs	(33,391)	(37,446)
Information services	(26,626)	(19,025)
Legal, consulting and other professional fees	(70,084)	(69,415)
Rental of tank-containers	(43,770)	(63,622)
Operating lease rentals - office	(183,188)	(179,887)
Taxes (other than on income and value added taxes)	(681,263)	(746,058)
Other expenses	(1,165,011)	(986,549)
Total Operating Non-Cash Costs	**(6,197,140)**	**(6,408,918)**
Depreciation of property, plant and equipment	(5,110,715)	(4,962,459)
Amortisation of intangible assets	(696,702)	(717,986)
Loss on derecognition arising on capital repairs	(377,284)	(528,039)
Net impairment losses on financial assets	(29,713)	(60,755)
Impairment of property, plant and equipment	(10,073)	(111,172)
Net loss on sale of property, plant and equipment	27,347	(28,507)
Total cost of sales, selling and marketing costs and administrative expenses	**(60,003,962)**	**(58,697,979)**

Adjusted EBITDA

Adjusted EBITDA represents EBITDA excluding “Net foreign exchange transaction losses from financing activities”, “Share of loss of associate”, “Other losses/(gains) - net”, “Net (gain)/loss on sale of property, plant and equipment”, “Impairment of property, plant and equipment”, “Loss on derecognition arising on capital repairs” and “Reversal of impairment of intangible assets”.

EBITDA (a non-GAAP financial measure) represents “Profit for the year” before “Income tax expense”, “Finance costs - net” (excluding “Net foreign exchange transaction losses from financing activities), “Depreciation of property, plant and equipment” and “Amortisation of intangible assets”.

The following table provides details on Adjusted EBITDA for 2018 and 2017 and its reconciliation to EBITDA and Profit for the year:

	2018 RUB‘000	2017 RUB‘000
Profit for the year	**19,583,435**	**13,819,874**
Plus (Minus)		
Income tax expense	5,876,386	4,533,903
Finance costs – net	1,441,234	1,802,358
Net foreign exchange transaction losses on financing activities	(40,219)	(236,540)
Amortisation of intangible assets	696,702	717,986
Depreciation of property, plant and equipment	5,110,715	4,962,459
EBITDA	**32,668,253**	**25,600,040**
Plus (Minus)		
Loss on derecognition arising on capital repairs	377,284	528,039
Net foreign exchange transaction losses on financing activities	40,219	236,540
Other losses/(gains) – net	1,479	(85,392)
Net loss on sale of property, plant and equipment	(27,347)	28,507
Impairment of property, plant and equipment	10,073	111,172
Reversal of impairment of intangible assets	-	(630,223)
Adjusted EBITDA	**33,069,961**	**25,788,683**

Free Cash Flow

Free Cash Flow is calculated as “Cash generated from operations” (after “Changes in working capital”) less “Tax paid”, “Interest paid”, “Purchases of property, plant and equipment”, “Finance lease principal payments” and “Purchases of intangible assets”.

Total CAPEX calculated on a cash basis as the sum of “Purchases of property, plant and equipment”, “Purchases of intangible assets”, “Acquisition of subsidiary undertakings – net of cash acquired” and “Finance lease principal payments”.

The **Attributable Free Cash Flow** means Free Cash Flow less Adjusted profit attributable to non-controlling interests.

Adjusted Profit Attributable to Non-controlling Interests is calculated as “Profit attributable to non-controlling interests” less share of “Impairment of property, plant and equipment” and “Impairment of intangible assets” attributable to non-controlling interests.

The following table sets out details on Free Cash Flow and Attributable Free Cash Flow for 2018 and 2017, and its reconciliation to Cash generated from operations.

	2018 RUB’000	2017 RUB’000
Cash generated from operations	32,602,394	27,495,573
Tax paid	(5,765,818)	(3,631,769)
Interest paid	(1,633,332)	(1,943,746)
Purchases of property, plant and equipment	(11,567,554)	(4,872,076)
Finance lease principal payments	(1,321,234)	-
Purchases of intangible assets	(110)	-
Total CAPEX	**12,888,898**	**4,872,076**
Free Cash Flow	**12,314,346**	**17,047,982**
Attributable Free Cash Flow	**10,402,879**	**15,516,885**

Net Debt and Net Debt to Adjusted EBITDA

Net Debt is defined as the sum of total borrowings (including interest accrued) less “Cash and cash equivalents”.

Total Debt is defined as total borrowings (including interest accrued)

The following table sets out the details on the Group's Net Debt and Net Debt to Adjusted EBITDA at 31 December 2018 and 2017, and reconciliation of Net Debt to Total Debt.

	2018 RUB'000	2017 RUB'000
Total debt	25,728,911	16,331,356
Minus		
Cash and cash equivalents	7,129,918	4,966,171
Net Debt	**18,598,993**	**11,365,185**
Net Debt to Adjusted EBITDA	**0.56x**	**0.44x**

10. Revenue

(a) Disaggregation of revenue

	2018 RUB'000	2017 RUB'000
Railway transportation – operator's services (tariff borne by the Group)	48,129,793	44,371,174
Railway transportation – operator's services (tariff borne by the client)	35,690,071	31,496,969
Other	1,558,642	1,000,201
Total revenue from contracts with customers recognised over time (2017: Total revenue)	85,378,506	76,868,344
Operating lease of rolling stock	1,394,236	1,212,188
Total revenue	**86,772,742**	**78,080,532**

Note: Revenue from railway transportation – operators services (tariff borne by the Group) includes infrastructure and locomotive tariffs for loaded trips for the year ended 31 December 2018 amounting to RUB 22,682,168 thousand (for the year ended 31 December 2017: RUB 22,507,762 thousand) and the cost of engaging the fleet from third parties recharged to clients of the Group amounting to RUB 3,231,150 thousand (2017: RUB 3,478,481 thousand).

(b) Liabilities related to contracts with customers

The Group has recognised the following liabilities related to contracts with customers as of 1 January 2018 (date of adoption of IFRS 15) and 31 December 2018:

	31 December 2018 RUB'000	1 January 2018 RUB'000
Contract liabilities relating to railway transportation contracts	2,673,467	2,229,306
Total contract liabilities	**2,673,467**	**2,229,306**

Contract liabilities represent advances from customers for transportation services. Until 31 December 2017, the carrying amount of advances from customers for transportation services was included within trade and other payables (Note 29). This amount consists of prepayments received in accordance with contracts for transportation services.

(c) Revenue recognised in relation to contract liabilities

The Group's revenue for the year ended 31 December 2018 includes the entire contract liability balance of RUB 2,229,306 thousand as of 1 January 2018.

The Group does not have any contracts where the period of provision of the services (that is, the period between the start and completion of a trip) exceeds one year. As permitted under IFRS 15, the transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations as of the balance sheet date is not disclosed.

11. Expenses by nature

	2018 RUB'000	2017 RUB'000
Cost of sales		
Infrastructure and locomotive tariffs: loaded trips	22,682,168	22,507,762
Infrastructure and locomotive tariffs: empty run trips and other tariffs	13,848,049	13,103,048
Services provided by other transportation organisations	3,231,150	3,478,481
Operating lease rentals – rolling stock	826,937	1,634,370
Rental of tank-containers	43,770	63,622
Employee benefit expense	1,450,366	1,163,527
Repairs and maintenance	3,821,338	3,769,086
Depreciation of property, plant and equipment	5,062,376	4,913,217
Loss on derecognition arising on capital repairs	377,284	528,039
Amortisation of intangible assets	696,687	717,968
Fuel and spare parts – locomotives	1,935,278	1,519,083
Engagement of locomotive crews	795,289	662,100
(Gain)/loss on sale of property, plant and equipment	(20,754)	32,695
Impairment of property, plant and equipment	10,073	111,172
Other expenses	394,365	404,677
Total cost of sales	**55,154,376**	**54,608,847**

	2018 RUB'000	2017 RUB'000
Selling, marketing and administrative expenses		
Depreciation of property, plant and equipment	48,339	49,242
Amortisation of intangible assets	15	18
Gain on sale of property, plant and equipment	(6,593)	(4,188)
Employee benefit expense	2,916,438	2,262,459
Net impairment losses on trade receivables and prepayments	29,713	60,755
Operating lease rental – office	183,188	179,887
Auditors' remuneration	58,760	55,903
Legal, consulting and other professional fees	70,084	69,415
Advertising and promotion	37,716	31,240
Communication costs	33,391	37,446
Information services	26,626	19,025
Taxes (other than income tax and value added taxes)	681,263	746,058
Other expenses	770,646	581,872
Total selling, marketing and administrative expenses	**4,849,586**	**4,089,132**

	2018 RUB'000	2017 RUB'000
Total expenses		
Depreciation of property, plant and equipment (Note 17)	5,110,715	4,962,459
Loss on derecognition arising on capital repairs (Note 17)	377,284	528,039
Amortisation of intangible assets (Note 18)	696,702	717,986
Impairment of property, plant and equipment (Note 17)	10,073	111,172
Total (gain)/loss on sale of property, plant and equipment (Note 17)	(27,347)	28,507
Employee benefit expense (Note 13)	4,366,804	3,425,986
Net impairment losses on trade receivables and prepayments	29,713	60,755
Operating lease rentals – rolling stock	826,937	1,634,370
Operating lease rentals – office	183,188	179,887
Repairs and maintenance	3,821,338	3,769,086
Fuel and spare parts – locomotives	1,935,278	1,519,083
Engagement of locomotive crews	795,289	662,100
Infrastructure and locomotive tariffs: loaded trips	22,682,168	22,507,762
Infrastructure and locomotive tariffs: empty run trips and other tariffs	13,848,049	13,103,048
Services provided by other transportation organisations	3,231,150	3,478,481
Rental of tank-containers	43,770	63,622
Auditors' remuneration	58,760	55,903
Legal, consulting and other professional fees	70,084	69,415
Advertising and promotion	37,716	31,240
Communication costs	33,391	37,446
Information services	26,626	19,025
Taxes (other than income tax and value added taxes)	681,263	746,058
Other expenses	1,165,011	986,549
Total cost of sales, selling and marketing costs and administrative expenses	**60,003,962**	**58,697,979**

Note: The auditors' remuneration stated above includes fees of RUB 16,798 thousand (2017: RUB 17,059 thousand) for statutory audit services and RUB 5,235 thousand (2017: RUB 4,714 thousand) for other assurance services charged by the Company's statutory audit firm. The rest of the auditors' remuneration relates to fees for audit services charged by the auditors of the subsidiaries of the Company.

Legal, consulting and other professional fees include RUB 1,548 thousand for the year 2018 (RUB 2,085 thousand for the year 2017) in relation to fees paid to the Company's statutory audit firm for tax consultancy services.

12. Other (losses)/gains – net

	2018 RUB'000	2017 RUB'000
Other gains	25,100	47,591
Other losses	(90,954)	(88,136)
Net foreign exchange gains (Note 16)	64,375	65,049
Profit from sale of associate[(1)]	-	60,888
Total other (losses)/gains – net	**(1,479)**	**85,392**

[(1)] During the year 2017, the Group disposed its investment in associate, Daugavpils Lokomotivju Remonta Rupnica (DLRR), for a consideration of RUB 60,888 thousand, realising profit on disposal of RUB 60,888 thousand.

13. Employee benefit expense

	2018 RUB'000	2017 RUB'000
Wages and salaries	2,020,679	1,776,586
Termination benefits	8,467	7,426
Bonuses	1,382,287	956,088
Share based payment expense (Note 20)	236,572	97,229
Social insurance costs	718,799	588,657
Total employee benefit expense	**4,366,804**	**3,425,986**
Average number of employees during the year	1,540	1,534

14. Finance income and costs

	2018 RUB'000	2017 RUB'000
Interest expense:		
Bank borrowings	(1,344,208)	(1,991,826)
Non-convertible bond	(314,869)	-
Total interest expense calculated using the effective interest rate method	(1,659,077)	(1,991,826)
Finance leases	(108,216)	-
Total interest expense	(1,767,293)	(1,991,826)
Other finance costs	(11,167)	(54,577)
Total finance costs	(1,778,460)	(2,046,403)
Interest income:		
Bank balances	141,095	85,636
Short term deposits	192,917	346,322
Loans to third parties	1,425	2,854
Total interest income calculated using the effective interest rate method	335,437	434,812
Finance leases – third parties	42,008	45,773
Total finance income	377,445	480,585
Net foreign exchange transaction gains on borrowings and other liabilities	35,631	271,933
Net foreign exchange transaction losses on cash and cash equivalents and other monetary assets	(75,850)	(508,473)
Net foreign exchange transaction losses on financing activities (Note 16)	(40,219)	(236,540)
Net finance costs	**(1,441,234)**	**(1,802,358)**

15. Income tax expense

	2018 RUB'000	2017 RUB'000
Current tax:		
Corporation tax	4,751,834	3,335,915
Withholding tax on dividends	748,003	535,000
Total current tax	5,499,837	3,870,915
Deferred tax (Note 28):		
Origination and reversal of temporary differences	376,549	662,988
Total deferred tax	376,549	662,988
Income tax expense	5,876,386	4,533,903

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

	2018 RUB'000	2017 RUB'000
Profit before tax	25,459,821	18,353,777
Tax calculated at domestic tax rates applicable to profits in the respective countries	5,846,000	4,490,473
Tax effects of:		
Expenses not deductible for tax purposes	255,960	115,745
Allowances and income not subject to tax	(128,703)	(8,558)
Tax effect of tax losses for which no deferred tax asset was recognised	-	(10,819)
Estonian income tax arising on distribution(1)	59,899	-
Withholding taxes:		
Dividend withholding tax provision in relation to intended dividend distribution of subsidiaries	(156,770)	52,938
Tax charge	5,876,386	4,533,903

(1) Estonian tax law calls for profits to be taxed at the time of distribution and not during the year in which they arise. During the year 2018, the Group incurred taxes on a non-recurring distribution from an Estonian subsidiary.

The Company is subject to income tax on taxable profits at the rate 12.5%. As from tax year 2012 brought forward losses of the Company of only five years may be utilised.

Up to 31 December 2008, under certain conditions interest of the Company may be subject to special contribution for defence at the rate of 10%. In such cases 50% of the same interest will be exempt from income tax thus having an effective tax rate burden of approximately 15%. From 1 January 2009 onwards, under certain conditions, interest may be exempt from income tax and be subject only to special contribution for defence at the rate of 10%; increased to 15% as from 31 August 2011, and to 30% as from 29 April 2013. In certain cases dividends received from abroad may be subject to special contribution for defence at the rate of 15%; increased to 17% as from 31 August 2011; increased to 20% as from 1 January 2012; reduced to 17% as from 1 January 2013. In certain cases dividends received by the Company from 1 January 2012 onwards from other Cyprus tax resident companies may also be subject to special contribution for defence. Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc.) are exempt from Cyprus income tax.

For Russian subsidiaries, the annual profit is taxed at 20%. Withholding tax is applied to dividends distributed to the Company by its Russian subsidiaries at the rate of 5% on gross dividends declared; such tax is withheld at source by the respective subsidiary and is paid to the Russian tax authorities at the same time when the payment of dividend is effected. Dividend withholding tax provision is recognised in the respective periods for the withholding taxes that would be payable by subsidiaries where there is an intention that earnings will be distributed to the Company in the form of dividends.

For subsidiaries in Estonia, the annual profit earned by enterprises is not taxed and thus no income tax or deferred tax asset/liabilities arise. Instead of taxing the net profit, the distribution of statutory retained earnings is subject to a dividend tax rate of 20% of net dividend paid.

For the subsidiary in Ukraine the annual profit was taxed at a tax rate 25% until 31 March 2011; decreased to 23% until 31 December 2011 and further decreased to 21% thereafter. As of 1 January 2013 the tax rate reduced to 19% and is reduced to 18% from 1 January 2014.

The Group has not recognised any tax in relation to other comprehensive income as all elements of other comprehensive income are not subject to tax.

16. Net foreign exchange losses

The exchange differences credited to the income statement are included as follows:

	2018 RUB'000	2017 RUB'000
Finance income and costs (Note 14)	(40,219)	(236,540)
Other gains – net (Note 12)	64,375	65,049
	24,156	(171,491)

17. Property, plant and equipment

	Rolling stock RUB'000	Land and buildings RUB'000	Motor vehicles RUB'000	Other RUB'000	Total RUB'000
At 1 January 2017					
Cost	92,819,465	354,051	202,842	1,786,732	95,163,090
Accumulated depreciation	(28,900,085)	(76,764)	(115,906)	(416,754)	(29,509,509)
Net book amount	63,919,380	277,287	86,936	1,369,978	65,653,581
Year ended 31 December 2017					
Opening net book amount	63,919,380	277,287	86,936	1,369,978	65,653,581
Additions	4,137,300	512	35,723	674,373	4,847,908
Disposals	(566,515)	-	(5,359)	(1,838)	(573,712)
Depreciation charge (Note 11)	(4,801,088)	(12,338)	(29,654)	(119,379)	(4,962,459)
Transfers	64,155	1,403	-	(65,558)	-
Impairment charge (1) (Note 11)	(111,172)	-	-	-	(111,172)
Transfer to inventories	(240,123)	-	-	(79,435)	(319,558)
Derecognition arising on capital repairs	(528,039)	-	-	-	(528,039)
Currency translation differences	757,485	838	921	(5,114)	764,358
Closing net book amount	62,631,383	267,702	88,567	1,783,255	64,770,907
At 31 December 2017					
Cost	94,103,663	358,239	210,070	2,319,710	96,991,682
Accumulated depreciation	(31,472,280)	(90,537)	(121,503)	(536,455)	(32,220,775)
Net book amount	62,631,383	267,702	88,567	1,783,255	64,770,907

	Rolling stock RUB'000	Land and buildings RUB'000	Motor vehicles RUB'000	Other RUB'000	Total RUB'000
At 1 January 2018					
Cost	94,103,663	358,239	210,070	2,319,710	96,991,682
Accumulated depreciation	(31,472,280)	(90,537)	(121,503)	(536,455)	(32,220,775)
Net book amount	62,631,383	267,702	88,567	1,783,255	64,770,907
Year ended 31 December 2018					
Opening net book amount	62,631,383	267,702	88,567	1,783,255	64,770,907
Additions	13,965,522	-	51,054	510,617	14,527,193
Disposals	(429,359)	(103)	(15,353)	(238)	(445,053)
Depreciation charge (Note 11)	(4,920,692)	(12,388)	(30,390)	(147,245)	(5,110,715)
Transfers	2,021	-	1,828	(3,849)	-
Impairment charge (Note 11)	(10,073)	-	-	-	(10,073)
Transfer to inventories	(328,418)	-	-	(12)	(328,430)
Derecognition arising on capital repairs	(377,284)	-	-	-	(377,284)
Currency translation differences	1,733,888	1,729	2,260	481	1,738,358
Closing net book amount	72,266,988	256,940	97,966	2,143,009	74,764,903
At 31 December 2018					
Cost	107,436,162	347,949	201,242	2,662,667	110,648,020
Accumulated depreciation	(35,169,174)	(91,009)	(103,276)	(519,658)	(35,883,117)
Net book amount	72,266,988	256,940	97,966	2,143,009	74,764,903

Useful lives of rolling stock

The estimation of the useful lives of items of rolling stock is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. The Group assesses the remaining useful lives of its rolling stock as of each balance sheet date taking into account 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) the expected usage of the assets; (b) the expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) the technical or commercial obsolescence arising from changes in market conditions.

Based on management's assessment, the useful economic life of the Group's rolling stock as of 31 December 2018 is considered appropriate.

(1) Impairment assessment of rolling stock as of 31 December 2017

The management's assessment as of 31 December 2017 did not reveal indicators for impairment for any of the CGUs of the Group, with the exception of the Estonian rail tank cars/operating leasing CGU and certain locomotives within the locomotives/operating leasing segment which were not in use at that time and required substantial repair costs and thus were separately impaired. These locomotives were impaired to their scrap value, determined based on fair value less costs to sell measurement, resulting in an impairment loss of RUB 111,172 thousand. This measurement did not involve significant estimates.

The recoverable amount of the Estonian rail tank cars/operating leasing CGU, with rolling stock of RUB 10,919,427 thousand as at 31 December 2017 was compared with the carrying amount of the assets in this CGU, which included rolling stock. As a result of the impairment assessment, no impairment charges were noted with respect to this CGU.

The recoverable amount of the CGU was determined based on a level 3 fair value less cost to sell and was not sensitive to changes in the underlying variables and assumptions used in the determination of the recoverable amount of the CGUs.

The fair value less cost to sell was determined based on the prices quoted by major manufacturers of the specific rolling stock held by the Group, adjusted to take into account the age of each specific asset in the possession of the Group and expenses necessary to bring the assets to the location and condition that enables their current use, assessed by management as being their highest and best use. The recoverable amount was not sensitive to changes in key assumptions in the impairment model.

(2) Impairment assessment of rolling stock as of 31 December 2018

The Group assessed whether there were any indications for impairment of its rolling stock as of 31 December 2018 in accordance with its accounting policy for impairment of non-financial assets (Note 4). The Group's assessment did not reveal any indicators for impairment, with the exception of the Estonian rail tank cars/operating leasing CGU.

The recoverable amount of the Estonian rail tank cars/operating leasing CGU, with rolling stock of RUB 12,123,690 thousand as at 31 December 2018 was compared with the carrying amount of the assets in this CGU, which included rolling stock. As a result of the impairment assessment, no impairment charges were noted with respect to this CGU.

The recoverable amount of the CGU was determined based on a level 3 fair value less cost to sell and was not sensitive to changes in the underlying variables and assumptions used in the determination of the recoverable amount of the CGUs.

The fair value less cost to sell was determined based on the prices quoted by major manufacturers of the specific rolling stock held by the Group, adjusted to take into account the age of each specific asset in the possession of the Group and expenses necessary to bring the assets to the location and condition that enables their current use, assessed by management as being their highest and best use. The recoverable amount was not sensitive to changes in key assumptions in the impairment model.

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

	2018 RUB'000	2017 RUB'000
Net book amount	445,053	573,712
Gain/(loss) on sale of property, plant and equipment (Note 11)	27,347	(28,507)
Consideration from sale of property, plant and equipment	472,400	545,205

The consideration from sale of property, plant and equipment is further analysed as follows:

	2018 RUB'000	2017 RUB'000
Cash consideration received within year	409,794	267,526
Property, plant and equipment disposed through finance lease transactions	-	256,664
Movement in advances received for sales of property, plant and equipment	62,606	21,015
	472,400	545,205

Property, plant and equipment includes the following amounts where the Group is the lessee under a finance lease:

	2018 RUB'000	2017 RUB'000
Cost – capitalised finance leases	5,646,924	1,838,378
Accumulated depreciation	(744,353)	(429,242)
	4,902,571	1,409,136

The net carrying amount of property, plant and equipment that are leased under finance leases, are analysed as follows:

	2018 RUB'000	2017 RUB'000
Rolling stock(1)	3,414,376	-
	3,414,376	-

(1) As at 31 December 2018 rolling stock with a net carrying amount of RUB 1,488,195 thousand (2017: RUB 1,409,136 thousand) was pledged under finance leases that have been repaid by the Group as at 31 December 2018 and 31 December 2017 for which the Group has the unilateral right to request for release of the pledged rolling stock with immediate effect.

The Group is identified as a lessee under a finance lease in the following cases:

(a) The lease transfers ownership of property, plant and equipment to the Group at the end of the lease term;

(b) The Group has the option to purchase the property, plant and equipment at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised.

The total net book value of pledged property, plant and equipment (included above) which are held as collateral for the borrowings and loans are as follows (Note 27):

	2018 RUB'000	2017 RUB'000
Rolling stock	22,372,026	16,567,626
Other (tank-containers)	572,499	1,395,772
	22,944,525	17,963,398

In accordance with the terms of its bank borrowings, the Group had a commitment as at 31 December 2018 to pledge tank-containers with a carrying amount of RUB 728,669 thousand within 6 months from the date of bank loan agreement; being 4 July 2018. The relevant pledge agreement was concluded in January 2019.

In accordance with the terms of its bank borrowings, the Group had a commitment as at 31 December 2017 to pledge rolling stock with a market value of not less than RUB 6,000,000 thousand within 6 months from the date of bank loan agreement; being 15 August 2017. The relevant pledge agreement was concluded in February 2018. The relevant bank loan was fully repaid during March 2018.

Depreciation expense of RUB 5,062,376 thousand in 2018 (2017: RUB 4,913,217 thousand) has been charged to "cost of sales" and RUB 48,339 thousand in 2018 (2017: RUB 49,242 thousand) has been charged to "selling, marketing and administrative expenses". Impairment charge of RUB 10,073 thousand in 2018 (2017: RUB 111,172 thousand) has been charged to "cost of sales".

18. Intangible assets

	Computer software RUB'000	Customer relationships RUB'000	Total RUB'000
At 1 January 2017			
Cost	10,772	6,780,787	6,791,559
Accumulated amortisation and impairment	(2,643)	(5,247,352)	(5,249,995)
Net book amount	8,129	1,533,435	1,541,564
Year ended 31 December 2017			
Opening net book amount	8,129	1,533,435	1,541,564
Amortisation charge (Note 11)	(1,887)	(716,099)	(717,986)
Reversal of impairment charge (1)	-	630,223	630,223
Closing net book amount	6,242	1,447,559	1,453,801
At 31 December 2017			
Cost	10,772	6,780,787	6,791,559
Accumulated amortisation and impairment	(4,530)	(5,333,228)	(5,337,758)
Net book amount	6,242	1,447,559	1,453,801
Year ended 31 December 2018			
Opening net book amount	6,242	1,447,559	1,453,801
Amortisation charge (Note 11)	(1,888)	(694,814)	(696,702)
Additions	110	-	110
Transfers	27	(27)	-
Closing net book amount	4,491	752,718	757,209
At 31 December 2018			
Cost	10,934	4,863,734	4,874,668
Accumulated amortisation and impairment	(6,443)	(4,111,016)	(4,117,459)
Net book amount	4,491	752,718	757,209

As of 31 December 2018, the Group's intangible assets include a customer relationship with MMK Group with a carrying amount of RUB 752,718 thousand (2017: RUB 1,447,559 thousand). The customer relationship was allocated to the Russian gondola cars/operator's services CGU. During the year 2017, the customer relationship with Metalloinvest with a carrying amount of RUB 143,260 thousand at 1 January 2017 reached the end of its useful economic life.

Amortisation of RUB 696,687 thousand (2017: RUB 717,968 thousand) has been charged to cost of sales' in the income statement and RUB 15 thousand (2017: RUB 18 thousand) to 'administrative expenses'.

Useful lives of customer relationships

The estimation of the useful lives of the customer relationships is a matter of judgment based on expectations of the duration of the relationship with the customers.

The contract with MMK Group was concluded in February 2013 for 5 years expiring in February 2018. In assessing the useful life of this customer relationship on initial recognition, management took the view that the cooperation with MMK Group would not terminate after the expiry of the underlying contract as the relationship is based on market conditions and the rolling stock of the Group and its expertise best meet the transportation requirements of the customer. In view of these considerations, management estimated the useful economic life of the customer relationship with the MMK Group to be 7 years on the initial acquisition of this customer relationship.

During 2014, the terms of the contract with MMK was prolonged for a further 1 year to February 2019. Management reassessed the useful economic life of the customer relationship and concluded that, despite the prolongation of the contract in year 2014, the remaining useful economic life of the customer relationship remained reasonable.

During 2018, the contract with MMK was prolonged to September 2020. Management reassessed the useful economic life of the customer relationship and concluded that, despite the prolongation of the contract in year 2018, the remaining useful economic life of the customer relationship remains appropriate.

Based on management's assessment as of 31 December 2018 and 31 December 2017, the useful economic life of the customer relationship with MMK Group remains appropriate.

(1) Assessment of reversal of previously recognised impairment of customer relationship as of 31 December 2017

The carrying amount of the Group's intangible assets as of 31 December 2017, included a customer relationship with MMK Group with a carrying amount of RUB 1,447,559 thousand, as of that date. This customer relationship has been allocated to the Russian gondola cars/operator's services CGU.

Based on impairment assessment performed by the Group as of 31 December 2015, an impairment charge of RUB 996,160 thousand was recognised during the year ended 31 December 2015 against the carrying amount of this customer relationship.

The Group assesses as of each reporting date whether there are any indications for impairment or reversal of previously recognised impairment for its customer relationships, in accordance with its accounting policy for impairment of non-financial assets (Note 4).

The analysis of indicators for reversal of the previously recognised impairment for the customer relationship with MMK Group showed that there were indicators of reversal in place as of 30 June 2017, reflecting the general recovery in the market and industry conditions. Therefore, management performed an impairment assessment to determine the customer relationship's recoverable amount as of that date.

The recoverable amount of this customer relationship as of 30 June 2017 was estimated based on value-in-use calculations and was determined to be higher than its carrying amount if no impairment charge was recognised in the past in respect of it. As a result, a reversal of impairment of RUB 630,223 thousand was recognised during the six-month period ended 30 June 2017 increasing the carrying amount of the customer relationship to the one that would have been if no impairment charge was recognised in the past.

The projections prepared were based on 3.5-year post-tax cash flow projections, being the period over which cash flows are expected from this customer relationship. A post-tax discount rate of 14.9% was applied for the projected period.

The key assumptions were transportation volumes and tariffs per trip, which are the main components of revenue, as well as cost drivers, which were projected on the actual results for the six months to 30 June 2017, and the estimated growth in the EBITDA margin during the projected period and the discount rate. The projected volumes reflected past experience and management's estimates. The transportation prices were estimated in accordance with the past performance of the Group and management's expectations of market development.

Any reasonable change in the assumptions used in the calculation for the recoverable amount of this customer relationship would not decrease the amount of the reversal of impairment recognised.

Taking into account the above as well as the continuing strong performance of the Russian gondola cars/operator's services CGU in the six-month period to 31 December 2017, the management concluded that there were no indicators for impairment with respect to the customer relationship as of 31 December 2017.

(2) Assessment for impairment as of 31 December 2018

The Group assessed whether there were any indications of impairment of the customer relationship with MMK Group as of 31 December 2018, in accordance with its accounting policy for impairment of non-financial assets (Note 4). The Group's assessment did not reveal any indicators of impairment and, as a result, management did not estimate the recoverable amount of this customer relationship.

19. Principal subsidiaries

The Group had the following subsidiaries at 31 December 2018 and 31 December 2017:

Name	Place of business/ country of incorporation	Principal activities	Proportion of ordinary shares held by the Company (%)		Proportion of ordinary shares held by the Group (%)		Proportion of ordinary shares held by non- controlling interest (%)	
			2018	2017	2018	2017	2018	2017
New Forwarding Company, AO	Russia	Railway transportation	100	100	100	100	-	-
GTI Management, OOO	Russia	Railway transportation	100	100	100	100	-	-
Ural Wagonrepair Company, AO	Russia	Repair and maintenance of rolling stock	100	100	100	100	-	-
Ukrainian New Forwarding Company OOO	Ukraine	Railway transportation	100	100	100	100	-	-
BaltTransServis, OOO	Russia	Railway transportation	60	60	60	60	40	40
RemTransServis, OOO[1]	Russia	Repair and maintenance of rolling stock	-	-	59.4	59.4	40.6	40.6
SyntezRail LLC[3]	Russia	Railway transportation	-	-	60	60	40	40
SyntezRail Ltd	Cyprus	Intermediary holding company	60	60	60	60	40	40
Spacecom AS	Estonia	Operating lease of rolling stock and provision of forwarding services	65.25	65.25	65.25	65.25	34.75	34.75
Ekolinja Oy[2]	Finland	Operating sub-lease of rolling stock	-	-	65.25	65.25	34.75	34.75
Spacecom Trans AS[4]	Estonia	Operating lease of rolling stock	-	65	65.25	65	34.75	35

1. RemTransServis, OOO is a 99% subsidiary of BaltTransServis, OOO.
2. Ekolinja Oy is a 100% subsidiary of Spacecom AS.
3. SyntezRail LLC is a 100% subsidiary of SyntezRail Ltd.
4. During 2018 Spacecom AS acquired 100% of the shares of Spacecom Trans AS from the Company and the non-controlling shareholders. As a result, the proportion of ordinary chares held by the Company in Spacecom Trans AS increased from a direct holding of 65% to an indirect holding of 65.25%.

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

The accumulated non-controlling interest as of 31 December 2018 and 31 December 2017 comprised the following:

	2018 RUB'000	2017 RUB'000
BaltTransServis, OOO (including RemTransservis, OOO)	1,848,646	1,668,540
Spacecom AS (including Ekolinja Oy)	2,824,204	3,105,411
Spacecom Trans AS	1,064,637	1,008,312
SyntezRail, OOO; SyntezRail Limited	159,921	(57,364)
Total	5,897,408	5,724,899

Transactions with non-controlling interests

During 2018 Spacecom AS acquired 100% of the shares of Spacecom Trans AS from the Company and the non-controlling shareholders, for a total consideration of Eur 30,100 thousand (equivalent to RUB 2,391,761 thousand). As a result, the proportion of ordinary chares held by the Company in Spacecom Trans AS increased from a direct holding of 65% to an indirect holding of 65.25%. The transaction aimed to optimise the management of both Estonian subsidiaries.

Out of the total amount payable to the non-controlling shareholders of RUB 837,116 thousand, RUB 5,980 thousand relate to the acquisition of 0.25% in Spacecom Trans AS by the Group. The difference between the consideration payable and the carrying amount of the non-controlling interest as of the disposal date of RUB 1,516 thousand was recognised in retained earnings. The remaining RUB 831,136 payable to the non-controlling shareholders was recognised as a reduction in the carrying amount of the non-controlling interest.

An amount of RUB 168,804 thousand was paid to the non-controlling interest within 2018.

Significant restrictions

There are no significant restrictions, statutory, contractual, regulatory, or arising from protective rights of non-controlling interests, on the ability of the Group to access or use the assets and settle the liabilities of the Group.

Summarised financial information of subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The financial information of Spacecom AS (including Ekolinja Oy) and Spacecom Trans AS have been aggregated since both entities operate in the Estonian rail tank cars segment, have significant transactions between them, and management reviews their performance as a single operation. The financial information of BaltTransServis, OOO includes RemTransServis, OOO.

No summarised financial information is presented for SyntezRail, OOO and SyntezRail Limited as their operations and financial position are not material to the Group.

Summarised balance sheet	BaltTransServis OOO		Spacecom AS – Spacecom Trans AS	
	2018 RUB'000	2017 RUB'000	2018 RUB'000	2017 RUB'000
Current				
Assets	2,863,563	2,625,172	568,845	716,544
Liabilities	1,713,310	1,395,496	916,598	49,972
Total current net assets	1,150,253	1,229,676	(347,753)	666,572
Non-current				
Assets	5,571,362	5,300,163	12,252,920	11,081,530
Liabilities	2,099,999	2,358,489	827,446	-
Total non-current net assets	3,471,363	2,941,674	11,425,474	11,081,530
Net assets	4,621,616	4,171,350	11,077,721	11,748,102

Summarised income statement	BaltTransServis OOO		Spacecom AS – Spacecom Trans AS	
	2018 RUB'000	2017 RUB'000	2018 RUB'000	2017 RUB'000
Revenue	26,128,533	21,458,824	943,402	755,622
Profit before income tax	5,726,124	4,926,219	276,877	58,589
Income tax expense	(1,175,858)	(1,014,228)	(59,289)	-
Post-tax profit from continuing operations	4,550,266	3,911,991	217,588	58,589
Other comprehensive income	-	-	1,824,144	716,756
Total comprehensive income	4,550,266	3,911,991	2,041,732	775,345
Total comprehensive income allocated to non-controlling interests	1,820,106	1,564,796	710,615	270,120
Dividends paid to non-controlling interest	(1,640,000)	(2,200,000)	(83,005)	-

Summarised cash flow statements				
	BaltTransServis OOO		Spacecom AS – Spacecom Trans AS	
	2018 RUB'000	2017 RUB'000	2018 RUB'000	2017 RUB'000
Cash flows from operating activities				
Cash generated from operations	6,288,546	5,980,883	642,591	493,096
Income tax paid	(1,209,550)	(1,027,999)	(59,289)	(1,203)
Net cash generated from operating activities	5,078,996	4,952,884	583,302	491,893
Net cash generated from/(used in) investing activities	(799,737)	(347,927)	(936,540)	167,713
Net cash used in financing activities	(4,416,883)	(5,901,728)	(99,337)	(136,287)
Net increase/(decrease) in cash and cash equivalents	(137,624)	(1,296,771)	(452,575)	523,319
Cash and cash equivalents at beginning of year	1,132,945	2,429,582	581,995	42,618
Exchange differences on cash and cash equivalents	(275)	134	66,093	16,072
Cash and cash equivalents at end of year	995,046	1,132,945	195,513	582,009

The information above includes the amounts before inter-company eliminations.

20. Share-based payments

On 1 January 2015, the Group introduced a new remuneration program for some of the members of management, including members of key management of the Group, which included, amongst other things, a three year compensation scheme in accordance to which, members of management received a yearly cash compensation calculated based on the weighted average market quotations of the GDRs of the Company. This compensation was set for a three year period and divided on three instalments to be paid after the end of each assessment period which equalled to one year. The award was conditional on the performance of the participants and on meeting certain key performance indicators ("KPIs") each year during the three years vesting period. The scheme reached the end of its vesting period on 31 December 2017 and on 1 January 2018 the Group introduced a new three year compensation scheme under similar major terms and conditions as the initial.

Both schemes fall within the scope of IFRS 2 "Share-based payment" and have therefore been classified as a cash-settled share based payment arrangements.

In accordance with the terms of the remuneration program, the compensation is calculated based on the weighted average fair value of the Company's GDRs, quoted in US Dollar multiplied by the weighted average RUB/USD exchange rate for each period.

The Group recognised an employee benefit expense of RUB 236,572 thousand in this respect for the year ended 31 December 2018 (2017: RUB 97,229 thousand) and the Group's liability in respect of this amounted to RUB 290,805 as of 31 December 2018 (2017: RUB 226,560 thousand).

The share based payment liability as of 31 December 2018 was determined based on the assumption that all participants will remain with the Group and all KPIs will be met and that there will be no significant fluctuation in the value of the Company's GDRs during the vesting period. The significant inputs into the valuation were the weighted average fair value of the Company's GDRs and the weighted average USD/RUB exchange.

21. Financial assets

(a) Trade receivables

	2018 RUB'000	2017 RUB'000
Trade receivables – third parties	2,733,570	2,504,806
Less: Provision for impairment of trade receivables	(146,042)	(141,336)
Trade receivables – net	2,587,528	2,363,470
Less non-current portion:		
Trade receivables – third parties	245,537	203,153
Less: Provision for impairment of trade receivables	(23,732)	(19,637)
Total non-current portion	221,805	183,516
Current portion	2,365,723	2,179,954

Trade receivables amounting to RUB 245,537 thousand as of 31 December 2018 (2017: RUB 203,153 thousand) relate to a receivable from Georgian Railways for services rendered by the Group prior to 1 April 2015. The amount receivable is under dispute and the Group initiated a claim to the Georgian Court demanding the repayment of the entire balance due. Based on assessment performed as at 31 December 2018, the Group recognised a provision for impairment of RUB 23,732 thousand (2017: RUB 19,637 thousand) in order to account for the expected time until receipt of the amount due (Note 31).

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2018 RUB'000	2017 RUB'000
Currency:		
US Dollar	250,245	195,948
Russian Roubles	2,183,841	2,107,462
Euro	137,472	59,650
Ukrainian Hryvnia	15,970	410
	2,587,528	2,363,470

According to the management's estimates, the fair values of trade receivables do not materially differ from their carrying amounts as the impact of discounting is not significant.

(b) Loans and other receivables

	2018 RUB'000	2017 RUB'000
Loans receivables – third parties	11,904	16,857
Other receivables	112,434	89,153
Other receivables – related parties (Note 33)	200,064	-
Less: Provision for impairment of other receivables	(49,652)	(39,786)
Loans and other receivables – net	274,750	66,224
Less non-current portion:		
Loans receivables – third parties	11,904	16,857
Current portion	262,846	49,367

The carrying amounts of the Group's loans and other receivables are denominated in the following currencies:

	2018 RUB'000	2017 RUB'000
Currency:		
US Dollar	2,207	584
Russian Roubles	260,247	48,476
Ukrainian Hryvnia	392	307
Other	11,904	16,857
	274,750	66,224

According to the management's estimates, the fair values of loans and other receivables do not materially differ from their carrying amounts as the impact of discounting is not significant.

22. Other assets

	2018 RUB'000	2017 RUB'000
Prepayments – third parties	2,857,251	1,949,999
Finance leases to third parties	316,668	445,919
VAT recoverable	1,433,443	610,451
Other assets	4,607,362	3,006,369
Less non-current portion:		
Finance leases to third parties	289,374	414,869
Prepayments for property, plant and equipment	693,267	21,986
VAT recoverable	36,931	-
Total non-current portion	1,019,572	436,855
Current portion	3,587,790	2,569,514

The Group's finance leases as at 31 December 2018 and 31 December 2017 are denominated in Russian Roubles.

The finance lease receivables are scheduled as follows:

	Less than one year RUB'000	Between 1 to 5 years RUB'000	Over 5 years RUB'000	Total RUB'000
At 31 December 2018				
Minimum lease receivable	61,311	291,591	96,489	449,391
Less: Unearned finance income	(34,017)	(97,059)	(1,647)	(132,723)
Present value of minimum lease receivables	27,294	194,532	94,842	316,668
At 31 December 2017				
Minimum lease receivable	79,801	319,499	270,154	669,454
Less: Unearned finance income	(48,751)	(153,535)	(21,249)	(223,535)
Present value of minimum lease receivables	31,050	165,964	248,905	445,919

According to the management's estimates, the fair values of finance lease receivables do not materially differ from their carrying amounts as the impact of discounting is not significant.

The effective interest rates on finance lease receivables at the balance sheet were as follows:

	2018 %	2017 %
Finance leases to third parties	11.17	11.28

23. Inventories

	2018 RUB'000	2017 RUB'000
Raw materials, spare parts and consumables	904,375	776,341
	904,375	776,341

All inventories are stated at cost.

24. Cash and cash equivalents

	2018 RUB'000	2017 RUB'000
Cash at bank and in hand	6,685,392	3,313,155
Short term bank deposits	444,526	1,653,016
Total cash and cash equivalents	7,129,918	4,966,171

The weighted average effective interest rate on short-term deposits was 6.46% in 2018 (2017: 7.61%) and these deposits have a maturity of 1 to 30 days (2017: 1 to 30 days).

Cash and cash equivalents include the following for the purposes of the cash flow statement:

	2018 RUB'000	2017 RUB'000
Cash and cash equivalents	7,129,918	4,966,171
Total cash and cash equivalents	7,129,918	4,966,171

Cash and cash equivalents are denominated in the following currencies:

	2018 RUB'000	2017 RUB'000
Russian Rouble	5,485,393	4,016,241
US Dollar	759,190	441,311
Euro	838,956	482,936
Ukrainian Hryvnia	46,379	25,683
Total cash and cash equivalents	7,129,918	4,966,171

The carrying value of cash and cash equivalents approximates their fair value.

25. Share capital and share premium

	Number of shares	Share capital USD'000	Share premium USD'000	Total USD'000
At 1 January 2017 /31 December 2017 / 1 January 2018 / 31 December 2018	178,740,916	17,875	949,471	967,346

	Number of shares	Share capital RUB'000	Share premium RUB'000	Total RUB'000
At 1 January 2017 /31 December 2017 / 1 January 2018 / 31 December 2018	178,740,916	516,957	27,929,478	28,446,435

The total authorised number of ordinary shares at 31 December 2018 was 233,918,128 shares with a par value of US$0.10 per share (31 December 2017: 233,918,128 shares with a par value of US$0.10 per share. All issued shares are fully paid.

26. Dividends

In April 2017, the shareholders of the Company approved the payment of the final dividend in respect of the financial year ended 31 December 2016 in the amount of 39.20 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 7,006,644 thousand (US Dollar equivalent of US$ 124,605 thousand).

In August 2017, the Board of Directors of the Company approved payment of total dividend in the amount of 44.8 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,007,593 thousand, including interim dividend in the amount of RUB 3,603,417 thousand or RUB 20.16 per ordinary share/GDR and a special interim dividend in the amount of RUB 4,404,176 thousand or RUB 24.64 per ordinary share/GDR (US Dollar equivalent of US$ 135,401 thousand).

In April 2018, the shareholders of the Company approved the payment of a dividend for the financial year ended 31 December 2017 in the amount of 44.85 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,016,530 thousand, including final dividend for 2017 in the amount of RUB 4,155,726 thousand or RUB 23.25 per ordinary share/GDR and a special final dividend in the amount of RUB 3,860,804 thousand or RUB 21.60 per ordinary share/GDR (US Dollar equivalent of US$ 130,728 thousand).

In August 2018, the Board of Directors of the Company approved payment of total dividend in the amount of 45.9 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,204,208 thousand (US Dollar equivalent of US$ 119,724 thousand), including interim dividend in the amount of RUB 3,771,433 thousand (US Dollar equivalent of US$ 55,037 thousand) or RUB 21.10 per ordinary share/GDR and a special interim dividend in the amount of RUB 4,432,775 thousand (US Dollar equivalent of US$ 64,687 thousand) or RUB 24.80 per ordinary share/GDR.

On the date of this report, the Board of Directors of the Company, having considered the profitability and liquidity position of the Group, recommends a payment of dividend for the year 2018 total dividend in the amount of 46.50 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,311,453 thousand, including final dividend for 2018 in the amount of RUB 1,429,927 thousand or RUB 8.00 per ordinary share/GDR and a special final dividend in the amount of RUB 6,881,526 thousand or RUB 38.50 per ordinary share/GDR. Such dividends shall be paid in US Dollars at the rate as at 19 April 2019, subject to the approval of the shareholders at the Annual General Meeting on 22 April 2019.

During the years ended 31 December 2018 and 2017, the Group declared and paid dividends in favour of the equity holders of the Company and the non-controlling interests as detailed in the table below.

	2018 RUB'000	2017 RUB'000
Dividends declared to equity holders of the Company	16,220,738	15,014,237
Dividends paid to equity holders of the Company	16,220,738	15,014,237
Dividends declared to non-controlling interest	1,723,005	2,200,000
Dividends paid to non-controlling interest	1,723,005	2,200,000

27. Borrowings

	2018 RUB'000	2017 RUB'000
Current		
Bank borrowings	7,831,616	7,280,588
Non-convertible unsecured bonds	131,100	-
Finance lease liabilities	496,874	-
Total current borrowings	8,459,590	7,280,588
Non-current		
Bank borrowings	10,568,008	9,050,768
Non-convertible unsecured bonds	4,985,519	-
Finance lease liabilities	1,715,794	-
Total non-current borrowings	17,269,321	9,050,768
Total borrowings	25,728,911	16,331,356
Maturity of non-current borrowings (excluding finance lease liabilities)		
Between 1 and 2 years	5,186,713	5,727,105
Between 2 and 5 years	10,366,814	3,323,663
	15,553,527	9,050,768

Bank borrowings

Bank borrowings mature by 2023 (2017: by 2022) and bear average interest of 7.99% per annum (2017: 9.38% per annum).

There were no defaults or breaches of loan terms during the years ended 31 December 2018 and 31 December 2017.

The current and non-current bank borrowings amounting to RUB 4,590,412 thousand and RUB 6,336,695 thousand respectively (2017: RUB 4,746,499 thousand and RUB 6,559,101 thousand respectively) are secured by pledge of rolling stock and tank-containers with a total carrying net book value of RUB 22,944,525 thousand (2017: RUB 17,963,398 thousand) (Note 17).

In accordance with the terms of its bank borrowings, the Group had a commitment as at 31 December 2018 to pledge tank-containers with a carrying amount of RUB 728,669 thousand within 6 months from the date of bank loan agreement; being 4 July 2018. The relevant pledge agreement was concluded in January 2019.

In accordance with the terms of its bank borrowings, the Group had a commitment as at 31 December 2017 to pledge rolling stock with a market value of not less than RUB 6,000,000 thousand within 6 months from the date of bank loan agreement; being 15 August 2017. The relevant pledge agreement was concluded in February 2018. The relevant bank was fully repaid during March 2018.

Non-convertible bonds

Non-convertible Russian Rouble denominated bonds issued by New Forwarding Company AO (“NFC”) in 2018 for a total amount of RUB 5 billion, out of a total RUB 100 billion registered program, carry a coupon rate of 7.25% p.a. and have maturity in 2023.

The Company acts as the guarantor for the bond issue.

Finance lease liabilities

Finance lease liabilities are effectively secured as the rights to the leased asset reverts to the lessor in the event of default. For details of assets under finance leases refer to Note 17.

	2018 RUB’000	2017 RUB’000
Finance lease liabilities – minimum lease payments		
Not later than 1 year	662,116	-
Later than 1 year and not later than 5 years	1,968,708	-
Future finance charges of finance leases	(418,156)	-
Present value of finance lease liabilities	2,212,668	-
The present value of finance lease liabilities is as follows:		
Not later than 1 year	496,874	-
Later than 1 year and not later than 5 years	1,715,794	-
	2,212,668	-

The exposure of the Group’s borrowings to interest rate changes and the contractual re-pricing dates at the balance sheet dates are as follows:

	2018 RUB’000	2017 RUB’000
6 months or less	2,742,720	3,635,970
6 to 12 months	5,716,870	3,644,631
1 to 5 years	17,269,321	9,050,755
	25,728,911	16,331,356

Note: The amounts above are based on the earliest of their contractual re-pricing dates and maturity dates

Movements in borrowings are analysed as follows:

	Bank borrowings and loans (excl. overdrafts) RUB’000	Finance lease RUB’000	Non-convertible unsecured bonds RUB’000	Total RUB’000
Year ended 31 December 2017				
Opening amount as at 1 January *2017*	16,292,469	-	-	16,292,469
Cash flows:				
Amounts advanced	15,710,000	-	-	15,710,000
Repayments of borrowings	(15,722,698)	-	-	(15,722,698)
Interest paid	(1,943,746)	-	-	(1,943,746)
Interest charged	1,991,826	-	-	1,991,826
Non-cash changes:				
Other	3,505	-	-	3,505
Closing amount as at 31 December *2017*	16,331,356	-	-	16,331,356
Year ended 31 December 2018				
Opening amount as at 1 January 2018	16,331,356	-	-	16,331,356
Cash flows:				
Amounts advanced	15,197,467	-	5,000,000	20,197,467
Repayments of borrowings	(13,127,743)	(1,321,234)	-	(14,448,977)
Interest paid	(1,335,018)	(100,064)	(198,250)	(1,633,332)
Interest charged	1,344,208	108,216	314,869	1,767,293
Non-cash changes:				
Net foreign exchange	294	-	-	294
Finance lease liability	(10,940)	3,525,750	-	3,514,810
Closing amount as at 31 December 2018	18,399,624	2,212,668	5,116,619	25,728,911

The carrying amount and fair value of current and non-current borrowings are as follows:

	Carrying amount		Fair value	
	2018 RUB'000	2017 RUB'000	2018 RUB'000	2017 RUB'000
Bank borrowings	18,399,624	16,331,356	18,087,461	16,646,324
Non-convertible unsecured bonds	5,116,619	-	4,940,619	-
Finance lease liabilities	2,212,668	-	2,166,542	-
	25,728,911	16,331,356	25,194,622	16,646,324

The fair value as at 31 December 2018 and 31 December 2017 of fixed interest rate instruments with stated maturity denominated in Russian Rouble was estimated based on expected cash flows discounted using the rate of similar Russian Rouble denominated instruments entered into by the Group close to 31 December 2018 and 31 December 2017. The discount rates was 9.5% p.a. (2017: 8% p.a.). The fair value measurements are within level 2 of the fair value hierarchy (2017: level 2). The fair value as at 31 December 2018 of the fixed interest rate non-convertible bonds was equal to their quoted price and the resulting fair value measurement is within level 1.

The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2018 RUB'000	2017 RUB'000
Russian Rouble	25,724,528	16,331,356
Euro	4,383	-
	25,728,911	16,331,356

The Group has the following undrawn borrowing facilities:

	2018 RUB'000	2017 RUB'000
Fixed rate:		
Expiring within one year	1,490,000	2,640,000
Expiring beyond one year	3,025,000	16,500,000
	4,515,000	19,140,000

The weighted average effective interest rates at the balance sheet were as follows:

	2018 %	2017 %
Bank borrowings	8.0	9.4
Non-convertible unsecured bonds	7.3	-
Finance lease liabilities	8.4	-

28. Deferred income tax

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 taxable entity and fiscal authority. The gross movement on the deferred income tax account is as follows:

	2018 RUB'000	2017 RUB'000
Beginning of year	5,908,319	5,245,331
Income statement charge (Note 15)	376,549	662,988
End of year	6,284,868	5,908,319

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:

Deferred tax liabilities	Property, plant and equipment RUB'000	Withholding tax provision RUB'000	Intangible assets RUB'000	Total RUB'000
At 1 January 2017	5,170,969	498,130	306,681	5,975,780
Charged/(credited) to:				
Income statement (Note 15)	309,021	211,103	(17,174)	502,950
At 31 December 2017 / 1 January 2018	5,479,990	709,233	289,507	6,478,730
Charged/(credited) to:				
Income statement (Note 15)	1,385,566	(224,097)	(139,181)	1,022,288
At 31 December 2018	6,865,556	485,136	150,326	7,501,018

Deferred tax assets	Tax losses RUB'000	Trade and other payables RUB'000	Lease liabilities and Borrowings RUB'000	Other assets/ liabilities RUB'000	Total RUB'000
At 1 January 2017	(19,309)	(128,500)	(487,792)	(94,848)	(730,449)
Charged/(credited) to: Income statement (Note 15)	(40,599)	45,636	210,865	(55,864)	160,038
At 31 December 2017 / 1 January 2018	(59,908)	(82,864)	(276,927)	(150,712)	(570,411)
Charged/(credited) to: Income statement (Note 15)	896	(103,606)	(546,414)	3,385	(645,739)
At 31 December 2018	(59,012)	(186,470)	(823,341)	(147,327)	(1,216,150)

Deferred tax assets are recognised for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group has not recognised deferred tax assets in the amount of RUB 433,600 thousand (2017: RUB 428,551 thousand) for tax losses amounting to RUB 2,721,000 thousand (2017: RUB 2,701,554 thousand) available to be carried forward as it is not probable that future taxable profits will be available against which these tax losses can be utilised.

Deferred income tax liabilities of RUB 3,474,968 thousand (2017: RUB 2,785,978 thousand) have not been recognised for the withholding taxes that would be payable on the unremitted earnings of certain subsidiaries. It is the current intention of the management of the Group that such amounts are reinvested. Unremitted earnings on which no deferred tax liability was recognised totalled RUB 28,932,126 thousand as at 31 December 2018 (2017: RUB 20,506,150 thousand).

29. Trade and other payables

	2018 RUB'000	2017 RUB'000
Current		
Trade payables to third parties	539,995	707,143
Other payables to third parties	569,084	129,552
VAT payable and other taxes	685,328	738,433
Accrued expenses	106,789	85,336
Accrued key management compensation, including share based payment (Note 33)	648,141	523,886
Advances from customers for transportation services (Note 1)	-	2,229,306
	2,549,337	4,413,656
Non-current		
Accrued key management compensation, including share based payment (Note 33)	114,751	-
Other payables to third parties	289,606	-
	404,357	-

Note 1: advances from customers consist of prepayments received in accordance with contracts on transportation services. Following adoption of IFRS 15 on 1 January 2018, this balance is included within contract liabilities (Note 10).

The fair value of trade and other payables approximates their carrying amount at the balance sheet date.

30. Earnings per share

Basic and diluted

Basic and diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2018	2017
Profit attributable to equity holders of the company (RUB thousand)	17,671,968	12,288,777
Weighted average number of ordinary shares in issue (thousand)	178,741	178,741
Basic and diluted earnings per share (expressed in RUB per share) attributable to the equity holders of the Company during the year	98.87	68.75

31. Contingencies

Operating environment

The Group and its subsidiaries mainly operate in the Russian Federation, Estonia, Finland and Ukraine.

Russian Federation.

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

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

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD) but has specific characteristics. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length. Management has implemented internal controls to be in compliance with this transfer pricing legislation. Management believes that its pricing policy used in 2018 and 2017 and preceding years is arm’s length and it has implemented internal controls to be in compliance with this transfer pricing legislation.

Tax liabilities arising from transactions between companies within the Group 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.

The Group includes companies incorporated in Cyprus, Russia, Ukraine, Estonia and Finland. The tax liabilities of the Group are determined on the assumption that these companies are tax residents in the countries where they are incorporated and are not subject to profits tax of other tax jurisdictions, because they do not have permanent establishments in other jurisdictions. The Company and the non-controlling shareholding companies holding interests in the Company’s Russian subsidiaries are the only and full beneficial owners of the equity interests held directly and indirectly in these subsidiaries. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

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 an outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. There is currently an ongoing tax investigation in one of the Russian subsidiaries of the Group, which may give rise to the tax authorities challenging positions and interpretations applied by management. Management will vigorously defend the positions and interpretations applied in determining taxes recognised in this condensed consolidated interim financial information if these are challenged by the 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.

Estonia and Finland

Estonia and Finland represent well-developed markets and economies with stable political systems and developed legislation based on EU requirements and regulations.

Ukraine

Starting in 2013, the political situation in Ukraine has experienced instability with numerous protests and continued political uncertainty that has led to deterioration of the state's finances, volatility of financial markets and sharp depreciation of the national currency against major foreign currencies. The ratings of Ukrainian sovereign debt were downgraded by international rating agencies with negative outlooks for the future. The Central bank of Ukraine, among other measures, imposed certain restrictions on processing of client payments by banks and on the purchase of foreign currency on the inter-bank market. The recent political situation has been volatile, with changes in the Ukrainian Parliament and the Presidency.

Despite certain improvements in recent years, the final resolution and the ongoing effects of the political and economic situation are difficult to predict, but they may have further severe effects on the Ukrainian economy and the Group's business.

Compliance with covenants

The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including claims for early repayment. The Group is in compliance with covenants as of 31 December 2018 and 31 December 2017 (Note 27).

Insurance policies

The Group holds insurance policies in relation to all vehicles (rolling stock and motor vehicles) 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.

Environmental matters

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

During the years ended 31 December 2018 and 31 December 2017, the Company's subsidiaries were involved as a claimants and defendants in a number of court proceedings.

Georgian Railways case

As at 31 December 2018 the Group has outstanding receivable amounting to EUR 3,090 thousand/RUB 245,537 thousand (2017: EUR 2,950 thousand/RUB 203,153 thousand) from Georgian Railways relating to invoices issued for services rendered prior to 1 April 2015. The Georgian Railways dispute the tariffs applied in computing the outstanding balance and thus have not proceeded with the repayment of the amount which remains outstanding. The Group has initiated a claim to the Georgian Court demanding the repayment of the entire balance.

Based on assessment performed as at 31 December 2018, management recognised a loss allowance of EUR 299 thousand/ RUB 23,732 thousand (2017: EUR 285 thousand/ RUB 19,637 thousand).

The Group issued additional invoices of EUR 1,555 thousand (RUB 115,244 thousand) to Georgian Railways in the intervening period during 2015 that the rail cars remained in Georgia. The revenue arising from these invoices has not been recognised as it was not assessed as probable at that time that future economic benefits would flow to the Group.

In February 2016, the first court hearing took place during which the facts of the claim were presented. No decisions were taken.

In March 2016, Georgian Railways have initiated a claim of approximately GEL 16,122 thousand (approximately RUB 380,000 thousand) claiming compensation for storage costs incurred during the period the wagons remain in Georgia plus interest.

In March 2018, the Georgian Court ruled in favor of the Group an amount of US$ 10 million. The Group has not recognised a receivable for the amount awarded as this might not constitute a final decision on the matter.

Claim in relation to sale of rolling of stock

In February 2018, the Group received a claim from a third party in relation to a sale of rolling stock. In March 2018, the third party initiated legal action claiming from the Group an amount of RUB 996 million. In June 2018, there was a court decision against the Group for an amount of RUB 684 million. Both parties have appealed this decision and on 27 September 2018 the 2nd instance court cancelled the penalty in full amount. On 15 February 2019 the Moscow Arbitrary court cancelled all court decisions made. The amount of claim was decreased to RUB 727 million. No provision has been recognised in respect of this claim as the Group has received an unconditional irrevocable guarantee for the entire amount of this claim.

Claim in relation to unpaid railroad tariffs

In December 2018, the Group, jointly with a third party customer, received a claim from a third party for the total amount of RUB 519 million in relation to discount applied on railroad tariffs. No provision has been recognised in the consolidated financial statements in respect of this claim as the Group is of the opinion that it is not probable that it will be required to make a payment under this claim.

In the opinion of management, there are no other legal proceedings or other claims outstanding, as of 31 December 2018 and 2017 which could have a material effect on the results of operations or financial position of the Group and which have not been accrued or disclosed in these financial statements.

32. Commitments

(a) Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2018 RUB'000	2017 RUB'000
Property, plant and equipment	2,707,799	-

(b) Operating lease commitments – Group as lessee

The Group leases offices under non-cancellable operating lease agreements.

The Group also leases various types of rolling stock under cancellable and non-cancellable operating lease agreements. The lease expenditure charged to the income statement during the years is disclosed in Note 11.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2018 RUB'000	2017 RUB'000
Not later than 1 year	477,188	280,530
Later than 1 year not later than 5 years	882,449	107,891
Later than 5 years	19,195	-
	1,378,832	388,421

(c) Operating lease commitments – Group as lessor

The Group leases out rolling stock and locomotives under cancellable and non-cancellable operating lease agreements. The future aggregate minimum lease payments receivable under non-cancellable operating leases in which the Group is acting as the lessor are as follows:

	2018 RUB'000	2017 RUB'000
Not later than 1 year	348,257	200,975
Later than 1 year not later than 5 years	28,182	-
	376,439	200,975

There were no contingent-based rents to be recognised in the income statement for the year ended 31 December 2018 and 31 December 2017.

33. Related party transactions

Marigold Investments Ltd, Onyx Investments Ltd and Maple Valley Investments Ltd, are Company's shareholders with a direct shareholding as at 31 December 2018 11.5%, 11.5% and 10.8%, respectively (as at 31 December 2017 of 11.5%, 11.5% and 11.2%, respectively).

Litten Investments Ltd, controlled by member of key management of the Group, has a shareholding in the Company of 5.8% as at 31 December 2018 (31 December 2017: 6.3%).

From 7 March 2018 and as at 31 December 2018, Goldriver Resources Ltd, which has a shareholding in the Company of 4.7% , is controlled by a member of key management personnel of the Group.

As at 31 December 2018, 55.5% (2017: 59.4%) of the shares represent the free market-float of Global Depository Receipts and ordinary shares held by investors not affiliated with the Company. The remaining 0.2% (2017: 0.1%) of the shares of the Company are controlled by Directors and key management of the Company.

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) Sales of goods and services

	2018 RUB'000	2017 RUB'000
Sales of services:		
Associate	-	484,208
	-	484,208

(b) Purchases of goods and services

	2018 RUB'000	2017 RUB'000
Purchases of services:		
Associate	-	115,820
	-	115,820

(c) Key management compensation

	2018 RUB'000	2017 RUB'000
Key management salaries and other short term employee benefits[1]	1,675,673	961,204
Share based compensation (Note 20)	236,572	97,229
	1,912,245	1,058,433

[1] 'key management salaries and other short term employee benefits' include directors' remuneration paid to the directors of the Company both by the Company and by subsidiaries of the Group in respect of services provided to such subsidiaries amounting to RUB 408,987 thousand (2017: RUB 130,387 thousand).

(d) Year-end balances arising from sale of shares/purchases of services

	2018 RUB'000	2017 RUB'000
Other receivable from related parties(Note 21):		
Receivable from entity controlled by key management	200,064	-
	200,064	-

	2018 RUB'000	2017 RUB'000
Accrued key management remuneration – current (Note 29):		
Accrued salaries and other short term employee benefits	472,087	297,326
Share based payment liability (Note 20)	176,054	226,560
	648,141	523,886

	2018 RUB'000	2017 RUB'000
Accrued key management remuneration – non-current (Note 29):		
Share based payment liability (Note 20)	114,751	-
	114,751	-

34. Events after the balance sheet date

In February 2019, New Forwarding Company AO successfully placed a second five-year Russian Rouble denominated exchange-traded bond for a total amount of RUB 5 billion, out of RUB 100 billion registered program, priced at a coupon rate of 8.8% p.a.

On the date of this report, the Board of Directors of the Company, having considered the profitability and liquidity position of the Group, recommends a payment of dividend for the year 2018 total dividend in the amount of 46.50 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,311,453 thousand, including final dividend for 2018 in the amount of RUB 1,429,927 thousand or RUB 8.00 per ordinary share/GDR and a special final dividend in the amount of RUB 6,881,526 thousand or RUB 38.50 per ordinary share/GDR. Such dividends shall be paid in US Dollars at the rate as at 19 April 2019, subject to the approval of the shareholders at the Annual General Meeting on 22 April 2019.

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

Independent Auditor's Report on pages 15 to 23.