Globaltrans Investment PLC

Directors’ report and consolidated financial statements for the year ended 31 December 2015

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Directors' report and consolidated financial statements for the year ended 31 December 2015

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Board of Directors and other officers

Board of Directors

Mr. Michael Zampelas
Chairman of the Board of Directors
Independent non-executive Director
Member of Remuneration and Nomination Committees

Dr. Johann Franz Durrer
Senior Independent Non-Executive Director
Chairman of the Remuneration and Nomination Committees

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. Alexander Eliseev
Non-executive Director
Alternate Director: Ms Ekaterina Golubeva

Mr. Marios Tofaros
Non-executive Director

Mr. Sergey Tolmachev
Executive Director

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

Mr. Konstantin Shirokov
Executive Director

Mr. Alexander Tarasov
Non-Executive Director
Alternate Director: Mr. Maxim Rubin

Mr. Michalakis Thomaides
Non-Executive Director

Ms. Melina Pyrgou
Non-executive Director

Mr. Sergey Maltsev
Executive Director, Chief Executive Officer
Alternate Director: Mr. Artemis M. Thomaides (resigned 13 April 2015)
Resigned on 06 November 2015

Mr. Andrey Gomon
Non-executive Director
Alternate Director: Ms. Melina Pyrgou
Resigned on 18 December 2015

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

Report of the Board of Directors

The Board of Directors presents its report together with the audited consolidated financial statements for the year ended 31 December 2015. 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 activity of the Group which is unchanged from last year is the provision of railway transportation services using own and leased rolling stock as well as fleet engaged from third party rail operators, operating lease of rolling stock and freight forwarding (agency) services.

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

The net profit of the Group for the year ended 31 December 2015 was RUB 4,301,887 thousand (2014: RUB 571,253 thousand). On 31 December 2015 the total assets of the Group were RUB 82,135,629 thousand (2014: RUB 89,118,734 thousand) and net assets were RUB 53,555,521 thousand (2014: RUB 50,136,380 thousand).

Globaltrans produced a solid overall financial performance in 2015. Nonetheless, the Group's financial results were affected by the deteriorating economic conditions, intensified inflation as well as the mixed pricing environment.

The Group was able to mitigate the worst effects of the sluggish market conditions, assisted by its long-term contracts and well-balanced fleet. Moreover, management continued to make disciplined decisions on capital allocation whilst pursuing cost improvement and productivity measures.

Taking into consideration the sluggish market conditions management has assessed the recoverable amount of customer relationships, which are allocated to Russian gondola cars/operator's services cash generating unit, as described in Notes 4 and 13. As a result, the customer relationship with MMK Group, being part of intangible assets, was partially impaired as at 31 December 2015.

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

Principal risks and uncertainties

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

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

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

Future developments

Subject to the ongoing uncertainty of the Russian economy, 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 10 and 11. 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 pay dividends in US Dollars. If dividends are not paid in US Dollars, except as otherwise described under "Terms and Conditions of the Global Depositary Receipts – Conversion of Foreign Currency", they will be converted into US Dollars by the Depositary and paid to holders of GDRs net of currency conversion expenses.

The Company is a holding company and thus its ability to pay dividends depends on the ability of its subsidiaries 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.

No interim dividends were declared by the Board of Directors during the year ended 31 December 2014 and 31 December 2015.

On the date of this report, the Board of Directors of the Company recommends a payment of dividend in relation to the financial year ended 31 December 2015 in the amount of 12.41 Russian Roubles per ordinary share, amounting to a total dividend of RUB 2,218,175 thousand to be paid in US Dollars at the rate as at the date of Annual General Meeting.

Share capital

As at 31 December 2015 the issued share capital of the Company comprised 178,740,916 ordinary shares with a par value of US$0.10 per share.

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 2015 and at the date of this report, the Board comprises 13 members (2014: 15 members), 10 (2014: 10 members) of whom are non-executive directors (including the Chairman). 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 Group, and they are able to exercise objective judgment on corporate affairs independently from management.

The members of the Board of Directors at 31 December 2015 and at the date of this report are shown on page 1. There were no significant changes in the assignment of responsibilities of the Board of Directors. The CEO of the Group, Mr Sergey Maltsev, resigned on 6 November 2015. Mr Valery Shpakov, who has been acting as interim CEO since 6 November 2015 has been appointed as the new CEO of the Group on 30 March 2016.

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 2015 amounted to RUB 229,823 thousand (2014: RUB 116,172 thousand).

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 2015 and 31 December 2014 are shown below:

Name	Type of holding	2015	2014
Alexander Eliseev	Indirect holding of ordinary shares and GDRs	11,318,909	11,318,909
Sergey Maltsev	Indirect holding of ordinary shares and GDRs	n/a	8,021,339
Johann Franz Durrer	Holding of GDRs	160,606	160,606

Total number of issued shares of the Company as at 31 December 2015 was 178,740,916 (31 December 2014: 178,740,916).

Events after the balance sheet date

The events after the balance sheet date are disclosed in Note 31 to the consolidated financial statements.

Board performance

The Board held 14 meetings in 2015. The Directors' attendance is presented in the table below.

	Eligible	Attended
Michael Zampelas	14	14
Johann Franz Durrer	14	14
John Carroll Colley	14	14
George Papaioannou	14	14
Alexander Eliseev	14	12
Sergey Maltsev	12	4
Andrey Gomon	14	12
Melina Pyrgou	14	12
Konstantin Shirokov	14	14
Alexander Storozhev	14	11
Marios Tofaros	14	10
Elia Nicolaou	14	11
Sergey Tolmachev	14	14
Alexander Tarasov	14	10
Michalakis Thomaides	14	10

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 Dr. Durrer and Mr. Zampelas 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.

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/

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 27 April 2015.

Refer to Note 30 of the consolidated financial statements for details of remuneration of directors and other key management personnel.

Branches

The Group operates through branches and representative offices, maintaining eleven branches and eleven representative offices during 2015 (eleven branches and eleven representative offices during 2014).

Treasury shares

In 2015 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 2016, including cash flows and borrowing facilities, the Directors consider that the Group has adequate resources to continue in operation for the foreseeable future.

Auditors

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

By Order of the Board

....

Sergey Tolmachev
Director

Limassol, 30 March 2016

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.

Each of the Directors confirms to the best of his or her knowledge that the consolidated financial statements (presented on pages 10 to 66) 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 2015 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; and
(iv) the information given in the report of the Board of Directors is consistent with the consolidated financial statements.

By order of the Board

....
Sergey Tolmachev
Director

Independent auditor's report
To the Members of Globaltrans Investment Plc

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Globaltrans Investment Plc (the "Company") and its subsidiaries (together with the Company, the "Group"), which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:

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

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 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.

A Loizou

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

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Limassol, 30 March 2016

Consolidated income statement

for the year ended 31 December 2015

	Note	2015 RUB'000	2014 RUB'000
Revenue	5	68,199,831	68,700,394
Cost of sales	6	(54,427,692)	(52,789,268)
Gross profit		13,772,139	15,911,126
Selling and marketing costs	6	(295,076)	(334,218)
Administrative expenses	6	(4,248,125)	(4,202,172)
Impairment of intangible assets	13	(996,160)	(5,828,085)
Other income		230,727	-
Other gains – net	7	85,717	30,596
Operating profit		8,549,222	5,577,247
Finance income	9	259,900	196,293
Finance costs	9	(2,996,197)	(3,092,683)
Net foreign exchange transaction (losses)/gains on financing activities	9	(209,129)	108,579
Finance costs – net	9	(2,945,426)	(2,787,811)
Share of loss of associate	14	(53,739)	(12,164)
Profit before income tax		5,550,057	2,777,272
Income tax expense	10	(1,248,170)	(2,206,019)
Profit for the year		4,301,887	571,253
Profit/(loss) attributable to:			
Owners of the Company		1,982,956	(1,415,739)
Non-controlling interest		2,318,931	1,986,992
		4,301,887	571,253
Basic and diluted earnings/(losses) per share for profit/(loss) attributable to the equity holders of the Company during the year (expressed in RUB per share)	27	11.09	(7.92)

The notes on pages 16 to 66 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2015

	2015 RUB'000	2014 RUB'000
Profit for the year	4,301,887	571,253
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	1,172,174	2,646,399
Items that may not subsequently reclassified to profit or loss		
Currency translation differences attributable to non-controlling interest	697,904	1,501,892
Other comprehensive income for the year, net of tax	1,870,078	4,148,291
Total comprehensive income for the year	6,171,965	4,719,544
Total comprehensive income attributable to:		
- owners of the Company	3,155,130	1,230,660
- non-controlling interest	3,016,835	3,488,884
	6,171,965	4,719,544

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 16 to 66 are an integral part of these consolidated financial statements.

Consolidated balance sheet

at 31 December 2015

	Note	31 December 2015 RUB'000	31 December 2014 RUB'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	69,288,960	71,380,758
Intangible assets	13	2,367,741	4,442,396
Income tax assets		49,207	57,892
Trade and other receivables	19	101,264	32,233
Investment in associate	14	65,497	110,182
Total non-current assets		71,872,669	76,023,461
Current assets			
Inventories	20	722,381	735,694
Current income tax assets		139,428	1,010,322
Trade and other receivables	19	5,297,072	6,701,470
Cash and cash equivalents	21	4,104,079	4,647,787
Total current assets		10,262,960	13,095,273
TOTAL ASSETS		82,135,629	89,118,734
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital	22	516,957	516,957
Share premium	22	27,929,478	27,929,478
Common control transaction reserve		(10,429,876)	(10,429,876)
Translation reserve		4,569,396	3,397,222
Capital contribution		2,694,851	2,694,851
Retained earnings		21,090,196	19,100,433
Total equity attributable to the owners of the Company		46,371,002	43,209,065
Non-controlling interest		7,184,519	6,927,315
Total equity		53,555,521	50,136,380
Non-current liabilities			
Borrowings	24	11,064,576	10,049,915
Trade and other payables	26	61,053	13,278
Deferred tax liabilities	25	4,455,748	5,207,410
Total non-current liabilities		15,581,377	15,270,603
Current liabilities			
Borrowings	24	9,294,484	18,256,223
Trade and other payables	26	3,643,694	5,245,646
Current tax liabilities		60,553	209,882
Total current liabilities		12,998,731	23,711,751
TOTAL LIABILITIES		28,580,108	38,982,354
TOTAL EQUITY AND LIABILITIES		82,135,629	89,118,734

On 30 March 2016, 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 16 to 66 are an integral part of these consolidated financial statements

Consolidated statement of changes in equity

for the year ended 31 December 2015

		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 2014		516,957	27,929,478	(10,429,876)	750,823	2,694,851	24,517,956	45,980,189	5,727,409	51,707,598
Comprehensive income										
(Loss)/profit for the year		-	-	-	-	-	(1,415,739)	(1,415,739)	1,986,992	571,253
Other comprehensive income										
Currency translation differences		-	-	-	2,646,399	-	-	2,646,399	1,501,892	4,148,291
Total comprehensive income for 2014		-	-	-	2,646,399	-	(1,415,739)	1,230,660	3,488,884	4,719,544
Transactions with owners of the Company										
Dividends to owners of the Company	23	-	-	-	-	-	(3,981,615)	(3,981,615)	-	(3,981,615)
Dividends to non-controlling interest	23	-	-	-	-	-	-	-	(2,306,714)	(2,306,714)
Total contributions by and distributions to owners of the Company		-	-	-			(3,981,615)	(3,981,615)	(2,306,714)	(6,288,329)
Acquisition of non-controlling interest	16	-	-	-	-	-	(20,169)	(20,169)	17,736	(2,433)
Total transactions with owners of the Company		-	-	-	-	-	(4,001,784)	(4,001,784)	(2,288,978)	(6,290,762)
Balance at 31 December 2014		516,957	27,929,478	(10,429,876)	3,397,222	2,694,851	19,100,433	43,209,065	6,927,315	50,136,380

Consolidated statement of changes in equity

for the year ended 31 December 2015

	Note	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 2015		516,957	27,929,478	(10,429,876)	3,397,222	2,694,851	19,100,433	43,209,065	6,927,315	50,136,380
Comprehensive income										
Profit for the year		-	-	-	-	-	1,982,956	1,982,956	2,318,931	4,301,887
Other comprehensive income										
Currency translation differences		-	-	-	1,172,174	-	-	1,172,174	697,904	1,870,078
Total comprehensive income for 2015		-	-	-	1,172,174	-	1,982,956	3,155,130	3,016,835	6,171,965
Transactions with owners of the Company										
Dividends to non-controlling interest	23	-	-	-	-	-	-	-	(2,753,022)	(2,753,022)
Total contributions by and distributions to owners of the Company		-	-	-	-	-	-	-	(2,753,022)	(2,753,022)
Disposal of non-controlling interest	16	-	-	-	-	-	6,807	6,807	(6,609)	198
Total transactions with owners of the Company		-	-	-	-	-	6,807	6,807	(2,759,631)	(2,752,824)
Balance at 31 December 2015		516,957	27,929,478	(10,429,876)	4,569,396	2,694,851	21,090,196	46,371,002	7,184,519	53,555,521

The notes on pages 16 to 66 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

for the year ended 31 December 2015

	Note	2015 RUB'000	2014 RUB'000
Cash flows from operating activities			
Profit before tax		5,550,057	2,777,272
Adjustments for:			
Depreciation of property, plant and equipment	12	4,878,797	5,084,746
Amortisation of intangible assets	13	1,078,456	1,078,644
(Profit)/loss on sale of property, plant and equipment	12	(19,737)	21,839
Impairment of property, plant and equipment	12	140,734	223
Impairment of receivables	6	119,332	177,519
Interest income	9	(259,900)	(184,956)
Interest expense	9	2,996,197	3,092,683
Other finance income	9	-	(11,337)
Other income		(41,898)	-
Share of profit of associates	14	53,739	12,164
Foreign exchange losses/(gains) on financing activities	11	209,129	(108,579)
Impairment of intangible assets	13	996,160	5,828,085
		15,701,066	17,768,303
Changes in working capital:			
Inventories		56,049	(90,651)
Trade and other receivables		1,448,979	(423,667)
Trade and other payables		(1,526,698)	1,599,638
Cash generated from operations		15,679,396	18,853,623
Tax paid		(1,322,290)	(2,285,626)
Net cash from operating activities		14,357,106	16,567,997
Cash flows from investing activities			
Indemnification received	28	-	78,400
Loans granted to third parties		(86,057)	-
Loans repayments received from third parties		20,374	1,332
Purchases of property, plant and equipment		(1,458,987)	(1,532,167)
Purchases of intangible assets	13	-	(49)
Proceeds from disposal of property, plant and equipment	12	92,658	220,724
Interest received		254,978	189,913
Net cash used in investing activities		(1,177,034)	(1,041,847)
Cash flows from financing activities			
Proceeds from borrowings		15,018,939	6,688,521
Repayments of borrowings		(22,447,939)	(10,494,675)
Acquisition of non-controlling interest	16	-	(2,433)
Proceeds from disposal of non-controlling interest	16	198	
Finance lease principal payments		(204,635)	(1,586,842)
Interest paid		(3,284,554)	(3,128,620)
Dividends paid to Company's shareholders	23	-	(3,983,892)
Dividends paid to non-controlling interests	23	(2,696,490)	(2,306,714)
Net cash used in financing activities		(13,614,481)	(14,814,655)
Net (decrease)/increase in cash and cash equivalents		(434,409)	711,495
Exchange (losses)/gains on cash and cash equivalents		(109,299)	529,989
Cash and cash equivalents at beginning of year	21	4,647,787	3,406,303
Cash and cash equivalents at end of year	21	4,104,079	4,647,787

Principal non-cash investing and financing transactions

The principal non-cash investing and financing transactions consist of finance leases as a lessee (Note 24)

The notes on pages 16 to 66 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. General information

Country of incorporation

The Company is incorporated and domiciled in Cyprus as a limited liability company in accordance with the provisions of the 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 Group consolidated financial statements were authorised for issue by the Board of Directors on 30 March 2016.

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 activity of the Group, which is unchanged from last year, is the provision of railway transportation services using own and leased rolling stock as well as the fleet engaged from other operators and operating lease of rolling stock and freight forwarding (agency) services.

2. Basis of preparation and summary of significant accounting policies

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

Basis of preparation

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

All International Financial Reporting Standards issued by International Accounting Standards Board (IASB) and effective as at 1 January 2015 have been adopted by the EU through the endorsement procedure established by the European Commission with the exception of certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting.

The 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 4.

New standards, interpretations and amendments to published standards

(a) *The Group has adopted the following new standards, amendments and interpretations as of 1 January 2015:*

- IFRIC 21 – Levies. The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The Group was not materially impacted by the application of this interpretation.

- Annual Improvements to IFRSs 2013.The improvements consist of changes to four standards. The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented. IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself. The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9. IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. The application of these amendments did not have an impact on the Group's financial statements.

The following new International Financial Reporting Standards (IFRS) and IFRIC Interpretations have been issued but are not yet effective or if effective, they have not yet been endorsed by the EU (Items marked with * have not been endorsed by the European Union (EU); the Group will only be able to apply new IFRS and IFRICs when endorsed by the EU:

(b) *Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2016 or later, that are expected to have an impact on the Group's consolidated financial statements and which the Group has not early adopted.*

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

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

The Group is currently assessing the impact of the new standard on its financial statements.

- **Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 February 2015)**. The improvements consist of changes to seven standards. IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014. IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014. IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported. The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial. IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. The Group is currently assessing the impact of the amendments on its financial statements.

- **Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016)**. In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Group is currently assessing the impact of the amendment on its financial statements.

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

- **Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28* (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016. EU endorsement has been postponed; awaiting IASB developments).** These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Group is currently assessing the impact of the amendments on its financial statements.

  Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016). The amendments impact 4 standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The Group is currently assessing the impact of the amendments on its financial statements.

- **Disclosure Initiative Amendments to IAS 1 (issued in December 2015 and effective for annual periods on or after 1 January 2016**). The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards. The Group is currently assessing the impact of the amendments on its financial statements.

- **IFRS 16 "Leases" * (issued in 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. The Group is currently assessing the impact of the new standard on its financial statements.

- **Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 * (issued in January 2016 and effective for annual periods beginning on or after 1 January 2017).** The amendment has clarified the requirements on recognition of deferred tax assets for unrealised losses on debt instruments. The entity will have to recognise deferred tax asset for unrealised losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefit embodied in the deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (unwinding of the effects of discounting) without paying taxes on those gains. The Group is currently assessing the impact of the amendments on its financial statements.

- **Disclosure Initiative - Amendments to IAS 7 * (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017).** The amended IAS 7 will requires disclosure of a reconciliation of movements in liabilities arising from financing activities. The Group is currently assessing the impact of the amendment on its financial statements.

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 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. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(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 have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognised in the 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

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:

(a) Revenue from railway transportation services

The Group operates the following services:

1. Revenues from railway transportation – using own, leased or engaged rolling stock

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

   There are three 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 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 turnover 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.

2. Revenues from railway transportation - freight forwarding (agency fees)

   The Group has a contractual relationship with the client to act as a legal intermediary for organising transportation services and pays transport fees on behalf of its clients. These fees, which are reimbursed by the Group's clients, are not included in revenues and cost of sales; they are recorded on the Group's transit accounts as reimbursements. In this service the transportation is provided with the use of OAO "Russian Railway" rolling stock and the client is doing business with the OAO "Russian Railways" as the principal carrier. Consequently, only the Group's fees for intermediary activities are recognised as revenue. Receivables and liabilities that arise in the course of these activities are recognised as accounts receivable and accounts payable. Revenue is recognised in accordance with the stage of completion of the transaction.

(b) Revenues from leasing

Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term. Assets leased out under operating leases 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) Revenues from sale of rail cars and locomotives

The Group may acquire rail cars and locomotives that are held for sale in the ordinary course of business.

Revenues are recognised when significant risks and rewards of ownership of the rail cars and locomotives have been transferred to the customer, which is usually the date of delivery.

No revenue is recognised when rail cars and locomotives are acquired and used in the supply of services and are subsequently disposed. Gains and losses on disposal are determined as explained in the accounting policy for property, plant and equipment and are recognised within operating profit.

(d) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(e) Dividend income

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

Foreign currency translation

(a) Functional and presentation currency

Items included in the Group's 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.

Up to 2014, the Group presented foreign exchange gains and losses that related to financial liabilities in the income statement within 'Finance costs' and foreign exchange gains and losses that related to cash and cash equivalents, loans and dividends receivable in the income statement within 'Finance income'. Management has considered this presentation and has decided to reflect the net foreign exchange differences arising from financial liabilities, cash and cash equivalents, loans and dividends receivable on the face of the income statement in the line "net foreign transaction (losses)/gains on financing activities", with the appropriate disclosure of the split presented in the note "Finance Income and Costs". The comparatives have also been amended to reflect this presentation.

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)	15-32
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.

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.

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.

Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of non-controlling interest or the non-controlling interest's proportionate share of the identifiable net assets of the acquiree, on acquisition by acquisition basis.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. The Group's goodwill as at 1 January 2014 was monitored at the Russian gondola cars/operator's services group of cash generating units.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Customer relationships relate to transportation services contract with Metalloinvest Group and 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.

(c) 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 lessee 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

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

Financial assets

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 and other receivables and cash and cash equivalents in the balance sheet.

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.

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.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor/borrower, probability that the debtor/borrower will enter bankruptcy or financial recognition, and default 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 expenses'. 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 administrative expenses' in the income statement.

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 and cash equivalents

In the consolidated cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks 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.

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.

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.

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.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts 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 payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions and contingent liabilities

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

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

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

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.

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.

Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee and amortisation income is recognised in the income statement within other gains. At the end of each reporting period, the guarantees are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the obligation at the end of the reporting period.

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 Russian Federation 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, under which the Group receives services from employees as consideration for global depository receipts ("GDR") of the Company. In accordance with compensation plan introduced in the Group, 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 GDRs of the Company. The fair value of the employee services received in exchange for the grant of the equivalent GDRs instruments is recognised as an expense. At each balance sheet date if required by terms of 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

Up to 2014, the Group presented foreign exchange gains and losses that related to financial liabilities in the income statement within 'Finance costs' and foreign exchange gains and losses that related to cash and cash equivalents, loans and dividends receivable in the income statement within 'Finance income'. Management has considered this presentation and has decided to reflect the net foreign exchange differences arising from financial liabilities, cash and cash equivalents, loans and dividends receivable on the face of the income statement in the line "net foreign transaction (losses)/gains on financing activities", with the appropriate disclosure of the split presented in the note "Finance Income and Costs". The change has been applied retrospectively in line with IAS8 "Accounting Policies, Changes in accounting Estimates and Errors" and as a result the comparative financial information for the year ended 31 December 2014 has been amended to reflect this presentation.

The impact of this reclassification on the profit or loss financial statement lines for the year ended 31 December 2014 is summarised in the table below:

	As previously stated RUB'000	Reclassification RUB'000	As restated RUB'000
Finance costs	(3,523,555)	430,872	(3,092,683)
Finance income	735,744	(539,451)	196,293
Net foreign exchange transaction (losses)/gains on financing activities	-	108,579	108,579
Net finance costs	(2,787,811)	-	(2,787,811)

3. 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.

Currently the Group attracts a negligible proportion of long-term borrowings and lease liabilities denominated in US Dollars, whereas a large proportion of the Group's expenses and revenues are denominated and settled in Russian Roubles. The Group does not have formal arrangements for hedging this foreign exchange risk. Risks related to liabilities denominated in foreign currency are partly compensated by assets and income denominated in foreign currency.

From the beginning of 2014 there has been increased volatility in currency markets and the Russian Rouble has depreciated significantly against some major currencies, especially in the last quarter of 2014. As of end of December 2015 the Russian Rouble has depreciated against the US Dollar from 56.2584 as of 31 December 2014 to 72.8827 Russian Roubles (29.6% 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 carrying amounts of monetary assets and liabilities denominated in US Dollars as at 31 December 2015 and 31 December 2014 are as follows:

	2015 RUB'000	2014 RUB'000
Assets	1,657,749	1,658,965
Liabilities	250,587	760,331

Had US Dollar exchange rate strengthened/weakened by 30% against the Russian Rouble and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2015, would have increased/decreased by RUB 233,503 thousand (2014: 70% change, effect RUB 403,931 thousand).and equity would have increased/decreased by RUB 973,544 thousand (2014: 70% change, effect RUB 1,533,016 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of lease liabilities, loans, borrowings, cash and cash equivalents and accounts receivable denominated in US Dollars for the Group entities with Russian Rouble being their functional currency. Profit was less sensitive to fluctuations of the exchange rate of Russian Rouble to US Dollar for the year ended 31 December 2015 compared to 2014 mainly due to the decrease of the proportion of US Dollar denominated borrowings as at the end of 2015 (Note 24) combined with the increase of the proportion of US Dollar denominated cash and cash equivalents as at the end of 2015 as well as changes in the US Dollar denominated intercompany loans. 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 2015, would have increased /decreased by RUB 11,221 thousand (2014: 15% change, effect (RUB 25,164 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of lease liabilities, loans, borrowings, cash and cash equivalents and accounts receivable denominated in US Dollars for the Estonian subsidiaries of the Group. Profit was less sensitive to fluctuations of the exchange rate of US Dollar to Euro for the year ended 31 December 2015 compared to 2014 mainly due to the decrease of the proportion of US Dollar denominated borrowings as at the end of 2015 (Note 24).

Had US Dollar exchange rate strengthened/weakened by 30% against the Ukrainian Hryvnia and all other variables remained unchanged, the post-tax profit of the Group would have remained unchanged (2014: 70% change, no effect on post-tax profit) and the equity of the Group for the year ended 31 December 2015, would have decreased/increased by RUB 973,544 thousand (2014: 70% change, effect RUB1,533,016 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 lease liabilities and borrowings. In addition the Group is exposed to fair value interest rate risk through market value fluctuations of finance lease liabilities 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.

Lease and 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, 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.

Had Russian Rouble and US Dollar lease and credit interest rates shifted by 7% and 0.5% respectively (in the case of floating interest rates) as at 31 December 2014 and all other variables remained unchanged, the post-tax profit of the Group would have changed by RUB 393,438 thousand for the year ended 31 December 2014. As at 31 December 2015, the Group did not have any material Russian Rouble and US Dollar lease and credit facilities, respectively, 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 by ensuring the Group has financial liabilities with both floating and fixed interest rates.

(c) Credit risk

Financial assets, which potentially subject the Group to credit risk, consist principally of trade and other receivables and cash and cash equivalents.

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 independently rated parties with a minimum rating of 'B'. These policies enable the Group to reduce its credit risk significantly.

However, the Group's business is heavily dependent on a few large key customers, with the top ten customers accounting for 63.32% of the Group's trade and other receivables (excluding VAT receivable and prepayments) as at 31 December 2015 (2014: 69.58%).

These figures include trade and other receivables arising from business with related parties which account for Nil as at 31 December 2015 (2014: Nil).

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 2015 and 31 December 2014:

	Fully performing RUB'000	Past due RUB'000	Impaired RUB'000	Impairment provision RUB'000	Total RUB'000
As of 31 December 2015					
Trade receivables	1,480,550	1,055,122	367,909	(367,909)	2,535,672
Loans receivable	54,021	-	-	-	54,021
Other receivables	39,568	10,684	29,500	(29,500)	50,252
	1,574,139	1,065,806	397,409	(397,409)	2,639,945
As of 31 December 2014					
Trade receivables	1,873,701	853,612	315,345	(315,345)	2,727,313
Loans receivable	20,125	-	-	-	20,125
Other receivables	44,322	30,873	45,476	(45,476)	75,195
	1,938,148	884,485	360,821	(360,821)	2,822,633

Note: other receivables exclude other taxes receivable as the analysis is provided for financial assets only.

Liquidity risk

The Group has an excess of current liabilities over current assets of RUB 2,735,771 thousand as at 31 December 2015 (2014: excess of current liabilities over current assets RUB 10,616,478 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 19,576,000 thousand as of 31 December 2015 (2014: RUB 21,902,000 thousand), together with long-term borrowings (Note 24) 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 2015 and 31 December 2014. 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	Between one month and three months	Between three and six months	Less than one year	Between 1 and 2 years	Between 2 and 5 years	Total
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
31 December 2015							
Borrowings	1,401,966	1,474,411	3,021,186	5,301,266	5,879,524	7,035,751	24,114,104
Trade and other payables	675,707	17,225	62,800	11,681	-	-	767,413
	2,077,673	1,491,636	3,083,986	5,312,947	5,879,524	7,035,751	24,881,517
31 December 2014							
Borrowings	546,582	12,416,224	2,475,888	4,498,915	8,154,470	3,577,527	31,669,606
Trade and other payables	700,796	41,062	5,544	35,071	15,681	-	798,154
	1,247,378	12,457,286	2,481,432	4,533,986	8,170,151	3,577,527	32,467,760

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

(d) Capital risk management

The Group's main objective when managing capital is to maintain the ability to continue as a going concern in order to ensure the 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 lease liabilities and 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 2015 and 31 December 2014 are as follows:

	2015	2014
	RUB'000	RUB'000
Total borrowings	20,359,060	28,306,138
Total capitalisation	66,730,062	71,515,203
Total borrowings to total capitalisation ratio (percentage)	30.51%	39.58%

External requirements are imposed on the capital of the Company 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 2015 and 2014. Management believes that the Group will be able to comply with its external requirements to the capital during the whole term of agreements.

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

Liabilities carried at amortised cost. Fair values of borrowings and other liabilities were determined using valuation techniques. In 2014 the fair value of non-convertible unsecured bonds was based on quoted market prices.
As at 31 December 2015 and 31 December 2014 the estimated fair value of fixed and floating interest rate instruments with stated maturity denominated in a currency other than the Russian Rouble was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

The fair value as at 31 December 2015 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 2015. In the absence of similar Russian Rouble denominated instruments entered into by the Group close to 31 December 2014, due to the adverse fluctuation of interest rates, the fair value as at 31 December 2014 of fixed interest rate instruments with stated maturity denominated in Russian Rouble was estimated based on expected cash flows discounted at an estimated rate of Mosprime**(1)** plus a margin. Such rate was management's best estimate of the interest rate it would achieve had it entered into a similar instrument as at the year end. The discount rates used ranged from 12.30% p.a to 13.15 % p.a. (2014: 20.14% p.a to 25.02% p.a.) depending on the length and currency of the liability (Note 24).

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.

(1) MosPrime (Moscow Prime Offered Rate) is the National Foreign Exchange Association fixing of reference rate based on the offered rates of Russian Rouble deposits.

4. 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 28).

ii) Assessment of impairment of customer relationships

As of 31 December 2015, the Group carries customers relationships with Metalloinvest and MMK Groups with a carrying amount of RUB 526,695 thousand and RUB1,841,000 thousand, respectively. The customer relationships have been allocated to the Russian gondola cars/operator's services CGU.

The Group assesses at each balance sheet date whether there are indications for impairment for these customer relationships, in accordance with the accounting policy for impairment of non-current assets (Note 2).

The analysis of indicators for impairment for the customer relationship with Metalloinvest Group showed that there were no impairment indicators in place as of 31 December 2015, despite the general deterioration in the market and industry conditions. Therefore no impairment testing was performed in relation to this customer relationship.

However, impairment indicators were noted in relation to the customer relationship with MMK Group and as a result, the Group performed an impairment assessment in relation to this customer relationship, the recoverable amount of which amounting to RUR 1,841,000 thousand was determined based on value-in-use calculations. These calculations require the use of estimates and are sensitive to changes in the underlying variables and assumptions used in the determination of the recoverable amount of this customer relationship.

As a result of the impairment assessment of the customer relationship with MMK Group, an impairment charge of RUB 996,160 thousand was recognised during the year ended 31 December 2015 against the carrying amount of customer relationship with MMK Group.

The projections prepared are based on 6-year (2014: 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 16.36% has been applied for years 2016 and 2017 and 15.00% for years 2018 to 2021 (2014: 17% for years 2015 and 2016 and 15.75% for years 2017 to 2019).

Two of the main assumptions are transportation volumes and tariffs per trip which are the main components of revenue as well as cost drivers which are projected on 2015 actual results. These projected volumes reflect past experience and management's estimates. The transportation prices are estimated in accordance with the past performance of the Group and management's expectations of market development. The key assumptions thereon, are the estimated growth in the EBITDA margin during the projected period as well as the discount rate.

If the railway transportation volume growth rate had been 5% higher/lower than management's estimate at 31 December 2015, the recoverable amount would increase/decrease, resulting in a lower/an additional impairment loss of RUB 257,000 thousand to be recognised on the contractual relationship with MMK Group.

If the EBITDA margin had been 1% higher/lower than management's estimate at 31 December 2015, the recoverable amount would increase/decrease, resulting in a lower/an additional impairment loss of RUB 319,000 thousand and RUB 159 thousand respectively to be recognised on the contractual relationship with MMK Group.

iii) Useful lives of customer relationships

The estimation of the useful lives of customer relationships arising on business combinations and included within intangible assets is a matter of judgment based on expectations of the duration of the relationship with the customers. As of 31 December 2015, the Group carries customers relationships with Metalloinvest and MMK Groups with a carrying amount of RUB 526,695 thousand and RUB 1,841,000 thousand respectively.

The contract with MMK Group was concluded in February 2013 for 5 years expiring in February 2018, and the contract with Metalloinvest Group was concluded in May 2012 for 3 years expiring in May 2015. In assessing the useful life of these customer relationships on initial recognition, management took the view that the cooperation with Metalloinvest and MMK Groups would not terminate after the expiry of the underlying contracts as the relationships are based on market conditions and the rolling stock of the Group and its expertise best meet the transportation requirements of the customers. In view of these considerations, management estimated the useful economic lives of the customer relationships with Metalloinvest and MMK Group to be 5 and 7 years respectively on the initial acquisition of these customer relationships.

During 2014 the terms of the contracts with MMK and Metalloinvest Groups were prolonged for a further 1 year and 1.5 year to February 2019 and December 2016 respectively. Management has reassessed the useful economic life of the customer relationships as of 31 December 2015 and has concluded that despite the prolongation of the contracts, the remaining useful economic lives of the customer relationships remain reasonable in view of the current volatile market conditions.

These customer relationships are valued using the income approach, with an attrition rate resulting in a dissipation of the cash flows over time. In view of the current volatile market conditions, it has been determined that the pattern of economic benefits to the Group cannot be reliably determined, in that the actual cash flows and their pattern cannot be estimated with a relatively high level of confidence. In view of the inability to determine the pattern of economic benefits arising from these customer relationships with a high level of confidence and the fact that the underlying cash flows supporting the measurement of the customer relationships show a decay over time, management believes that the straight-line amortization of these intangibles with a shortened estimated useful life is appropriate.

iv) Assessment of impairment of rolling stock

The Group assesses at each balance sheet date whether there are indications for impairment for the property, plant and equipment, in accordance with the accounting policy for impairment of non-current assets (Note 2).

As of 31 December 2015, the management considered the deterioration in the general market and industry conditions as indicators for impairment for all CGUs, with the exception of BTS (BaltTransServis, OOO) rail tank cars/operator's services CGU, and performed impairment assessments to determine the recoverable amount of these CGUs, estimated at the higher of value-in-use and fair value less cost to sell.

The recoverable amount of each CGU has been compared with the carrying amount of the assets in that CGU, which include rolling stock and for the Russian gondola cars/operator's services CGU also include customer relationships, after the recognition of any impairment losses relating to individual assets of the CGU.

As a result of the impairment assessment, no impairment charges were noted in any of the CGUs of the Group tested. An impairment loss amounting to of RUR 140,734 thousand arising on 6 locomotives within the locomotives/operating leasing segment which are currently not in use and require substantial repair costs have been separately impaired. These locomotives were impaired to their scrap value, determined based on a fair value less cost to sell measurement. This measurement did not involve significant estimates.

The impairment testing for all the CGUs, other than the Russian gondola cars/operator's services CGU and the Estonian rail tank cars/operating leasing CGU, indicated a significant headroom in the recoverable amount over the carrying amount of these CGUs. Any reasonable change in the assumptions used in the calculation for the recoverable amount of these CGUs would not trigger an impairment loss.

Russian gondola cars/operator's services CGU

The recoverable amount for the Russian gondola cars/operator's services CGU amounting to RUB 54,475,000 thousand as of 31 December 2015 (2014: RUB 50,851,000 thousand) has been estimated based on value-in-use calculations and is sensitive to changes in the underlying variables and assumptions used in the determination of the recoverable amount of this CGU. These calculations require use of estimates.

The value- in- use calculations for the Russian gondola cars/operator's services CGU were based on 7-year (2014: 7-year) post-tax cash flow projections and all the assumptions in relation to growth rates were determined by reference to management's past experience and industry forecasts. A 7-year period has been used in the value-in-use calculations in view of current volatile market and industry conditions. Cash flows beyond the seven-year period were extrapolated using the estimated growth rate stated below. The growth rate did not exceed the long-term average growth rate for the operator's business in which the CGUs operate. A terminal growth rate of 4% (2014: 4,1%) and discount rate of 16.36% for years 2016 and 2017 and 15% thereafter had been applied (2014: 17% for years 2015 and 2016 and 15.75% thereafter).

The main assumptions were price per trip growth rate and as well as revenue and cost drivers which are projected on 2015 actual results. The projected volumes reflect 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 developments. The key assumptions thereon, are the estimated growth in the EBITDA margin as well as the discount rate.

If the discount rate had been 0.5% higher than management's estimate at 31 December 2015 the recoverable amount would decrease, resulting in an impairment loss of RUB 1,843,000 thousand to be recognised in relation to the rolling stock of this CGU.

If the price per trip growth rate had been 1% lower than management's estimate at 31 December 2015 the recoverable amount would decrease, resulting in an impairment loss of RUR 324,000 thousand to be recognised in relation to the rolling stock of this CGU.

If the EBITDA margin had been 1% lower than management's estimate at 31 December 2015 the recoverable amount would decrease, resulting in an impairment loss of RUR 3,250,000 thousand to be recognised in relation to the rolling stock of this CGU.

Estonian rail tank cars/operating leasing CGU

The recoverable amount of the Estonian rail tank cars/operating leasing CGU was determined based on a level 3 fair value less cost to sell and is sensitive to changes in the underlying variables and assumptions used in the determination of the recoverable amount of this CGU.

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.

If the selling price of new rolling stock or the adjustment to the selling price of new rolling stock to take into account the age of each specific asset had been 10% lower/higher than management's estimate at 31 December 2015, the recoverable amount would decrease resulting into an impairment loss of RUB 940,684 thousand to be recognised in respect of the rolling stock of this CGU.

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

i) Revenue recognition

Operator's services are rendered using own or leased rolling stock. 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. There are certain characteristics indicating that the Group is acting as an agent, particularly the fact that OAO "Russian Railways" tariffs are available to the public, therefore are known to the customer, and the risk of delivery is borne by OAO "Russian Railways". However, the Group bears the credit risk and controls the flow of receipts and payments. 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 believes that the Group acts as a principal in these arrangements and the Group accounts receipts from customers as sales revenue and the OAO "Russian Railways" tariff is included in cost of sales. Had OAO "Russian Railways" tariff directly attributable to such services been excluded from revenues and cost of sales both would have decreased by RUB 23,325,581 thousand for the year ended 31 December 2015 (RUB 23,250,748 thousand for the year ended 31 December 2014).

The above include contracts with several customers where under the legal form of these contracts the Group acts as an agent in respect of Russian Railway tariff and services provided by other transportation organisations and recharges such costs to its customers. Management believes that despite the legal form of the contracts the substance of the relationship with the customers is such that the Group acts as a principal, because the Group's customers do not interact with Russian Railways nor with the operators supplying the engaged fleet but have a contractual relationship with the Group, the Group has discretion in selecting suppliers and decides on type of rolling stock to be used in transportation (owned or engaged), the Group bears the credit and price risk and controls the flow of receipts and payments. The Group accounts for full amounts of receipts from customers as revenue and the Russian Railways tariff and the services provided by other operators are included in cost of sales.

The Group has contracts with several customers where under the legal form of these contracts the Group acts as an agent in respect of services provided by other transportation organisations and recharges such costs to its customers. Management believes that despite the legal form of the contracts the substance of the relationship with the customers is such that the Group acts as a principal, because the Group's customers do not interact with operators supplying the engaged fleet but have a contractual relationship with the Group, the Group has discretion in selecting suppliers and decides on type of rolling stock to be used in transportation (owned or engaged), the Group bears the credit and price risk and controls the flow of receipts and payments. The Group accounts for full amounts of receipts from customers as revenue and the services provided by other operators are included in cost of sales. Had the services provided by other transportation organisations directly attributable to such contracts been excluded from revenues and cost of sales, both would have decreased by RUB 1,239,295 thousand for the year ended 31 December 2015 (RUB 3,117,203 thousand for the year ended 31 December 2014).

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. Recognition of the provisions for such taxes by the Group is based on the management's intention for future dividend distribution by each respective subsidiary. Deferred income tax liabilities of RUB 3,531,476 thousand (2014: RUB 3,312,499 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 RUB 28,382,638 thousand as at 31 December 2015 (2014: RUB 23,736,246 thousand).

5. Segmental information

The chief operating decision-maker has been identified as the Board of Directors of the Group. 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, management reviews revenues with no further analysis of the underlying cost components. From the type of rolling stock used perspective management assesses the performance of each type (gondola cars, rail tank cars, locomotives, hopper cars, platforms) at the level of adjusted revenue.

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 (excluding depreciation on wheel pairs) and amortisation charges for rolling stock and customer relationships respectively and impairment charges in respect of rolling stock, customer relationships and goodwill. All other information provided to the Board in relation to profit or loss items, other than adjusted revenue and depreciation, is measured in a manner consistent with that in the financial statements.

Segment assets consist of rolling stock, customer relationships and goodwill. Rolling stock reported to the Board does not include IFRS adjustments relating to component approach for wheel pairs. Unallocated assets comprise all the assets of the Group except for rolling stock, customer relationship and goodwill, as included within segment assets.

Liabilities are not segmented since they are not reviewed from that perspective by the chief operating decision maker.

The Board reviews additions to segment assets, which include rolling stock (excluding wheel pairs) and customer relationships and goodwill arising on business combinations.

The Group does not have transactions between different business segments.

	Gondola cars RUB'000	Rail tank cars RUB'000	All other segments RUB'000	Total RUB'000
Year ended 31 December 2015				
Total revenue – operator's services	32,236,615	31,618,300	1,565,967	65,420,882
Total revenue – operating lease	48,676	2,022,326	336,945	2,407,947
Revenue (from external customers)	32,285,291	33,640,626	1,902,912	67,828,829
less Infrastructure and locomotive tariffs - loaded trips	(12,610,946)	(10,152,542)	(562,093)	(23,325,581)
less Services provided by other transportation organisations	(2,454,112)	(152,842)	(91,534)	(2,698,488)
Adjusted revenue for reportable segments	17,220,233	23,335,242	1,249,285	41,804,760
Depreciation and amortisation	(4,112,575)	(1,032,233)	(214,160)	(5,358,968)
Impairment of customer relationships	(996,160)	-	-	(996,160)
Impairment of property, plant and equipment	-	-	(140,734)	(140,734)
Additions to non-current assets (included in reportable segment assets)	250,246	82,454	970	333,670
Reportable segment assets	44,878,676(1)	21,386,056	1,815,166	68,079,898

(1) Includes RUB 2,367,695 thousand of intangible assets representing customer relationships.

	Gondola cars RUB'000	Rail tank cars RUB'000	All other segments RUB'000	Total RUB'000
Year ended 31 December 2014				
Total revenue – operator's services	33,391,260	30,604,015	1,097,878	65,093,153
Total revenue – operating lease	95,919	2,752,666	410,751	3,259,336
Revenue (from external customers)	33,487,179	33,356,681	1,508,629	68,352,489
less Infrastructure and locomotive tariffs - loaded trips	(12,142,924)	(10,663,667)	(444,157)	(23,250,748)
less Services provided by other transportation organisations	(3,015,090)	(538,497)	(6,000)	(3,559,587)
Adjusted revenue for reportable segments	18,329,165	22,154,517	1,058,472	41,542,154
Depreciation and amortisation	(4,507,121)	(904,996)	(439,072)	(5,851,189)
Impairment of goodwill	(5,828,085)	-	-	(5,828,085)
Additions to non-current assets (included in reportable segment assets)	371,861	91,001	12,296	475,158
Reportable segment assets	50,278,599[1]	20,465,275	2,238,696	72,982,570

[1] Includes RUB 4,442,080 thousand of intangible assets representing customer relationships.

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

	2015 RUB'000	2014 RUB'000
Adjusted revenue for reportable segments	41,804,760	41,542,154
Other revenues	371,002	347,905
Total adjusted revenue	42,175,762	41,890,059
Cost of sales (excl. Infrastructure and locomotive tariffs - loaded trips, services provided by other transportation organisations, impairments, depreciation of property, plant and equipment and amortisation of intangible assets)	(22,361,029)	(19,868,946)
Selling, marketing and administrative expenses (excl. depreciation, amortisation and impairments)	(4,368,476)	(4,305, 245)
Depreciation and amortisation	(5,957,253)	(6,163,390)
Impairment of goodwill	-	(5,828,085)
Impairment of customer relationships	(996,160)	-
Impairment charge for receivables	(119,332)	(177,519)
Impairment charge for property, plant and equipment	(140,734)	(223)
Other income	230,727	-
Other gains – net	85,717	30,596
Operating profit	8,549,222	5,577,247
Finance income	259,900	196,293
Finance costs	(2,996,197)	(3,092,683)
Net foreign exchange transaction (losses)/gains on financing activities	(209,129)	108,579
Share of loss of associate	(53,739)	(12,164)
Profit before income tax	5,550,057	2,777,272

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

	2015		2014	
	Assets RUB'000	Liabilities RUB'000	Assets RUB'000	Liabilities RUB'000
Segment assets/ liabilities	68,079,898		72,982,570	
Unallocated:				
Deferred tax	-	4,455,748	-	5,207,410
Income tax assets/liabilities	188,635	60,553	1,068,214	209,882
Investment in associate	65,497	-	110,182	-
Inventories	722,381	-	735,694	-
Intangible assets	46	-	316	-
Current borrowings	-	9,294,484	-	18,256,223
Non-current borrowings	-	11,064,576	-	10,049,915
Property, plant and equipment	3,576,757	-	2,840,268	-
Receivables	5,398,336	-	6,733,703	-
Payables	-	3,704,747	-	5,258,924
Cash and cash equivalents	4,104,079	-	4,647,787	-
Total	82,135,629	28,580,108	89,118,734	38,982,354

Geographic information
Revenues from external customers

	2015 RUB'000	2014 RUB'000
Revenue		
Russia	66,547,569	66,640,666
Estonia	487,381	1,091,297
Finland	1,116,626	897,875
Ukraine	48,255	70,556
	68,199,831	68,700,394

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:

	2015		2014	
	RUB'000	% revenue	RUB'000	% revenue
Revenue				
Customer A – rail tank cars segment	19,501,505	29	17,816,240	26
Customer B – gondola cars segment	15,942,608	23	13,938,612	21
Customer C – gondola cars segment	8,875,465	13	10,860,920	16

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

	2015 RUB'000	2014 RUB'000
Non-current assets		
Russia	56,601,954	62,077,740
Estonia	14,262,612	12,754,548
Ukraine	949,946	1,186,884
Cyprus	9,070	1,827
	71,823,582	76,020,999

Analysis of revenue by category:

	2015 RUB'000	2014 RUB'000
Railway transportation – operators services (tariff borne by the Group)	46,731,431	44,996,497
Railway transportation – operators services (tariff borne by the client)	18,689,451	20,096,656
Railway transportation – freight forwarding	24,199	28,681
Operating lease of rolling stock	2,407,947	3,259,336
Other	346,803	319,224
Total revenue	68,199,831	68,700,394

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 2015 amounting to RUB 23,325,581 thousand (for the year ended 31 December 2014: RUB 23,250,748 thousand) and the cost of engaging the fleet from third parties recharged to clients of the Group amounting to RUB 2,698,488 thousand (2014: RUB 3,559,587 thousand).

6. Expenses by nature

	2015 RUB'000	2014 RUB'000
Cost of sales		
Infrastructure and locomotive tariffs:		
Loaded trips	23,325,581	23,250,748
Empty run trips and other tariffs	13,121,826	11,372,482
Services provided by other transportation organisations	2,698,488	3,559,587
Operating lease rentals – rolling stock	1,333,561	1,249,183
Employee benefit expense	984,009	879,538
Repairs and maintenance	4,196,340	3,800,368
Depreciation of property, plant and equipment	4,823,635	5,031,328
Amortisation of intangible assets	1,078,225	1,078,436
Fuel and spare parts – locomotives	1,615,099	1,402,774
Engagement of locomotive crews	516,165	467,994
(Profit)/loss on sale of property, plant and equipment	(20,097)	21,017
Impairment of property, plant and equipment	140,734	223
Other expenses	614,126	675,590
	54,427,692	52,789,268

	2015 RUB'000	2014 RUB'000
Selling, marketing and administrative expenses		
Depreciation of property, plant and equipment	55,162	53,418
Amortisation of intangible assets	231	208
Loss on sale of property, plant and equipment	360	822
Employee benefit expense	2,481,843	2,356,252
Impairment charge of receivables	119,332	177,519
Operating lease rental – office	229,380	249,189
Auditors' remuneration	69,334	60,835
Legal, consulting and other professional fees	100,941	101,565
Advertising and promotion	26,383	25,079
Communication costs	43,234	48,328
Information services	27,368	45,623
Taxes (other than income tax and value added taxes)	911,696	951,072
Other expenses	477,937	466,480
	4,543,201	4,536,390

	RUB'000	RUB'000
Total expenses		
Depreciation of property, plant and equipment (Note 12)	4,878,797	5,084,746
Amortisation of intangible assets (Note 13)	1,078,456	1,078,644
Impairment of property, plant and equipment (Note 12)	140,734	223
Net (profit)/loss on sale of property, plant and equipment (Note 12)	(19,737)	21,839
Employee benefit expense (Note 8)	3,465,852	3,235,790
Impairment charge for receivables (Note 19)	119,332	177,519
Operating lease rentals – rolling stock	1,333,561	1,249,183
Operating lease rentals – office	229,380	249,189
Repairs and maintenance	4,196,340	3,800,368
Fuel and spare parts – locomotives	1,615,099	1,402,774
Engagement of locomotive crews	516,165	467,994
Infrastructure and locomotive tariffs:		
Loaded trips	23,325,581	23,250,748
Empty run trips and other tariffs	13,121,826	11,372,482
Services provided by other transportation organisations	2,698,488	3,559,587
Auditors' remuneration	69,334	60,835
Legal, consulting and other professional fees	100,941	101,565
Advertising and promotion	26,383	25,079
Communication costs	43,234	48,328
Information services	27,368	45,623
Taxes (other than income tax and value added taxes)	911,696	951,072
Other expenses	1,092,063	1,142,070
Total cost of sales, selling and marketing costs and administrative expenses	58,970,893	57,325,658

Note: The auditors' remuneration stated above includes fees of RUB 27,137 thousand (2014: RUB 13,875 thousand) for audit services charged by the Group'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 627 thousand for the year 2015 (RUB 153 thousand for the year 2014) in relation to fees paid to the Company's statutory auditor for tax consultancy services.

7. Other gains – net

	2015 RUB'000	2014 RUB'000
Other gains	19,074	47,862
Other losses	(87,377)	(29,373)
Net foreign exchange gains (Note 11)	154,020	12,107
Total other gains – net	85,717	30,596

8. Employee benefit expense

	2015 RUB'000	2014 RUB'000
Wages and salaries	1,770,316	1,648,625
Termination benefits	163,978	-
Bonuses	880,009	1,102,964
Share based payment expense (Note 15)	79,847	-
Social insurance costs	571,702	484,201
Total employee benefit expense	3,465,852	3,235,790

9. Finance income and costs

	2015 RUB'000	2014 RUB'000
Included in finance costs:		
Borrowings from third parties	(2,161)	(15,799)
Bank borrowings	(2,757,671)	(1,923,420)
Non-convertible bond	(193,621)	(1,099,531)
Finance leases	(1,178)	(34,493)
Total interest expense	(2,954,631)	(3,073,243)
Other finance costs	(41,566)	(19,440)
Total finance costs	(2,996,197)	(3,092,683)
Included in finance income:		
Loans receivables from third parties	4,887	992
Bank balances	96,333	40,919
Short term bank deposits	158,680	143,045
Total interest income	259,900	184,956
Other finance income	-	11,337
Total finance income	259,900	196,293
Net foreign exchange transaction losses on borrowings and other liabilities	(162,986)	(430,872)
Net foreign exchange transaction (losses)/gains on cash and cash equivalents and other monetary assets	(46,143)	539,451
Net foreign exchange transactions (losses)/gains from financing activities (Note 11)	(209,129)	108,579
Net finance costs	(2,945,426)	(2,787,811)

10. Income tax expense

	2015 RUB'000	2014 RUB'000
Current tax:		
Corporation tax	1,804,832	1,272,768
Withholding tax on dividends for which deferred tax had been recognised	195,000	407,500
Withholding tax on dividends for which no deferred tax was recognised	-	32,000
Total current tax	1,999,832	1,712,268
Deferred tax (Note 25):		
Origination and reversal of temporary differences	(680,314)	496,878
Impact of change in intention for distribution of profits by subsidiary	-	(18,703)
Impact of merger of subsidiary	(71,348)	-
Impact of change in Ukrainian tax rate	-	15,576
Total deferred tax	(751,662)	493,751
Income tax expense	1,248,170	2,206,019

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

	2015 RUB'000	2014 RUB'000
Profit before tax	5,550,057	2,777,272
Tax calculated at domestic tax rates applicable to profits in the respective countries	1,123,984	1,412,985
Tax effects of:		
Expenses not deductible for tax purposes	262,574	478,569
Allowances and income not subject to tax	(4,479)	(14,597)
Tax effect of revaluation of deferred tax at current tax rates	-	15,576
Tax effect of tax losses for which no deferred tax asset was recognised/ (Tax effect of utilisation of previously unrecognised tax losses)	780	(84,058)
Withholding tax on dividends for which no deferred tax was recognised	-	32,000
Derecognition of deferred tax asset previously recognised	-	206,544
Withholding taxes:		
Withholding tax incurred on distribution by Estonian subsidiary not previously provided for(1)	110,088	-
Dividend withholding tax provision (Note 25)	(173,429)	177,703
Impact of change in intention for distribution of profits by subsidiary on dividend withholding tax provision(2)	-	(18,703)
Impact of merger of subsidiary on dividend withholding tax provision (Note 25)(3)	(71,348)	-
Tax charge	1,248,170	2,206,019

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

(2) During the year ended 31 December 2014, following the merger of Ferrotrans OOO and Sevtekhnotrans OOO into GTI Management OOO, management reassessed their intention for distribution of dividends for this newly combined entity and concluded that it is no longer probable that dividend distributions in relation to prior period profits would be made out of this entity. Following this change in management's intention, deferred tax liability relating to withholding tax provision amounting to RUR 18,703 thousand was released to the income statement.

(3) During the year ended 31 December 2015, following the merger of Steeltrans, OOO into New Forwarding Company, AO the profits of Steeltrans, OOO as of the date of the merger are no longer available for distribution. As a result, deferred tax liability in relation to withholding tax provision amounting to RUR 71,348 thousand was released to the income statement.

The weighted average effective tax rate for the year ended 31 December 2015 was 22.5% (2014: 79.4%). Excluding the impact of the impairment charge of goodwill which had no tax implications for the Group, the weighted average effective tax rate for the year ended 31 December 2014 was 25.6%. The decrease in the weighted average annual income tax rate is due to certain reduction in provision of withholding tax on intra-group dividends which were paid on smaller amount in 2015 as compared to 2014 and also due to a change in the composition of the profitability of the Group by group entities operating in different tax jurisdictions.

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% (until 31 December 2014: 21%) of net dividend paid. During the year ended 31 December 2015, the Group incurred a charge of RUB 110,088 thousand (2014: RUB Nil) as a result of distribution of dividends distributed by an Estonian subsidiary. This constituted a non-recurring distribution by an Estonian subsidiary of the Group for which no deferred tax liability had been recognised in the past. No provision has been made for any future distributions from Estonian subsidiaries as it is not considered probable that any future dividend distributions will be made by the Estonian subsidiaries out of their retained earnings as of 31 December 2015.

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 and to 16% from January 2016.

The revision of tax code effective from 1 January 2015 had the following effects in the Ukrainian subsidiary of the Group: (i) Provisions for doubtful accounts receivable are no longer tax deductible and (ii) amortisation of the financial assets and liabilities is not included in list of differences between tax and accounting profits. Management interpretation is that such amortisation will be fully deductible and no temporary difference arises for deferred tax calculation purposes.

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.

11. Net foreign exchange (losses)/gains

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

	2015 RUB'000	2014 RUB'000
Finance income and costs (Note 9)	(209,129)	108,579
Other gains – net (Note 7)	154,020	12,107
	(55,109)	120,686

12. 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 2014					
Cost	88,206,436	303,499	168,402	770,667	89,449,004
Accumulated depreciation	(17,840,424)	(42,333)	(80,862)	(191,366)	(18,154,985)
Net book amount	70,366,012	261,166	87,540	579,301	71,294,019
Year ended 31 December 2014					
Opening net book amount	70,366,012	261,166	87,540	579,301	71,294,019
Additions	1,354,399	-	40,088	55,903	1,450,390
Disposals	(243,257)	-	(7,188)	(19,143)	(269,588)
Depreciation charge (Note 6)	(4,972,677)	(7,766)	(28,613)	(75,690)	(5,084,746)
Impairment charge (Note 6)	(223)	-	-	-	(223)
Transfer to inventories	(126,523)	-	-	-	(126,523)
Currency translation differences	4,073,222	4,011	6,101	34,095	4,117,429
Closing net book amount	70,450,953	257,411	97,928	574,466	71,380,758
At 31 December 2014					
Cost	93,861,283	314,076	204,501	838,921	95,218,781
Accumulated depreciation	(23,410,330)	(56,665)	(106,573)	(264,455)	(23,838,023)
Net book amount	70,450,953	257,411	97,928	574,466	71,380,758

	Rolling stock RUB'000	Land and buildings RUB'000	Motor vehicles RUB'000	Other RUB'000	Total RUB'000
At 1 January 2015					
Cost	93,861,283	314,076	204,501	838,921	95,218,781
Accumulated depreciation	(23,410,330)	(56,665)	(106,573)	(264,455)	(23,838,023)
Net book amount	70,450,953	257,411	97,928	574,466	71,380,758
Year ended 31 December 2015					
Opening net book amount	70,450,953	257,411	97,928	574,466	71,380,758
Additions	1,164,159	30,717	42,507	204,934	1,442,317
Disposals	(127,927)	-	(5,192)	(3,335)	(136,454)
Depreciation charge (Note 6)	(4,765,703)	(9,961)	(30,544)	(72,589)	(4,878,797)
Impairment charge (Notes 4 and 6)	(140,734)	-	-	-	(140,734)
Transfer to inventories	(162,095)	-	-	(45)	(162,140)
Currency translation differences	1,758,910	1,917	2,853	20,330	1,784,010
Closing net book amount	68,177,563	280,084	107,552	723,761	69,288,960
At 31 December 2015					
Cost	96,139,342	349,932	210,898	1,054,691	97,754,863
Accumulated depreciation	(27,961,779)	(69,848)	(103,346)	(330,930)	(28,465,903)
Net book amount	68,177,563	280,084	107,552	723,761	69,288,960

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

	2015 RUB'000	2014 RUB'000
Net book amount	136,454	269,588
Profit/(loss) on sale of property, plant and equipment (Note 6)	19,737	(21,839)
Consideration from sale of property, plant and equipment	156,191	247,749

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

	2015 RUB'000	2014 RUB'000
Cash consideration received within year	92,658	220,724
Movement in advances received in accounts payable for sales of property, plant and equipment	63,533	27,025
	156,191	247,749

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

	2015 RUB'000	2014 RUB'000
Cost – capitalised finance leases	2,968,899	3,269,958
Accumulated depreciation	(497,063)	(522,215)
	2,471,836	2,747,743

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

	2015 RUB'000	2014 RUB'000
Rolling stock(1)	2,471,836	2,747,743
	2,471,836	2,747,743

(1) Property, plant and equipment that are leased under finance leases as at 31 December 2015 include rolling stock, with a net carrying amount of RUB 2,163,158 thousand, pledged under finance leases that have been substantially repaid by the Group as at 31 December 2015. The relevant pledges on the rolling stock under these finance leases has not been released as of 31 December 2015, however 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 (excluding finance lease liabilities) are as follows (Note 24):

	2015 RUB'000	2014 RUB'000
Rolling stock	33,793,041	26,140,205

Depreciation expense of RUB 4,823,635 thousand in 2015 (2014: RUB 5,031,328 thousand) has been charged to “cost of sales” and RUB 55,162 thousand in 2015 (2014: RUB 53,418 thousand) has been charged to “selling, marketing and administrative expenses”. Impairment charge of RUB 140,734 thousand in 2015 (2014: 223 thousand) has been charged to “cost of sales”.

13. Intangible assets

	Goodwill RUB'000	Computer software RUB'000	Customer relationships RUB'000	Total RUB'000
At 1 January 2014				
Cost	5,828,085	17,477	6,780,826	12,626,388
Accumulated amortisation and impairment	-	(16,796)	(1,260,516)	(1,277,312)
Net book amount	5,828,085	681	5,520,310	11,349,076
Year ended 31 December 2014				
Opening net book amount	5,828,085	681	5,520,310	11,349,076
Amortisation charge (Note 6)	-	(414)	(1,078,230)	(1,078,644)
Additions	-	49	-	49
Impairment charge (1)	(5,828,085)	-	-	(5,828,085)
Closing net book amount	-	316	4,442,080	4,442,396
At 31 December 2014				
Cost	5,828,085	1,749	6,780,785	12,610,619
Accumulated amortisation and impairment	(5,828,085)	(1,433)	(2,338,705)	(8,168,223)
Net book amount	-	316	4,442,080	4,442,396
Year ended 31 December 2015				
Opening net book amount	-	316	4,442,080	4,442,396
Amortisation charge (Note 6)	-	(231)	(1,078,225)	(1,078,456)
Impairment charge (Note 4)	-	-	(996,160)	(996,160)
Write-off	-	(39)	-	(39)
Closing net book amount	-	46	2,367,695	2,367,741
At 31 December 2015				
Cost	5,828,085	1,272	6,780,787	12,610,144
Accumulated amortisation and impairment	(5,828,085)	(1,226)	(4,413,092)	(10,242,403)
Net book amount	-	46	2,367,695	2,367,741

The carrying amount of the customer relationships within the Russian gondola cars/operator's services cash-generating unit within the gondola cars/operator's services segment has been reduced to its recoverable amount through recognition of an impairment loss against customer relationships of RUB 996,160 thousand (2014: impairment loss against goodwill of RUB 5,828,085 thousand). This loss has been reported on the face of the income statement within operating profit.

Amortisation of RUB 1,078,225 thousand (2014: RUB 1,078,436 thousand) is included in ‘cost of sales’ in the income statement; RUB 231 thousand (2014: RUB 208 thousand) in ‘administrative expenses’.

(1) Impairment test for goodwill as of 31 December 2014

Management reviews the business performance based on type of rail cars and types of business. It has identified gondola cars and rail tank cars as the main types of rail cars and operator's services and operating lease as the main business activities of the Group. The entire balance of goodwill of the Group was allocated to Russian gondola cars/operator's services cash generating unit, which is included in the gondola cars/operator's services segment.

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.

As a result of the impairment assessment, an impairment charge of RUB 5,828,085 thousand was recognised during the year ended 31 December 2014 against the carrying amount of goodwill, following which, the entire amount of goodwill of the Group was impaired in full as of 31 December 2014. The impairment arose as a result of the general deterioration of the general industry market conditions, which resulted into a significant decrease in the revenue from the Russian gondola cars/operator's services cash generating unit and a reduction in the margins achieved.

The recoverable amount of this group of cash generating units as of 31 December 2014 was determined based on value-in-use calculations and was estimated at RUB 50,851,000 thousand.

These calculations were based on 7-year post-tax cash flow projections and all the assumptions in relation to growth rates were determined by reference to management's past experience and industry forecasts. Cash flows beyond the seven-year period were extrapolated using the estimated growth rates stated below. A 7-year period has been used in the value-in-use calculations in view of current volatile market and industry conditions. The growth rate did not exceed the long-term average growth rate for the operator's business in which the CGU operates.

For projections prepared for the Russian gondola cars/operator's services cash generating unit, terminal growth rate of 4.1% and discount rate of 17% for years 2015 and 2016 and 15.75% thereafter had been applied.

The terminal growth rate used was consistent with the forecasts included in industry reports. The discount rate used was post-tax and reflected specific risks relating to the relevant CGU.

The key assumptions were transportation volumes and prices per trip. 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 developments.

If the terminal growth rate had been 0.25% lower than management's estimates at 31 December 2014, the recoverable amount would decrease by approximately RUB 546,000 thousand, resulting into additional impairment in the remaining assets of the Russian gondola cars/operator's services cash generating unit in the corresponding amount.

If the discount rate had been 0.25% higher than management's estimates, the recoverable amount would decrease by approximately RUB 636,000 thousand, resulting into additional impairment in the remaining assets of the Russian gondola cars/operator's services cash generating unit in the corresponding amount.

If the railway transportation growth rate had been 1% lower than management's estimate, the recoverable amount would decrease by approximately RUB 1,660,000 thousand resulting into additional impairment in the remaining assets of the Russian gondola cars/operator's services cash generating unit in the corresponding amount.

14. Investments

14.1 Investment in associate

Set out below is the associate of the Group as at 31 December 2015 and 31 December 2014. The associate has share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also the associate's principal place of business.

	2015 RUB'000	2014 RUB'000
At beginning of year	110,182	83,228
Share of loss after tax	(53,739)	(12,164)
Currency translation difference	9,054	39,118
At end of year	65,497	110,182

Nature of investment in associate during 2015 and 2014:

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Daugavpils Lokomotivju Remonta Rupnica (DLRR)	Latvia	25.27	Associate	Equity

The fair value of the Group's share in the investment in associate based on the closing price quoted on Riga Stock Exchange as at 31 December 2015 is RUB 50,446 thousand (31 December 2014: RUB 43,259 thousand). However the market for these shares is not considered as active.

14.2 Principal subsidiaries

The Group had the following subsidiaries at 31 December 2015 and 31 December 2014:

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 (%)	
			2015	2014	2015	2014	2015	2014
New Forwarding Company, AO	Russia	Railway transportation	100	100	100	100	-	-
GTI Management, OOO[1]	Russia	Railway transportation	100	100	100	100	-	-
Steeltrans, OOO[2]	Russia	Railway transportation	-	100	-	100	-	-
Amalfico Holdings Limited[3]	Cyprus	Intermediary holding company	-	100	-	100	-	-
Ural Wagonrepair Company, ZAO[4]	Russia	Repair and maintenance of rolling stock	100	3	100	100	-	-
Ukrainian New Forwarding Company OOO	Ukraine	Railway transportation	100	100	100	100	-	-
BaltTransServis, OOO[5]	Russia	Railway transportation	60	60	60	60	40	40
RemTransServis, OOO[6]	Russia	Repair and maintenance of rolling stock	-	-	59,4	59,4	40,6	40,6
SyntezRail LLC[7]	Russia	Railway transportation	-	-	60	100	40	-
SyntezRail Ltd[7]	Cyprus	Intermediary holding company	60	100	60	100	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[8]	Finland	Operating sub-lease of rolling stock	-	-	65,25	65,25	34,75	34,75
Spacecom Trans AS	Estonia	Operating lease of rolling stock	65	65	65	65	35	35

1 GTI Management, OOO was formed during the year ended 31 December 2014 as a result of a merger of the 100% subsidiaries of the Group, Sevtekhnotrans, OOO and Ferrotrans, OOO. No gains or losses were recognised with respect to this transaction.

2 During the year ended 31 December 2015, Steeltrans, OOO was merged with New Forwarding Company, AO. No gains or losses were recognised with regards to this transaction.

3 Amalfico Holding Limited was liquidated in January 2015.

4 During 2014, the Company acquired the remaining 3% interest in Ural Wagonrepair Company ZAO (Note 16). As a result, as of 31 December 2014, the Company had a 3% direct ownership in the subsidiary with the remaining 97% held by Steeltrans, OOO. During 2015, the Company acquired from Steeltrans, OOO the 97% of Ural Wagonrepair Company ZAO, resulting in a 100% direct ownership for the Company in the subsidiary.

5 BalttransServis, OOO was held through intermediate holding entities, Ingulana Holdings Limited and Ultracare Holdings Limited. A restructuring took place in 2014 following which BalttransServis, OOO is held directly by the Company. The two intermediate holding entities were disposed in December 2014. No gains or losses arose with regards to this transaction.

6 RemTransServis, OOO is a 59,4% subsidiary of BalttransServis, OOO.

7 SyntezRail LLC and SyntezRail Ltd were incorporated in 2014 and started activity in December 2014. During 2015 the Group disposed 40% of its shareholding in SyntezRail Ltd and SyntezRail LLC to a third party (Note 16).

8 Ekolinja Oy is a 100% subsidiary of Spacecom AS.

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 2015 and 31 December 2014 comprised the following:

	2015 RUB'000	2014 RUB'000
BaltTransservis, OOO (including RemTransservis, OOO)	2,243,717	2,488,800
Spacecom AS (including Ekolinja Oy)	3,801,476	3,466,270
Spacecom Trans AS	1,131,381	972,245
SyntezRail, OOO; SyntezRail Limited	7,945	-
Total	7,184,519	6,927,315

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. See Note 16 for transactions with non-controlling interests. 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 and in year 2014 also includes Ingulana Holdings Limited and Ultracare Holdings Limited.

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	
	2015 RUB'000	2014 RUB'000	2015 RUB'000	2014 RUB'000
Current				
Assets	4,776,758	5,229,373	636,656	793,142
Liabilities	2,369,145	2,349,694	369,251	546,069
Total current net assets	2,407,613	2,879,679	267,405	247,073
Non-current				
Assets	4,765,595	6,403,146	14,184,860	12,672,534
Liabilities	1,563,915	3,060,824	358,002	248,901
Total non-current net assets	3,201,680	3,342,322	13,826,858	12,423,633
Net assets	5,609,293	6,222,001	14,094,263	12,670,706

Summarised income statement				
	BaltTransservis OOO		Spacecom AS – Spacecom Trans AS	
	2015 RUB'000	2014 RUB'000	2015 RUB'000	2014 RUB'000
Revenue	29,945,108	28,718,637	1,958,285	2,750,692
Profit before income tax	7,034,609	5,514,998	(31,111)	662,690
Income tax expense	(1,432,454)	(1,118,942)	(110,088)	-
Post-tax profit from continuing operations	5,602,155	4,396,056	(141,199)	662,690
Post-tax profit from discontinued operations	-	-	-	-
Other comprehensive income	-	-	2,234,149	4,291,120
Total comprehensive income	5,602,155	4,396,056	2,092,950	4,953,810
Total comprehensive income allocated to non-controlling interests	2,240,862	1,758,422	728,568	1,733,834
Dividends paid to non-controlling interest	(2,600,000)	(2,306,714)	(153,022)	-

Summarised cash flow statements				
	BaltTransservis OOO		Spacecom AS – Spacecom Trans AS	
	2015 RUB'000	2014 RUB'000	2015 RUB'000	2014 RUB'000
Cash flows from operating activities				
Cash generated from operations	7,916,868	5,993,996	716,861	1,312,729
Income tax paid	(1,557,628)	(1,070,331)	(73,688)	(20,290)
Net cash generated from operating activities	6,359,240	4,923,665	643,173	1,292,439
Net cash generated from/(used in) investing activities	788,707	(896,004)	(134,940)	1,464
Net cash generated used in financing activities	(7,901,576)	(3,263,296)	(470,952)	(1,455,899)
Net (decrease)/ increase in cash and cash equivalents	(753,629)	764,365	37,281	(161,996)
Cash and cash equivalents at beginning of year	2,413,621	1,484,611	41,849	177,402
Exchange differences on cash and cash equivalents	(58,851)	164,645	18,068	26,367
Cash and cash equivalents at end of year	1,601,141	2,413,621	97,198	41,773

The information above is the amount before inter-company eliminations.

15. Share-based payments

Starting 1 January 2015, the Group has introduced a new remuneration program for some of the members of management, including members of key management of the Group. The new remuneration program introduces, amongst other things, a three year compensation scheme in accordance to which, members of management receive a yearly cash compensation calculated based on the weighted average market quotations of the GDRs of the Company. This compensation is set for a three year period and divided on three instalments to be paid after the end of each assessment period which equals to one year. The award is 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 falls within the scope of IFRS 2 "Share-based payment" and has therefore been classified as a cash-settled share based payment arrangement.

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 has recognised an employee benefit expense and a corresponding share based payment liability of RUB 79,847 thousand in this respect for the year ended 31 December 2015. No share-based compensation was paid during the year ended 31 December 2015.

The share based payment liability as of 31 December 2015 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 fair 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 of USD 4.55 and the weighted average USD/RUB exchange of 61.319. There were no changes in the number of instruments over the year ended 31 December 2015.

16. Transactions with non-controlling interests

(a) Acquisition of non-controlling interests in subsidiaries

On 27 February 2014, the Group acquired the remaining 3% in ZAO Ural Wagonrepair Company for a total consideration of RUB 2,433 thousand resulting in a 100% ownership in the subsidiary. The difference between the consideration paid and the carrying amount of the non-controlling interest, amounting to (RUB 20,169 thousand), was recognised as a charge in retained earnings.

(b) Disposal of interest in a subsidiary without loss of control

On 20 February 2015, the Group disposed 40% interest in SyntezRail Limited for a total consideration of RUB 198 thousand. The difference between the consideration received and the carrying amount of the non-controlling interest, amounting to RUB 6,807 thousand, was recognised in retained earnings.

17. Financial instruments by category

	2015		2014	
	Loans and receivables RUB'000	Total RUB'000	Loans and receivables RUB'000	Total RUB'000
Financial assets as per balance sheet				
Trade and other receivables	2,639,945	2,639,945	2,822,633	2,822,633
Cash and cash equivalents	4,104,079	4,104,079	4,647,787	4,647,787
Total	6,744,024	6,744,024	7,470,420	7,470,420

Note: trade and other receivables do not include prepayments and taxes.

	2015		2014	
	Financial liabilities measured at amortised cost RUB'000	Total RUB'000	Financial liabilities measured at amortised cost RUB'000	Total RUB'000
Financial liabilities as per balance sheet				
Borrowings	20,359,060	20,359,060	28,306,138	28,306,138
Trade and other payables	767,413	767,413	798,154	798,154
Total	21,126,473	21,126,473	29,104,292	29,104,292

Note: trade and other payables do not include advances, statutory liabilities and provisions for employees' benefits.

18. Credit quality of financial assets

The credit quality of financial assets that are neither past due or impaired can be assessed by reference to external credit rating, if available. For accounts receivable with no external credit rating available management assesses credit quality by reference to the prior history of working with customers. Customers with longer history of working with the Group are regarded by management as having lower risk of default.

The credit quality of financial assets that are 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:

	2015 RUB'000	2014 RUB'000
Trade and other receivables		
Counterparties with external credit rating		
Moody's[2](B1 - Ba2)	27,108	567,672
Fitch[4] (Ba1)	-	5,248
Fitch[4] (B- - BB+)	209,344	4,390
	236,452	577,310

	2015 RUB'000	2014 RUB'000
Counterparties without external credit rating		
Group 1	1,292,352	1,308,169
Group 2	45,335	52,669
	1,337,687	1,360,838
Total trade and other receivables	1,574,139	1,938,148

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.

Cash at bank and short-term bank deposits

	Rating	2015 RUB'000	2014 RUB'000
Moody's [2]	Aaa - A1	169,998	65,083
Moody's [2]	Baa1 - B3	2,187,179	4,377,087
Moody's [2]	Caa1 - Caa3	20,496	1,621
Standard & Poor's [3]	B - BBB+	1,249,797	194,998
Fitch [4]	BBB- BBB+	472,421	5,876
Other non-rated banks – satisfactory credit quality		3,457	1,915
Total cash at bank and bank deposits[1]		4,103,348	4,646,580

[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

19. Trade and other receivables

	2015 RUB'000	2014 RUB'000
Trade receivables – third parties	2,895,970	3,033,978
Trade receivables – related parties (Note 30)	7,611	8,680
Less: Provision for impairment of trade receivables	(367,909)	(315,345)
Trade receivables – net	2,535,672	2,727,313
Other receivables	79,752	119,114
Other receivables – related parties (Note 30)	-	1,557
Less: Provision for impairment of other receivables	(29,500)	(45,476)
Other receivables – net	50,252	75,195
Loans receivables – third parties	54,021	20,125
Prepayments – related parties (Note 30)	-	50,054
Prepayments – third parties	2,226,932	3,066,889
VAT recoverable	531,459	794,127
	5,398,336	6,733,703

	2015 RUB'000	2014 RUB'000
Less non-current portion:		
Loans receivables – third parties	49,087	2,462
Prepayments for property, plant and equipment	52,177	29,771
Total non-current portion	101,264	32,233
Current portion	5,297,072	6,701,470

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

Receivables amounting to RUB 1,574,139 thousand as of 31 December 2015 were fully performing (2014: RUB 1,938,148 thousand).

Receivables of RUB 1,065,806 thousand as of 31 December 2015 were past due but not impaired (2014: RUB 884,485 thousand). These relate to a number of independent customers for whom there is no history of either non repayment in the past or renegotiation of the repayment terms due to inability of the customer to repay the balance. Trade receivables are impaired only when there is an indication that the customer is unable to repay the balance.

The ageing analysis of past due trade receivables is as follows:

	2015 RUB'000	2014 RUB'000
Less than 1 month	598,337	362,682
From 1 to 3 months	119,175	271,689
From 3 to 6 month	36,278	129,031
From 6 months to 1 year	258,851	70,413
Over one year	53,165	50,670
	1,065,806	884,485

Trade receivables amounting to RUB 367,909 thousand as of 31 December 2015, were impaired and provided for in full (2014: RUB 315,345 thousand). The individually impaired receivables mainly relate to customers for railway services, which are in unexpectedly difficult economic situation. It was assessed that no portion of these receivables is expected to be recovered.

Other receivables amounting to RUB 29,500 thousand as of 31 December 2015, were impaired and provided for in full (2014: RUB 45,476 thousand). It was assessed that no portion of these receivables is expected to be recovered.

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

	2015 RUB’000	2014 RUB’000
Currency:		
US Dollar	560,562	538,690
Russian Roubles	4,752,259	6,130,743
Ukrainian Hryvnia	15,999	46,959
Euro	18,656	17,311
Other	50,860	-
	5,398,336	6,733,703

Movements on the Group’s provision for impairment of trade and other receivables are as follows:

	2015			2014		
	Trade receivables RUB’000	Other receivables RUB’000	Total RUB’000	Trade receivables RUB’000	Other receivables RUB’000	Total RUB’000
At 1 January	315,345	45,476	360,821	376,126	41,806	417,932
Provision for receivables impairment (Note 6)	71,952	31,707	103,659	137,197	54,574	191,771
Bad debt written off	(15,541)	(44,490)	(60,031)	(179,647)	(53,841)	(233,488)
Unused amounts reversed (Note 6)	(288)	(59)	(347)	(2,741)	(11,511)	(14,252)
Unwind of discount	-	-	-	(12,505)	-	(12,505)
Currency translation	(6,482)	41	(6,441)	11,363	-	11,363
Other	2,923	(3,175)	(252)	(14,448)	14,448	-
At 31 December	367,909	29,500	397,409	315,345	45,476	360,821

The creation and release of provision for impaired receivables have been included in “selling and marketing expenses” in the income statement (Note 6). 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.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group does not hold any collateral as security for any receivables.

20. Inventories

	2015 RUB’000	2014 RUB’000
Raw materials, spare parts and consumables	722,381	735,694
	722,381	735,694

All inventories are stated at cost.

21. Cash and cash equivalents

	2015 RUB’000	2014 RUB’000
Cash at bank and in hand	1,552,299	2,858,277
Short term bank deposits	2,551,780	1,789,510
Total cash and cash equivalents	4,104,079	4,647,787

The effective interest rate on short-term deposits was 8.26% in 2015 (2014: 11.69%) and these deposits have a maturity of 1 to 44 days (2014: 1 to 12 days).

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

	2015 RUB'000	2014 RUB'000
Cash and cash equivalents	4,104,079	4,647,787
Total cash and cash equivalents	4,104,079	4,647,787

Cash and cash equivalents are denominated in the following currencies:

	2015 RUB'000	2014 RUB'000
Russian Rouble	3,179,710	3,818,189
US Dollar	903,833	810,402
Euro	5,298	16,859
Ukrainian Hryvnia	15,238	2,337
Total cash and cash equivalents	4,104,079	4,647,787

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

22. Share capital and share premium

	Number of shares	Share capital USD'000	Share premium USD'000	Total USD'000
At 1 January 2014 /31 December 2014 / 1 January 2015 / 31 December 2015	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 2014 /31 December 2014 / 1 January 2015 / 31 December 2015	178,740,916	516,957	27,929,478	28,446,435

The total authorised number of ordinary shares at 31 December 2015 was 233,918,128 shares with a par value of US$0.10 per share (31 December 2014: 233,918,128 shares with a par value of US$0.10 per share. All issued shares are fully paid.

23. Dividends

No interim dividends were declared by the Board of Directors during the year ended 31 December 2014 and 31 December 2015.

On 30 March 2016, the Board of Directors of the Company recommended a payment of dividend in relation to the financial year ended 31 December 2015 in the amount of 12.41 Russian Roubles per ordinary share, amounting to a total dividend of RUB 2,218,175 thousand to be paid in US Dollars at the rate as at the date of Annual General Meeting.

During the years ended 31 December 2015 and 2014, the Group declared and paid dividends in favour of non-controlling interests as detailed in the table below.

	2015 RUB'000	2014 RUB'000
Dividends declared to equity holders of the Company	-	3,981,615
Dividends paid to equity holders of the Company	-	3,983,892
Dividends declared to non-controlling interest	2,753,022	2,306,714
Dividends paid to non-controlling interest	2,696,490	2,306,714

24. Borrowings

	2015 RUB'000	2014 RUB'000
Current		
Bank borrowings	9,294,389	7,296,288
Non-convertible unsecured bonds	-	10,772,293
Finance lease liabilities	95	187,642
Total current borrowings	9,294,484	18,256,223
Non-current		
Bank borrowings	11,040,278	10,031,715
Loans from third parties	24,264	18,104
Finance lease liabilities	34	96
Total non-current borrowings	11,064,576	10,049,915
Total borrowings	20,359,060	28,306,138
Maturity of non-current borrowings (excluding finance lease liabilities)		
Between 1 and 2 years	4,811,847	6,722,324
Between 2 and 5 years	6,252,695	3,327,495
	11,064,542	10,049,819

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.

	2015 RUB'000	2014 RUB'000
Finance lease liabilities – minimum lease payments		
Not later than 1 year	97	188,720
Later than 1 year and not later than 5 years	34	96
Future finance charges of finance leases	(2)	(1,078)
Present value of finance lease liabilities	129	187,738
The present value of finance lease liabilities is as follows:		
Not later than 1 year	95	187,642
Later than 1 year and not later than 5 years	34	96
	129	187,738

Bank borrowings

Bank borrowings mature by 2020 and bear average interest of 11.98% per annum (2014: 10.59% per annum).

There were no defaults or breaches of loan terms during the years ended 31 December 2015 and 31 December 2014.

The current and non-current bank borrowings amounting to RUB 8,921,923 thousand and RUB 10,209,509 thousand respectively (2014: RUB 7,296,288 thousand and RUB 10,031,715 thousand respectively) are secured by pledge of rolling stock with a carrying net book value of RUB 33,793,041 thousand (2014: RUB 26,140,205 thousand) (Note 12).

Non-convertible bonds

During 2010, AO New Forwarding Company ("NFC") issued non-convertible Russian rouble denominated bonds for a total amount of RUB 3 billion. The bonds carried coupon rate of 9.25%, were repayable over 20 quarterly periods and had an amortising structure with final maturity in July 2015.

Additionally, in March 2012, NFC issued 3-year Russian rouble denominated exchange-traded bonds for a total amount of RUB10 billion at a coupon rate of 10.00% per annum and maturity in March 2015. The bonds were traded on MICEX SE in Moscow.

During 2015 all bonds have been redeemed in full. The Company acted as the guarantor for both bond issues.

Loans from third parties

Loans from third parties are unsecured, bear interest at 10% p.a. and mature in October 2017.

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:

	2015 RUB'000	2014 RUB'000
6 months or less	5,004,688	15,186,222
6 to 12 months	4,347,876	3,884,093
1 to 5 years	11,006,496	9,235,823
	20,359,060	28,306,138

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

	Carrying amount		Fair value	
	2015 RUB'000	2014 RUB'000	2015 RUB'000	2014 RUB'000
Bank borrowings	20,334,667	17,328,003	20,106,213	14,910,427
Loans from third parties	24,264	18,104	24,264	14,727
Non-convertible unsecured bonds	-	10,772,293	-	10,434,340
Finance lease liabilities	129	187,738	42	187,738
	20,359,060	28,306,138	20,130,519	25,547,232

The fair value of non-convertible unsecured bonds was based on quoted market prices. Fair values of the remaining borrowings were determined using valuation techniques.

As at 31 December 2015 and 31 December 2014 the estimated fair value of fixed and floating interest rate instruments with stated maturity denominated in a currency other than the Russian Rouble was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

The fair value as at 31 December 2015 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 2015. In the absence of similar Russian Rouble denominated instruments entered into by the Group close to 31 December 2014, due to the adverse fluctuation of interest rates, the fair value as at 31 December 2014 of fixed interest rate instruments with stated maturity denominated in Russian Rouble was estimated based on expected cash flows discounted at an estimated rate of Mosprime [(1)] plus a margin. Such rate was management's best estimate of the interest rate it would achieve had it entered into a similar instrument as at the year end. The discount rates used ranged from 12.30% p.a to 13.15 % p.a. (2014: 20.14% p.a to 25.02% p.a.) depending on the length and currency of the liability.

The fair value measurement of the bank borrowings, loans from third parties and lease liabilities are within level 2 of the fair value hierarchy (2014: level 2 for US Dollar denominated; level 3 for Russian Rouble denominated debt)

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 fair value of non-convertible bonds, which were listed on MICEX [(2)], was based on the latest quoted price for such bonds which was within level 1 of the fair value hierarchy.

[(1)] MosPrime (Moscow Prime Offered Rate) is the National Foreign Exchange Association fixing of reference rate based on the offered rates of Russian Rouble deposits.
[(2)] Moscow Interbank Currency Exchange

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

	2015 RUB'000	2014 RUB'000
US Dollar	129	592,156
Russian Rouble	20,358,931	27,713,982
	20,359,060	28,306,138

The Group has the following undrawn borrowing facilities:

	2015 RUB'000	2014 RUB'000
Floating rate:		
Expiring within one year	-	650,000
Expiring beyond one year	1,000,000	-
Fixed rate:		
Expiring within one year	1,076,000	650,000
Expiring beyond one year	17,500,000	20,602,000
	19,576,000	21,902,000

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

	2015 %	2014 %
Bank borrowings	12.0	10.6
Non-convertible unsecured bonds	-	9.96
Loans from third parties	10.0	10.0
Finance lease liabilities	2.5	2.3

25. 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 offset amounts are as follows:

	2015 RUB'000	2014 RUB'000
Deferred tax liabilities - net:		
- Deferred tax liability to be recovered after more than 12 months	4,713,244	5,306,502
- Deferred tax liability to be recovered within 12 months	(257,496)	(99,092)
Deferred tax liabilities	4,455,748	5,207,410

The gross movement on the deferred income tax account is as follows:

	2015 RUB'000	2014 RUB'000
Beginning of year	5,207,410	4,710,052
Income statement (credit)/charge (Note 10)	(751,662)	493,751
Currency translation differences	-	3,607
End of year	4,455,748	5,207,410

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 2014	3,266,044	632,348	1,163,993	5,062,385
Charged/(credited) to:				
Income statement (Note 10)	814,950	(158,999)	(275,528)	380,423
Currency translation differences	(2,165)	-	-	(2,165)
At 31 December 2014 / 1 January 2015	4,078,829	473,349	888,465	5,440,643
Charged/(credited) to:				
Income statement (Note 10)	186,492	(244,777)	(414,933)	(473,218)
Currency translation differences	(2,657)	-	-	(2,657)
At 31 December 2015	4,262,664	228,572	473,532	4,964,768

Deferred tax assets	Tax losses RUB'000	Lease liability RUB'000	Trade and other payables RUB'000	Borrowings RUB'000	Other assets/ liabilities RUB'000	Total RUB'000
At 1 January 2014	-	(88,125)	(102,635)	(29,051)	(132,522)	(352,333)
Charged/(credited) to:						
Income statement (Note 10)	-	41,483	20,743	29,051	22,051	113,328
Currency translation differences	-	-	-	-	5,772	5,772
At 31 December 2014 / 1 January 2015	-	(46,642)	(81,892)	-	(104,699)	(233,233)
Charged/(credited) to:						
Income statement (Note 10)	(134,373)	33,628	(31,688)	(105,471)	(40,540)	(278,444)
Currency translation differences	-	-	-	-	2,657	2,657
At 31 December 2015	(134,373)	(13,014)	(113,580)	(105,471)	(142,582)	(509,020)

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 RUR 381,385 thousand for tax losses amounting to RUR 3,579,829 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 (2014: RUR 2,486,791).

Deferred income tax liabilities of RUB 3,531,476 thousand (2014: RUB 3,312,499 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 28,382,638 thousand as at 31 December 2015 (2014: RUB 23,736,246 thousand).

26. Trade and other payables

	2015 RUB'000	2014 RUB'000
Current		
Trade payables to third parties	691,211	704,703
Trade payables to related parties (Note 30)	-	10,796
Other payables to third parties	575,113	674,914
Accrued expenses	134,584	256,579
Accrued key management compensation, including share based payment (Note 30)	442,778	276,390
Advances from customers for transportation services	1,743,476	3,317,004
Advances from related parties for sale of rail cars (Note 30)	-	5,260
Dividends payable to non-controlling interest	56,532	-
	3,643,694	5,245,646

	2015 RUB'000	2014 RUB'000
Non-current		
Other payables to third parties	-	13,278
Accrued key management compensation, including share based payment (Note 30)	61,053	-
	61,053	13,278

Note: advances from customers and related parties consist of prepayments received in accordance with contracts on transportation services.

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

27. 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.

	2015	2014
Profit/(loss) attributable to equity holders of the company (RUB thousand)	1,982,956	(1,415,739)
Weighted average number of ordinary shares in issue (thousand)	178,741	178,741
Basic and diluted earnings/(losses) per share (expressed in RUB per share) attributable to the equity holders of the Company during the year	11.09	(7.92)

28. Contingencies

Operating environment

The Group and its subsidiaries operate in the Russian Federation, Estonia 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. During 2015 the Russian economy was negatively impacted by low oil prices, ongoing political tension in the region and continuing international sanctions against certain Russian companies and individuals, all of which contributed to the country's economic recession characterised by a decline in gross domestic product. The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Russia's credit rating was downgraded to below investment grade. This operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

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 to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). 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 believes that its pricing policy used in 2014 and 2015 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 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 outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. 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. In 2014, the Controlled Foreign Company (CFC) legislation introduced Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties). Starting from 2015, CFC income is subject to a 20% tax rate.

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

Estonia

Estonia represents a well-developed market economy with stable political systems and developed legislation based on EU requirements and regulations.

Ukraine

The recent political and economic instability in Ukraine has continued in 2015 and has led to a deterioration of State finances, volatility of financial markets, illiquidity on capital markets, higher inflation and a depreciation of the national currency against major foreign currencies.

As at the date of this report the official exchange rate of Hryvnia against US Dollar was UAH 26.44 per USD 1, compared to UAH 24.00 per USD 1 as at 31 December 2015 (31 December 2014: UAH 15.77 per USD 1). To constrain further devaluation of Hryvnia the National Bank of Ukraine has imposed a number of restrictions on operations with foreign currency including: a temporary ban on payment of dividends in foreign currency; a temporary ban on early repayment of debts to non-residents; mandatory sale of 75% of revenue in foreign currency and other restrictions on cash and non-cash operations. The central bank of Ukraine prolonged these restrictions several times during 2015 and the current restrictions are effective until 8 June 2016.

Devaluation of the national currency created pressure on consumer price index. The official inflation rate in Ukraine for 2015 reached 43.3%.

On 11 March 2015 the IMF Executive Board approved a four-year Extended Fund Facility (“EFF”) programme for Ukraine exceeding USD 17 billion. During 2015 Ukraine obtained first and second tranches in accordance with the programme in the amount of USD 5 billion and USD 1.7 billion, respectively. In October 2015, Ukraine reached an agreement with the majority of its creditors for restructuring of part of the national external debt in the amount of USD 15 billion. The restructuring pushes out maturities of restructured debt to 2019-2027, fixing annual interest rate at the level of 7.75% and includes exchange of 20% of the debt into GDP warrants at par value of USD 2.9 billion. There remains a significant portion of debt for which a restructuring has not been agreed to.

After reaching the above restructuring agreement on external debt with the majority of its creditors, the credit rating of Ukraine has improved. Further disbursements of IMF tranches depend on the implementation of Ukrainian government reforms, and other economic, legal and political factors.

The banking system is fragile due to its: weak level of capital; its weakening asset quality caused by the economic situation; currency depreciation; and other factors.

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 2015 and 31 December 2014 (Note 24).

Indemnification received in relation to financial guarantee

During the year 2014 the Group received an indemnification of RUB 78.400 thousand in relation to a financial guarantee contract entered into by Steeltrans OOO, a subsidiary of the Group, before its acquisition by the Group in 2013. Steeltrans OOO was a guarantor in two lease agreements entered into by a third party who defaulted on its payments. The default of the lessee in the arrangement and the requirement for the Group to compensate the lessor formed a breach of the warranties entered into in the share purchase agreement for Steeltrans OOO. As a result the Group was compensated by the amount of RUB 78.400 thousand from the previous shareholder of Steeltrans OOO. The guarantee was settled in full as of 31 December 2014 and no loss arose for the Group.

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 year ended 31 December 2015, the Company's subsidiaries were involved as a claimants and defendants in a number of court proceedings.

Federal Antimonopoly Service of the Russian Federation case

In March 2013 the Federal Antimonopoly Service of the Russian Federation ("FAS Russia") initiated a legal proceeding suggesting a possible violation of the Federal Law "On protection of competition" by OJSC "Russian Railways" and several other railway-operator companies, including the Company's subsidiaries OAO New Forwarding Company and OOO Ferrotrans (merged with Sevtekhnotrans, OOO into GTI Management, OOO during 2014). The defendants were accused on establishment of cartel agreement and coordination of economic activity through the creation of a pool of the largest railway-operator companies operating in Kemerovo region. Several court hearings have been held in 2013, 2014 and 2015. In December 2013, FAS Russia claimed penalties from OAO New Forwarding Company and OOO Ferrotrans as administrative fines in the total amount of RUB 130,926 thousand. These administrative fines include an amount of RUB 57,892 thousand which has been charged to OOO Ferrotrans for which the Group is indemnified from Metalloinvest Group (the previous owner of the subsidiary).

In June 2015, the Moscow arbitrary court denied the legal proceeding initiated by FAS Russia. This was confirmed by higher instance Arbitrary Court in September 2015 and in December 2015. FAS Russia has sent an appeal, which is currently in process.

Management believes that the Group has not executed any actions resulting in violation of antimonopoly legislation. As at 31 December 2014 the Group has made a provision of RUB 5,482 thousand against the potential fines stipulated by the Russian Legislation should the offence be proved in Court and as at 31 December 2015 the Group has reversed the provision.

Georgian Railways case

As at 31 December 2015 the Group has outstanding receivable amounting to EUR 3,231 thousand (RUB 257,501 thousand) from Georgian Railway relating to invoices issued prior to 1 April 2015. The Georgian Railways dispute the tariffs applied in computing the outstanding balance and thus has 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 of RUB 257,501 thousand as well as additional penalties and interest. Whereas the Group has not recognised any penalties or interest income on this receivable balance, management considers that the receivable amount remains recoverable as at 31 December 2015 and thus no provision has been recognised in this respect.

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

The Group issued additional invoices of EUR 1,555 thousand (RUB 105,127 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 is not probable that future economic benefits will flow to the Group. Furthermore, Georgian Railways have issued invoices amounting to EUR 5,669 thousand (RUB 451,103 thousand) claiming compensation for storage costs incurred during the period the rail cars remained in Georgia. Management considers that there is no legal basis for the issuance of these invoices from Georgian Railways. No legal claims have been initiated by Georgian Railways in this respect. Management cannot estimate with sufficient certainty what the outcome of the above case will be since the court case is still in its early stages.
In the opinion of management, there are no other legal proceedings or other claims outstanding, as of 31 December 2015 and 2014 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.

29. Commitments

(a) Capital commitments

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

	2015 RUB'000	2014 RUB'000
Property, plant and equipment	124,739	2,103

(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 6.

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

	2015 RUB'000	2014 RUB'000
Not later than 1 year	425,896	628,870
Later than 1 year not later than 5 years	3,030	16,495
	428,926	645,365

(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:

	2015 RUB'000	2014 RUB'000
Not later than 1 year	443,403	916,399
Later than 1 year not later than 5 years	51,141	-
	494,544	916,399

Contingent-based rents recognised in the income statement were RUB Nil for the year ended 31 December 2015 (2014: RUB Nil).

30. Related party transactions

Marigold Investments, Onyx Investments and Maple Valley Investments, are Company's shareholders with a direct shareholding as at 31 December 2014 and as at 31 December 2015 of 11.5% each.

As at 31 December 2014, Litten Investments Limited and Goldriver Resources Limited, both controlled by members of key management of the Group have a shareholding in the Company of 6.3% and 4.5% respectively through ordinary shares and GDRs. As from November 2015, Goldriver Resources Limited is not a related party to the Group. As of 31 December 2015, Litten Investment Limited, controlled by a member of key management of the Group has a shareholding in the Company of 6,3%.

As at 31 December 2015. 59% (31 December 2014: 54.5%) of the shares represent the free market-float of Global Depository Receipts and ordinary shares held by investors not affiliated or associated with the Company and therefore includes ordinary shares and GDRs held by Goldriver Resources Limited. The remaining 0.2% (31 December 2014: 0.2%) 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

	2015 RUB'000	2014 RUB'000
Sales of services:		
Associate	1,326	-
Other related parties:		
Entities under significant influence of members of key management	519	921
	1,845	921

(b) Purchases of goods and services

	2015 RUB'000	2014 RUB'000
Purchases of services:		
Other related parties		
Entities under significant influence of members of key management	209,022	241,909
	209,022	241,909

(c) Additions and disposals of property, plant and equipment

	2015 RUB'000	2014 RUB'000
Additions:		
Entities under significant influence of members of key management	22,329	7,751
	22,329	7,751

Profit on disposal of property, plant and equipment:		
Entities under significant influence of members of key management	1,199	1,318
	1,199	1,318

(d) Key management compensation

	2015 RUB'000	2014 RUB'000
Key management salaries and other short term employee benefits(1)	956,041	669,363
Share based compensation (Note 15)	79,847	-
	1,035,888	669,363

(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 229,823 thousand (2014: RUB 116,172 thousand).

(e) Year-end balances arising from sales/purchases of goods/services

	2015 RUB'000	2014 RUB'000
Trade receivable from related parties (Note 19):		
Associate	7,611	8,075
Other related parties		
Entities under significant influence of members of key management	-	605
	7,611	8,680
Other receivables from related parties (Note 19):		
Other related parties		
Entities under significant influence of members of key management	-	1,557
	-	1,557
Prepayments to related parties (Note 19):		
Other related parties		
Entities under significant influence of members of key management	-	50,054
	-	50,054

	2015 RUB'000	2014 RUB'000
Trade payables to related parties (Note 26):		
Other related parties		
Entities under significant influence of members of key management	-	10,796
	-	10,796
Advances from related parties (Note 26):		
Other related parties		
Entities under significant influence of members of key management	-	5,260
	-	5,260
Accrued key management remuneration (Note 26):		
Accrued salaries and other short term employee benefits	423,984	276,390
Share based payment liability (Note 15)	79,847	-
	503,831	276,390

(g) Operating lease commitments – Group as lessee

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

	2015 RUB'000	2014 RUB'000
Not later than 1 year	-	74,008
Later than 1 year and not later than 5 years	-	16,496
	-	90,504

Operating lease commitments with 'other related parties' were to entities under significant influence of members of key management.

31. Events after the balance sheet date

On 30 March 2016, the Board of Directors of the Company recommended a payment of dividend in relation to the financial year ended 31 December 2015 in the amount of 12.41 Russian Roubles per ordinary share, amounting to a total dividend of RUB 2,218,175 thousand to be paid in US Dollars at the rate as at the date of Annual General Meeting.

Mr Valery Shpakov, who has been acting as interim CEO since 6 November 2015 has been appointed as the new CEO of the Group on 30 March 2016.

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 8 to 9.