Globaltrans Investment PLC

Consolidated Management report and consolidated financial statements for the year ended 31 December 2019

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Consolidated Management report and consolidated financial statements for the year ended 31 December 2019

Board of Directors and other officers

Board of Directors

Dr. Johann Franz Durrer
Senior Independent Non-Executive Director since 24 May 2019
Chairman of the Remuneration Committee
Chairman of the Nomination Committee (Member of the Nomination Committee till 24 May 2019)

Vasilis P. Hadjivassiliou
Independent Non-Executive Director
Appointed on 20 September 2019

Mr. John Carroll Colley
Independent Non-Executive Director
Chairman of the Audit Committee
Member of Remuneration Committee since 24 May 2019
Member of Nomination Committee since 24 May 2019

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

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

Mr. Michalakis Thomaides
Non-Executive Director

Ms. Melina Pyrgou
Non-executive Director

Mr. Marios Tofaros
Non-executive Director

Mr. Sergey Maltsev
Chairman of the Board of Directors
Executive Director
Alternate director: Mr. Yuri Isaev

Mr. Sergey Tolmachev
Executive Director

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

Mr. Konstantin Shirokov
Executive Director

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

Mr Andrey Gomon
Non-executive Director
Alternate Director: Ms. Melina Pyrgou

Mr. Alexander Tarasov
Non-executive Director

Mr. Michael Zampelas
Passed away on 15 May 2019,
Mr. Zampelas was a Senior Independent Non-executive Director
Chairman of the Nomination Committee
Member of Remuneration Committee

Board support

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

Company Secretary

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

Assistant secretary: Mr. Marios Tofaros

Registered office

20 Omirou Street
Agios Nicolaos
CY-3095 Limassol, Cyprus

Consolidated Management Report

The Board of Directors presents its report together with the audited consolidated financial statements for the year ended 31 December 2019. The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of Cyprus Companies Law, Cap. 113.

Principal activities

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

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

Globaltrans produced a solid overall financial performance in 2019. The strong gondola market combined with slightly increased pricing in rail transportation for the oil products and oil segment translated into a strong set of results.

IFRS financial information

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

The Group's Total revenue rose 9% year on year to RUB 94,993,874 thousand in 2019 (2018: RUB 86,772,742 thousand). Operating profit increased 19% year on year to RUB 32,119,830 thousand in 2019 (2018: RUB 26,901,055 thousand). The Profit for the year ended 31 December 2019 grew 16% year on year to RUB 22,653,332 thousand (2018: RUB 19,583,435 thousand).

On 31 December 2019 the total assets of the Group were RUB 99,574,549 thousand (2018: RUB 91,217,322 thousand) and net assets were RUB 56,526,065 (2018: RUB 53,525,434 thousand).

On 31 December 2019 the total debt of the Group was RUB 30,095,218 thousand and increased by 17% as compared to end of 2018 which amounted to RUB 25,728,911 thousand. Total cash and cash equivalents on 31 December 2019 decreased by 9% and amounted to RUB 6,521,543 thousand (31 December 2018: 7,129,918 thousand).

Non-IFRS financial information

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

Adjusted Revenue increased 13% year on year to RUB 68,839,669 thousand (2018: RUB 60,859,424 thousand) supported by the strong performance of the gondola business and slightly improving pricing in rail transportation for the oil products and oil. Total Operating Cash Costs were up 5% year on year to RUB 29,408,565 thousand (2018: RUB 27,893,504 thousand).

Adjusted EBITDA rose 20% year on year to RUB 39,551,913 thousand (2018: RUB 33,069,961 thousand) with the Adjusted EBITDA Margin expanding to 57% (2018: 54%), partly impacted by the positive impact of the adoption of IFRS 16. The Group' Free Cash Flow was RUB 12,761,836 thousand, a 4% improvement compared RUB 12,314,346 thousand in 2018.

The Group had a strong balance sheet with Net Debt to Adjusted EBITDA increasing to 0.60x (2018 end: 0.56x). Net Debt rose by 27% to RUB 23,573,675 thousand (2018 end: RUB 18,598,993 thousand). As at 31 December 2019 and 31 December 2018 almost 100% of the Group's debt was denominated in Russian roubles.

In 2019, management continued to make disciplined decisions on capital allocation whilst pursuing cost improvement and productivity measures. The Total Capex rose 9% year on year to RUB 14,005,540 thousand (2018: RUB 12,888,898 thousand). This higher capital expenditure was largely due to higher than expected increase in maintenance CAPEX from RUB 3,520 million in 2018 to RUB 6,908 million in 2019, together with decrease in expansion CAPEX from RUB 9,369 million in 2018 to RUB 7,098 million in 2019, reflecting moderate investments. In 2019, the Group acquired 2,502 units (including 1,154 specialised containers, 700 flat cars, 638 gondola cars and 10 locomotives) compared to 4,747 units (including 3,862 gondola cars, 481 flat cars and 404 containers) in the previous year.

Operational information

In 2019, the Group's Transportation Volume and Freight Rail Turnover (both excluding Engaged Fleet) increased 4% and 1% year on year respectively, impacted by the increase in volumes in the segments for non-oil (up 3% year on year) and oil products and oil (up 6% year on year), and 3% year-on-year decline in Average Distance of Loaded Trip on the back of changed client logistics. The Group's Transportation Volume was 91.6 million tones in 2019 (2018: 88.5 million tones) with Freight Rail Turnover amounting to 147.1 billion tonnes-km (2018: 146.2 billion tonnes-km).

The Average Number of Loaded Trips per Railcar decreased by 3% year on year and the Average Distance of Loaded Trips reduced by 3% year on year.

Average Price per Trip increased 9% year on year to RUB 45,807 (2018: 41,950).

The increase in the Empty Run Ratio for gondola cars to 42% (2018: 38%) was due to changed client logistics resulting in increase in the Total Empty Run Ratio to 49% (2018: 46%).

Total Fleet increased by 2% to 70,720 units (2018 end: 69,023 units) primarily reflecting sizeable increase in Owned Fleet, which was partially offset by the intended reduction in number of leased-in fleet.

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

Definitions to Non-IFRS financial measures

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

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

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

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

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

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

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

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

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

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

Free Cash Flow is calculated as "Cash generated from operations" (after "Changes in working capital") less "Tax paid", "Purchases of property, plant and equipment", "Purchases of intangible assets", "Acquisition of subsidiary undertakings - net of cash acquired", "Principal elements of lease payments for leases with financial institutions" (2018: "Finance lease principal payments"), "Principal elements of lease payments (IFRS 16)", "Interest paid on lease liabilities (IFRS 16)", "Interest paid on bank borrowings and non-convertible unsecured bonds" and "Interest paid on leases with financial institutions" (2018: "Interest paid on finance leases").

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

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

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

Owned Fleet is defined as the fleet owned and leased in under finance lease as at the end of the reporting period. It includes railcars, locomotives and containers, unless otherwise stated, and excludes Engaged Fleet.

Total CAPEX calculated on a cash basis as the sum of "Purchases of property, plant and equipment", "Purchases of intangible assets", "Acquisition of subsidiary undertakings – net of cash acquired" and "Principal elements of lease payments for leases with financial institutions" (2018: "Finance lease principal payments").

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

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

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

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

Changes in group structure

There were no changes in the Group structure of the Company during the year ended 31 December 2019. For the principal subsidiaries of the Company, refer to Note 20 of the consolidated financial statements.

Non-Financial Information and Diversity Statement

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

Environmental matters

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

Human resources

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

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

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

Principal risks and uncertainties

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

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

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

Strategic risks

The strategic risks faced by the Group that pose risks that influence the Group's ability to achieve its strategy include the general economic situation and operating environment in Russia, Kazakhstan, Ukraine, CIS and Baltic countries in which the Group operates; the regulatory risk relating to the operation of the Russian railway transportation market, including railway tariff regulation and technical requirements for fleet maintenance; the highly competitive Russian rail transportation market with unregulated operator's services tariffs; the significant concentration of the Group's customer base with the top 10 customers (including their affiliates and suppliers) accounting for around 74% of the Group's Net Revenue from the operation of rolling stock in 2019; cost of borrowing and/or deterioration in market conditions with potential impacts on the profitability and recoverability of investments; and reliance on RZD for issuing permits allowing the Group to operate locomotives.

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

The management of the Group constantly monitors the developments in the operating environment and regulatory regime of the railway transportation market in the countries in which the Group operates. The Group's business model is to maintain a balanced fleet between universal gondola cars, adaptable to the demand for transportation of various bulk cargoes and rail tank cars, which are used for the transportation of oil products and oil. Further, the Group has long-term, established relationships with its key customers and their affiliates and suppliers and in some cases, the Group becomes an integrated part of its customers' operations. Around 66% of the Group's Net Revenue from the Operation of Rolling Stock in 2019 was covered by long-term service contracts with several large clients. Such contracts provide additional stability and greater certainty regarding transport volumes for the Group. In addition, the Group's marketing function regularly monitors competitors' strategies, their use of technology, their price strategies and industry trends.

The Group's outlook for 2020 may be impacted by the Coronavirus (COVID-19) outbreak, which has significantly lowered visibility on what to expect in 2020. The negative impact on global trade may be more severe than originally expected. Certain currencies to which the Group is exposed have weakened, stock markets have declined, and commodity prices are lower. The Management is closely monitoring the situation with the outbreak of Coronavirus (COVID-19) and is ready to act depending on the development of the situation.

Operational risks

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

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

Compliance risks

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

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

Financial risks

The Group's activities 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.

Foreign exchange risk

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

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

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

Cash flow and fair value interest rate risk

The Group's income and operating cash flows are exposed to changes in market interest rates. The Group obtains borrowings at current market interest rates and does not use any hedging instruments to manage interest rate risk.

Credit risk

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

Liquidity risk

The Group has an excess of current assets over current liabilities of RUB 4,848,317 thousand as at 31 December 2019. Due to availability of committed credit lines amounting to, together with long-term borrowings (Note 28) 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.

Further details on the Group's exposure to financial risks are presented in Note 6 to the consolidated financial statements.

Contingencies

The Group's contingencies are disclosed in Note 33 to the consolidated financial statements.

Future developments

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

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

Results

The Group's results for the year are set out on pages 22 and 23. The Board of Directors recommends the payment of a dividend as detailed below and the remaining net profit for the year is retained.

Dividends

Pursuant to its Articles of Association, the Company may pay dividends out of its profits. To the extent that the Company declares and pays dividends, owners of Global Depositary Receipts (GDRs) on the relevant record date will be entitled to receive dividends payable in respect of Ordinary Shares underlying the GDRs, subject to the terms of the Deposit Agreement. The Company expects to declare dividends in Russian Roubles and pay such dividends in US Dollars. If dividends are not paid in US Dollars, except as otherwise described under "Terms and Conditions of the Global Depositary Receipts – Conversion of Foreign Currency", they will be converted into US Dollars by the Depositary and paid to holders of GDRs net of currency conversion expenses.

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

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

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

In April 2019, the shareholders of the Company approved the payment of a dividend for the financial year ended 31 December 2018 in the amount of 46.50 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,311,453 thousand, including final dividend for 2018 in the amount of RUB 1,429,927 thousand or RUB 8.00 per ordinary share/GDR and a special final dividend in the amount of RUB 6,881,526 thousand or RUB 38.50 per ordinary share/GDR (US Dollar equivalent of US$ 129,727 thousand).

In August 2019, the Board of Directors of the Company approved payment of total dividend in the amount of 46.55 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,320,390 thousand (US Dollar equivalent of US$ 124,655 thousand), including interim dividend in the amount of RUB 3,548,007 thousand (US Dollar equivalent of US$ 53,156 thousand) or RUB 19.85 per ordinary share/GDR and a special interim dividend in the amount of RUB 4,772,382 thousand (US Dollar equivalent of US$ 71,499 thousand) or RUB 26.70 per ordinary share/GDR.

On the date of this report, the Board of Directors of the Company, having considered the profitability and liquidity position of the Group, recommends a payment of dividend for the year 2019 in the amount of 46.55 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,320,390 thousand, including final dividend for 2019 in the amount of RUB 1,903,591 thousand or RUB 10.65 per ordinary share/GDR and a special final dividend in the amount of RUB 6,416,799 thousand or RUB 35.90 per ordinary share/GDR. Such dividends subject to the approval of the shareholders at the Annual General Meeting on 30 April 2020 and shall be paid in US Dollars at the average of the official exchange rates of the Russian Central Bank for eight business days in Russia from 20 April 2020 to 29 April 2020 inclusive. Holders of GDRs will receive the dividend approximately three business days after the payment date, which will be not later than 30 business days after the approval of the dividends by the Annual General Meeting.

Share capital

As at 31 December 2019 the issued share capital of the Company which remains unchanged from the prior year, comprised 178,740,916 ordinary shares with a par value of US$0.10 per share.

Research and development activities

The Group has not undertaken any research and development activities during the year ended 31 December 2019.

Events after the balance sheet date

The events after the balance sheet date are disclosed in Note 36 to the consolidated financial statements.

Branches

The Group operates through branches and representative offices, maintaining eight branches and eight representative offices during 2019 (eight branches and eight representative offices during 2018).

Treasury shares

In 2019 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 2020, including cash flows and borrowing facilities, the Directors consider that the Group has adequate resources to continue in operation for the foreseeable future.

Auditors

The Board of Directors, in accordance with the requirements of the EU Regulation introduced into Cypriot legislation, undertook a mandatory audit tender in respect of the audit for the year ended 31 December 2019. Following this, the Independent Auditor, PricewaterhouseCoopers Limited, was appointed as the statutory auditor of the Company in respect of the audit for the year ended 31 December 2019.

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

Corporate governance

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

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

Full details of our governance policies can be found at *https://globaltrans.com/governance/corporate-documents*.

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 2019 and at the date of this report, the Board comprises 15 members (2018: 15 members),11 (2018: 9 members) of whom are non-executive directors. Four (2018: four) of the non-executive directors are independent, they have no relationship with the Company, its related companies or their officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the Company, and they are able to exercise objective judgment on corporate affairs independently from management.

The members of the Board of Directors at 31 December 2019 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year 2019 except for Mr. Michael Zampelas, who passed away on 15 May 2019, and Mr Vasilis P. Hadjivassiliou, who was appointed as an Independent director on 20 September 2019.

There were no significant changes in the assignment of responsibilities of the Board of Directors.

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 2019 amounted to RUB 507,802 thousand (2018: RUB 408,987 thousand).

Board performance

The Board held 14 meetings in 2019. The Directors' attendance is presented in the table below.

	Eligible	Attended
Michael Zampelas	3	1
Johann Franz Durrer	14	14
Carroll Colley	14	14
George Papaioannou	14	14
Alexander Eliseev	14	13
Melina Pyrgou	14	12
Konstantin Shirokov	14	14
Alexander Storozhev	14	13
Marios Tofaros	14	14
Elia Nicolaou	14	14
Sergey Tolmachev	14	14
Sergey Maltsev (Chairman)	14	12
Andrey Gomon	14	12
Alexander Tarasov	14	12
Vasilis P. Hadjivassiliou	6	6
Michael Thomaides	14	14

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. Until May 2019 the Nomination Committee was chaired by Mr. Zampelas and Dr. Durrer was the other member. Since 24 May 2019 the Nomination Committee is chaired by Dr. Durrer and Carroll Colley 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. Until May 2019 the Remuneration Committee was chaired by Dr. Durrer and Mr. Zampelas was the other member. Since 24 May 2019 the Remuneration Committee is chaired by Dr. Durrer and Carroll Colley is the other member. The Committee's responsibility is the determination and review of, among other matters, the remuneration of Executive Directors, and the review of the Company's remuneration policies. The remuneration of Independent Directors is a matter for the Chairman of the Board and the Executive Directors. No Director or manager may be involved in any decisions as to his/her own remuneration.

Board and Management Remuneration

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

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

The shareholders of the Company approved the remuneration of the members of the Board of Directors at the Annual General Meeting of shareholders held on 22 April 2019.

Refer to Note 35 of the consolidated financial statements for details of remuneration of directors and other key management personnel.

Diversity policy

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

As of the date of publication of these financial statements the Board has 2 females representing approximately 13.3% from the total number of directors. The age of the members of the Board of Directors starts from over 40 years, with the average age of directors being 52 years. The Board members have the following educational backgrounds: transportation and ports industry, accounting, economics and financial, banking sector and legal, engineering and mechanics, biophysics and mathematics, history, international affairs and risk management.

Further details of the corporate governance regime of the Company can be found on the website:
https://globaltrans.com/governance/corporate-documents

Regulations with regards to the amendment of the article of association

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

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

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

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

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

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

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

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

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

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

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

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

The issued share capital of the Company consists of 178,740,916 ordinary shares with a nominal value of USD 0.10 each, a certain portion of which is held in the form of Global Depositary Receipts (GDRs). The GDRs represent one ordinary share each and are listed and traded on the Main Market of the London Stock Exchange under the ticker GLTR. The free float of Globaltrans amounts to approximately 56.9%[1] of the issued share capital. The Bank of New York Mellon is the depositary bank for the GDR programme of the Company.

The shareholder structure of the Company as at 31 December 2019 was as follows:

Onyx Investments Ltd[2]	11.5%
Marigold Investments Ltd[2]	11.5%
Maple Valley Investments Ltd[2]	10.8%
Litten Investments Ltd[3]	5.1%
Goldriver Resources Ltd[4]	4.0%
Controlled by Directors and management of Globaltrans	0.2%
Free float[1]	56.9%

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

Directors' interests

The interests in the share capital of Globaltrans Investment PLC and its Group companies, both direct and indirect, of those who were Directors of the Company as at 31 December 2019 and 31 December 2018 are shown below:

Name	Type of holding	2019	2018
Alexander Eliseev	Indirect holding of ordinary shares and GDRs	9,065,790	10,315,790
Sergey Maltsev	Holding of ordinary shares and GDRs	7,099,725	8,382,860
Johann Franz Durrer	Holding of GDRs	160,606	160,606

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

The Company does not have any titles with special rights.

Any restrictions in exercising of voting rights of shares

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

By Order of the Board

....

Sergey Tolmachev
Director

Limassol, 27 March 2020

Directors' responsibility

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

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

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

Each of the Directors confirms to the best of his or her knowledge that the consolidated financial statements (presented on pages 22 to 84) 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 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113.

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

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

By order of the Board

....
Sergey Tolmachev
Director

Independent Auditor's Report

To the Members of Globaltrans Investment PLC

Report on the Audit of the Consolidated Financial Statements

Our opinion

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

What we have audited

We have audited the consolidated financial statements which are presented in pages 22 to 84 and comprise:

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

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

Basis for opinion

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

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

Independence

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

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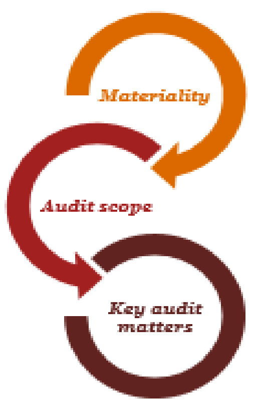
Our audit approach

Overview

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



Overall group materiality: RUB 1,487,200 thousand, which represents 5% of profit before tax (rounded).

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

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

We have determined that there are no key audit matters to communicate in our report.

Materiality

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

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

Overall group materiality	RUB 1,487,200 thousand
How we determined it	5% of profit before tax (rounded)
Rationale for the materiality benchmark applied	We chose the profit before tax as the benchmark, because in our view, it is the benchmark against which the performance of the Group is most commonly measured by the users of the consolidated financial statements and is a generally accepted benchmark. We chose 5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above RUB 73,360 thousand as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

We have determined that there are no Key Audit Matters to communicate in our report.

Reporting on other information

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Company in 2005 by shareholders' resolution for the audit of the financial statements for the year ended 31 December 2004. Our appointment has been renewed annually since then, by shareholders' resolution. In 2008 the Company listed Global Depository Receipts on the Main Market of the London Stock Exchange and, accordingly, the first financial year after the Company qualified as a European Union Public Interest Entity was the year ended 31 December 2009. Since then, the total period of uninterrupted engagement appointment was 11 years.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 26 March 2020 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

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

Other Legal Requirements

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

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

Other Matter

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

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

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

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

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

27 March 2020

Consolidated income statement

for the year ended 31 December 2019

	Note	**2019 RUB'000**	2018 RUB'000
Revenue	10	94,993,874	86,772,742
Cost of sales	11	(58,833,383)	(55,154,376)
Gross profit		36,160,491	31,618,366
Selling and marketing costs	11	(216,298)	(220,542)
Administrative expenses	11	(3,858,549)	(4,629,044)
Other income		133,508	133,754
Other losses – net	12	(99,322)	(1,479)
Operating profit		32,119,830	26,901,055
Finance income	14	533,857	377,445
Finance costs	14	(2,529,098)	(1,778,460)
Net foreign exchange transaction losses on financing activities	14	(379,824)	(40,219)
Finance costs – net	14	(2,375,065)	(1,441,234)
Profit before income tax		29,744,765	25,459,821
Income tax expense	15	(7,091,433)	(5,876,386)
Profit for the year		22,653,332	19,583,435
Profit attributable to:			
Owners of the Company		20,807,651	17,671,968
Non-controlling interest		1,845,681	1,911,467
		22,653,332	19,583,435
Weighted average number of ordinary shares in issue (thousand)		178,741	178,741
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RUB per share)[1]	32	116.41	98.87

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

The notes on pages 28 to 84 these consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2019

	2019 RUB'000	2018 RUB'000
Profit for the year	22,653,332	19,583,435
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	(925,000)	1,282,549
Items that will not be reclassified to profit or loss		
Currency translation differences attributable to non-controlling interest	(493,622)	622,618
Other comprehensive income for the year, net of tax	(1,418,622)	1,905,167
Total comprehensive income for the year	21,234,710	21,488,602
Total comprehensive income for the year attributable to:		
- owners of the Company	19,882,651	18,954,517
- non-controlling interest	1,352,059	2,534,085
	21,234,710	21,488,602

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 28 to 84 these consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated balance sheet

at 31 December 2019

	Note	**31 December 2019 RUB'000**	31 December 2018 RUB'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	80,532,645	74,764,903
Right-of-use assets	18	1,410,448	-
Intangible assets	19	61,316	757,209
Other assets	23	336,416	1,019,572
Trade receivables	22	197,284	221,805
Loans and other receivables	22	10,374	11,904
Total non-current assets		82,548,483	76,775,393
Current assets			
Inventories	24	1,722,781	904,375
Other assets	23	5,190,504	3,587,790
Loans and other receivables	22	37,645	262,846
Trade receivables	22	3,012,282	2,365,723
Current income tax assets		501,087	191,277
Cash and cash equivalents	25	6,521,543	7,129,918
		16,985,842	14,441,929
Assets classified as held for sale		40,224	-
Total current assets		17,026,066	14,441,929
TOTAL ASSETS		99,574,549	91,217,322
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital	26	516,957	516,957
Share premium	26	27,929,478	27,929,478
Common control transaction reserve		(10,429,876)	(10,429,876)
Translation reserve		3,392,675	4,317,675
Capital contribution		2,694,851	2,694,851
Retained earnings		26,774,750	22,598,941
Total equity attributable to the owners of the Company		50,878,835	47,628,026
Non-controlling interest		5,647,230	5,897,408
Total equity		56,526,065	53,525,434
Non-current liabilities			
Borrowings	28	22,294,914	17,269,321
Lease liabilities (IFRS 16)	29	881,706	-
Trade and other payables	31	90,742	404,357
Contract liabilities	10	11,191	-
Deferred tax liabilities	30	7,592,182	6,284,868
Total non-current liabilities		30,870,735	23,958,546
Current liabilities			
Borrowings	28	7,800,304	8,459,590
Lease liabilities (IFRS 16)	29	649,177	-
Trade and other payables	31	2,355,872	2,549,337
Contract liabilities	10	1,244,702	2,673,467
Current tax liabilities		127,694	50,948
Total current liabilities		12,177,749	13,733,342
TOTAL LIABILITIES		43,048,484	37,691,888
TOTAL EQUITY AND LIABILITIES		99,574,549	91,217,322

On 27 March 2020, the Board of Directors of Globaltrans Investment PLC authorised these financial statements for issue.

By order of the Board

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Sergey Tolmachev, Director Konstantin Shirokov, Director

The notes on pages 28 to 84 these consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2019

		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 2018		516,957	27,929,478	(10,429,876)	3,035,126	2,694,851	21,146,195	44,892,731	5,724,899	50,617,630
Comprehensive income										
Profit for the year		-	-	-	-	-	17,671,968	17,671,968	1,911,467	19,583,435
Other comprehensive income										
Currency translation differences		-	-	-	1,282,549	-	-	1,282,549	622,618	1,905,167
Total comprehensive income for 2018		-	-	-	1,282,549	-	17,671,968	18,954,517	2,534,085	21,488,602
Transactions with owners										
Dividends to owners of the Company	27	-	-	-	-	-	(16,220,738)	(16,220,738)	-	(16,220,738)
Dividends to non-controlling interest	27	-	-	-	-	-	-	-	(1,723,005)	(1,723,005)
Increase in share capital of subsidiary		-	-	-	-	-	-	-	200,061	200,061
Payments to non-controlling interest	20	-	-	-	-	-	-	-	(831,136)	(831,136)
Acquisition of non-controlling interest	20	-	-	-	-	-	1,516	1,516	(7,496)	(5,980)
Total transactions with owners		-	-	-	-	-	(16,219,222)	(16,219,222)	(2,361,576)	(18,580,798)
Balance at 31 December 2018		516,957	27,929,478	(10,429,876)	4,317,675	2,694,851	22,598,941	47,628,026	5,897,408	53,525,434

Consolidated statement of changes in equity

for the year ended 31 December 2019

		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 2019		516,957	27,929,478	(10,429,876)	4,317,675	2,694,851	22,598,941	47,628,026	5,897,408	53,525,434
Comprehensive income										
Profit for the year		-	-	-	-	-	20,807,651	20,807,651	1,845,681	22,653,332
Other comprehensive income										
Currency translation differences		-	-	-	(925,000)	-	-	(925,000)	(493,622)	(1,418,622)
Total comprehensive income for 2019		-	-	-	(925,000)	-	20,807,651	19,882,651	1,352,059	21,234,710
Transactions with owners										
Dividends to owners of the Company	27	-	-	-	-	-	(16,631,842)	(16,631,842)	-	(16,631,842)
Dividends to non-controlling interest	27	-	-	-	-	-	-	-	(1,602,237)	(1,602,237)
Total transactions with owners		-	-	-	-	-	(16,631,842)	(16,631,842)	(1,602,237)	(18,234,079)
Balance at 31 December 2019		516,957	27,929,478	(10,429,876)	3,392,675	2,694,851	26,774,750	50,878,835	5,647,230	56,526,065

The notes on pages 28 to 84 these consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated cash flow statement

for the year ended 31 December 2019

	Note	2019 RUB'000	2018 RUB'000
Cash flows from operating activities			
Profit before tax		29,744,765	25,459,821
Adjustments for:			
Depreciation of property, plant and equipment	17	5,794,912	5,110,715
Depreciation of right-of-use assets	18	424,220	-
Amortisation of intangible assets	19	696,725	696,702
Net loss/(gain) on sale of property, plant and equipment	17	10,047	(27,347)
Loss on derecognition arising on capital repairs	17	471,746	377,284
(Reversal of impairment)/impairment of property, plant and equipment	17	(64,889)	10,073
Net impairment losses on trade and other receivables	11	12,699	29,713
Interest income	14	(533,857)	(377,445)
Interest expense and other finance costs	14	2,529,098	1,778,460
Net foreign exchange transaction losses on financing activities	14	379,824	40,219
Other losses/(gains)		41,197	(10,940)
		39,506,487	33,087,255
Changes in working capital:			
Inventories		(394,213)	169,562
Trade receivables		(712,934)	(316,527)
Other assets		(1,299,140)	(1,042,367)
Other receivables		9,816	(66,210)
Trade and other payables		(270,224)	262,742
Contract liabilities		(1,417,574)	507,939
Cash generated from operations		35,422,218	32,602,394
Tax paid		(6,018,371)	(5,765,818)
Net cash from operating activities		29,403,847	26,836,576
Cash flows from investing activities			
Loans repayments received from third parties		2,728	5,984
Purchases of property, plant and equipment		(13,515,985)	(11,567,554)
Purchases of intangible assets		(832)	(110)
Proceeds from sale of property, plant and equipment	17	91,649	409,794
Interest received		533,857	377,445
Receipts from finance lease receivable		123,598	129,251
Net cash used in investing activities		(12,764,985)	(10,645,190)
Cash flows from financing activities			
Proceeds from bank borrowings	28	10,408,000	15,197,467
Proceeds from issue of non-convertible unsecured bonds	28	5,000,000	5,000,000
Repayments of borrowings	28	(10,736,723)	(13,127,743)
Principal elements of lease payments for leases with financial institutions (2018: Finance lease principal payments)	28	(488,723)	(1,321,234)
Principal elements of lease payments (IFRS 16)	28	(339,597)	-
Interest paid on bank borrowings and non-convertible unsecured bonds	28	(2,017,915)	(1,533,268)
Interest paid on leases with financial institutions (2018: Interest paid on finance leases)	28	(167,048)	(100,064)
Interest paid on lease liabilities (IFRS 16)	28	(111,911)	-
Dividends paid to owners of the Company	27	(16,631,842)	(16,220,738)
Dividends paid to non-controlling interests in subsidiaries	27	(1,602,237)	(1,723,005)
Payments from non-controlling interest for share capital increase of subsidiary		200,060	-
Acquisition of non-controlling interest	20	-	(5,980)
Payments to non-controlling interest	20	(450,934)	(168,604)
Net cash used in financing activities		(16,938,870)	(14,003,169)
Net (decrease)/increase in cash and cash equivalents		(300,008)	2,188,217
Exchange losses on cash and cash equivalents		(308,367)	(24,470)
Cash and cash equivalents at beginning of year	25	7,129,918	4,966,171
Cash and cash equivalents at end of year	25	6,521,543	7,129,918

Principal non-cash investing and financing transactions

The principal non-cash investing and financing transactions consist of finance leases with the Group acting as a lessor (Note 23) and leases with the Group acting as the lessee (Notes 28 and 29).

The notes on pages 28 to 84 these consolidated financial statements are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. General information

Country of incorporation

Globaltrans Investment Plc ("the Company") is incorporated and domiciled in Cyprus as a limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113 and converted into a public company on 15 April 2008. The address of its registered office is 20 Omirou Street, CY-3095 Limassol, Cyprus. The Group's principal place of business is at Nizhnyaya Krasnoselskaya st. 39, bld. 1, Moscow, Russia.

Approval of the consolidated financial statements

These consolidated financial statements were authorised for issue by the Board of Directors on 27 March 2020.

Global Depositary Receipts

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

Principal activities

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

2. Basis of preparation

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

As of the date of the authorization of these financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are relevant to the Group's operations and are effective as at 1 January 2019 have been adopted by the EU through the endorsement procedure established by the European Commission.

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

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

3. Adoption of new or revised standards and interpretations

During the current year the Group adopted all the new and amended standards that are relevant to its operations and are effective for accounting periods beginning on 1 January 2019. None of these has affected these consolidated financial statements, with the exception of IFRS 16 "Leases", the adoption of which resulted in changes in the Group's accounting policies for leases for which it is acting as a lessee.

IFRS 16 "Leases"

IFRS 16 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.

Impact of adoption

As part of its operating activities, the Group leases rolling stock from third parties. In addition, the Group leases offices and other property, plant and equipment. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. The leased assets may not be used as security for borrowing purposes.

The Group has adopted IFRS 16 retrospectively on 1 January 2019, using the modified retrospective approach with certain simplifications, and has not restated comparatives for the 2018 reporting period, as permitted under the transitional provisions of IFRS 16. The reclassifications and the adjustments arising from the new leasing requirements are, therefore, recognised in the opening consolidated balance sheet as of 1 January 2019. Accordingly, the comparative information is prepared and disclosed in accordance with IAS 17 “Leases”.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of IAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rates applied to the lease liabilities on 1 January 2019 were between 4% and 10%, depending on the specifics of each lease. The Group opted to measure the right-of-use assets on transition at an amount equal to that of the lease liability (adjusted for any prepaid or accrued lease payments).

For leases previously classified as finance leases the Group recognised the carrying amount of the leased asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after 1 January 2019.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 “Determining whether an Arrangement contains a Lease”.

The following table presents a reconciliation of the operating lease commitments as at 31 December 2018 to the recognised lease liability as at 1 January 2019:

	RUB’000
Operating lease commitments disclosed as at 31 December 2018 (Note 34)	1,378,832
Adjustments to lease commitments:	
- (Less): short-term leases recognised on a straight-line basis as expense [(1)]	(270,671)
- (Less): payments for lease not yet commenced [(2)]	(1,056,590)
- Add: adjustment because of different treatment of extension and termination options	805,343
Effect of discounting	(136,034)
Add: finance lease liabilities recognised as at 31 December 2018 [(3)]	2,212,668
Other	(42,185)
Lease liability recognised as at 1 January 2019	2,891,363

Of which are:

Lease liabilities (IFRS 16) (recognised on the face of the balance sheet)	
Current lease liabilities (IFRS 16)	153,182
Non-current lease liabilities (IFRS 16)	525,513
	678,695
Lease liabilities with financial institutions (included within borrowings)	
Current lease liabilities with financial institutions	496,874
Non-current lease liabilities with financial institutions	1,715,794
	2,212,668
Total	2,891,363

(1) As at 31 December 2018, the Group had non-cancellable operating lease commitments of RUB 1,378,832 thousand out of which approximately RUB 270,671 thousand relate to short-term leases which will be recognised on a straight-line basis as an expense in the income statement.

(2) The Group's non-cancellable operating lease commitments as at 31 December 2018 included an amount of RUB 1,056,590 thousand relating to a lease contract entered in the year 2018 for the lease of offices. In accordance with the terms of the agreement, the Group obtained right to use the offices within the first half of the year 2019 and thus no lease liability was recognised in respect of this lease on 1 January 2019.

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

The recognised right-of-use assets because of the adoption of IFRS 16 relate to the following types of assets:

	1 January 2019 RUB'000
Right-of-use assets (recognised on the face of the balance sheet)	
Rolling stock	590,656
Land and buildings	27,421
Other	102,803
	720,880
Right-of-use assets (included within property, plant and equipment)	
Rolling stock	3,414,376
	3,414,376
Total	4,135,256

The application of IFRS 16 affected the following items in the balance sheet on 1 January 2019:

	Increase/(decrease)	RUB'000
Right-of-use assets	increase by	720,880
Prepayments	decrease by	42,185
Lease liabilities (IFRS 16)	increase by	678,695

Impact on segment disclosures

Segment assets as at 1 January 2019 increased by RUB 590,656 thousand as a result of the recognition of right-of-use assets relating to rolling stock. The increase impacted the following segments:

	Increase/(decrease)	RUB'000
Reportable segment assets		
Other railcars (platforms)	increase by	590,656

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16. The Group's new accounting policies following adoption of IFRS 16 at 1 January 2019 are set out in Note 4.

4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 16, effective from 1 January 2019, these policies have been consistently applied to all the years presented.

Basis of consolidation

(a) Subsidiaries

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Business combinations involving entities under common control (ultimately controlled by the same party, before and after the business combination, and that control is not transitory) are accounted using the predecessor basis of accounting. Under this method, the financial statements of the acquiree are included in the consolidated financial statements using pre-acquisition IFRS carrying amounts using uniform accounting policies, on the assumption that the Group was in existence for all periods presented. The excess of the cost of acquisition over the carrying amount of the Group's share of identifiable net assets is recorded in equity, as "common control transaction reserve".

The acquisition method of accounting is used for the acquisitions of subsidiaries that do not involve entities or businesses under common control by the Group. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, equity instruments issued by the Group and liabilities incurred to the former owners of the acquiree. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

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

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

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 in the income statement. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

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

(b) Transactions with non-controlling interests

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

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the income statement. 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.

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

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

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

The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In evaluating whether collectability of an amount of consideration is probable, the Group considers only the customer's ability and intention to pay that amount of consideration when it is due.

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

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

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

(i) Operator's services

The Group organises transportation services for clients using its own, leased or engaged rolling stock. There are four types of operator's services contracts:

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

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

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

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

(ii) Freight rail transportation services using specialised tank containers

The Group provides freight rail transportation services using specialised tank containers for clients using its own, leased or engaged rolling stock (platforms).

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

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

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

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

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

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

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

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

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

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

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity of the Group 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 of the majority of its subsidiaries is the Russian Rouble (RUB). The consolidated financial statements are presented in Russian Roubles (RUB) ("the presentation currency") because this is the currency better understood by the principal users of the financial statements.

(b) Transactions and balances

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

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

All other foreign exchange gains and losses are presented in the income statement within 'Other (losses) – 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 yearly 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 a 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 begins when it is available for use and is calculated using the straight-line method to allocate their cost, less residual value, over their estimated useful lives, as follows:

	Number of years, range
Buildings	30
Rolling stock: (except locomotives)	
Gondola cars	22
Rail tank cars	32
Rail tank cars (specialised types)	30-40
Hoppers	15-26
Flat cars	20-32
Tank containers	20
Locomotives	9-45
Mounted wheels	7
Motor vehicles and other property, plant and equipment	3 to 10

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

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

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

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

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

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

Rolling stock repair and maintenance costs

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

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

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

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

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

Intangible assets

(a) Customer relationships

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

(b) Computer software

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

Impairment of non-financial assets

Assets that have indefinite useful life and goodwill are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that have suffered impairment are reviewed for possible reversal of impairment whenever there is an indication that an impairment recognised in prior periods may no longer exist or may have decreased.

Leases

(a) The Group is the lessee

Until 31 December 2018, leases of property, plant and equipment were classified as either finance leases or operating leases. In particular, leases of property, plant and equipment where the Group had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were 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 was 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, were included in borrowings. The interest element of the finance cost was 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 were depreciated over the shorter of the useful life of the asset and the lease term, except for instances, where the Group had the option to obtain ownership of the assets and it is reasonable certain that such ownership will be obtained, in which case the asset was depreciated over the useful economic life of the asset.

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

From 1 January 2019, the date of initial application of IFRS 16, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group, with limited exceptions as set out below. Each lease payment is allocated between the liability and finance cost. 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.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option, if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Contracts may contain both lease and non-lease components. The Group accounts for each lease component within such contracts as a lease separately from the non-lease components. The consideration in the contract is allocated to each lease component on the basis of the relative standalone price of the lease component and the aggregate standalone price of the non-lease components. The consideration for non-lease components relating to services is recognised as an expense in the income statement.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms and conditions. To determine the incremental borrowing rate, the Group, where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

The Group is exposed to potential future increases in variable lease payments based on an index or a rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Any remeasurement of the lease liability arising if the cash flows change based on the original terms and conditions of the lease results in a corresponding adjustment to the right-of-use asset. The adjustment can be positive or negative.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Right-of-use assets are reviewed for impairment in accordance with the Group's accounting policy for impairment of non-financial assets.

As an exception to the above, the Group accounts for short-term leases and lease of low value assets by recognising the lease payments as an expense on a straight-line basis in the income statement. Short-term leases are leases with a lease term of 12 months or less.

Right-of-use assets and associated lease liabilities are presented as separate lines on the face of the balance sheet, except for right-of-use assets and associated lease liabilities arising from leases with financial institutions that include purchase options that are reasonably certain to be exercised due to the exercise price being a nominal amount compared to the fair value of the leased asset on the exercise date. The latter are presented within the same line item as the corresponding underlying assets would be presented if they were owned and within borrowings, respectively. Management believes that this presentation best reflects the substance of the leases with financial institutions, being similar to that of purchases via collateralised borrowings.

Sale and leaseback

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset.

Until 31 December 2018, if a sale and leaseback transaction resulted in a finance lease, any excess of sales proceeds over the carrying amount was deferred and amortised over the lease term. When the overall economic effect of a sale and leaseback transaction could not be understood without reference to the series of transactions as a whole (i.e. when the series of transactions were closely interrelated, negotiated as a single transaction, and took place concurrently or in a continuous sequence) the transaction was accounted for as one transaction, usually a collateralized borrowing.

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

From 1 January 2019, the accounting of a sale and leaseback transaction depends on whether the transfer of the asset qualifies as a sale. In making this assessment, the Group assessed whether the buyer-lessor obtained control of the underlying asset.

If the transfer qualifies as a sale of the asset, the Group measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Group. Accordingly, the Group recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. If the fair value of the consideration for the sale of the asset does not equal the fair value of the asset, or if the payments for the lease are not at market rates, the Group accounts for any below-market terms as a prepayment of lease payments; and any above-market terms as additional financing provided by the buyer-lessor to the Group. This is measured on the basis of the more readily determinable of the difference between the fair value of the consideration for the sale and the fair value of the asset; and the difference between the present value of the contractual payments for the lease and the present value of payments for the lease at market rates.

If the transfer does not qualify as a sale, the Group continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds.

(b) The Group is the lessor

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.

Impairment of lease receivables

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

Operating leases

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

Revenues from operating leasing

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

Financial instruments

(a) Financial assets

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

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

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

The Group classifies its financial assets at amortised cost. Financial assets at amortised cost are held for collection of contractual cash flows and their cash flows represent solely payments of principal and interest. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. The Group's financial assets at amortised cost comprise of trade receivables, loans and other receivables and cash and cash equivalents on the balance sheet.

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

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

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

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

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

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

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

- For all its other debt financial assets carried at amortised cost, the Group applies the general approach. In particular, the Group applies the three stage model for calculating impairment, which is based on changes in the credit quality of the financial asset since initial recognition. A financial instrument that is not credit - impaired on initial recognition is classified in Stage 1. The ECL of financial assets in Stage 1 is measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter. If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until its contractual maturity but considering expected prepayments, if any. Refer to Note 6, Credit risk section for a description of how the Group determines when a SICR has occurred. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Group's definition of credit impaired assets and definition of default is explained in Note 6, Credit risk section.

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

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

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

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

(b) Financial liabilities

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

Derecognition of financial liabilities. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in income statement as other income or finance costs. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts, including costs or fees incurred for the modification, is recognised in profit or loss within finance costs. When the terms of the existing financial liability are not substantially modified, the existing liability is not derecognised and the gain/loss arising on the modification, including costs or fees incurred for the modification, is recognised in the income statement within finance costs.

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

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

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

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

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

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

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

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

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

Inventories

Group entities usually maintain a store of spare parts and servicing equipment. These are carried as inventory and recognised in the income statement as consumed, unless they meet the definition of property, plant and equipment in which case they are classified as such. Major spare parts are also recognised within property, plant and equipment when they meet the definition of property, plant and equipment. Spare parts in inventory as well as other 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 and takes into account, amongst others, evidence of damage or obsolescence.

Cash flow statement

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

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

Share capital, share premium and treasury shares

Ordinary shares are classified as equity.

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

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

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

Capital contribution

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

Provisions and contingent liabilities

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

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

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

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

Current and deferred income tax

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. In accounting for the tax effects of on-balance sheet leases, the Group considers the right-of-use asset and lease liability separately and recognises deferred tax on the net temporary difference.

Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

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

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

Russian Value Added Tax (VAT)

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

Employee benefits

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

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

Termination benefits

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

Share based payment transactions

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

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

Dividend distribution

Dividend distribution to the Company’s shareholders is recognised as a liability in the Group’s financial statements in the period in which the dividends are approved and are no longer at the discretion of the Company. More specifically, interim dividends are recognised when approved by the Board of Directors whereas in case of final dividends, these are recognised at the time when they are approved by the Company’s shareholders.

Prepayments

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

5. New accounting pronouncements

Certain new standards, amendments to existing standards and interpretations have been issued that are mandatory for annual periods beginning on or after 1 January 2020. Items marked with * have not been endorsed by the European Union (EU). The Group will only be able to apply the new standards, amendments to existing standards or interpretations when these are endorsed by the EU.

- **Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).** The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

- **Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).** The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

- **Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020)*.**The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The amendments are prospective.

- **Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022)***.These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. "Settlement" is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

None of the new standards, amendments to existing standards or interpretations is expected to have a significant effect on the consolidated financial statements.

6. Financial risk management

Financial risks factors

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

Market risk

(a) Foreign exchange risk

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

As of 31 December 2019, 100% of the Group's long-term borrowings are denominated in Russian Rouble. Further, a large proportion of the Group's expenses and revenues are denominated and settled in Russian Roubles. Risks related to liabilities denominated in foreign currency are partly compensated by assets and income denominated in foreign currency.

During the year 2019 there was increased volatility in currency markets and the Russian Rouble has appreciated significantly against some major currencies, especially in the second half of the year. As of the end of December 2019 the Russian Rouble has appreciated against the US Dollar from 69.4706 as of 31 December 2018 to 61.9057 Russian Roubles (10.9% revaluation).

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

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

The carrying amounts of monetary assets and liabilities denominated in US Dollars as at 31 December 2019 and 31 December 2018 are as follows:

	2019 RUB'000	2018 RUB'000
Assets	468,321	1,013,937
Liabilities	9,038	101,055

Had US Dollar exchange rate strengthened/weakened by 10% against the Russian Rouble and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2019, would have increased/decreased by RUB 21,831 thousand (2018: 20% change, effect RUB 93,454 thousand) and equity would have increased/decreased by RUB 210,073 thousand (2018: 20% change, effect RUB 528,447 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of cash and cash equivalents and accounts payable denominated in US Dollars for the Group entities with Russian Rouble being their functional currency. The impact on equity is mainly due to foreign exchange gains and losses arising upon retranslation of intercompany loans being recognised as part of net investment in the foreign operation denominated in US Dollars for the Ukrainian subsidiary of the Group.

Had Euro exchange rate strengthened/weakened by 10% against the US Dollar and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2019, would have increased /decreased by RUB 20,698 thousand (2018: 10% change, effect RUB 37,260 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of payable balances and cash and cash equivalents and accounts receivable denominated in US Dollars for the Estonian subsidiaries of the Group.

Had US Dollar exchange rate strengthened/weakened by 10% against the Ukrainian Hryvnia and all other variables remained unchanged, the post-tax profit of the Group would have remained unchanged (2018: 20% change, no effect on post-tax profit) and the equity of the Group for the year ended 31 December 2019, would have decreased/increased by RUB 210,073 thousand (2018: 20% change, effect RUB 528,447 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of intercompany loans being recognised as part of net investment in the foreign operation denominated in US Dollars for the Ukrainian subsidiary of the Group.

(b) Cash flow and fair value interest rate risk

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

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

As at 31 December 2019 and 31 December 2018, the Group did not have any Russian Rouble or US Dollar credit facilities at floating interest rates, therefore any reasonably possible change in market interest rates would not have any significant impact on the post-tax profit or equity of the Group.

The Group obtains borrowings at current market interest rates and does not use any hedging instruments to manage interest rate risk. Management monitors changes in interest rates and takes steps to mitigate these risks as far as practicable.

Credit risk

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

(i) Risk management

The Group has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history. Management assesses the credit quality of the Group's customers, taking into account their financial position, past experience and other factors. These policies allow the Group to reduce its credit risk. However, the Group's business is heavily dependent on a few large key customers, with the top ten customers accounting for 70.71% of the Group's trade receivables as at 31 December 2019 (2018: 58.65%).

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

(ii) Impairment of financial assets

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

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

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

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

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

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

Especially the following indicators are incorporated:

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

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

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

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

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

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

Trade receivables and finance lease receivables

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

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

	Trade receivables RUB'000	Finance lease receivables RUB'000
As at 31 December 2019		
Current (not past due)	2,184,210	279,070
1-30 days past due	741,905	-
31-90 days past due	76,027	-
more than 90 days past due	346,339	-
Total	3,348,481	279,070

	Trade receivables RUB'000	Finance lease receivables RUB'000
As at 31 December 2018		
Current (not past due)	1,583,886	316,668
1-30 days past due	762,210	-
31-90 days past due	18,294	-
more than 90 days past due	369,180	-
Total	2,733,570	316,668

The gross carrying amounts, as per above, represent the Group's maximum exposure to credit risk on these assets as at 31 December 2019 and as at 31 December 2018 without taking into account any collateral held. The Group does not hold any collateral as security for any trade receivable balances. Finance lease receivables are effectively secured as the rights to the leased asset revert to the Group in the event of default.

The movement in the credit loss allowance for trade receivables during the years 2019 and 2018 is presented in the table below:

	Trade receivables	
	2019 RUB'000	2018 RUB'000
Opening balance as at 1 January	(146,042)	(141,336)
New assets originated or purchased	(4,461)	(12,044)
Net loss allowance of financial assets at the start of the year	(5,269)	-
Receivables modified during the year	(9,300)	-
Assets written off during the year as uncollectible	13,791	13,071
Recoveries	9,196	4,534
Other	3,170	(10,267)
Closing balance as at 31 December	(138,915)	(146,042)

The estimated expected credit loss allowance on finance lease receivables as at 31 December 2019 and as at 31 December 2018 was immaterial. This assessment takes into consideration the presence of the leased asset, which acts as a collateral for the finance lease receivable.

Loans and other receivables

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

The following table contains an analysis of the credit risk exposure for loans and other receivables on the basis of the Group's internal credit risk rating grades. The gross carrying amounts below represent the Group's maximum exposure to credit risk on these assets as at 31 December 2019 and 2018

Internal credit risk rating grade	Company definition of category	2019 RUB'000	2018 RUB'000
Performing	Stage 1 - Counterparties have a low risk of default and a strong capacity to meet contractual cash flows	20,071	263,653
Under-performing	Stage 2 - Customers for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	20,107	18,017
Non-performing or Credit-impaired	Stage 3 - Interest and/or principal repayments are more than 90 days past due	29,341	42,732

The gross carrying amounts, as per above, represent the Group's maximum exposure to credit risk on these assets as at 31 December 2019 and as at 31 December 2018 without taking into account any collateral held. The Group does not hold any collateral as security for any loans receivable or other receivable balances.

The movement in the credit loss allowance for other receivables during the years 2019 and 2018 is presented in the table below:

	Non-performing 2019 RUB'000	2018 RUB'000
Opening balance as at 1 January	(49,652)	(39,786)
New assets originated or purchased	-	(14,882)
Assets written off during the year as uncollectible	13,358	18,403
Other	6,953	(13,387)
Closing balance as at 31 December	(29,341)	(49,652)

The estimated expected credit loss allowance on loans receivable as at 31 December 2019 and as at 31 December 2018 was immaterial.

Cash and cash equivalents

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

The following table contains an analysis of the gross carrying amount of the Group's cash at bank by reference to the credit risk ratings assigned by external credit rating agencies. The gross carrying amounts below represent the Group's maximum exposure to credit risk on these assets as at 31 December 2019 and 2018:

	Rating	2019 RUB'000	2018 RUB'000
Moody's (1)	A3 – Aaa	1,021,969	1,462,017
Moody's (1)	Ba1 – Baa1	5,462,852	5,659,996
Moody's (1)	B1	-	152
Moody's (1)	Caa1 - Caa3	-	2,748
Standard & Poor's (2)	B - BB+	31,373	3,349
Fitch (3)	BBB- BBB+	619	652
Other external non-rated banks – satisfactory credit quality (performing)		4,628	439
Total cash at bank and bank deposits (4)		6,521,441	7,129,353

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

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

The estimated expected credit loss allowance on cash and cash equivalents as at 31 December 2019 and as at 31 December 2018 based on the general approach of IFRS 9, was immaterial. All cash and cash equivalents were performing (Stage 1) as at 31 December 2019 and as at 31 December 2018.

Liquidity risk

The Group has an excess of current assets over current liabilities of RUB 4,848,317 thousand as at 31 December 2019 (2018: excess of current assets over current liabilities RUB 708,587 thousand).

The Group has predictable cash flows which allow the Group to repay its liabilities when they fall due. The Group also has successful credit and refinancing history and maintains enough flexibility ensuring the ability to attract necessary funds through committed credit facilities. Due to availability of committed credit lines amounting to RUB 4,665,000 thousand as of 31 December 2019 (2018: RUB 4,515,000 thousand), together with long-term borrowings (Note 28) 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 2019 and 31 December 2018. The amounts in the table are contractual undiscounted cash flows. Trade and other payables balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than one month RUB'000	Between one month and three months RUB'000	Between three and six months RUB'000	Between 6 months and less than one year RUB'000	Between 1 and 2 years RUB'000	Between 2 and 5 years RUB'000	Total RUB'000
31 December 2019							
Borrowings	360,617	1,691,040	2,280,662	4,605,615	9,955,939	13,748,473	32,642,346
Trade and other payables	849,725	29,986	28,251	78,922	-	-	986,884
Lease liabilities with financial institutions	59,219	104,168	154,532	302,194	573,499	781,441	1,975,053
Lease liabilities (IFRS 16)	63,280	130,273	213,761	346,615	409,252	578,619	1,741,800
	1,332,841	1,955,467	2,677,206	5,333,346	10,938,690	15,108,533	37,346,083
31 December 2018							
Borrowings	427,029	2,273,971	1,893,914	5,195,738	6,186,061	11,273,818	27,250,531
Trade and other payables	820,446	35,390	34,458	115,318	197,689	98,844	1,302,145
Finance lease liabilities	56,475	110,666	165,549	329,426	609,246	1,359,462	2,630,824
	1,303,950	2,420,027	2,093,921	5,640,482	6,992,996	12,732,124	31,183,500

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

(a) Capital risk management

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

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

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

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

The rate of borrowings to total capitalisation as at 31 December 2019 and 31 December 2018 are as follows:

	2019 RUB'000	2018 RUB'000
Total borrowings	30,095,218	25,728,911
Total capitalisation	80,974,053	73,356,937
Total borrowings to total capitalisation ratio (percentage)	37.17%	35.07%

External requirements are imposed on the capital of the Group as defined by management in relation to long-term loans provided by financial institutions to the Company and certain subsidiaries of the Company. The Group analyses compliance with external requirements to the capital at each reporting date and when entering into new loan agreements and lease contracts. There were no instances of non-compliance with externally imposed capital requirements during 2019 and 2018. Management believes that the Group will be able to comply with its external requirements to the capital during the whole term of agreements.

Fair value estimation

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

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

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

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

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

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

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

As at 31 December 2019 and 31 December 2018 there were no fixed or floating interest rate instruments with stated maturity denominated in a currency other than the Russian Rouble.

The fair value as at 31 December 2019 and 31 December 2018 of fixed interest rate instruments with stated maturity denominated in Russian Rouble was estimated based on expected cash flows discounted using the rate of similar Russian Rouble denominated instruments entered into by the Group close to 31 December 2019 and 31 December 2018, respectively. The discount rate used was 7.5% p.a. (2018: 9.5% p.a.) (Note 28). The fair value as at 31 December 2019 and 31 December 2018 of the fixed interest rate non-convertible bonds was equal to their quoted price and the resulting fair value measurement is within level 1.

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

7. Critical accounting estimates and judgements

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

(a) Critical accounting estimates and assumptions

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

i) Tax legislation

Russian tax, currency and customs legislation is subject to varying interpretations (Note 34).

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

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

Revenue recognition

The assessment of the accounting treatment of certain of the Group's revenue contracts requires management to make certain critical judgments. The judgments that had the most significant effect on management's conclusion are the following:

- Identification of performance obligations

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

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

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

  Management's position is that the Group acts as a principal in these arrangements and the Group accounts for full receipts from customers as sales revenue and the OAO "Russian Railways" tariff is also included in cost of sales. Management believes that the Group is acting as a principal in these arrangements as it is the party that controls the services prior these are transferred to the customers and, through separate arrangements with OAO "Russian Railways", obtains the right to direct them to provide services on its behalf.

  Had OAO "Russian Railways" tariff directly attributable to such services been excluded from revenues and cost of sales for the year ended 31 December 2019 both would have decreased by RUB 22,019,963 thousand (2018: RUB 22,682,168 thousand).

8. Segmental information

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

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

Adjusted revenue for reportable segments 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 tariff paid for the loaded trips of the relevant rolling stock and services provided by other transportation organisations. Further, the Board receives information in respect of depreciation charges for rolling stock and right-of-use assets relating to rolling stock, amortisation charges for customer relationships, impairment charges/reversals of impairment in respect of rolling stock, right-of-use assets relating to rolling stock and customer relationships and loss on derecognition arising on capital repairs. All other information provided to the Board is measured in a manner consistent with that in the financial statements.

The Board also reviews additions to segment assets. Segment assets consist of rolling stock, right-of-assets relating to rolling stock and customer relationships. Unallocated assets comprise all the assets of the Group except for rolling stock, right-of-assets relating to rolling stock and customer relationships, as included within segment assets. Liabilities are not segmented since they are not reviewed from that perspective by the chief operating decision maker. Capital expenditure comprises additions of rolling stock to property, plant and equipment and additions of right-of-use assets relating to rolling stock.

The Group does not have transactions between different business segments.

	Gondola cars RUB'000	Rail tank cars RUB'000	Other railcars RUB'000	Total RUB'000
Year ended 31 December 2019				
Total revenue – operator's services	62,009,387	27,955,714	1,194,311	91,159,412
Total revenue – operating lease	148,207	1,434,219	51,340	1,633,766
Inter-segment revenue	-	-	-	-
Revenue (from external customers)	62,157,594	29,389,933	1,245,651	92,793,178
less Infrastructure and locomotive tariffs - loaded trips	(14,596,983)	(6,856,635)	(566,345)	(22,019,963)
less Services provided by other transportation organisations	(4,046,206)	(85,793)	(2,243)	(4,134,242)
Adjusted revenue for reportable segments	**43,514,405**	**22,447,505**	**677,063**	**66,638,973**
Depreciation and amortisation	(4,958,834)	(1,259,444)	(302,671)	(6,520,949)
Impairment of property, plant and equipment	-	-	64,889	64,889
Loss on derecognition arising on capital repairs	(133,987)	(336,103)	(1,656)	(471,746)
Additions to non-current assets (included in reportable segment assets)	6,720,628	4,760,126	2,215,587	13,696,341
Reportable segment assets	**52,534,359**[(1)]	**21,925,369**	**3,769,887**	**78,229,615**

[(1)] Includes RUB 57,903 thousand of intangible assets representing customer relationships.

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

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

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

	2019 RUB'000	2018 RUB'000
Adjusted revenue for reportable segments	66,638,973	59,300,782
Other revenues	2,200,696	1,558,642
Total adjusted revenue	68,839,669	60,859,424
Cost of sales (excl. Infrastructure and locomotive tariffs - loaded trips, services provided by other transportation organisations, impairment and reversal of impairment of property, plant and equipment, depreciation of property, plant and equipment and right-of-use assets and amortisation of intangible assets, loss on derecognition arising on capital repairs)	(25,523,727)	(23,094,638)
Selling, marketing and administrative expenses (excl. depreciation, amortisation and impairments)	(3,894,885)	(4,771,519)
Depreciation and amortisation	(6,915,857)	(5,807,417)
Net impairment losses on trade and other receivables	(12,699)	(29,713)
Reversal of impairment/(impairment) of property, plant and equipment	64,889	(10,073)
Loss on derecognition arising on capital repairs	(471,746)	(377,284)
Other income	133,508	133,754
Other losses – net	(99,322)	(1,479)
Operating profit	32,119,830	26,901,055
Finance income	533,857	377,445
Finance costs	(2,529,098)	(1,778,460)
Net foreign exchange transaction losses on financing activities	(379,824)	(40,219)
Profit before income tax	29,744,765	25,459,821

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

	2019		2018	
	Assets RUB'000	Liabilities RUB'000	Assets RUB'000	Liabilities RUB'000
Segment assets/ liabilities	78,229,615	-	73,019,706	-
Unallocated:				
Deferred tax liabilities	-	7,592,182	-	6,284,868
Current income tax assets/liabilities	501,087	127,694	191,277	50,948
Property, plant and equipment	3,187,618	-	2,497,915	-
Right-of-use assets	583,763	-	-	-
Intangible assets	3,413	-	4,491	-
Assets classified as held for sale	40,224	-	-	-
Other assets	5,526,920	-	4,607,362	-
Trade receivables	3,209,566	-	2,587,528	-
Loans and other receivables	48,019	-	274,750	-
Inventories	1,722,781	-	904,375	-
Cash and cash equivalents	6,521,543	-	7,129,918	-
Borrowings	-	30,095,218	-	25,728,911
Lease liabilities (IFRS 16)	-	1,530,883	-	-
Trade and other payables	-	2,446,614	-	2,953,694
Contract liabilities	-	1,255,893	-	2,673,467
Total	99,574,549	43,048,484	91,217,322	37,691,888

Geographic information

Revenues from external customers

	2019 RUB'000	2018 RUB'000
Revenue		
Russia	93,365,285	85,532,368
Estonia	1,288,712	929,319
Finland	-	741
Ukraine	339,877	310,314
	94,993,874	86,772,742

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:

	2019		2018	
	RUB'000	% revenue	RUB'000	% revenue
Revenue				
Customer A – rail tank cars segment	17,913,115	19	17,162,366	20
Customer B – gondola cars segment	28,837,359	30	24,939,534	29
Customer C – gondola cars segment	11,684,413	12	13,397,567	15

The table below presents the Group's non-current assets, other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts:

	2019 RUB'000	2018 RUB'000
Non-current assets		
Russia	71,440,343	63,583,859
Estonia	10,163,687	12,149,137
Ukraine	524,024	512,102
Cyprus	11,716	7,212
	82,139,770	76,252,310

9. Non-GAAP financial information

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

Adjusted Revenue

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

The following table provides details of Adjusted revenue for 2019 and 2018 and its reconciliation to Total revenue.

	2019 RUB'000	2018 RUB'000
Total revenue	94,993,874	86,772,742
Minus "pass through" items		
Infrastructure and locomotive tariffs: loaded trips	(22,019,963)	(22,682,168)
Services provided by other transportation organisations	(4,134,242)	(3,231,150)
Adjusted Revenue	68,839,669	60,859,424

Total Operating Cash Costs and Non-cash Costs

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

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

Total Operating Non-cash Costs include cost items such as “Depreciation of property, plant and equipment”, “Depreciation of right-of-use assets”, “Amortisation of intangible assets”, “Loss on derecognition arising on capital repairs”, “Net impairment losses on trade and other receivables” “Reversal of impairment/(impairment) of property, plant and equipment” and “Net loss/(gain) on sale of property, plant and equipment”.

Other Operating Cash Costs include cost items such as “Advertising and promotion”, “Auditors’ remuneration”, “Communication costs”, “Information services”, “Legal, consulting and other professional fees”, “Expense relating to short-term leases – office”, “Taxes (other than income tax and value added taxes)” (in 2018: “Rental of tank containers”, “Operating lease rentals - office”) and “Other expenses”.

	2019 RUB’000	2018 RUB’000
“Pass through” cost items	**(26,154,205)**	**(25,913,318)**
Infrastructure and locomotive tariffs: loaded trips	(22,019,963)	(22,682,168)
Services provided by other transportation organisations	(4,134,242)	(3,231,150)
Total cost of sales, selling and marketing costs and administrative expenses (adjusted for “pass through” cost items)	**(36,754,025)**	**(34,090,644)**
Total Operating Cash Costs	**(29,408,565)**	**(27,893,504)**
Infrastructure and locomotive tariffs - empty runs and other tariffs	(15,739,194)	(13,848,049)
Repairs and maintenance	(4,403,342)	(3,821,338)
Employee benefit expense	(4,483,225)	(4,366,804)
Operating lease rentals - rolling stock	-	(826,937)
Expense relating to short-term leases – rolling stock	(721,529)	-
Fuel and spare parts – locomotives	(1,914,447)	(1,935,278)
Engagement of locomotive crews	(774,990)	(795,289)
Other Operating Cash Costs	(1,371,838)	(2,299,809)
Advertising and promotion	(38,992)	(37,716)
Auditors' remuneration	(54,780)	(58,760)
Communication costs	(34,776)	(33,391)
Information services	(18,666)	(26,626)
Legal, consulting and other professional fees	(48,469)	(70,084)
Rental of tank-containers	-	(43,770)
Operating lease rentals – office	-	(183,188)
Expense relating to short-term leases – office	(139,214)	-
Taxes (other than on income and value added taxes)	9,031	(681,263)
Other expenses	(1,045,972)	(1,165,011)
Total Operating Non-Cash Costs	**(7,345,460)**	**(6,197,140)**
Depreciation of property, plant and equipment	(5,794,912)	(5,110,715)
Depreciation of right-of-use assets	(424,220)	-
Amortisation of intangible assets	(696,725)	(696,702)
Loss on derecognition arising on capital repairs	(471,746)	(377,284)
Net impairment losses on trade and other receivables	(12,699)	(29,713)
Reversal of impairment/(impairment) of property, plant and equipment	64,889	(10,073)
Net loss/(gain) on sale of property, plant and equipment	(10,047)	27,347
Total cost of sales, selling and marketing costs and administrative expenses	**(62,908,230)**	**(60,003,962)**

Adjusted EBITDA

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

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

The following table provides details on Adjusted EBITDA for 2019 and 2018 and its reconciliation to EBITDA and Profit for the year:

	2019 RUB'000	2018 RUB'000
Profit for the year	**22,653,332**	**19,583,435**
Plus (Minus)		
Income tax expense	7,091,433	5,876,386
Finance costs – net	2,375,065	1,441,234
Net foreign exchange transaction losses on financing activities	(379,824)	(40,219)
Amortisation of intangible assets	696,725	696,702
Depreciation of right-of-use assets	424,220	-
Depreciation of property, plant and equipment	5,794,912	5,110,715
EBITDA	**38,655,863**	**32,668,253**
Plus (Minus)		
Loss on derecognition arising on capital repairs	471,746	377,284
Net foreign exchange transaction losses on financing activities	379,824	40,219
Other losses – net	99,322	1,479
Net loss/(gain) on sale of property, plant and equipment	10,047	(27,347)
Reversal of impairment/(impairment) of property, plant and equipment	(64,889)	10,073
Adjusted EBITDA	**39,551,913**	**33,069,961**

Free Cash Flow

Free Cash Flow is calculated as "Cash generated from operations" (after "Changes in working capital") less "Tax paid", "Interest paid on bank borrowings and non-convertible unsecured bonds", "Interest paid on leases with financial institutions (2018: Interest paid on finance leases)", "Interest paid on lease liabilities (IFRS 16)", "Purchases of property, plant and equipment", "Purchases of intangible assets", "Acquisition of subsidiary undertakings - net of cash acquired" and "Principal elements of lease payments for leases with financial institutions" (31 December 2018: "Finance lease principal payments"), "Principal elements of lease payments (IFRS 16)".

Total CAPEX calculated on a cash basis as the sum of "Purchases of property, plant and equipment", "Purchases of intangible assets", "Acquisition of subsidiary undertakings - net of cash acquired" and "Principal elements of lease payments for leases with financial institutions" (2018: "Finance lease principal payments") (as part of the capital expenditures was financed with a finance lease).

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

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

The following table sets out details on Free Cash Flow and Attributable Free Cash Flow for 2019 and 2018, and its reconciliation to Cash generated from operations.

	2019 RUB'000	2018 RUB'000
Cash generated from operations	35,422,218	32,602,394
Tax paid	(6,018,371)	(5,765,818)
Interest paid on bank borrowings and non-convertible unsecured bonds	(2,017,915)	(1,533,268)
Interest paid on leases with financial institutions (2018: Interest paid on finance leases)	(167,048)	(100,064)
Interest paid on lease liabilities (IFRS 16)	(111,911)	-
Purchases of property, plant and equipment	(13,515,985)	(11,567,554)
Principal elements of lease payments for leases with financial institutions (third parties) (2018: Finance lease principal payments)	(488,723)	(1,321,234)
Principal elements of lease payments (IFRS 16)	(339,597)	-
Purchases of intangible assets	(832)	(110)
Total CAPEX	**14,005,540**	**12,888,898**
Free Cash Flow	**12,761,836**	**12,314,346**
Attributable Free Cash Flow	**10,916,155**	**10,402,879**

Net Debt and Net Debt to Adjusted EBITDA

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

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

The following table sets out the details on the Group’s Net Debt and Net Debt to Adjusted EBITDA at 31 December 2019 and 2018, and reconciliation of Net Debt to Total Debt.

	2019 RUB’000	2018 RUB’000
Total debt	30,095,218	25,728,911
Minus		
Cash and cash equivalents	6,521,543	7,129,918
Net Debt	**23,573,675**	**18,598,993**
Net Debt to Adjusted EBITDA	**0.60x**	**0.56x**

10. Revenue

(a) Disaggregation of revenue

	2019 RUB’000	2018 RUB’000
Railway transportation – operator’s services (tariff borne by the Group)	49,141,357	48,129,793
Railway transportation – operator’s services (tariff borne by the client)	42,018,055	35,690,071
Revenue from specialised container transportation	1,814,551	1,247,293
Other	386,145	311,349
Total revenue from contracts with customers recognised over time	93,360,108	85,378,506
Operating lease of rolling stock	1,633,766	1,394,236
Total revenue	**94,993,874**	**86,772,742**

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 2019 amounting to RUB 22,019,963 thousand (for the year ended 31 December 2018: RUB 22,682,168 thousand) and the cost of engaging the fleet from third parties recharged to clients of the Group amounting to RUB 4,134,242 thousand (2018: RUB 3,231,150 thousand).

(b) Liabilities related to contracts with customers

The Group has recognised the following liabilities related to contracts with customers as of 1 January 2018 (date of adoption of IFRS 15) and 31 December 2018 and 31 December 2019:

	31 December 2019 RUB’000	31 December 2018 RUB’000	1 January 2018 RUB’000
Contract liabilities relating to railway transportation contracts (current)	1,244,702	2,673,467	2,229,306
Contract liabilities relating to railway transportation contracts (non-current)	11,191	-	-
Total contract liabilities	**1,255,893**	**2,673,467**	**2,229,306**

Contract liabilities represent advances from customers for transportation services.

(c) Revenue recognised in relation to contract liabilities

The Group’s revenue for the year ended 31 December 2019 includes the entire contract liability balance of RUB 2,673,467 thousand as of 1 January 2019 (year ended 31 December 2018: RUB 2,229,306 as of 1 January 2018).

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

11. Expenses by nature

	2019 RUB'000	2018 RUB'000
Cost of sales		
Infrastructure and locomotive tariffs: loaded trips	22,019,963	22,682,168
Infrastructure and locomotive tariffs: empty run trips and other tariffs	15,739,194	13,848,049
Services provided by other transportation organisations	4,134,242	3,231,150
Operating lease rentals – rolling stock	-	826,937
Expense relating to short-term leases (rolling stock)	721,529	-
Rental of tank-containers	-	43,770
Employee benefit expense	1,511,766	1,450,366
Repairs and maintenance	4,403,342	3,821,338
Depreciation of property, plant and equipment	5,735,069	5,062,376
Depreciation of right-of-use assets	316,818	-
Loss on derecognition arising on capital repairs	471,746	377,284
Amortisation of intangible assets	696,707	696,687
Fuel and spare parts – locomotives	1,914,447	1,935,278
Engagement of locomotive crews	774,990	795,289
Loss/(gain) on sale of property, plant and equipment	11,495	(20,754)
Reversal of impairment/(impairment) of property, plant and equipment	(64,889)	10,073
Other expenses	446,964	394,365
Total cost of sales	**58,833,383**	**55,154,376**

	2019 RUB'000	2018 RUB'000
Selling, marketing and administrative expenses		
Depreciation of property, plant and equipment	59,843	48,339
Depreciation of right-of-use assets	107,402	-
Amortisation of intangible assets	18	15
Gain on sale of property, plant and equipment	(1,448)	(6,593)
Employee benefit expense	2,971,459	2,916,438
Net impairment losses on trade and other receivables	12,699	29,713
Operating lease rental – office	-	183,188
Expense relating to short-term leases (office)	139,214	-
Auditors' remuneration	54,780	58,760
Legal, consulting and other professional fees	48,469	70,084
Advertising and promotion	38,992	37,716
Communication costs	34,776	33,391
Information services	18,666	26,626
Taxes (other than income tax and value added taxes)	(9,031)	681,263
Other expenses	599,008	770,646
Total selling, marketing and administrative expenses	**4,074,847**	**4,849,586**

	2019 RUB'000	2018 RUB'000
Total expenses		
Depreciation of property, plant and equipment (Note 17)	5,794,912	5,110,715
Depreciation of right-of-use assets (Note 18)	424,220	-
Loss on derecognition arising on capital repairs (Note 17)	471,746	377,284
Amortisation of intangible assets (Note 19)	696,725	696,702
Reversal of impairment/(impairment) of property, plant and equipment (Note 17)	(64,889)	10,073
Net loss/(gain) on sale of property, plant and equipment (Note 17)	10,047	(27,347)
Employee benefit expense (Note 13)	4,483,225	4,366,804
Net impairment losses on trade and other receivables	12,699	29,713
Operating lease rentals – rolling stock	-	826,937
Expense relating to short-term leases (rolling stock)	721,529	-
Operating lease rental – office	-	183,188
Expense relating to short-term leases (office)	139,214	-
Repairs and maintenance	4,403,342	3,821,338
Fuel and spare parts – locomotives	1,914,447	1,935,278
Engagement of locomotive crews	774,990	795,289
Infrastructure and locomotive tariffs: loaded trips	22,019,963	22,682,168
Infrastructure and locomotive tariffs: empty run trips and other tariffs	15,739,194	13,848,049
Services provided by other transportation organisations	4,134,242	3,231,150
Rental of tank-containers	-	43,770
Auditors' remuneration	54,780	58,760
Legal, consulting and other professional fees	48,469	70,084
Advertising and promotion	38,992	37,716
Communication costs	34,776	33,391
Information services	18,666	26,626
Taxes (other than income tax and value added taxes)	(9,031)	681,263
Other expenses	1,045,972	1,165,011
Total cost of sales, selling and marketing costs and administrative expenses	**62,908,230**	**60,003,962**

(1) Depreciation of property, plant and equipment for the year ended 31 December 2019 includes RUB 216,114 thousand relating to depreciation of right-of-use assets presented within property, plant and equipment (Note 17). The entire amount is recognised within 'Cost of sales'.

Note: The auditors' remuneration stated above includes fees of RUB 16,398 thousand (2018: RUB 16,798 thousand) for statutory audit services and RUB 4,762 thousand (2018: RUB 5,235 thousand) for other assurance services charged by the Company's statutory audit firm. The rest of the auditors' remuneration relates to fees for audit services charged by the auditors of the subsidiaries of the Company.

Legal, consulting and other professional fees include RUB 502 thousand for the year 2019 (RUB 1,548 thousand for the year 2018) in relation to fees paid to the Company's statutory audit firm for tax consultancy services.

12. Other losses – net

	2019 RUB'000	2018 RUB'000
Other gains	37,245	25,100
Other losses	(217,289)	(90,954)
Net foreign exchange gains (Note 16)	80,722	64,375
Total other losses – net	**(99,322)**	**(1,479)**

13. Employee benefit expense

	2019 RUB'000	2018 RUB'000
Wages and salaries	2,199,520	2,020,679
Termination benefits	5,212	8,467
Bonuses	1,454,292	1,382,287
Share based payment expense (Note 21)	83,319	236,572
Social insurance costs	740,882	718,799
Total employee benefit expense	**4,483,225**	**4,366,804**
Average number of employees during the year	1,569	1,540

14. Finance income and costs

	2019 RUB'000	2018 RUB'000
Interest expense:		
Bank borrowings	(1,456,246)	(1,344,208)
Non-convertible bonds	(743,298)	(314,869)
Interest expenses on loans	(5,207)	-
Other interest expense	(9,039)	-
Total interest expense calculated using the effective interest rate method	(2,213,790)	(1,659,077)
Leases with financial institutions (2018: Finance leases)	(165,242)	(108,216)
Lease liabilities (IFRS 16)	(117,589)	-
Total interest expense	(2,496,621)	(1,767,293)
Other finance costs	(32,477)	(11,167)
Total finance costs	(2,529,098)	(1,778,460)
Interest income:		
Bank balances	122,278	141,095
Short term deposits	374,302	192,917
Loans to third parties	616	1,425
Total interest income calculated using the effective interest rate method	497,196	335,437
Finance leases – third parties	36,661	42,008
Total finance income	533,857	377,445
Net foreign exchange transaction gains on borrowings and other liabilities	206,966	35,631
Net foreign exchange transaction losses on cash and cash equivalents and other monetary assets	(586,790)	(75,850)
Net foreign exchange transaction losses on financing activities (Note 16)	(379,824)	(40,219)
Net finance costs	**(2,375,065)**	**(1,441,234)**

15. Income tax expense

	2019 RUB'000	2018 RUB'000
Current tax:		
Corporation tax	4,767,114	4,751,834
Withholding tax on dividends	1,017,005	748,003
Total current tax	5,784,119	5,499,837
Deferred tax (Note 30):		
Origination and reversal of temporary differences	1,307,314	376,549
Total deferred tax	1,307,314	376,549
Income tax expense	7,091,433	5,876,386

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

	2019 RUB'000	2018 RUB'000
Profit before tax	29,744,765	25,459,821
Tax calculated at domestic tax rates applicable to profits in the respective countries	6,484,368	5,846,000
Tax effects of:		
Expenses not deductible for tax purposes	234,253	255,960
Allowances and income not subject to tax	(3,476)	(128,703)
Tax effect of tax losses for which no deferred tax asset was recognised	(14,427)	-
Withholding taxes:		
Estonian income tax arising on distribution[1]	23,656	59,899
Dividend withholding tax provision in relation to intended dividend distribution of subsidiaries	367,059	(156,770)
Tax charge	7,091,433	5,876,386

[1] Estonian tax law calls for profits to be taxed at the time of distribution and not during the year in which they arise. During the years 2019 and 2018, the Group incurred taxes on distributions from Estonian subsidiaries.

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 arise. Instead of taxing the net profit, the distribution of statutory retained earnings is subject to a tax rate of 20% of net dividend paid.

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

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

16. Net foreign exchange losses

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

	2019 RUB'000	2018 RUB'000
Finance income and costs (Note 14)	(379,824)	(40,219)
Other losses – net (Note 12)	80,722	64,375
	(299,102)	24,156

17. Property, plant and equipment

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

	Rolling stock RUB'000	Land and buildings RUB'000	Motor vehicles RUB'000	Other RUB'000	Total RUB'000
At 1 January 2019					
Cost	107,436,162	347,949	201,242	2,662,667	110,648,020
Accumulated depreciation	(35,169,174)	(91,009)	(103,276)	(519,658)	(35,883,117)
Net book amount	72,266,988	256,940	97,966	2,143,009	74,764,903
Year ended 31 December 2019					
Opening net book amount	72,266,988	256,940	97,966	2,143,009	74,764,903
Additions	13,179,785	4,133	59,192	892,686	14,135,796
Disposals	(92,175)	-	(3,025)	(6,496)	(101,696)
Assets classified as held for sale	(40,224)	-	-	-	(40,224)
Depreciation charge (Note 11)	(5,546,150)	(12,446)	(34,022)	(202,294)	(5,794,912)
Transfers	4,526	103	(2,704)	(1,925)	-
Impairment charge (Note 11)	64,889	-	-	-	64,889
Transfer to inventories	(523,000)	-	(432)	(87)	(523,519)
Derecognition arising on capital repairs	(471,746)	-	-	-	(471,746)
Currency translation differences	(1,497,866)	(1,652)	(1,062)	(266)	(1,500,846)
Closing net book amount	77,345,027	247,078	115,913	2,824,627	80,532,645
At 31 December 2019					
Cost	113,371,461	349,562	218,066	3,491,879	117,430,968
Accumulated depreciation	(36,026,434)	(102,484)	(102,153)	(667,252)	(36,898,323)
Net book amount	77,345,027	247,078	115,913	2,824,627	80,532,645

The net carrying amount of rolling stock as at 1 January 2019 and for the year ended 31 December 2019 includes right-of-use assets relating to rolling stock held under leases with financial institutions that include purchase options that are reasonably certain to be exercised, in accordance with the Group's accounting policy for leases effective from 1 January 2019, as disclosed in Note 4.

The table below shows the movement in the said right-of-use assets within the year 2019:

	RUB'000
Year ended 31 December 2019	
Opening net book amount	-
Impact of adoption of IFRS 16 (Note 3)	3,414,376
Restated opening net book amount	3,414,376
Depreciation charge (Note 11)	(216,114)
Closing net book amount	3,198,262
At 31 December 2019	
Cost	3,525,750
Accumulated depreciation	(327,488)
Net book amount	3,198,262

Useful lives of rolling stock

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

Based on management's assessment, the useful economic life of the Group's rolling stock as of 31 December 2019 is considered appropriate.

(1) Impairment assessment of rolling stock as of 31 December 2019 and as of 31 December 2018

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

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

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

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

Based on the Group's assessment as at 31 December 2019, no impairment indicators were identified in respect of its property, plant and equipment.

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

	2019 RUB'000	2018 RUB'000
Net book amount	101,696	445,053
Loss/(gain) on sale of property, plant and equipment (Note 11)	(10,047)	27,347
Consideration from sale of property, plant and equipment	91,649	472,400

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

	2019 RUB'000	2018 RUB'000
Cash consideration received within year	91,649	409,794
Movement in advances received for sales of property, plant and equipment	-	62,606
	91,649	472,400

As at 31 December 2018, property, plant and equipment included the following amounts where the Group was the lessee under a finance lease:

	2019 RUB'000	2018 RUB'000
Cost – capitalised finance leases	-	5,646,924
Accumulated depreciation	-	(744,353)
	-	4,902,571

As at 31 December 2018, the net carrying amount of property, plant and equipment that was leased under finance leases, was analysed as follows:

	2019 RUB'000	2018 RUB'000
Rolling stock(1)	-	3,414,376
	-	3,414,376

(1) As at 31 December 2018, rolling stock with a net carrying amount of RUB 1,488,195 thousand was pledged under finance leases that were repaid by the Group as at 31 December 2018 for which the Group had the unilateral right to request for release of the pledged rolling stock with immediate effect. During the year 2019 the pledge was terminated, and the rolling stock was released.

Until 31 December 2018 the Group was identified as a lessee under a finance lease in the following cases:

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

(b) The Group had the option to purchase the property, plant and equipment at a price that was 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 would be exercised.

From 1 January 2019, the Group recognises right-of-use assets for all its leases, with limited exceptions as set out in its accounting policy in Note 4. Refer to Note 18 for more details.

The total net book value of pledged property, plant and equipment (included above) which are held as collateral for the borrowings and loans are as follows (Note 28):

	2019 RUB'000	2018 RUB'000
Rolling stock	15,190,536	22,372,026
Other (tank-containers)	1,516,212	572,499
	16,706,748	22,944,525

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

Depreciation expense of RUB 5,735,069 thousand in 2019 (2018: RUB 5,062,376 thousand) has been charged to "cost of sales" and RUB 59,843 thousand in 2019 (2018: RUB 48,339 thousand) has been charged to "selling, marketing and administrative expenses". Reversal of Impairment charge of RUB 64,889 thousand in 2019 (2018: Impairment charge of RUB 10,073 thousand) has been charged to "cost of sales".

18. Right-of-use assets

	Rolling stock RUB'000	Land and buildings RUB'000	Other RUB'000	Total RUB'000
Year ended 31 December 2019				
Opening net book amount	-	-	-	-
Impact of adoption of IFRS 16 (Note 3)	590,656	27,421	102,803	720,880
Restated opening net book amount	590,656	27,421	102,803	720,880
Additions	516,556	685,589	-	1,202,145
Disposals through subleases	-	(85,474)	-	(85,474)
Depreciation charge (Note 11)	(279,984)	(107,939)	(36,297)	(424,220)
Currency translation differences	-	(2,340)	-	(2,340)
Other	(543)	-	-	(543)
As at 31 December 2019	826,685	517,257	66,506	1,410,448

Summarised information for the Group's right-of-use assets

In accordance with the Group's accounting policy for leases effective from 1 January 2019, as disclosed in Note 4, right-of-use assets and associated lease liabilities are presented as separate lines on the face of the balance sheet, except for right-of-use assets and associated lease liabilities arising from leases with financial institutions that that include purchase options that are reasonably certain to be exercised due to the exercise price being a nominal amount compared to the fair value of the leased asset on the exercise date. The latter are presented within the same line item as the corresponding underlying assets would be presented if they were owned and within borrowings, respectively. Management believes that this presentation best reflects the substance of the leases with financial institutions, being similar to that of purchases via collateralised borrowings.

The net carrying amount of the Group's right-of-use assets as at 1 January 2019 and 31 December 2019 is as follows:

	Rolling stock RUB'000	Land and buildings RUB'000	Other RUB'000	Total RUB'000
1 January 2019				
- recognised on the face of the balance sheet	590,656	27,421	102,803	720,880
- included within property, plant and equipment	3,414,376	-	-	3,414,376
Net book amount	4,005,032	27,421	102,803	4,135,256
31 December 2019				
- recognised on the face of the balance sheet	826,685	517,257	66,506	1,410,448
- included within property, plant and equipment	3,198,262	-	-	3,198,262
Net book amount	4,024,947	517,257	66,506	4,608,710

The additions to the Group's right-of-use assets and depreciation charge during the year ended 31 December 2019 are as follows:

	Rolling stock RUB'000	Land and buildings RUB'000	Other RUB'000	Total RUB'000
Additions				
- recognised on the face of the balance sheet	516,556	685,589	-	1,202,145
- included within property, plant and equipment	-	-	-	-
Total	516,556	685,589	-	1,202,145
Depreciation charge				
- recognised on the face of the balance sheet	(279,984)	(107,939)	(36,297)	(424,220)
- included within property, plant and equipment	(216,114)	-	-	(216,114)
Total	(496,098)	(107,939)	(36,297)	(640,334)

The total cash outflow for leases in 2019 was RUB 2,110,197 thousand.

Impairment of right-of-use assets

Management has assessed whether there were any impairment indicators for right-of-use assets as of 31 December 2019. No impairment indicators have been identified as of 31 December 2019.

19. Intangible assets

	Computer software RUB'000	Customer relationships RUB'000	Total RUB'000
At 1 January 2018			
Cost	10,772	6,780,787	6,791,559
Accumulated amortisation	(4,530)	(5,333,228)	(5,337,758)
Net book amount	6,242	1,447,559	1,453,801
Year ended 31 December 2018			
Opening net book amount	6,242	1,447,559	1,453,801
Amortisation charge (Note 11)	(1,888)	(694,814)	(696,702)
Additions	110	-	110
Transfers	27	(27)	-
Closing net book amount	4,491	752,718	757,209
At 31 December 2018			
Cost	10,934	4,863,734	4,874,668
Accumulated amortisation	(6,443)	(4,111,016)	(4,117,459)
Net book amount	4,491	752,718	757,209
Year ended 31 December 2019			
Opening net book amount	4,491	752,718	757,209
Amortisation charge (Note 11)	(1,910)	(694,815)	(696,725)
Additions	832	-	832
Closing net book amount	3,413	57,903	61,316
At 31 December 2019			
Cost	11,766	4,863,734	4,875,500
Accumulated amortisation	(8,353)	(4,805,831)	(4,814,184)
Net book amount	3,413	57,903	61,316

As of 31 December 2019, the Group's intangible assets include a customer relationship with MMK Group with a carrying amount of RUB 57,903 thousand (2018: RUB 752,718 thousand). The customer relationship was allocated to the Russian gondola cars/operator's services CGU.

Amortisation of RUB 696,707 thousand (2018: RUB 696,687 thousand) has been charged to cost of sales' in the income statement and RUB 18 thousand (2018: RUB 15 thousand) to 'administrative expenses'.

Assessment for impairment as of 31 December 2019 and as of 31 December 2018

The Group assessed whether there were any indications of impairment of the customer relationship with MMK Group as of 31 December 2019 and as of 31 December 2018, in accordance with its accounting policy for impairment of non-financial assets (Note 4). The Group's assessment did not reveal any indicators of impairment and, as a result, management did not estimate the recoverable amount of this customer relationship.

20. Principal subsidiaries

The Group had the following subsidiaries at 31 December 2019 and 31 December 2018:

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 (%)	
			2019	2018	2019	2018	2019	2018
New Forwarding Company, AO	Russia	Railway transportation	100	100	100	100	-	-
GTI Management, OOO	Russia	Railway transportation	100	100	100	100	-	-
Ural Wagonrepair Company, AO	Russia	Repair and maintenance of rolling stock	100	100	100	100	-	-
Ukrainian New Forwarding Company OOO	Ukraine	Railway transportation	100	100	100	100	-	-
BaltTransServis, OOO	Russia	Railway transportation	60	60	60	60	40	40
BTS-Locomotive Solutions OOO[1]	Russia	Support activities for locomotive traction	-	-	-	60	40	-
RemTransServis, OOO[2]	Russia	Repair and maintenance of rolling stock	-	-	59.4	59.4	40.6	40.6
SyntezRail LLC[3]	Russia	Railway transportation	-	-	60	60	40	40
SyntezRail Ltd	Cyprus	Intermediary holding company	60	60	60	60	40	40
Spacecom AS	Estonia	Operating lease of rolling stock and provision of forwarding services	65.25	65.25	65.25	65.25	34.75	34.75
Ekolinja Oy[4]	Finland	Operating sub-lease of rolling stock	-	-	65.25	65.25	34.75	34.75
Spacecom Trans AS[4]	Estonia	Operating lease of rolling stock	-	-	65.25	65.25	34.75	34.75

1. BTS-Locomotive Solutions, OOO is a 100% subsidiary of BaltTransServis, OOO and was incorporated during 2019.
2. RemTransServis, OOO is a 99% subsidiary of BaltTransServis, OOO.
3. SyntezRail LLC is a 100% subsidiary of SyntezRail Ltd.
4. Ekolinja Oy and Spacecom Trans AS are 100% subsidiaries 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 2019 and 31 December 2018 comprised the following:

	2019 RUB'000	2018 RUB'000
BaltTransServis, OOO (including RemTransservis, OOO and BTS-Locomotive Solutions, OOO)	1,931,282	1,848,646
Spacecom AS (including Spacecom Trans AS and Ekolinja Oy)	3,544,360	3,888,841
SyntezRail, OOO; SyntezRail Limited	171,588	159,921
Total	5,647,230	5,897,408

Transactions with non-controlling interests

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

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

An amount of RUB 450,934 thousand was paid to the non-controlling interest within 2019 (RUB 168,804 thousand within 2018).

Significant restrictions

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

Summarised financial information of subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The financial information of Spacecom AS includes Spacecom Trans AS and Ekolinja Oy the financial information of BaltTransServis, OOO includes RemTransServis, OOO. No summarised financial information is presented for SyntezRail, OOO and SyntezRail Limited as their operations and financial position are not material to the Group.

Summarised balance sheet	BaltTransServis OOO		Spacecom AS	
	2019 RUB'000	2018 RUB'000	2019 RUB'000	2018 RUB'000
Current				
Assets	4,015,712	2,863,563	261,333	568,845
Liabilities	3,130,804	1,713,310	483,347	916,598
Total current net assets	884,908	1,150,253	(222,014)	(347,753)
Non-current				
Assets	8,345,817	5,571,362	10,368,791	12,252,920
Liabilities	4,402,519	2,099,999	7,879	827,446
Total non-current net assets	3,943,298	3,471,363	10,360,912	11,425,474
Net assets	4,828,206	4,621,616	10,138,898	11,077,721

Summarised income statement	BaltTransServis OOO		Spacecom AS	
	2019 RUB'000	2018 RUB'000	2019 RUB'000	2018 RUB'000
Revenue	27,994,828	26,128,533	1,288,712	943,402
Profit before income tax	5,170,098	5,726,124	578,549	276,877
Income tax expense	(1,063,438)	(1,175,858)	(23,656)	(59,289)
Post-tax profit from continuing operations	4,106,660	4,550,266	554,893	217,588
Other comprehensive income	-	-	(1,278,787)	1,824,144
Total comprehensive income	4,106,660	4,550,266	(723,894)	2,041,732
Total comprehensive income allocated to non-controlling interests	1,642,664	1,820,106	192,825	710,615
Dividends paid to non-controlling interest	(1,560,000)	(1,640,000)	(42,237)	(83,005)

Summarised cash flow statements				
	BaltTransServis OOO		Spacecom AS	
	2019 RUB’000	2018 RUB’000	2019 RUB’000	2018 RUB’000
Cash flows from operating activities				
Cash generated from operations	6,194,775	6,288,546	1,007,302	642,591
Income tax paid	(810,307)	(1,209,550)	(18,592)	(59,289)
Net cash generated from operating activities	5,384,468	5,078,996	988,710	583,302
Net cash generated from/(used in) investing activities	(3,324,236)	(799,737)	(982,034)	(936,540)
Net cash used in financing activities	(1,163,927)	(4,416,883)	(145,235)	(99,337)
Net increase/(decrease) in cash and cash equivalents	896,305	(137,624)	(138,559)	(452,575)
Cash and cash equivalents at beginning of year	995,046	1,132,945	195,513	581,995
Exchange differences on cash and cash equivalents	-	(275)	(18,666)	66,093
Cash and cash equivalents at end of year	1,891,351	995,046	38,288	195,513

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

21. Share-based payments

The Group maintains a remuneration program for some of the members of management, including members of key management of the Group. This includes, 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 recognised an employee benefit expense of RUB 83,319 thousand in this respect for the year ended 31 December 2019 (2018: RUB 236,572 thousand) and the Group’s liability in respect of this amounted to RUB 205,604 as of 31 December 2019 (2018: RUB 290,805 thousand).

The share-based payment liability as of 31 December 2019 and 31 December 2018 was determined based on the assumption that all participants will remain with the Group and all KPIs will be met and that there will be no significant fluctuation in the value of the Company’s GDRs during the vesting period. The significant inputs into the valuation were the weighted average fair value of the Company’s GDRs and the weighted average USD/RUB exchange.

22. Financial assets

(a) Trade receivables

	2019 RUB'000	2018 RUB'000
Trade receivables – third parties	3,348,481	2,733,570
Less: Provision for impairment of trade receivables	(138,915)	(146,042)
Trade receivables – net	3,209,566	2,587,528
Less non-current portion:		
Trade receivables – third parties	218,392	245,537
Less: Provision for impairment of trade receivables	(21,108)	(23,732)
Total non-current portion	197,284	221,805
Current portion	3,012,282	2,365,723

Trade receivables amounting to RUB 245,537 thousand as of 31 December 2018 related to a receivable from Georgian Railways for services rendered by the Group prior to 1 April 2015. The amount receivable is under dispute and the Group initiated a claim to the Georgian Court demanding the repayment of the entire balance due. Based on assessment performed as at 31 December 2018, the Group recognised a provision for impairment of RUB 23,732 thousand in order to account for the expected time until receipt of the amount due (Note 33). This balance was reclassified as asset held-for-sale within the year 2019. Refer to Note 36.

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

	2019 RUB'000	2018 RUB'000
Currency:		
US Dollar	209,094	250,245
Russian Roubles	2,820,759	2,183,841
Euro	177,080	137,472
Ukrainian Hryvnia	2,633	15,970
	3,209,566	2,587,528

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

(b) Loans and other receivables

	2019 RUB'000	2018 RUB'000
Loans receivables – third parties	7,841	11,904
Other receivables	69,519	112,434
Other receivables – related parties (Note 35)	-	200,064
Less: Provision for impairment of other receivables	(29,341)	(49,652)
Loans and other receivables – net	48,019	274,750
Less non-current portion:		
Loans receivables – third parties	7,820	11,904
Other receivables - third parties	2,554	-
Total non-current portion	10,374	11,904
Current portion	37,645	262,846

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

	2019 RUB'000	2018 RUB'000
Currency:		
US Dollar	-	2,207
Russian Roubles	39,760	260,247
Ukrainian Hryvnia	416	392
Euro	2	-
Other	7,841	11,904
	48,019	274,750

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

23. Other assets

	2019 RUB'000	2018 RUB'000
Prepayments – third parties	3,805,346	2,857,251
Finance leases to third parties	279,070	316,668
VAT recoverable	1,442,504	1,433,443
Other assets	5,526,920	4,607,362
Less non-current portion:		
Finance leases to third parties	241,279	289,374
Prepayments for property, plant and equipment	95,137	693,267
VAT recoverable	-	36,931
Total non-current portion	336,416	1,019,572
Current portion	5,190,504	3,587,790

The Group's finance leases as at 31 December 2019 and 31 December 2018 are denominated in Russian Roubles.

The finance lease receivables are scheduled as follows:

	Less than one year RUB'000	Between 1 to 5 years RUB'000	Over 5 years RUB'000	Total RUB'000
At 31 December 2019				
Minimum lease receivable	64,499	297,795	-	362,294
Less: Unearned finance income	(26,708)	(56,516)	-	(83,224)
Present value of minimum lease receivables	37,791	241,279	-	279,070
At 31 December 2018				
Minimum lease receivable	61,311	291,591	96,489	449,391
Less: Unearned finance income	(34,017)	(97,059)	(1,647)	(132,723)
Present value of minimum lease receivables	27,294	194,532	94,842	316,668

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

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

	2019 %	2018 %
Finance leases to third parties	10.4	11.17

24. Inventories

	2019 RUB'000	2018 RUB'000
Raw materials, spare parts and consumables	1,722,781	904,375
	1,722,781	904,375

All inventories are stated at cost.

25. Cash and cash equivalents

	2019 RUB'000	2018 RUB'000
Cash at bank and in hand	4,333,201	6,685,392
Short term bank deposits	2,188,342	444,526
Total cash and cash equivalents	6,521,543	7,129,918

The weighted average effective interest rate on short-term deposits was 4.20-5.80% in 2019 (2018: 6.46%) and these deposits have a maturity of 1 to 30 days (2018: 1 to 30 days).

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

	2019 RUB'000	2018 RUB'000
Cash and cash equivalents	6,521,543	7,129,918
Total cash and cash equivalents	6,521,543	7,129,918

Cash and cash equivalents are denominated in the following currencies:

	2019 RUB'000	2018 RUB'000
Russian Rouble	5,884,983	5,485,393
US Dollar	257,799	759,190
Euro	338,802	838,956
Ukrainian Hryvnia	39,959	46,379
Total cash and cash equivalents	6,521,543	7,129,918

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

26. Share capital and share premium

	Number of shares	Share capital USD'000	Share premium USD'000	Total USD'000
At 1 January 2018 /31 December 2018 / 1 January 2019 / 31 December 2019	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 2018 /31 December 2018 / 1 January 2019 / 31 December 2019	178,740,916	516,957	27,929,478	28,446,435

The total authorised number of ordinary shares at 31 December 2019 was 233,918,128 shares with a par value of US$0.10 per share (31 December 2018: 233,918,128 shares with a par value of US$0.10 per share). All issued shares are fully paid.

27. Dividends

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

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

In April 2019, the shareholders of the Company approved the payment of a dividend for the financial year ended 31 December 2018 in the amount of 46.50 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,311,453 thousand, including final dividend for 2018 in the amount of RUB 1,429,927 thousand or RUB 8.00 per ordinary share/GDR and a special final dividend in the amount of RUB 6,881,526 thousand or RUB 38.50 per ordinary share/GDR (US Dollar equivalent of US$ 129,727 thousand).

In August 2019, the Board of Directors of the Company approved payment of total dividend in the amount of 46.55 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,320,390 thousand (US Dollar equivalent of US$ 124,655 thousand), including interim dividend in the amount of RUB 3,548,007 thousand (US Dollar equivalent of US$ 53,156 thousand) or RUB 19.85 per ordinary share/GDR and a special interim dividend in the amount of RUB 4,772,382 thousand (US Dollar equivalent of US$ 71,499 thousand) or RUB 26.70 per ordinary share/GDR.

On the date of this report, the Board of Directors of the Company, having considered the profitability and liquidity position of the Group, recommends a payment of dividend for the year 2019 in the amount of 46.55 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,320,390 thousand, including final dividend for 2019 in the amount of RUB 1,903,591 thousand or RUB 10.65 per ordinary share/GDR and a special final dividend in the amount of RUB 6,416,799 thousand or RUB 35.90 per ordinary share/GDR. Such dividends subject to the approval of the shareholders at the Annual General Meeting on 30 April 2020 and shall be paid in US Dollars at the average of the official exchange rates of the Russian Central Bank for eight business days in Russia from 20 April 2020 to 29 April 2020 inclusive. Holders of GDRs will receive the dividend approximately three business days after the payment date, which will be not later than 30 business days after the approval of the dividends by the Annual General Meeting.

During the years ended 31 December 2019 and 2018, the Group declared and paid dividends in favour of the equity holders of the Company and the non-controlling interests as detailed in the table below.

	2019 RUB'000	2018 RUB'000
Dividends declared to equity holders of the Company	16,631,842	16,220,738
Dividends paid to equity holders of the Company	16,631,842	16,220,738
Dividends declared to non-controlling interest	1,602,237	1,723,005
Dividends paid to non-controlling interest	1,602,237	1,723,005

28. Borrowings

	2019 RUB'000	2018 RUB'000
Current		
Bank borrowings	7,013,856	7,831,616
Non-convertible unsecured bonds	290,000	131,100
Loans from third parties	355	-
Lease liabilities with financial institutions (2018: Finance lease liabilities)	496,093	496,874
Total current borrowings	7,800,304	8,459,590
Non-current		
Bank borrowings	10,959,851	10,568,008
Non-convertible unsecured bonds	9,989,017	4,985,519
Loans from third parties	120,000	-
Lease liabilities with financial institutions (2018: Finance lease liabilities)	1,226,046	1,715,794
Total non-current borrowings	22,294,914	17,269,321
Total borrowings	30,095,218	25,728,911
Maturity of non-current borrowings (excluding lease liabilities with financial institutions (2018: finance lease liabilities))		
Between 1 and 2 years	8,528,123	5,186,713
Between 2 and 5 years	12,540,745	10,366,814
	21,068,868	15,553,527

Bank borrowings

Bank borrowings mature by 2024 (2018: by 2023) and bear average interest of 8.07% per annum (2018: 7.99% per annum).

There were no defaults or breaches of loan terms during the years ended 31 December 2019 and 31 December 2018.

The current and non-current bank borrowings amounting to RUB 5,501,805 thousand and RUB 8,797,604 thousand respectively (2018: RUB 6,775,211 thousand and RUB 9,681,198 thousand respectively) are secured by pledge of rolling stock and tank-containers with a total carrying net book value of RUB 16,706,748 thousand (2018: RUB 22,944,525 thousand) (Note 17).

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

Non-convertible bonds

New Forwarding Company AO ("NFC") issued non-convertible Russian Rouble denominated bonds for amount of RUB 5 billion in 2018, priced at a coupon rate of 7.25% p.a. and with maturity in 2023 and for amount of RUB 5 billion in 2019, priced at a coupon rate of 8.8% p.a. and with maturity in 2024 out of a total RUB 100 billion registered program.

The Company acts as the guarantor for the bond issue.

Finance lease liabilities at 31 December 2018

Finance lease liabilities at 31 December 2018 were effectively secured as the rights to the leased asset reverts to the lessor in the event of default. For details of assets under finance leases refer to Note 17.

	2019 RUB'000	2018 RUB'000
Finance lease liabilities – minimum lease payments		
Not later than 1 year	-	662,116
Later than 1 year and not later than 5 years	-	1,968,708
Future finance charges of finance leases	-	(418,156)
Present value of finance lease liabilities	-	2,212,668
The present value of finance lease liabilities is as follows:		
Not later than 1 year	-	496,874
Later than 1 year and not later than 5 years	-	1,715,794
	-	2,212,668

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

	2019 RUB'000	2018 RUB'000
6 months or less	3,917,181	2,742,720
6 to 12 months	3,875,216	5,716,870
1 to 5 years	22,302,821	17,269,321
	30,095,218	25,728,911

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

Movements in borrowings are analysed as follows:

	Bank borrowings and loans (excl. overdrafts) RUB'000	Lease liabilities with financial institutions RUB'000	Lease liabilities (IFRS 16) RUB'000	Non-convertible unsecured bonds RUB'000	Total RUB'000
Year ended 31 December 2018					
Opening amount as at 1 January *2018*	16,331,356	-	-	-	16,331,356
Cash flows:					
Amounts advanced	15,197,467	-	-	5,000,000	20,197,467
Repayments of borrowings	(13,127,743)	(1,321,234)	-	-	(14,448,977)
Interest paid	(1,335,018)	(100,064)	-	(198,250)	(1,633,332)
Non-cash changes:					
Interest charged	1,344,208	108,216	-	314,869	1,767,293
Net foreign exchange	294	-	-	-	294
Finance lease liability	(10,940)	3,525,750	-	-	3,514,810
Closing amount as at 31 December *2018*	18,399,624	2,212,668	-	5,116,619	25,728,911
Year ended 31 December 2019					
Opening amount as at 1 January 2019	18,399,624	2,212,668	-	5,116,619	25,728,911
Impact of adoption of IFRS 16 (Note 3)	-	-	678,695	-	678,695
Restated opening amount	18,399,624	2,212,668	678,695	5,116,619	26,407,606
Cash flows:					
Amounts advanced	10,408,000	-	-	5,000,000	15,408,000
Repayments of borrowings	(10,736,723)	(488,723)	(339,597)	-	(11,565,043)
Interest paid	(1,437,015)	(167,048)	(111,911)	(580,900)	(2,296,874)
Non-cash changes:					
Interest charged	1,461,453	165,242	117,589	743,298	2,487,582
Net foreign exchange	(394)	-	(10,956)	-	(11,350)
Lease liability	-	-	1,197,063	-	1,197,063
Other	(883)	-		-	(883)
Closing amount as at 31 December 2019	18,094,062	1,722,139	1,530,883	10,279,017	31,626,101

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

	Carrying amount		Fair value	
	2019 RUB'000	2018 RUB'000	2019 RUB'000	2018 RUB'000
Bank borrowings	17,973,707	18,399,624	16,536,507	18,087,461
Non-convertible unsecured bonds	10,279,017	5,116,619	10,317,500	4,940,619
Loans from third parties	120,355	-	125,833	-
Lease liabilities with financial institutions (2018:Finance lease liabilities)	1,722,139	2,212,668	1,635,779	2,166,542
	30,095,218	25,728,911	28,615,619	25,194,622

The fair value as at 31 December 2019 and 31 December 2018 of fixed interest rate instruments with stated maturity denominated in Russian Rouble was estimated based on expected cash flows discounted using the rate of similar Russian Rouble denominated instruments entered into by the Group close to 31 December 2019 and 31 December 2018. The discount rate was 7.5% p.a. (2018: 9.5% p.a.). The fair value measurements are within level 2 of the fair value hierarchy (2018: level 2). The fair value as at 31 December 2019 and 31 December 2018 of the fixed interest rate non-convertible bonds was equal to their quoted price and the resulting fair value measurement is within level 1.

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

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

	2019 RUB'000	2018 RUB'000
Russian Rouble	30,095,218	25,724,528
Euro	-	4,383
	30,095,218	25,728,911

The Group has the following undrawn borrowing facilities:

	2019 RUB'000	2018 RUB'000
Fixed rate:		
Expiring within one year	2,320,000	1,490,000
Expiring beyond one year	2,345,000	3,025,000
	4,665,000	4,515,000

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

	2019 %	2018 %
Bank borrowings	8.1	8.0
Non-convertible unsecured bonds	8.1	7.3
Loans from third parties	9.0	-
Lease liabilities with financial institutions (2018: Finance lease liabilities)	8.4	8.4

29. Lease liabilities (IFRS 16)

	2019 RUB'000
Lease liabilities (IFRS 16)	
Current lease liabilities	649,177
Non-current lease liabilities	881,706
Total lease liabilities	1,530,883

	2019 RUB'000
Maturity of lease liabilities (IFRS 16)	
Between 1 and 2 years	340,021
Between 2 and 5 years	535,144
Over 5 years	6,541
	881,706

30. Deferred income tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and fiscal authority. The gross movement on the deferred income tax account is as follows:

	2019 RUB'000	2018 RUB'000
Beginning of year	6,284,868	5,908,319
Income statement charge (Note 15)	1,307,314	376,549
End of year	7,592,182	6,284,868

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[1] RUB'000	Withholding tax provision RUB'000	Intangible assets RUB'000	Total RUB'000
At 1 January 2018	5,479,990	709,233	289,507	6,478,730
Charged/(credited) to:				
Income statement (Note 15)	1,385,566	(224,097)	(139,181)	1,022,288
At 31 December 2018	6,865,556	485,136	150,326	7,501,018
Impact of adoption of IFRS 16	-	-	-	-
Restated balance – 1 January 2019	6,865,556	485,136	150,326	7,501,018
Charged/(credited) to:				
Income statement (Note 15)	1,156,002	30,308	(138,958)	1,047,352
At 31 December 2019	8,021,558	515,444	11,368	8,548,370

(1) The deferred tax liability arising from property, plant and equipment as at 31 December 2019 includes RUB 639 652 thousand relating to temporary differences arising from right-of-use assets recognised within property, plant and equipment (Note 17).

Deferred tax assets	Tax losses RUB'000	Trade and other payables RUB'000	Lease liabilities with financial institutions (2018: Lease liabilities) and Borrowings RUB'000	Other assets/ liabilities RUB'000	Total RUB'000
At 1 January 2018	(59,908)	(82,864)	(276,927)	(150,712)	(570,411)
Charged/(credited) to:					
Income statement (Note 15)	896	(103,606)	(546,414)	3,385	(645,739)
At 31 December 2018	(59,012)	(186,470)	(823,341)	(147,327)	(1,216,150)
Impact of adoption of IFRS 16	-	-	-	-	-
Restated balance – 1 January 2019	(59,012)	(186,470)	(823,341)	(147,327)	(1,216,150)
Charged/(credited) to:					
Income statement (Note 15)	10	(119,591)	108,990	270,553	259,962
At 31 December 2019	(59,002)	(306,061)	(714,351)	123,226	(956,188)

Deferred tax assets are recognised for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group has not recognised deferred tax assets in the amount of RUB 312,221 thousand (2018: RUB 433,600 thousand) for tax losses amounting to RUB 1,668,111 thousand (2018: RUB 2,721,000 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.

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. The Group recognises provisions for such taxes based on management's estimates and intention for future dividend distribution by each respective subsidiary out of profits of subsidiaries as of 31 December 2019.

Deferred income tax liabilities of RUB 2,575,594 thousand (2018: RUB 3,474,968 thousand) have not been recognised for the withholding taxes that would be payable in case unremitted earnings of certain subsidiaries are distributed to the Company in the form of dividends as it is the current intention of the management of the Group that such amounts are reinvested. Unremitted earnings on which no deferred tax liability was recognised totalled to RUB 22,679,368 thousand as at 31 December 2019 (2018: RUB 28,932,126 thousand).

31. Trade and other payables

	2019 RUB'000	2018 RUB'000
Current		
Trade payables to third parties	659,891	539,995
Other payables to third parties	462,021	569,084
VAT payable and other taxes	561,393	685,328
Accrued expenses	133,482	106,789
Accrued key management compensation, including share-based payment (Note 35)	539,085	648,141
	2,355,872	2,549,337
Non-current		
Accrued key management compensation, including share-based payment (Note 35)	82,256	114,751
Accrued expenses	8,486	-
Other payables to third parties	-	289,606
	90,742	404,357

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

32. 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.

	2019	2018
Profit attributable to equity holders of the company (RUB thousand)	20,807,651	17,671,968
Weighted average number of ordinary shares in issue (thousand)	178,741	178,741
Basic and diluted earnings per share (expressed in RUB per share) attributable to the equity holders of the Company during the year	116.41	98.87

33. Contingencies

Operating environment

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

Russian Federation.

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. Firm oil prices, low unemployment and rising wages supported a modest growth of the economy in 2019. The operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

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

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD) but has specific characteristics. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length. Management has implemented internal controls to be in compliance with this transfer pricing legislation. Management believes that its pricing policy used in 2019 and 2018 and preceding years is arm's length and it has implemented internal controls to be in compliance with this transfer pricing legislation.

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

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

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that an outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. As at 1 January 2019, there was an ongoing tax investigation in one of the Russian subsidiaries of the Group, which was concluded within the first half of 2019 with no significant impact on the financial position and overall operations of the Group. Management will vigorously defend the positions and interpretations applied in determining taxes recognised in these financial statements if these are challenged by the authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Estonia and Finland

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

Ukraine

Starting in 2013, the political situation in Ukraine has experienced instability with numerous protests and continued political uncertainty that has led to deterioration of the state's finances, volatility of financial markets and sharp depreciation of the national currency against major foreign currencies.

Since 2016 the Ukrainian economy has demonstrated recovery amid overall macroeconomic stabilisation supported by structural reforms, a rise in domestic investment, revival in household consumption, increase in industrial production, construction activity and improved environment on external markets. In 2019 GDP continued to grow to 3.5 % (as compared to 3.3% growth in 2018). In addition, there was further progress in monetary policy. The National Bank of Ukraine ("NBU") conducts an interest rate policy that is consistent with inflation targets and keeps the hryvnia floating. The inflation rate in Ukraine slowed to 4.1% in 2019.

Starting from 2016, the NBU has made certain steps to ease the currency control restrictions introduced in 2014–2015. In particular, the required share of foreign currency proceeds subject to mandatory sale on the interbank market was gradually decreased starting from 1 March 2019 is 30%. Additionally, the settlement period for export-import transactions in foreign currency was steadily increased to 180 days starting from 26 May 2017. Also starting from 3 March 2018, the NBU increased the amount of dividends payments allowed by Ukrainian companies to non-residents to USD 7 million per month. This restriction has been eased to EUR 7 million since 7 February 2019.

In 2019-2020, Ukraine faces major public debt repayments, which will require mobilizing substantial domestic and external financing in an increasingly challenging financing environment for emerging markets. Further, in March-April 2010 Ukraine faced presidential elections and then early parliamentary elections in July 2019. Amid double elections, the degree of uncertainty including in respect of the future direction of the reforms in 2020 remains very high.

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

Compliance with covenants

The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including claims for early repayment. The Group is in compliance with covenants as of 31 December 2019 and 31 December 2018 (Note 28).

Insurance policies

The Group holds insurance policies in relation to all vehicles (rolling stock and motor vehicles) and in respect of public third-party liability. The Group does not have full insurance for business interruption or third-party liability in respect of environmental damage.

Environmental matters

The enforcement of environmental regulation in the countries in which the Group operates is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

Legal proceedings

During the years ended 31 December 2019 and 31 December 2018, the Company's subsidiaries were involved as a claimants and defendants in a number of court proceedings.

Georgian Railways case

In March 2016, Georgian Railways initiated a claim of approximately GEL 16,122 thousand against a subsidiary of the Company claiming compensation for storage costs incurred for wagons leased out to Georgian Railways that remained in Georgia for a period after 1 April 2015.

As explained in Note 22, as at 31 December 2019 the Group has an outstanding receivable amounting to EUR 3,150 thousand/RUB 218,392 thousand (2018: EUR 3,090 thousand/RUB 245,537 thousand) from Georgian Railways relating to invoices issued for services rendered prior to 1 April 2015. The Group also issued invoices of EUR 1,555 thousand to Georgian Railways; the revenue of which has not been recognised as it was not assessed as probable at that time that future economic benefits would flow to the Group.

The Georgian Railways dispute the tariffs applied in computing the outstanding balance and thus have not proceeded with the repayment of the amount which remains outstanding.

The Group has initiated a claim to the Georgian Court demanding the repayment of the entire balance. Based on assessment performed as at 31 December 2019, management recognised a loss allowance of EUR 304 thousand/ RUB 21,108 thousand (2018: EUR 299 thousand/ RUB 23,732 thousand).

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

Claim in relation to sale of rolling of stock

In February 2018, the Group received a claim from a third party in relation to a sale of rolling stock. In March 2018, the third party initiated legal action claiming from the Group an amount of RUB 996 million. In May 2018, there was a court decision against the Group for an amount of RUB 684 million. Both parties have appealed this decision and on 27 September 2018 the 2nd instance court cancelled the penalty in full amount. On 15 February 2019 the Moscow Arbitrary court cancelled all court decisions made and announced a new court hearing in September 2019. The amount of claim was decreased to RUB 727 million. Based on the results of the re-examination of the case in September 2019, the court of 1st instance ruled to partially satisfy the requirements of the third party in the amount of RUB 554 million, plus penalties in amount of RUB 27 million. Both parties have appealed this decision and on 12 March 2020 the court appointed an independent expert to determine the current value of the disputed rolling stock. No provision has been recognised in respect of this claim as the Group has received an unconditional irrevocable guarantee for the entire amount of this claim.

Claim in relation to unpaid railroad tariffs

In December 2018, the Group, jointly with a third-party customer, received a claim from a third party for the total amount of RUB 519 million in relation to discount applied on railroad tariffs. No provision was recognised by the Group in respect of this claim as the Group was of the opinion that it was not probable that it will be required to make a payment under this claim. In July 2019 there was a favourable court decision for the Group regarding this case.

In the opinion of management, there are no other legal proceedings or other claims outstanding, as of 31 December 2019 and 2018 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.

34. Commitments

(a) Capital commitments

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

	2019 RUB'000	2018 RUB'000
Property, plant and equipment	21,419	2,707,799

(b) Operating lease commitments – Group as lessee

During the year 2018, the Group leased offices under non-cancellable operating lease agreements.

The Group also leased various types of rolling stock under cancellable and non-cancellable operating lease agreements. The lease expenditure charged to the income statement during the year 2018 is disclosed in Note 11.

The future aggregate minimum lease payments under non-cancellable operating leases as at 31 December 2018 were as follows:

	2019 RUB'000	2018 RUB'000
Not later than 1 year	-	477,188
Later than 1 year not later than 5 years	-	882,449
Later than 5 years	-	19,195
	-	1,378,832

(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:

	2019 RUB'000	2018 RUB'000
Not later than 1 year	368,888	348,257
Later than 1 year not later than 5 years	-	28,182
	368,888	376,439

There were no contingent-based rents to be recognised in the income statement for the year ended 31 December 2019 and 31 December 2018.

35. Related party transactions

Litten Investments Ltd, controlled by a Director of the Company, has a shareholding in the Company of 5.1% as at 31 December 2019 (31 December 2018: 5.8%).

Goldriver Resources Ltd, controlled by a member of key management personnel of the Group, has a shareholding in the Company of 4.0% as at 31 December 2019 (31 December 2018: 4.7%).

As at 31 December 2019, another 0.2% (2018: 0.2%) of the shares of the Company is 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) Key management compensation

	2019 RUB'000	2018 RUB'000
Key management salaries and other short-term employee benefits	1,417,535	1,675,673
Share based compensation (Note 21)	83,319	236,572
	1,500,854	1,912,245

The key management compensation above includes directors' remuneration paid to the directors of the Company both by the Company and by subsidiaries of the Company in respect of services provided to such subsidiaries amounting to RUB 507,802 thousand (2018: RUB 408,987 thousand) and analysed as follows:

	2019 RUB'000	2018 RUB'000
Non-executive directors' fees	20,868	22,200
Emoluments in their executive capacity	474,950	386,787
Share based compensation in their executive capacity	11,984	-
	507,802	408,987

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

	2019 RUB'000	2018 RUB'000
Other receivable from related parties (Note 22):		
Receivable from entity controlled by key management	-	200,064
	-	200,064

	2019 RUB'000	2018 RUB'000
Accrued key management remuneration – current (Note 31):		
Accrued salaries and other short-term employee benefits	415,737	472,087
Share based payment liability (Note 21)	123,348	176,054
	539,085	648,141

	2019 RUB'000	2018 RUB'000
Accrued key management remuneration – non-current (Note 31):		
Share based payment liability (Note 21)	82,256	114,751
	82,256	114,751

36. Events after the balance sheet date

The Group's outlook for 2020 may be impacted by the Coronavirus (COVID-19) outbreak, which has significantly lowered visibility on what to expect in 2020. While this is still an evolving situation at the time of issuing these consolidated financial statements, it appears that the negative impact on global trade may be more severe than originally expected. Certain currencies to which the Group is exposed have weakened, stock markets have declined, and commodity prices are lower. Management considers this outbreak to be a non-adjusting post balance sheet event.

The Management is closely monitoring the situation with the outbreak of Coronavirus (COVID-19) and is ready to act depending on the development of the situation.

On the date of this report, the Board of Directors of the Company, having considered the profitability and liquidity position of the Group, recommends a payment of dividend for the year 2019 in the amount of 46.55 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,320,390 thousand, including final dividend for 2019 in the amount of RUB 1,903,591 thousand or RUB 10.65 per ordinary share/GDR and a special final dividend in the amount of RUB 6,416,799 thousand or RUB 35.90 per ordinary share/GDR. Such dividends subject to the approval of the shareholders at the Annual General Meeting on 30 April 2020 and shall be paid in US Dollars at the average of the official exchange rates of the Russian Central Bank for eight business days in Russia from 20 April 2020 to 29 April 2020 inclusive. Holders of GDRs will receive the dividend approximately three business days after the payment date, which will be not later than 30 business days after the approval of the dividends by the Annual General Meeting.

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

Independent Auditor’s Report on pages 15 to 22.