Global Ports Investments Plc

DIRECTORS’ REPORT AND PARENT COMPANY FINANCIAL STATEMENTS 31 DECEMBER 2018

Global Ports Investments Plc

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Global Ports Investments Plc

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors

Mr. Morten Henrick Engelstoft (appointed 31 October 2016)
(Mrs. Olga Gorbarenko is the alternate to Morten Henrick Engelstoft)
Chairman of the Board of Directors
Non-Executive Director
Member of Remuneration and Nomination Committees

Mrs. Iana Penkova Boyd (appointed 29 January 2018)
Non-Executive Director

Mr. Anton Chertkov (appointed 14 May 2018)
(Mr. Alexander Iodchin is the alternate to Mr. Anton Chertkov)
Non-Executive Director
Member of Remuneration and Nomination Committees

Mr. Michalakis Christofides (appointed 30 July 2014)
Non-Executive Director

Mrs. Britta Dalunde (appointed 12 May 2017)
Senior Independent Non-Executive Director
Chairman of Audit and Risk Committee

Mr. Alexander Iodchin (appointed 15 August 2008)
Executive Director

Mr. Soren Jakobsen (appointed 02 March 2018)
(Mrs. Olga Gorbarenko is the alternate to Mr. Soren Jakobsen)
Non-Executive Director
Member of Remuneration, Nomination and Audit and Risk Committees

Mr. Demos Katsis (appointed 14 May 2018)
Non-Executive Director

Mrs. Inna Kuznetsova (appointed 01 January 2018)
Independent Non-Executive Director
Chairman of Remuneration and Nomination Committees
Member of Audit and Risk Committee

Mrs. Laura Michael (appointed 23 January 2013)
(Mr. Nicholas Charles Terry is the alternate to Mrs. Laura Michael)
Non-Executive Director

Mr. Lampros Papadopoulos (appointed 01 January 2018)
Independent Non-Executive Director
Member of Audit and Risk Committee

Mr. Stavros Pavlou (appointed 14 May 2018)
Non-Executive Director
Member of Remuneration and Nomination Committees

Board of Directors and other officers (continued)

Board of Directors (continued)

Mr. Sergey Shishkarev (appointed 14 May 2018)
(Mr. Anton Chertkov and Mr. Stavros Pavlou are the alternates to Mr. Sergey Shishkarev)
Non-executive Director

Mr. Nicholas Charles Terry (appointed 31 October 2016)
(Mrs. Laoura Michael is the alternate to Mr. Nicholas Charles Terry)
Non-executive Director

Mr. George Yiallourides (appointed 14 May 2018)
Non-Executive Director
Member of Audit and Risk Committee

Mr. Gerard Jan van Spall (resigned on 29 January 2018)

Mr. Peder Sondergaard (resigned on 01 February 2018)

Mr. Mikhail Loganov (resigned on 12 April 2018)

Mr. Nikita Mishin (resigned on 12 April 2018)

Mrs. Elia Nicolaou (resigned on 12 April 2018)

Mr. Konstantin Shirokov (resigned on 12 April 2018)

Mr. Vadim Kryukov (resigned on 14 May 2018)

Capt. Bryan Smith (resigned on 14 May 2018)

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

Company Secretary

Team Nominees Limited
20 Omirou Street
Ayios Nicolaos
CY-3095 Limassol
Cyprus

Registered office
20 Omirou Street
Ayios Nicolaos
CY-3095 Limassol
Cyprus

Global Ports Investments Plc

MANAGEMENT REPORT

1. The Board of Directors presents its report together with the audited financial statements of Global Ports Investments Plc (hereafter also referred to as “GPI” or the “Company”) for the year ended 31 December 2018. The Company’s financial statements have been prepared in accordance with International Financial Reporting Standards (hereafter also referred as “IFRS”) as adopted by the European Union (“EU”) and the requirements of Cyprus Companies Law, Cap. 113.

Principal activities and nature of operations of the Company

2. The principal activities of the Company, which are unchanged from the previous year, is the holding of investments including any interest earning activities. The subsidiaries and joint-ventures of the Company (together with the Company the “Group”) are engaged in the operation of container and oil products terminals in Russia and the Baltics. The Group offers its customers a wide range of services for their import and export logistics operations.

Changes in group structure

3. During the year ended 31 December 2018 the management of the Group continued its efforts in optimisation of the Group structure. LLC ZASM was merged with LLC Farwater. The management finalised the liquidation of LLC Container-Depot East and LLC Cargo Connexion East.
4. In September 2018 the Group completed the sale of its holding in JSC Logistika-Terminal (LT), one of the Group’s two inland terminals, to PJSC TransContainer for a consideration of 1.9 billion Russian roubles. As previously announced, the proceeds from the sale went towards the further deleveraging of the Group.
5. During the year ended 31 December 2018 the Group disposed its two subsidiaries – LLC PLP Mineral (owner of handling equipment) and LLC Porttransservis (freight forwarding services in Saint-Petersburg). The Group acquired a 100% stake in LLC Transportmecanisation, a company rendering equipment repair and maintenance services in Saint-Petersburg.
6. There were no other material changes in the group structure.

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

7. The Russian container market grew 10.0% in 2018 driven by the continued recovery in laden import of 8.2% and supported by strong growth in laden export containers of 13.9%, resulting in total Russian container market throughput of 4.87 million TEU .
8. The Group’s Consolidated Marine Container Throughput increased 12.2% to 1,352 thousand TEU in 2018 compared to 1,205 thousand TEU in 2017. The growth rate of the Group’s Consolidated Marine Container Throughput therefore outpaced that of the Russian container market.
9. The Group focused on increasing bulk cargo volumes to improve the utilisation of its terminals. As a result, Consolidated Marine Bulk Throughput increased by 15.9% to 3.12 million tonnes in 2018, a record level for the Group, driven by growth in bulk cargoes at PLP and ULCT.
10. As a part of its strategy to focus on developing additional revenue streams and optimising its existing terminal infrastructure, the Group commissioned a new coal handling facility at Ust-Luga Container Terminal in December 2018. ULCT has excellent rail connectivity and the capability to support up to 1.0 million tonnes of coal shipments per year.
11. Revenue in 2018 increased by 4.0% to USD 343.6 million compared to USD 330.5 million in 2017. This was mainly driven by 16.8% growth in Consolidated Non-Container Revenue. Consolidated Container Revenue was broadly flat in 2018 at USD 255.2 million, growth of 0.1% compared to 2017, as 12.2% growth in Consolidated Marine Container Throughput was partially offset by an 10.1% decline in Revenue per TEU. Only a low single digit percentage of the reduction in Revenue per TEU was attributable to change in tariffs, with the majority of the decline largely attributable to lower share of imports and the change in customer and service mix.
12. The Group continued to exert strict control over costs. Total Operating Cash Costs decreased by 2.0% during the reporting period despite double digit growth in throughput of both container and non-container cargoes. FX adjusted Total Operating Cash Costs1 increased by around 5.8%.

[1] Management estimate calculated as if effective USD/RUB exchange rate in 2018 was the same as in 2017.

13. Gross profit in 2018 increased 14.0% to USD 207.6 million or by 7.3% adjusted for impairments that took place in 2017.
14. Adjusted EBITDA in 2018 increased 7.8% to USD 217.3 million* mainly due to the growth in throughput and strict control over costs.
15. Adjusted EBITDA margin expanded by 224 basis points from 61.0% in 2017 to 63.2%* in 2018.
16. Operating profit in 2018 was USD 131.6 million compared to USD 5.3 million Operating loss in 2017. This substantial increase was driven both by the growth in Gross profit and the fact that 2017 was negatively impacted by non-monetary items such as impairment, loss from the Group's share of the result in joint ventures, and recycling of derivative losses previously recognised through other comprehensive income. Loss before income tax increased from USD 24.1 million in 2017 to USD 53.6 million in 2018. This change was predominantly driven by the depreciation of the Russian rouble which resulted in mainly unrealised loss on revaluation of US dollar-denominated borrowings (from Group and non Group entities) in the Group's Russian subsidiaries using Russian rouble as their functional currency.
17. The Group's capital expenditure on a cash basis was USD 40.8 million in 2018. Maintenance capital expenditure focused on planned maintenance projects, scheduled upgrades of existing container handling equipment and coal handling equipment at VSC as well as the implementation of environmental protection measures related to coal handling. Maintenance capex remained in line with the Group's mid-term guidance of USD 25-35 million per annum with the remainder accounting for development of a new coal handling facility at ULCT.
18. Net cash from operating activities increased by USD 0.4 million, or 0.2%, from USD 173.9 million in 2017 to USD 174.3 million in 2018.
19. In August 2018, an amendment to the Law on Seaports came into force which prescribes that all handling tariffs in Russian ports are set in Russian roubles. While the law stipulates the mandatory currency of tariffs, it does not restrict port operators' ability to change actual tariff levels. Tariffs for stevedoring services in Russian ports remain unregulated and are market-driven. Since the law came into force, the Group has retained its legal ability to revise tariff policy in response to substantial changes in the industry, currency fluctuations or macroeconomic environment. Although the share of Russian rouble nominated revenues is expected to increase in 2019, the group believes that its FX exposure is adequately balanced by the currency composition of its debt portfolio, the currency of its cash and deposits and the use of hedging instruments in relation to both revenue and debt.
20. The Group continued to deleverage and reduced Net Debt by a further USD 85.6 million* in 2018. The Group decreased its Total Debt by USD 124.4 million* in 2018.
21. Net Debt to Adjusted EBITDA decreased from 4.3x* to 3.6x* during 2018.
22. The loss of the Company for the year ended 31 December 2018 was US$(84,182) thousand (2017: net profit US$1,555 thousand). On 31 December 2017 the total assets of the Company were US$650,646 thousand (2017: US$736,092 thousand) and the net assets were US$624,045 thousand (2017: US$708,227 thousand). The financial position, development and performance of the Group as presented in these consolidated financial statements are considered satisfactory.

    Certain non-IFRS financial measures and operational information above which is derived from the management accounts is marked with an asterisk {*}. Terms used above are defined as follows:

    Adjusted EBITDA (a non-IFRS financial measure) for Global Ports Group is defined as profit for the period before income tax expense, finance income/(costs)—net, depreciation of property, plant and equipment, amortisation of intangible assets, share of profit/(loss) of joint ventures accounted for using the equity method, other gains/(losses)—net and impairment of goodwill and property, plant and equipment and intangible assets.

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

    Consolidated Container Revenue is defined as revenue generated from containerised cargo services.

    Consolidated Non-Container Revenue is defined as a difference between total revenue and Consolidated Container Revenue.

    Consolidated Marine Bulk Throughput is defined as combined marine bulk throughput by consolidated terminals: PLP, VSC, FCT and ULCT.

Consolidated Marine Container Throughput is defined as combined marine container throughput by consolidated marine terminals: PLP, VSC, FCT and ULCT.

Free Cash Flow (a non-IFRS financial measure) is calculated as Net cash from operating activities less Purchase of property, plant and equipment.

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

Revenue per TEU is defined as the Global Ports Group's Consolidated Container Revenue divided by total container marine throughput.

Total Debt (a non-IFRS financial measure) is defined as a sum of current borrowings, non-current borrowings and derivative financial instruments.

Total Operating Cash Costs (a non-IFRS financial measure) is defined as Global Ports Group's cost of sales, administrative, selling and marketing expenses, less depreciation and impairment of property, plant and equipment, less amortisation and impairment of intangible assets.

Risk Management Process, Principal Risks and Uncertainties

23. GPI is exposed to a variety of risks and opportunities that can have commercial, financial, operational and compliance impacts on its business performance, reputation and licence to operate. The Board recognises that creating shareholder value involves the acceptance of risk. Effective management of risk is therefore critical to achieving the corporate objective of delivering long-term growth and added value to our shareholders.
24. Global Ports bases its risk management activities on a series of well-defined risk management principles, derived from experience, leading practice, and corporate governance regimes. Global Ports has an enterprise risk management system (the ERM) that is designed to identify, assess, respond, monitor and, where possible, mitigate or eliminate threats to the business caused by changes in the external and internal business, financial, regulatory and operating environment.
25. The Board has overall oversight responsibility for the GPI's risk management and the establishment of the framework of prudent and effective controls and it systematically monitors and assesses the risks attributable to the Group's performance and delivery of the GPI strategy. After identifying and assessing a risk, the Group selects and deploys the appropriate risk response aimed at reducing the likelihood of its occurrence and/or potential adverse impact.
26. The Board delegates to the Chief Executive Officer of LLC Global Ports Management responsibility for effective and efficient implementation and maintenance of the risk management system. Day-to-day responsibility for the risk management lies with the management team. The Audit and Risk Committee is authorized by the Board to monitor, review and report on the organization, functionality and effectiveness of the Group's ERM system
27. Global Ports is exposed to a variety of risks which are listed below. The order in which the risks are presented is not intended to be an indication of the probability of their occurrence or the magnitude of their potential effects.
28. Not all of these risks are within the Company's control, and the list cannot be considered to be exhaustive, as other risks and uncertainties may emerge in a changing external and internal environment that could have a material adverse effect on the Group's ability to achieve its business objectives and deliver its overall strategy.
29. Further information on our risk management system including a detailed description of identified risk factors is contained in the notes to the Financial Statements attached to this report.
30. The Company's financial risk management and critical accounting estimates and judgments are disclosed in Notes 3 and 4 to the financial statements.
31. The Company's contingencies are disclosed in Note 21 to the financial statements.

Risk factor	Risk management approach
Strategic risks	
Market conditions: Global Ports’ operations are dependent on the global macroeconomic environment and resulting trade flows, including in particular container volumes. Container market throughput is closely correlated to the volume of predominantly imported goods, which in turn is driven by domestic consumer demand, combined with volatility of the Russian rouble against USD/Euro. The Group remains exposed to the risk of contraction in the Russian economy which if it were to occur could further dampen consumer demand and lead to a deterioration in the container market which could have a materially adverse impact on the Group.	The Group has reacted to the volatility of throughput in the container market by: • Focusing on quality and value-driven services (getting closer to the customer); • Greater focus on export container flows; • Offering operational flexibility to all clients; • Effective cost containment; • Adopting new revenue streams and attracting new cargo.
Competition: Barriers to entry are typically high in the container terminal industry due to the capital-intensive nature of the business. However, challenging market trading conditions mean that competition from other container terminals continues to be a significant factor. Further consolidation between container terminal operators and container shipping companies, introduction of new/upgraded capacity and carrier consolidation could result in greater price competition, lower utilisation, and a potential deterioration in profitability. In recent years, the Russian market has witnessed the introduction of significant new container handling capacity, an example being the new terminal at Bronka, which competes with the Group’s ports in the Baltic Sea Basin. Additionally, strategic international investors may develop or acquire stakes in existing competitor Russian container terminals, which could bring new expertise into the market and divert clients and cargoes away from the Group. Given the historically high margins in the Russian container handling industry, this trend may continue.	The Group actively monitors the competitive landscape and adjusts its commercial strategy accordingly, i.e. the Group prioritises building close long-term relationships with leading customers (locally, regionally and with headquarters) based on a global approach to account management and contractual agreements incentivizing growth of throughput and/or share of business. The Group’s focus on service quality is a key differentiator from its competition and the Group believes this is one of its key competitive advantages. The Group has made long-term investments in its terminals and modern equipment to ensure competitive levels of service. It operates on a long-term horizon and its terminals represent core infrastructure in Russia that will continue to operate for the next 10-20 years or beyond. Because the Group possesses well-invested facilities with available berth capacity and sufficient land plots it has flexibility to balance minimal capital expenditure to maintain capacity at the existing level and its efficient development should market require it.

Risk factor	Risk management approach
Political, economic and social stability: Instability in the Russian economy as well as social and political instability could create an uncertain operating environment and affect the Group's ability to sell its services due to significant economic, political, legal and legislative risks. Certain government policies or the selective and arbitrary enforcement of such policies could make it more difficult for the Group to compete effectively and/or impact its profitability. The Group may also be adversely affected by US, EU and other authorities sanctions against Russian business/companies whose measures have had and may continue to have an adverse effect on the Russian economy and demand for commodities. Ongoing sanctions could also adversely impact the Group's ability to obtain financing on favourable terms and to deal with certain persons and entities in Russia or in other countries.	In light of the macroeconomic challenges faced by the ports industry in recent years, the Group has focused on improving its resilience, in particular its ability to withstand short-term economic shocks/fluctuations in Russia, as well as the wider regional and global environment. This has included a strong focus on cost containment measures, and strengthening its financial position through a series of measures designed to derisk the Group's balance sheet, including refinancing all its debt switching to longer maturities at fixed rates. In addition, the Group has broadened its growth strategy to include exports as well as new revenue streams to counteract any lows in consumer sentiment and any macro-economic downturn. The Group has developed a system to monitor compliance with restrictions posed by international sanctions and fend off the risk of secondary sanctions. The Group continues to maintain an international base of shareholders, bondholders and business partners. The Group is not aware of any specific sanctions risks related to its ownership or operations.
Operational risks	
Leases of terminal land: The Group leases a significant amount of the land and quays required to operate its terminals from government agencies. Any revision or alteration of the terms of these leases or the termination of these leases, or changes to the underlying property rights under these leases, could adversely affect the Group's business.	The Group believes it has a stable situation at present regarding its land leases and its terminals have been in operation for a number of years. The Group owns the freehold on 66% of the total land of its terminals and 70% of the land of its container and inland terminals in Russia. The remainder is held under long-term leases (up-to 54 years and usually renewable at immaterial costs).
Customer Profile and Concentration: The Group is dependent on a relatively limited number of major customers (shipping lines, etc.) for a significant portion of its business. These customers are affected by conditions in their market sector which can result in contract changes and renegotiations as well as spending constraints, and this is further exacerbated by carrier consolidation.	The Group conducts extensive and regular dialogue with key customers and actively monitors changes that might affect our customers' demand for our services. The Group has a clear strategy to reduce its dependence on its major customers, by targeting new potential customers, increasing the share of business from other existing global customers, and new cargo segments. The Group is also steadily growing its share of non-container revenues through building its presence in marine bulk cargo like coal (share of non-container revenue was 26% and 23% in 2018 and 2017 respectively).

Risk factor	Risk management approach
Reliance on third parties: The Group is dependent on the performance of services by third parties outside its control, including the performance by all other participants in the logistics chain, such as customs inspectors, supervisory authorities and others, and the performance of security procedures carried out at other port facilities and by its shipping line customers.	The Group strives to maintain a continuous dialogue with third parties across the supply chain. In addition, its geographic diversification provides it with some flexibility in its logistics, should bottlenecks develop in one area.
Oil products: The Group's oil products business was significantly affected in the past and could be affected by changes in Russia's exports of oil products and the handling of such exports at its oil products terminal in Estonia; a decline in global demand for oil products or in Russian oil product export volumes or; any change in trade relationships with Estonia.	The Group recognises, that global demand for oil products is cyclical in nature and might grow again over the medium term. Focus on storage and accumulation of large shipments, utilising the unique features of the tank farm consisting of 78 tanks of different sizes. This allows the Group's oil product business to decrease its dependency on changes in Russia's exports of oil products
Tariff regulation: Tariffs for certain services at certain of the Group's terminals have been in the past regulated by the Russian Federal Antimonopoly Service (FAS). As a result, the tariffs charged for such services were, and may potentially in the future be, subject to a maximum tariff rate and/or fixed in Russian roubles as PLP, VSC, and FCT, like many other Russian seaport operators, are classified as natural monopolies under Russian law.	Changes to tariff legislation (as of 14 August 2018) now require all tariffs to be set in Russian roubles. The Group believes it is in full compliance with the new legislation. The Group continues to monitor for any legislative proposals and regulatory actions that could lead to changes to the existing tariff regulations. It seeks a proactive dialogue with the relevant Russian federal authorities. It believes it is as well placed as any market participant to adapt to any future changes in tariff regulation.
Human resources management: The Group's competitive position and prospects depend on the expertise and experience of its key management team and its ability to continue to attract, retain and motivate qualified personnel. Industrial action or adverse labour relations could disrupt the Group's operating activities and have an adverse effect on performance results.	The Group offers competitive salaries and benefits to employees at all levels to foster and retain skilled labour and provide yearly indications or revision of salaries. The Group invests in the professional development of its staff, including international best practices implementation and internal «learning effect» programmes realization. The Group engages in socially responsible business practices and support of local communities. The Group strives to maintain a positive working relationship with labour unions at its facilities. Moreover, it pursues overall labour policies designed to provide a salary and benefit package in line with the expectations of our employees.

Risk factor	Risk management approach
Health, safety, security and environment: Accidents involving the handling of hazardous materials and oil products at the Group's terminals could disrupt its business and operations and/or subject the Group to environmental and other liabilities. The risk of safety incidents is inherent in the Group's businesses. The Group's operations could be adversely affected by terrorist attacks, natural disasters or other catastrophic events beyond its control.	The Group has implemented clear environmental and safety policies designed around international best practices and benchmark using such measures as GPI Global Minimum Requirements. Safety is one of the Group's top priorities. A safety strategy and annual action plan have been developed, to build a sustainable safety culture across the whole Group. The detailed roadmap is designed to ensure sustainable implementation of safety culture over the medium term. Similarly, GPI works with all its stakeholders to maintain high levels of security around port facilities and vessel operations to minimise the risk of terrorist attack.
Regulatory risks	
Regulatory compliance: The Group is subject to a wide variety of regulations, standards and requirements and may face substantial liability if it fails to comply with existing regulations applicable to its businesses. The Group's terminal operations are subject to extensive laws and regulations governing, among other things, the loading, unloading and storage of hazardous materials, environmental protection and health and safety.	The Group strives to be in compliance at all times with all regulations governing its activities and devotes considerable management and financial resources to ensure compliance.
Changes in regulations: Changes to existing regulations or the introduction of new regulations, procedures or licensing requirements are beyond the Group's control and may be influenced by political or commercial considerations not aligned with the Group's interests. Any expansion of the scope of the regulations governing the Group's environmental obligations, in particular, would likely involve substantial additional costs, including costs relating to maintenance and inspection, development and implementation of emergency procedures and insurance coverage or other financial assurance of its ability to address environmental incidents or external threats.	The Group maintains a constructive dialogue with relevant federal, regional and local authorities regarding existing and planned regulations. The Group does not have the power to block any or all regulations it may judge to be harmful, but this dialogue should ensure it has time to react to changes in the regulatory environment.

Risk factor	Risk management approach
Compliance and shareholder risk	
Conflict of interests: The Group's controlling beneficial shareholders may have interests that conflict with those of the holders of the GDRs or notes. The major implications of this risk are that (i) co-controlling shareholders pursue other businesses not related to GPI and hence may not be deeply involved with developing GPI and (ii) one of the major shareholders is also a major customer of the Group.	The Group's corporate governance system is designed to maximise the company's value for all shareholders and ensure the interests of all stakeholders are taken into account. The Group's LSE listing ensures our compliance with the highest international standards. In addition, the Board has highly experienced members, including strong independent directors.
Legal and tax risks: Adverse determination of pending and potential legal actions involving the Group's subsidiaries could have an adverse effect on the Group's business, revenues and cash flows and the price of the GDRs. Weaknesses relating to the Russian legal and tax system and appropriate Russian law create an uncertain environment for investment and business activity and legislation may not adequately protect against expropriation and nationalisation. The lack of independence of certain members of the judiciary, the difficulty of enforcing court decisions and governmental discretion claims could prevent the Group from obtaining effective redress in court proceedings.	The Group maintains a strong and professional legal function designed to monitor legal risks, avoid legal actions where possible and carefully oversee any legal actions that may occur. The Group performs ongoing monitoring of changes in relevant tax legislation and court practice in the countries where its companies are located and develops the Group's legal and tax position accordingly.
Financial risks	
FOREX risks: The Group is subject to foreign-exchange risk arising from various currency exposures, primarily the Russian rouble and the US dollar. Foreign-exchange risk is the risk to profits and cash flows of the Group arising from movement of foreign-exchange rates due to inability to timely plan for and appropriately react to fluctuations in foreign-exchange rates. Risk also arises from revaluation of assets and liabilities denominated in foreign currency.	Starting from 2019, a significant part of the Group's revenue will be denominated in Russian rouble as the Group has switched the currency of its tariffs to RUR, and a major part of the Group's debt is denominated in U.S. dollars, whereas most of the Group's operating expenses are and will continue to be denominated and settled in Russian roubles. In order to mitigate the risk of FX mismatch between the currency of revenue and the currency of debt, the Group has begun to convert its existing US$ debt into the currency of revenue to avoid significant foreign exchange risks arising from such a mismatch, i.e in 2018 the Group cancelled cross-currency swaps on the RUB denominated bonds issued by the First Container Terminal Inc. The Group also plans to employ various different instruments and strategies to minimise future risks that may arise from volatility in the value of the Russian rouble and US dollar. Although the Group has negotiated with its customers the right to change its Russian rouble tariffs should the exchange rate move by 5, 10 or 15% , the risk above the levels of these currency moves remains.

Risk factor	Risk management approach
Credit risk: The Group may be subject to credit risk due to its dependence on key customers and suppliers.	The Group closely tracks its accounts receivables overall and the creditworthiness of key customers and suppliers.
Debt, leverage and liquidity: The Group's indebtedness or the enforcement of certain provisions of its financing arrangements could affect its business or growth prospects. Failure to promptly monitor and forecast compliance with loan covenants both at the Group and individual terminal levels may result in covenant breaches and technical defaults. If the Group is unable to access funds (liquidity) it may be unable to meet financial obligations when they fall due, or on an ongoing basis, to borrow funds in the market at an acceptable price to fund its commitments.	The Group has been able to reduce its total debt level, as planned, in 2018 and continued reduction of the debt above and beyond minimum repayment requirements remains a management priority in 2019. Liquidity risk is carefully monitored, with regular forecasts prepared for the Group and its operating entities. Although the risk of liquidity shortfalls within the following 18-24 months has been significantly reduced via extensions of debt maturities through public debt issuances in 2016, the liquidity position is carefully monitored in case of further deterioration of financial performance. The Group regularly stress tests scenarios when different negative trends that could affect cash flows are identified.
Information technology and security: The Group's container terminals rely on IT and technology systems to keep their operations running efficiently, prevent disruptions to logistic supply chains, and monitor and control all aspects of their operations. Any IT glitches can create major disruptions for complex logistic supply chains. Any prolonged failure or disruption of these IT systems, whether a result of a human error, a deliberate data breech or an external cyber threat could create major disruptions in terminal operations. This could dramatically affect the Group's ability to render its services to customers, leading to reputational damage, disruption to business operations and an inability to meet its contractual obligations.	The Group has centralised its IT function in recent years and believes this is an important step in ensuring both the efficiency and consistency of the Group's security protocols implementation. We are in the process of alignment of our IT strategy with the business objectives. We regularly review, update and evaluate all software, applications, systems, infrastructure and security. All software and systems are upgraded or patched regularly to ensure that we have minimised our vulnerabilities. Each of our business units has an IT disaster recovery plan. Our security policies and infrastructure tools are updated or replaced regularly to keep pace with changing and growing threats. Our security infrastructure is updated regularly and employs multiple layers of defence. Connectivity to our partners' systems is controlled, monitored and logged.

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

32. The internal control and risk management systems relating to financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and to ensure compliance with applicable laws and regulations.
33. Financial reporting and supervision are based on approved budgets and on monthly performance reporting.
34. The Audit and Risk Committee of the Board of directors of the Company reviews certain high-risk areas at least once a year, including the following:

    - Significant accounting estimates;

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

Use of financial instruments by the Group

36. The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. For a description of the Group's financial risk management objectives and policies and a summary of the Group's exposure to financial risks please refer to Note 3 of the consolidated financial statements.

Future Developments of the Company

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

Results

38. The Company's results for the year are set out on page 25.

Dividends

39. Pursuant to the Articles of Association the Company may pay dividends out of its profits. To the extent that the Company declares and pays dividends, owners of Global Depositary Receipts (hereafter also referred as "GDRs") on the relevant record date will be entitled to receive dividends payable in respect of Ordinary Shares underlying the GDRs, subject to the terms of the Deposit Agreement. The Company expects to pay dividends in US dollars. If dividends are not paid in US dollars, they will be converted into US dollars by the Depositary and paid to holders of GDRs net of currency conversion expenses.
40. The Company is a holding company and thus its ability to pay dividends depends on the ability of its subsidiaries and joint ventures to pay dividends to the Company in accordance with the relevant legislation and contractual restrictions (shareholder agreements, bank borrowings covenants, and terms of the issuance of the public debt instruments). The payment of such dividends by its subsidiaries and joint ventures is contingent upon the sufficiency of their earnings, cash flows and distributable reserves. The maximum dividend payable by the Company's subsidiaries and joint ventures is restricted to the total accumulated retained earnings of the relevant subsidiary or joint venture, determined according to the law applicable to each entity.

41. The Company has a Dividend Policy in place which provides for the payment of not less than 30% of any imputed consolidated net profit for the relevant financial year of the Group. Imputed profit is calculated as the consolidated net profit for the period of the Group attributable to the owners of the Company as shown in the Company's consolidated financial statements for the relevant financial year prepared under EU IFRS and in accordance with the requirements of the Cyprus Companies Law, Cap. 113, less certain non-monetary consolidation adjustments. The Company's dividend policy is subject to modification from time to time as the Board of Directors may deem appropriate.
42. In 2015 following the revision of current market situation, market prospects and prioritising the deleveraging strategy over dividend distribution, which should ensure the long-term robustness of the Group's finances, the Board suspended the payment of the dividends in the mid-term. The Board continues to monitor the market for recovery as well as for levels of volatility in order to identify the appropriate timing for a resumption of the payment of a dividend, subject to maintaining conservative leverage ratios.
43. During the years 2017 and 2018 the Company did not declare or pay any dividends.
44. The Board of Directors of the Company does not recommend the payment of a final dividend for the year 2018.

Share Capital

Authorised share capital

45. The authorised share capital of the Company amounts to US$175,000,000.00 divided into 750,000,000 ordinary shares and 1,000,000,000 ordinary non-voting shares with a par value of US$0.10 each.

Issued share capital

46. The issued share capital of the Company amounts to US$57,317,073.10 divided into 422,713,415 ordinary shares and 150,457,316 ordinary non-voting shares with a par value of US$0.10 each.
47. The ordinary shares and the ordinary non-voting shares rank pari passu in all respects save that, the ordinary non-voting shares do not have the right to receive notice, attend or vote at any general meeting, nor to be taken into account for the purpose of determining the quorum of any general meeting.

Rules for Amending Articles

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

Corporate Governance

49. The Group has a diverse set of stakeholders, from international institutions holding our shares and bonds, to our customers, employees, regulators and communities. Made up of seasoned industry professionals, the Board of Directors is committed to acting in the best interest of all stakeholders. The Company is not subject to the provisions of UK Corporate Governance Code, but follows internationally recognised best practices customary to the public companies having GDRs with standard listing and admitted to trading at London Stock Exchange.
50. Improving its corporate governance structure in accordance with the internationally recognised best practices the Company adopted in 2008, 2012, 2015, 2016 and 2018 important policies and procedures. The Group is regularly reviewing and updating its policies and procedures. The new Code of Ethics was approved by the Board of Directors on 08 December 2016 and was introduced in the companies of the Group in the course of the year 2017. On 03 October 2017 the Board of Directors approved the revised Terms of reference of the Audit and Risk Committee and Charity and Sponsorship Policy. On 18 September 2018 the Board approved the amended and restated versions of the policies marked with (*) below. On the same day the Board adopted a new Investigation policy.
51. The Company's corporate governance policies and practices are designed to ensure that the Company is focused on upholding its responsibilities to the shareholders. They include, inter alia:
    - Appointment policy;
    - Terms of reference of the Board of Directors;
    - Terms of reference of the Audit and Risk, Nomination and Remuneration Committees;

- Code of Ethics and Conduct;
- Antifraud policy*;
- Policy on Reporting of Improper Activities*;
- Investigation policy;
- Anti-Corruption Policy*;
- Foreign Trade Controls Policy*;
- Insurance Standard;
- Charity and Sponsorship Policy; and
- Group Securities Dealing Code.

52. In order to further strengthen the corporate governance and clearly set the management authority limits within the Group the Board of Directors approved the Authority Matrix framework at the end of the year 2016. This framework is based on the Board of Directors reserved matters, which are set in the Terms of reference of the Board of Directors and Shareholder`s reserved matters as set out in Company`s Charter. All other matters are reserved for the management. The implementation of this framework within the Group started in the year 2017, continued in 2018 and will finalise in the year 2019. Currently the key operating assets of the Group have implemented this framework.
53. In the course of the year ended 31 December 2017 in order to further strengthen the corporate governance procedures and streamline the reporting of negligence, non-compliance or any other kind of wrongdoing the Group established a hotline mail-box and telephone line. It is an important mechanism enabling staff and other members of the Group as well as third parties to voice concerns in a responsible and effective manner. Throughout 2018 the Board together with the management worked on raising the awareness about the hotline among the Group workforce.

Code of ethics and conduct

54. Global Ports' code of ethics and conduct outlines the general business ethics and acceptable standards of professional behaviour that we expect of all our directors, employees and contractors. This code, given to all new staff as part of their induction, means that everyone at Global Ports is accountable for their own decisions and conduct. As well as general standards of behaviour, the code covers fraud and corruption (including approaches on acceptance of gifts and benefits), ethics and conflicts of interest. Employees and external parties are encouraged to report any suspected breaches, via various channels including the dedicated hotline.
55. The code is available to all staff on Global Ports' website (in the Corporate Governance section) and in the HR department at every operating facility. There are also other more detailed rules concerning our anti-fraud and whistleblowing policies.
56. The Board is updated on a regular basis on any breaches various policies with the specific focus on the fraud incidents and resulting actions, although significant breaches have to be reported to the Board immediately.

The Role of the Board of Directors

57. The Company is governed by its Board of Directors (also referred as "the Board") which is collectively responsible to the shareholders for the short- and long-term sustainable success of the Group, generating value to shareholders and contributing to wider society as a whole. Its responsibility is to promote adherence to best-in-class corporate governance.
58. The Board of Directors' role is to provide entrepreneurial leadership to the Group through establishing the Group's purpose, values and strategy, setting out the corporate governance standards, satisfying itself that these and its culture are aligned, ensuring that the necessary financial and human resources are in place for the Group to meet its objectives and reviewing management performance. The Group seeks directors who bring strong track records and a deep understanding of the industry. The Board sets the Group's values and standards and ensures all obligations to shareholders are understood and met. The Board ensures the Group establishes a framework of prudent and effective controls, which enables risk to be assessed and managed and maintains a sound system of internal control, corporate compliance and enterprise risk management to safeguard the Group's assets and shareholders' investments in the Group.

59. The roles and responsibilities of the Chairman, Senior Independent Director, board and committees' members are set out in writing in the Terms of Reference of the Board and committees. The latest version of the Terms of Reference of the Board of Directors was approved by the shareholders on 16 October 2012 and came into force on 28 November 2012. It is available on the Company`s website.

Members of the Board of Directors

60. The Board of Directors leads the process in making new Board member appointments and makes recommendations on appointments to shareholders. In accordance with the Terms of Reference of the Board, all Directors are subject to election by shareholders at the first Annual General Meeting after their appointment, and to re-election at intervals of no more than three years. Following the best practice guidance, the members of the Board of Directors are re-elected on an annual basis. Any term beyond six years for a Non-Executive Director is subject to particularly rigorous review, and takes into account the need to refresh the Board on a regular basis.
61. The Board currently has 15 members and they were appointed as shown on pages 1 and 2.
62. On 29 January 2018 Mr. Gerard Jan Van Spall resigned from the Board and Mrs. Iana Boyd replaced him on the same day. On 01 February 2018 Mr. Peder Sondergaard resigned from the Board and Mr. Soren Jakobsen replaced him on 02 March 2018. On 12 April 2018 Mr. Mikhail Loganov, Mr. Nikita Mishin, Mrs. Elia Nicolaou and Mr. Konstantin Shirokov resigned from the Board. They were replaced by Mr. Anton Chertkov, Mr. Stavros Pavlou, Mr. Sergey Shishkarev and Mr. George Yiallourides on 14 May 2018. On 14 May 2018 Mr. Vadim Kryukov resigned from the Board and Mr. Demos Katsis replaced him on the same day. Capt. Bryan Smith resigned from the Board on 14 May 2018. All new Board members were reviewed and recommended for appointment by Nominations Committee.
63. All other Directors were members of the Board throughout the year ended 31 December 2018.
64. 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 and the resolutions adopted by the Shareholders at the Annual General Meeting held on 14 May 2018 all present directors are subject to re-election at the next Annual General Meeting of the Shareholders of the Company. An EGM was called for 19 April 2019 to consider the resignation of Mrs. Iana Boyd and appointment of Mr. Tom Hyldelund to the Board.
65. The changes in the composition of the committees of the Board of Directors are described below.
66. Mr. Peder Sondergaard was the Chairman of the Board until 01 February 2018. Mr. Morten Henrick Engelstoft was elected the Chairman of the Board of Directors on 26 February 2018. Mrs. Britta Dalunde was elected the Senior Independent Director on 31 May 2018 following the resignation of Capt. Bryan Smith. There were no other significant changes in the responsibilities of the Directors during 2018 except for membership in the committees as described below.

Directors' Interests

67. The interests in the share capital of Global Ports Investments Plc, both direct and indirect, of those who were Directors as at 31 December 2018 and 31 December 2017 are shown below:

<table>
<tr><th>Name</th><th>Type of holding</th><th>Shares held at 31 December 2018</th><th>Shares held at 31 December 2017</th></tr>
<tr><td rowspan="2">Nikita Mishin</td><td rowspan="2">Through shareholding in Transportation Investments Holding Limited and other related entities</td><td rowspan="2">NOT APPLICABLE</td><td>42,267,114 ordinary shares</td></tr>
<tr><td>16,477,011 ordinary non-voting shares</td></tr>
<tr><td>Britta Dalunde</td><td>Through holding of the GDRs</td><td>7,000 GDRs representing 21,000 ordinary shares</td><td>7,000 GDRs representing 21,000 ordinary shares</td></tr>
<tr><td rowspan="2">Sergey Shishkarev</td><td rowspan="2">Through shareholding in LLC Management Company “Delo” and other related entities</td><td>126,814,024 ordinary shares</td><td rowspan="2">NOT APPLICABLE</td></tr>
<tr><td>49,435,976 ordinary non-voting shares</td></tr>
</table>

Chairman of the Board of Directors

68. Mr. Morten Engelstoft was appointed Chairman of the Board in February 2018.
69. The role of the Chairman of the Board of Directors is to ensure that Board meetings are held as and when necessary, lead the directors, ensure their effectiveness and review the agenda of Board meetings. The Chairman together with the Secretary of the Board review Board materials before they are presented to the Board and ensure that Board members are provided with accurate, timely and clear information. The members of the management team who have prepared the papers, or who can provide additional insights into the issues being discussed, are invited to present papers or attend the Board meeting at the relevant time. Board members regularly hold meetings with the Group's management to discuss their work and evaluate their performance.
70. The Chairman monitors communications and relations between the Group and its shareholders, the Board and management, and independent and non-independent directors, with a view to encouraging dialogue and constructive relations. The Chairman should demonstrate objective judgement and promote a culture of openness and debate. In addition, the Chairman facilitates constructive board relations and the effective contribution of all non-executive directors.
71. The Group separates the positions of the chairman and CEO to ensure an appropriate segregation of roles and duties.

Non-executive and Independent Directors

72. There are fourteen non-executive directors (including the chairman).
73. Mrs. Britta Dalunde, Mrs. Inna Kuznetsova and Mr. Lampros Papadopoulos are independent directors, and have no relationship with the Group, its related companies or their officers. This means they can exercise objective judgment on corporate affairs independently from management.
74. Although all directors have an equal responsibility for the Group's operations, the role of the independent non-executive directors is particularly important in ensuring that the management's strategies are constructively challenged. As well as ensuring the Group's strategies are fully discussed and examined, they must take into account the long-term interests, not only of the major shareholders, but also of bondholders, employees, customers, suppliers and the communities in which the Group conducts its business.

75. Mrs. Britta Dalunde was appointed as the Senior Independent Director on 31 May 2018 replacing Capt. Bryan Smith, who stepped down from the Board. The role of Senior Independent Director is to provide a sounding board for the Chairman and serve as an intermediary for the other directors and shareholders. Led by the senior independent director, the non-executive directors should meet without the Chairman present at least annually to appraise the Chairman's performance, and on other occasions as necessary.

The Board Committees

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

The Audit and Risk Committee

77. The Audit and Risk Committee comprises of five Non-Executive Directors, three of whom are independent, and meets at least four times a year. The Audit and Risk Committee is chaired by Mrs. Britta Dalunde (an Independent Non-Executive Director) and its other members are Mrs. Inna Kuznetsova (an Independent Non-Executive Director appointed as of 01 January 2018), Mr. Lampros Papadopoulos (an Independent Non-Executive Director appointed as of 01 January 2018), Mr. Soren Jakobsen (appointed as of 02 March 2018) and Mr. George Yiallourides (appointed as of 14 May 2018). Mr. Morten Henrick Engelstoft and Mr. Konstantin Shirokov resigned from the Audit and Risk Committee on 26 February 2018 and 12 April 2018 respectively.
78. The Committee is responsible for:
    - monitoring the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance, and reviewing significant financial reporting judgements contained in them;
    - providing advice (where requested by the board) on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy;
    - reviewing the company's internal financial controls and internal control and risk management systems;
    - monitoring and reviewing the effectiveness of the company's internal audit function;
    - making recommendations to the board, about the appointment, reappointment and removal of the external auditor, and giving the recommendations in relation to remuneration and terms of engagement of the external auditor for audit and non-audit services;
    - reviewing and monitoring the external auditor's independence and objectivity;
    - reviewing the effectiveness of the external audit process;
    - developing and implementing policy on the engagement of the external auditor to supply non-audit services; and
    - reporting to the Board on how it has discharged its responsibilities.
79. In 2018 the Audit and Risk Committee met 17 times to review and discuss inter alia the following significant issues and matters in addition and on top of those listed above:
    a. Review of the press releases containing financial information and rating agencies` presentations in relation to compliance with the financial statements, the disclosure and transparency requirements and Board`s view on mid and long-term development of the Group;
    b. Discussion of the level of clarity and completeness of disclosures in financial statements with the management and external auditors and making the recommendations;
    c. Consideration and approval of audit schedules and review of the impairment models and the impact of the new IFRS standards on the Company`s financial statements. The Committee`s task was to align the impairment models with the short-, mid- and long-term forecasts and to understand what impact the new standards would have on the financial statements and Group`s compliance with the covenants. The Committee also discussed, how to incorporate the new requirements of the standards into the budgeting process;

d. Review of the major risks, including but not limited to strategic, fraud and compliance, commercial, operational, financial, human resources, environmental and other risks. The Committee discussed the approach to establishment and monitoring of the risk appetite of the Group;

e. Review of internal control framework and its deficiencies, consideration of management proposals on its further development and improvement. The Committee concentrated on the integration of automatic controls into the ERP system and on further development and integration of authority matrix framework into day-to-day processes;

f. Discussing the level of Corporate governance in the Group and making the recommendations to the Board and the management on how further to improve it;

g. Consideration of various reports from the management;

h. Meetings with external and internal auditors to discuss the matters related to the audit work done by them and any issues arising from their audits;

i. Consideration of various updated and restated Group Policies and making the recommendations to the Board on their approval. In particular, the Committee reviewed the Policy on Assessment of Independence and Objectivity of External Auditor and the Accounting Policy of the Group;

j. Consideration and approval of the engagement of external auditors for rendering of non-audit services. In each particular case the Committee was assessing the impact of non-audit services on the independence and objectivity of the external auditor. The Committee reviewed the scope of services on compliance with the list of permitted non-audit services, the potential impact of the services on the audit work and financial statements and discussed with the external auditor how their internal compliance procedures were performed and whether all internal compliance requirements were met. The Committee monitors the share of non-audit service in relation to its compliance with the standards. During the year 2018 the share of fees for non-audit services was significantly below the 70% of the last three years average audit fees;

k. Assessment of efficiency of external auditor by discussing the audit approach and audit plan, monitoring of compliance with the plan, receiving the feedback from the members of the management team, involved in the audit process, assessing the internal resources allocated by the external auditor, the key risks to the audit process and their mitigation measures, review of the auditor`s management letter, consideration of the level and quality of communication between the external auditor and Committee during the audit process;

l. Discussion of the term of tenure of the current audit partner – Mr. Tasos Nolas and making the recommendations to extend it from five to six years;

m. Conducting the executive search for the new Head of Internal Audit function and discussing and giving the recommendations on the strengthening of Internal Audit function and extending its scope to joint-venture companies of the Group;

n. Review of IT security setup, corporate social responsibility report, legal matters report, differences between Russian GAAP and IFRS, site visits to the Group terminals located in Saint-Petersburg area and Far-East of Russia, discussion with the Board of the results of these site-visits;

o. Discussion of the training requirements of the Committee members.

The Nomination Committee

80. The Nomination Committee as of the date of this report comprises five Directors, one of whom is independent. The Committee meets at least once each year. Currently the Nomination Committee is chaired by Mrs. Inna Kuznetsova (an Independent Non-Executive Director appointed as a member of Committee as of 01.01.2018 and as a Chairman as of 14 May 2018). Mrs. Inna Kuznetsova replaced Capt. Bryan Smith who stepped down from the Board. The other members are Mr. Anton Chertkov (appointed on 14 May 2018), Mr. Morten Henrick Engelstoft, Mr. Soren Jakobsen (appointed on 02 March 2018) and Mr. Stavros Pavlou (appointed on 14 May 2018). Mr. Peder Sondergaard resigned from his position as a member of the Nomination Committee in February 2018 and Mr. Nikita Mishin and Mrs. Elia Nicolaou resigned from their positions as members in April 2018.

81. The Committee's role is to prepare selection criteria and appointment procedures for members of the Board of Directors as well as the Key Management of the companies of the Group and to review on a regular basis the structure, size, diversity and composition of the Board of Directors of the Company. In undertaking this role, the Committee refers to the skills, knowledge and experience required of the Board and Key Management given the Company's and Group's stage of development and makes recommendations to directors as to any changes. The Committee also considers future appointments in respect to the composition of the Board of Directors and Key Management as well as making recommendations regarding the membership of the Audit and Risk Committee and the Remuneration Committee. The Committee monitors the compliance of the appointment procedures with the corporate governance standards and makes the recommendations to the Board and the management on changes to these procedures. The Committee develops plans for orderly succession to both the Board and Key Management positions and oversees the development of a diverse pipeline for succession. The Committee relies on both independent search consultancy and internal sources in making the proposals for the Board and Key Management appointments.
82. In 2018 the Nomination Committee met eleven times to discuss and recommend to the Board the appointment of Key Management of the Group companies, including the change of the CEO of LLC Global Ports Management and also to recommend the Directors the candidates to the Board and the position of the Chairman of the Board and to discuss and recommend the composition of the Board Committees. In the year 2019 one of the key focuses of the work of Nomination Committee will be the succession planning for the Board and the Key Management and talent management.

The Remuneration Committee

83. The Remuneration Committee as of the date of this report comprises five Directors, one of whom is independent. The Committee meets at least once each year. Currently the Remuneration Committee is chaired by Mrs. Inna Kuznetsova (an Independent Non-Executive Director appointed as a member of Committee as of 01 January 2018 and as a Chairman as of 14 May 2018). Mrs. Inna Kuznetsova replaced Capt. Bryan Smith who stepped down from the Board. The other members are Mr. Anton Chertkov (appointed on 14 May 2018), Mr. Morten Henrick Engelstoft, Mr. Soren Jakobsen (appointed on 02 March 2018) and Mr. Stavros Pavlou (appointed on 14 May 2018) Mr. Peder Sondergaard resigned from his position as a member of the Remuneration Committee in February 2018 and Mr. Nikita Mishin and Mrs. Elia Nicolaou resigned from their positions as members in April 2018.
84. The Committee is responsible for determining and reviewing the remuneration of the executive directors, Chairman and the Key Management and the Company's remuneration policies. The Committee also reviews the policy on payment of performance based bonuses and the alignment of incentives and rewards with culture. The remuneration of independent Directors is a matter for the Chairman of the Board of Directors and is subject to approval of the shareholders. Remuneration of the executive directors in their executive capacity is subject to the Board approval. No director or manager may be involved in any decisions and discussions as to his or her own remuneration.
85. In 2018 the Remuneration Committee met 13 times to discuss and recommend to the Board the Group management remuneration guidelines and the remuneration of the new Board members and the Key Management of the Group. In determining the level of remuneration of the key senior management of the Group the Committee referred to the level of skills and expertise, the position and scope of work and responsibilities as well as to the market levels for similar positions. The Committee did not engage any external remuneration consultants. In addition the Committee considered and recommended to the Board to approve the changes to the principles of payment of performance based bonuses to the management. The recommendations were approved by the Board in full.

Board Performance

86. The Board meets at least five times a year. Fixed meetings are scheduled at the start of each year. Ad hoc meetings are called when there are pressing matters requiring the Board's consideration and decision in between the scheduled meetings.
87. In 2018 the Board met formally 21 (2017: 25) times to review current performance and to discuss and approve important business decisions.
88. In 2018 the Board met to discuss and approve important business decisions:
    a. FY2017 financial statements, 1H2018 interim financial statements and Annual Report;

b. Review of segments financial and operational performance;

c. Consideration of 2019 financial budget, major risks and uncertainties, commercial strategy, corporate social responsibility matters, internal control framework;

d. Changes in Group management and the Board of Directors, election of the new Chairman and Senior Independent Director;

e. Revision of various group wide policies and regulations;

f. Consideration of various compliance matters;

g. Consideration and approval of the revision of external and internal financing arrangements and organizational restructurings;

h. Consideration and approval of major capital expenditures and investment projects; and

i. Consideration and approval of various resolutions related to the operations of the Company`s subsidiaries and joint ventures.

89. The number of Board and Board Committee meetings held in the year 2018 and the attendance of directors during these meetings was as follows:

	Board of Directors		*Nomination Committee*		*Remuneration Committee*		*Audit and Risk Committee*	
	A	*B*	*A*	*B*	*A*	*B*	*A*	*B*
Iana Boyd	18	21	-	-	-	-	-	-
Anton Chertkov	12	14	6	6	8	9	-	-
Michalakis Christofides	21	21	-	-	-	-	-	-
Britta Dalunde	20	21	-	-	-	-	17	17
Morten Henrick Engelstoft	20	21	11	11	13	13	1	1
Alexander Iodchin	19	21	-	-	-	-	-	-
Soren Jakobsen	18	18	8	8	12	12	16	16
Demos Katsis	14	14	-	-	-	-	-	-
Vadim Kryukov	7	7	-	-	-	-	-	-
Inna Kuznetsova	21	21	11	11	13	13	16	17
Mikhail Loganov	3	6	-	-	-	-	-	-
Laura Michael	20	21	-	-	-	-	-	-
Nikita Mishin	4	6	2	4	3	3	-	-
Elia Nicolaou	6	6	4	4	3	3	-	-
Lampros Papadopoulos	21	21	-	-	-	-	17	17
Stavros Pavlou	12	14	6	6	9	9	-	-
Konstantin Shirokov	6	6	-	-	-	-	3	3
Sergey Shishkarev	12	14	-	-	-	-	-	-
Bryan Smith	7	7	5	5	4	4	-	-
Peder Sondergaard	2	2	1	1	-	-	-	-
Nicholas Charles Terry	20	21	-	-	-	-	-	-
George Yiallourides	12	14	-	-	-	-	12	12

A = Number of meetings attended

B = Number of meetings eligible to attend during the year

90. The operation of the Board, its Committees and individual Directors is subject to regular evaluation. The evaluation of the Board and individual Directors' performance can be conducted through self-assessment, cross-assessment or by an external third party. The Non-Executive Directors, led by the Senior Independent Director, are responsible for the performance evaluation of the Chairman of the Board. The Board did not engage any external advisors for evaluation of its performance in the years 2017 and 2018.

Board Diversity

91. The Company does not have a formal Board diversity policy with regard to matters such as age, gender or educational and professional backgrounds, but following the best practice while making the new appointments and considering the current composition of the Board of Directors, these aspects are taken into account.
92. As of the date of publication of these financial statements the Board has 3 females representing 20% from the total number of directors. The average age of directors is 49 years ranging from 33 to 71 years. The Board has a necessary balance of skills and expertise to run the Company and the Group. The Board members have the following educational backgrounds: port and transportation industry, accounting and financial, banking sector and legal. There are 6 nationalities present in the Board. The Board members reside in 6 countries with the majority of the Board members being the tax residents of Cyprus.

Board and Management Remuneration

93. Non-Executive Directors serve on the Board pursuant to the letters of appointment. Such letters of appointment specify the terms of appointment and the remuneration of Non-Executive Directors.
94. Levels of remuneration for the Non-Executive Directors reflect the time commitment, responsibilities of the role and membership of the respective committees of the Board. Directors are also reimbursed for expenses associated with discharge of their duties. Non-executive Directors are not eligible for bonuses, retirement benefits or to participate in any incentive plans operated by the Group. The Chairmen of the committees receive additional remuneration.
95. The shareholders of the Company approved the remuneration of the members of the Board on 12 May 2017, 11 December 2017, 29 January 2018, 2 March 2018 14 May 2018 and 29 June 2018.
96. The Directors did not waive or agreed to waive any emoluments from the company or any company of the Group during the period under review or future emoluments.
97. The performance based part of the remuneration of the Key Management is based on the Key Rules of Awarding and Payment of Performance Based Bonuses of GPI Group adopted by the Board on 15 June 2016 and regularly updated with the last update on 18 October 2018. The Remuneration Committee monitors the efficiency of the Rules and makes the recommendations to the Board on their amendment and revision.
98. Neither the Board members, nor the management have long-term incentive schemes.
99. Refer to Note 22(g) to the financial statements for details of the remuneration paid to the members of the Board and key management.

Managing director

100. Mr. Alexander Iodchin occupies the position of managing director and the Board granted him the powers to carry out all business related to the Group's business up to a total value per transaction of US$500,000. It has also granted him powers to discharge other managerial duties related to the ordinary course of business of the Group, including representing the Group before any government or government-backed authority.
101. The decisions for all other matters are reserved for the Board. The terms of reference of the Board of Directors contains the list of such reserved matters.
102. Mr Iodchin is also acting as the Board Secretary since December 2008.

Company Secretary

103. The Group maintains a company secretary, who is responsible for safeguarding the rights and interests of shareholders, including the establishment of effective and transparent arrangements for securing the rights of shareholders.
104. Team Nominees Limited has been acting as the company secretary since the Group's incorporation in February 2008.
105. The company secretary's responsibilities include ensuring compliance by the Group, its management bodies and officers with the law and the Group's charter and internal documents. The company secretary organises the communication process between the parties to corporate relations, including the preparation and holding of general meetings; storage, maintenance and dissemination of information about the Group; and review of communications from shareholders.

Corporate Social Responsibility Report

106. The Corporate Social Responsibility Report is drawn up as a separate report and will be made public at the Company`s website (the address of which, at the date of publication of this report, is www.globalports.com) within six months from the balance sheet date.

Events after the balance sheet date

107. The events after the balance sheet date are disclosed in Note 23 to the financial statements.

Research and development activities

108. The Group is not engaged in research and development activities.

Branches

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

Treasury shares

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

Going Concern

111. Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the parent company financial statements based on the fact that, after making enquiries and following a review of the Group's principle risks and uncertainties, budget for 2019 and the latest forecasts over a period of 5-7 years reflecting its business and investment cycles, including cash flows and borrowing facilities, the Directors consider that the Group has adequate resources to meet its liabilities as they fall due and to continue in operation for the foreseeable future.

Internal audit

112. The internal audit function is carried out by Group's Internal Audit Service (IAS). It is responsible for analysing the systems of risk management, internal control procedures and the corporate governance process for the Group with a view to obtaining a reasonable assurance that:
    - risks are appropriately identified, assessed, responded to and managed;
    - there is interaction with the various governance groups occurs as needed;
    - significant financial, managerial, and operating information is accurate, reliable, and timely;

- employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- resources are acquired economically, used efficiently and adequately protected;
- programs, plans and objectives are achieved;
- quality and continuous improvement are fostered in the Group's control process; and
- significant legislative or regulatory issues impacting the Group are recognised and addressed properly.

113. The Head of the IAS, Mr. Ilya Kotlov, reports directly to the Audit and Risk Committee.

External auditors

114. At the Global Ports AGM, an external auditor is appointed on an annual basis to review the Group's financial and operating performance.
115. This follows proposals drafted by the Audit and Risk Committee for the Board of Directors regarding the reappointment of the external auditor of the Group.
116. In 2018, the shareholders of Global Ports re-appointed the Independent Auditors, PricewaterhouseCoopers as the external auditor for the purposes of auditing the Group's IFRS financial statements for 2018.
117. PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. A resolution approving their reappointment and giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

....
Morten Engelstoft
Chairman of the Board
27 March 2019

....
Alexander Iodchin
Secretary of the Board

Global Ports Investments Plc

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

Each of the Directors confirms to the best of his or her knowledge that these parent company financial statements which are presented on pages 25 to 53 have been prepared in accordance with IFRS as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113, and give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as whole.

By Order of the Board

....	....
Morten Engelstoft	**Alexander Iodchin**
Chairman of the Board	**Secretary of the Board**

Limassol

27 March 2019

Global Ports Investments Plc

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

(in thousands of US dollars)

		For the year ended 31 December	
		2018	2017
	Note		
Revenue	22(a)	110	20
Dividend income	22(b)	3 892	7 494
Finance income - net	5	(13)	401
Administrative expenses	6	(5 506)	(5 427)
Other gains/(losses) - net	7	2 245	1 226
Impairment of investments in subsidiaries and joint ventures	4	(83 713)	(961)
Operating profit/(loss)		(82 985)	2 753
Finance costs	9	(1 197)	(1 197)
Profit/(loss) before income tax		(84 182)	1 556
Income tax expense	10	-	(1)
Profit/(loss) for the year		(84 182)	1 555
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		(84 182)	1 555

The notes on pages 29 to 53 are an integral part of these financial statements.

Global Ports Investments Plc

BALANCE SHEET AS AT 31 DECEMBER 2018

(in thousands of US dollars)

		At 31 December	
		2018	2017
	Note		
ASSETS			
Property, plant and equipment	13	117	66
Investments in subsidiaries	14	624 638	638 899
Investments in joint ventures	15	24 838	94 978
Non-current assets		649 593	733 943
Loans receivable	16	-	251
Trade and other receivables	17	309	259
Cash and cash equivalents	18	744	1 639
Current assets		1 053	2 149
TOTAL ASSETS		650 646	736 092
EQUITY AND LIABILITIES			
Share capital	19	57 317	57 317
Share premium	19	923 511	923 511
Capital contribution		101 300	101 300
Accumulated losses		(458 083)	(373 901)
Total equity		624 045	708 227
Borrowings	22(i)	22 197	21 000
Non-current liabilities		22 197	21 000
Trade and other payables	20	4 404	6 865
Current liabilities		4 404	6 865
Total liabilities		26 601	27 865
TOTAL EQUITY AND LIABILITIES		650 646	736 092

On 27 March 2019 the Board of Directors of Global Ports Investments Plc authorised these financial statements for issue.

Morten Engelstoft, Director

Alexander Iodchin, Director

The notes on pages 29 to 53 are an integral part of these financial statements.

Global Ports Investments Plc

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

(in thousands of US dollars)	Share capital	Share premium	Capital contribution	Retained earnings*	Total
Balance at 1 January 2017	57 317	923 511	101 300	(375 456)	706 672
Comprehensive income					
Profit for the year	-	-	-	1 555	1 555
Balance at 31 December 2017 / 1 January 2018	57 317	923 511	101 300	(373 901)	708 227
Comprehensive loss					
Loss for the year	-	-	-	(84 182)	(84 182)
Balance at 31 December 2018	57 317	923 511	101 300	(458 083)	624 045

(*) Retained earnings is the only reserve that is available for distribution.

The notes on pages 29 to 53 are an integral part of these financial statements.

Global Ports Investments Plc

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

(in thousands of US dollars)

	Note	For the year ended 31 December 2018	2017
Cash flows from operating activities			
Profit/(loss) before tax		(84 182)	1 556
Adjustments for:			
Depreciation of property, plant and equipment	6,13	13	1
Impairment of investments in subsidiaries and joint ventures	14,15	83 713	961
Dividend income	22(b)	(3 892)	(7 494)
Finance income	5	(7)	(328)
Finance costs	9	1 197	1 197
Amortisation and derecognition of financial guarantee	7	(2 369)	(1 300)
Foreign exchange (gains)/losses and other non-monetary items		211	(158)
Operating cash flows before working capital changes		(5 316)	(5 565)
Changes in working capital:			
Trade and other receivables		(50)	57
Trade and other payables		(90)	306
Cash used in operating activities		(5 456)	(5 202)
Tax paid		-	-
Net cash used in operating activities		(5 456)	(5 202)
Cash flows from investing activities			
Investments in subsidiaries	14	-	(9 713)
Repayment of original cost of subsidiaries	14	696	352
Purchase of investments in joint ventures	15	(8)	(9)
Purchase of property, plant and equipment		(64)	(67)
Loans advanced to related parties	22(h)	-	(7 500)
Loan repayments received from related parties		50	13 433
Interest received		7	415
Dividends received		3 892	11 445
Net cash from investing activities		4 573	8 356
Cash flows from financing activities			
Interest paid	22(i)	-	(2 394)
Net cash used in financing activities		-	(2 394)
Net increase/(decrease) in cash and cash equivalents		(883)	760
Cash and cash equivalents at beginning of the year		1 639	876
Exchange gains/(losses) on cash and cash equivalents		(12)	3
Cash and cash equivalents at end of the year	18	744	1 639

The notes on pages 29 to 53 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Country of incorporation

Global Ports Investments Plc (hereafter the "Company" or "GPI") was incorporated on 29 February 2008 as a private limited liability company and is domiciled in Cyprus in accordance with the provisions of the Cyprus Companies Law, Cap. 113. The address of the Company's registered office is 20 Omirou Street, Limassol, Cyprus.

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

During the first half of 2011 the Company has successfully completed an initial public offering ("IPO") of its shares in the form of global depositary receipts ("GDRs"). The Company's GDRs (one GDR representing 3 ordinary shares) are listed on the Main Market of the London Stock Exchange under the symbol "GLPR".

Until April 2018 the Company was jointly controlled by Transportation Investments Holding Limited ("TIHL"), one of Russia's largest privately-owned transportation groups, and APM Terminals B.V. ("APM Terminals"), a global port, terminal and inland services operator. In April 2018 TIHL has completed the sale of its 30.75% stake in Global Ports to LLC Management Company "Delo" ("Delo Group"). The Company has been informed that in connection with the transaction, Delo Group has acceded to the shareholder agreement with APM Terminals B.V. and that TIHL has been released from its obligations under such agreement. Since April 2018 the Company is jointly controlled by Delo Group and APM Terminals.

Approval of the parent company financial statements

These parent company financial statements were authorized for issue by the Board of Directors on 27 March 2019.

Principal activities

The principal activity of the Company, which is unchanged from last year, is the holding of investments, including any interest earning activities.

2. Summary of significant accounting policies

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

Basis of preparation

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

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

The Company has prepared these separate financial statements of the parent company for compliance with the requirements of the Cyprus Income Tax Law and the Disclosure Rules as issued by the Financial Services Authority of the United Kingdom.

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2018 have been adopted by the EU through the endorsement procedure established by the European Commission.

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

2. Summary of significant accounting policies (continued)

Consolidated financial statements

The Company has also prepared consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU for the Company and its subsidiaries (the "Group"). A copy of the consolidated financial statements is available at the Company's registered office and at the Company's website at www.globalports.com.

Users of these separate financial statements of the parent company should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2018 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group.

New Standards, interpretations and amendments adopted by the Company

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) as adopted by the EU that are relevant to its operations and are effective for accounting periods beginning 1 January 2018:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers;
- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2;
- Annual Improvements 2014-2016 cycle;
- Transfers to Investment Property – Amendments to IAS 40Interpretation 22 Foreign Currency Transactions and Advance Consideration;

Apart from the accounting policy changes resulting from the adoption of IFRS 9 that is effective from 1 January 2018, the adoption of the remaining standards and amendments listed above did not have a material effect on the accounting policies of the Company.

IFRS 9 and IFRS 15 were adopted using the simplified transition method without restating the comparative information, with any impact on adoption to be recognised in the opening retained earnings and other components of equity as appropriate.

On 1 January 2018, the date of initial application of IFRS 9, the Company has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories. Based on the analysis performed, the financial assets previously classified into 'loans and receivables' category were reclassified into those measured subsequently at amortized cost, with no impact on their measurement. The Company did not have any financial assets in other than the 'loans and receivables' category as at the date of transition. The changes in the classification category did not result in changes of presentation in the balance sheet. Classification and measurement of the Company's financial liabilities at amortized cost under IFRS 9 remained consistent with IAS 39, since the new requirements mainly affect the accounting for financial liabilities measured at fair value through profit or loss and the Company does not have any such financial liabilities. No adjustments to the opening retained earnings were required in relation to the Company's loans and borrowings, as none of the loans receivable outstanding on 1 January 2018 had been refinanced in prior periods and the assessed impact from the modification of borrowings in prior years was not significant to adjust the borrowings balance as at 1 January 2018.

From 1 January 2018, the Company assessed on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost, cash and cash equivalents and financial guarantees. After taking into consideration the risk profile of the Company's trade and loan receivables, financial guarantees, their repayment terms, the history and probability of default (including assessment of the debtors' capability to meet their obligations) and the expected loss in case of default, the Company did not identify any material expected credit losses as a result of the application of the new impairment model and therefore no adjustments were made in opening balances for the impact of expected credit losses.

The adoption of IFRS 9 Financial Instruments did not have a material impact on the amounts recognized in these financial statements, however the accounting policies of the Company for financial instruments have been amended to be consistent to the requirements of the new standard as detailed below.The comparatives are stated based on the previous accounting policies of the Company for financial instruments, which are also presented below to the extent that these are different from the new accounting policies.

New standards and interpretations not yet adopted by the Company

At the date of approval of these financial statements a number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on these financial statements, except the following set out below:

a. Adopted by the European Union

***IFRS 16* Leases**

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

While the Company has not yet finalised a detailed assessment of the potential impact of this standard, the Company does not expect any material effect on its financial statements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

b. Other accounting standards that have not been endorsed by EU

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

The Board of Directors assesses the impact of new standards and interpretations at the point when these are endorsed by the European Union. As a result the impact of the above new standards and interpretations that have not been endorsed by the European Union has not been assessed.

2. Summary of significant accounting policies (continued)

Revenue recognition

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

(i) Interest income

Accounting policies applied from 1 January 2018:

Interest income on financial assets at amortised cost is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired (Stage 3 financial assets – see below). For credit - impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Accounting policies applied until 31 December 2017:

Interest income is recognised when it is probable that benefits will flow to the Company and the amount of income can be measured reliably. Interest income is recognized on a time-proportion basis using the effective interest method. When a loan receivable is impaired, the Company reduces the carrying amount to its recoverable amount being the estimated future cash flows discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

(ii) Dividend income

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

Employee benefits

The Company and the employees contribute to the Cyprus Government Social Insurance Fund based on employees' salaries. The Company's contributions are expensed as incurred and are included in staff costs.

Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within "finance cost". Foreign exchange gains and losses that relate to loans receivable and cash and cash equivalents are presented in profit or loss within "finance income-net". All other foreign exchange gains and losses are presented in the statement of comprehensive income within "other gains/(losses) – net".

Current and deferred income tax

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

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

2. Summary of significant accounting policies (continued)

Current and deferred income tax (continued)

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

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

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

Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of property, plant and equipment.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values, over their estimated useful lives. The annual depreciation rates are as follows:

	%
Motor vehicles	20
Office equipment	50

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

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

Expenditure for repairs and maintenance of property, plant and equipment is charged to profit or loss of the year in which they were 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 Company and the cost of the item can be measured reliably.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are recognised in "other gains/(losses) – net" in profit or loss.

Investments in subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has control. The Company controls an entity whom the Company 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. In its parent company financial statements, the Company carries the investments in subsidiaries at cost less any impairment.

The Company recognizes dividend income from investments in subsidiaries to the extent that the Company receives distributions from subsidiaries which constitute return on the cost of investment. Capital reductions and dividend distributions by subsidiaries which constitute return of cost of investment as opposed to return on cost of investment are recognised as a reduction in the cost of investment in subsidiary.

Investments in joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangements. The Company has assessed the nature of its joint arrangements and determined them to be joint ventures. In its parent company financial statements the Company carries its investments in joint ventures at cost less any impairment.

2. Summary of significant accounting policies (continued)

Impairment of non-financial assets

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

Financial assets

Accounting policies applied from 1 January 2018:

a. Classification

From 1 January 2018, the Company classifies its financial assets into those to be measured at amortised cost.

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

b. Recognition and measurement

Financial assets are recognized when the Company 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 Company has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. For loans provided to related parties other than the Company's direct subsidiaries, the difference between the fair value of the loans and their carrying amount on inception is recognized in profit or loss. For loans provided to direct subsidiaries the difference is included in the cost of the investment.
Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is calculated using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in 'other gains/(losses)-net', together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss. Financial assets measured at amortised cost comprise cash and cash equivalents, loans receivable and trade and other receivables.

c. Impairment of financial assets

From 1 January 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and cash and cash equivalents. The Company measures expected credit losses ('ECL') and recognises credit loss allowance at each reporting date. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

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

2. Summary of significant accounting policies (continued)

Financial assets (continued)

c. Impairment of financial assets (continued)

Accounting policies applied until 31 December 2017:

The Company classifies its financial assets as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. The Company's loans and receivables comprise cash and cash equivalents, trade and other receivables and loans to related and third parties.

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

Loans and receivables are initially recognised at fair value plus transaction costs. For loans provided to related parties other than its direct subsidiaries, the difference between the fair value of the loans and their carrying amount on inception is recognized in profit or loss. For loans provided to direct subsidiaries the difference is included in the cost of the investment. Loans and receivables are derecognised when the rights to receive cash flows from the loans and receivables have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.
The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor/borrower, probability that the debtor/borrower will enter bankruptcy or financial difficulty, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income against "other gains/(losses) – net".

Share capital, share premium and capital contribution

Ordinary shares are classified as equity.

Any excess of the fair value of consideration received over the par value of shares issued is recognized as share premium. Share premium is subject to the provisions of the Cyprus Companies Law on reduction of share capital.

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

Capital contribution represents contributions by the shareholders directly in the reserves of the Company. The Company does not have any contractual obligation to repay these amounts.

Dividend distribution

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

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

2. Summary of significant accounting policies (continued)

Leases

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

Provisions and contingent liabilities

Provisions are recognised when the Company 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 benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability, are disclosed in the notes to the financial statements as contingent liabilities.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

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

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

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

Financial guarantee contracts

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

Accounting policies applied from 1 January 2018:

Financial guarantees are recognised as a financial liability at the time the guarantee is issued. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight-line basis over the life of the guarantee in “other gains/(losses) – net” in profit or loss.

At the end of each reporting period, the guarantee is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 “Revenue from Contracts with Customers”.

2. Summary of significant accounting policies (continued)

Financial guarantee contracts (continued)

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Where guarantees in relation to loans or other payables of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

Accounting policies applied until 31 December 2017:

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. For financial guarantees provided to related parties other than its direct subsidiaries the difference between the fair value of the financial guarantee and the fee received is treated as an expense. For financial guarantees provided to direct and indirect subsidiaries the difference between the fair value of the financial guarantee and the fee received is included in the cost of the investment. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in profit or loss the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of management. Any increase in the liability relating to guarantees is taken to profit or loss in "other gains/(losses) – net".

Derivatives

Derivative financial instruments which comprise mainly options for shares are initially recognised in the balance sheet at fair value (excluding transaction costs) and are subsequently remeasured at their fair value. They are classified as financial assets at fair value through profit or loss and they are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period. The resulting gain or loss is recorded in the income statement within "other gains/(losses) – net". Transaction costs arising on entering into derivatives are recognised in the income statement as incurred. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. 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.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash in bank, cash in hand and deposits held at call with banks, with original maturities of three months or less.

3. Financial risk management

Financial risk factors

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

The Company's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

a. Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities (mainly loans receivable, trade and other receivables, cash and cash equivalents and borrowings) that are denominated in a currency that is not the Company's functional currency.

Had Euro exchange rate strengthened/weakened by 15% (2017: 15%) against the US dollar and all other variables remained unchanged, the post-tax loss of the Company for the year ended 31 December 2018, would have decreased/increased by US$16 thousand (2017: profit for the year would have increased/decreased by US$23 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of loans receivable, cash in bank and payables denominated in Euros.

Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

(ii) Cash flow and fair value interest rate risk

The Company is exposed to cash flow interest rate risk arising from changes in market interest rates of cash and cash equivalents. In addition, the Company is exposed to fair value interest rate risk as all its loans receivable and borrowings are at fixed rates.

Had market interest rates on Euro and United States dollar denominated floating interest bearing cash and cash equivalents shift by 100 basic points and all other variables remained unchanged, the post-tax (loss)/profit of the Company would not significantly change for the years ended 31 December 2018 and 31 December 2017. In addition, as all of the Company’s fixed rate loans receivable are carried at amortised cost, any reasonably possible change in the interest rates as of 31 December 2017 would not have any significant impact on the Company’s post tax profit. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

b. Credit risk

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

At 31 December 2018 and 2017, the Company did not identify any material expected credit losses with respect to the Company’s financial assets and issued guarantees that are subject to IFRS 9 impairment model.

At 31 December 2018, issued financial guarantee liabilities with carrying amount of US$2,668 thousand are within Stage 1 of IFRS 9 general impairment model (2017: US$5,038 thousand).

Financial assets are written-off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company.

Finally, see Note 12 for credit quality of cash and cash equivalents.

3. Financial risk management (continued)

Financial risk factors (continued)

c. Liquidity risk

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

(in thousands of US dollars)

	Less than 1 year	1-2 years	2-5 years	Over 5 years	Total
As of 31 December 2018					
Trade and other payables	1 736	-	-	-	1 736
Financial guarantee *	869 013	-	-	-	869 013
Borrowings	-	-	24 591	-	24 591
Total	870 749	-	24 591	-	895 340
As of 31 December 2017					
Trade and other payables	1 827	-	-	-	1 827
Financial guarantee *	1 070 525	-	-	-	1 070 525
Borrowings	-	-	24 591	-	24 591
Total	1 072 352	-	24 591	-	1 096 943

* Full amount payable if the loans and bonds guaranteed are non-performing (Note 22(k)).

Management controls current liquidity based on expected cash outflows and expected receipts from dividends and interest.

d. Capital risk management

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

The Company monitors capital based on borrowings to total capitalization ratio. Total capitalization is calculated as the sum of the total borrowings and equity at the date of calculation.

e. Fair value estimation

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

The fair value of financial liabilities and assets for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to for similar financial instruments.

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

3. Financial risk management (continued)

Financial risk factors (continued)

e. Fair value estimation (continued)

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

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

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

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

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

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

4. Critical accounting estimates and judgments

Estimates and judgments 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.

Critical accounting estimates and assumptions

Estimated impairment of investments

The Company reviews investments, long-lived assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the estimated recoverable amount is less than the carrying amount of the asset or group of assets, the asset is not recoverable and the Company recognises an impairment loss for the difference between the estimated recoverable amount and the carrying value of the asset or group of assets. Events that can trigger assessments for possible impairments include, but are not limited to (a) significant decreases in the market value of an asset, (b) significant changes in the extent or manner of use of an asset, and (c) a physical change in the asset. Models are prepared based on the Company’s best estimates and latest budgets available as at the year end. Estimating discounted future cash flows requires making judgments about long-term forecasts of future revenues and costs related to the assets subject to review. These forecasts are uncertain as they require assumptions about volumes, prices for the products and services, future market conditions and future technological developments. Significant and unanticipated changes in these assumptions could require a provision for impairment in a future period.

The recoverable amounts of Arytano Holdings Limited (FCT, PLP and ULCT CGUs) and NCC Pacific Investments Limited (VSC CGU) were determined based on value in use derived from discounted future cash flows models (refer to notes 14 and 15 for the definition of the CGUs of the Company).Cash flow projections cover a period of five years based on the assumptions of the next 12 months. Cash flows beyond that five-year period have been extrapolated using a steady terminal growth rate. The terminal growth rate used does not exceed the long-term average growth rate for the market in which entities operate. For projections prepared for Russian CGUs a terminal growth rate of 3% has been applied (2017: 3%). The discount rate applied for Russian CGUs in projections prepared as at 31 December 2018 is 10.6% (2017: 10.4%).

Critical accounting estimates and assumptions (continued)

Estimated impairment of investments (continued)

Key assumptions for all the above CGUs are throughput volume, price per unit, growth rates, and discount rates. The projected volumes reflect past experience adjusted by the management view on the prospective market developments. For Russian CGUs volume growth is estimated to be in line with the long-term market development, position of each terminal on the market and its pricing power. As supported by historical market performance and in view of relatively low containerisation level in Russia, the long-term average throughput growth rate for the Russian container market is higher than in developed markets.

Based on the results of the impairment testing for all CGUs mentioned above no impairment was recognised in 2018.

For MD CGU (part of the investment in Multi Link Terminals Limited) following the substantial reduction of cargo volumes the recoverable amount was determined based on the expected fair value less cost to sell of those assets which have active market and their value could be reliably determined. As a result the investment in Multi Link Terminals Limited was impaired by US$70,148 thousand (see Note 15). In the prior year, the recoverable amount of MD was determined based on value-in-use model using terminal growth rate for Russian CGUs of 3% and a discount rate of 10.4%. No impairment was identified in 2017.

The recoverable amount of NCC Group Limited (ex-parent holding of NCC Group acquired by the Company in 2013) was determined based on its net asset value which approximates its fair value less cost to sell. Based on the results of the impairment testing, an impairment amounting to US$13,565 thousand (2017: US$961 thousand) was recognised with respect to investment in NCC Group Limited (see Note 14).

For all investments, management believes that any reasonable possible change in the key assumptions would not cause the carrying amounts to exceed the recoverable amounts. Finally, the Board of Directors believes that there are no indications for reversal of impairments recognised in previous periods.

Critical judgments in applying the Company's accounting policies

There were no critical judgments in applying the Company’s accounting policies.

5. Finance income – net

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Interest income on cash balances	7	3
Interest income on loans to related parties (Note 22(c))	-	325
Total interest income calculated using effective interest rate method	7	328
Net foreign exchange gains/(losses) on cash and cash equivalents and loans receivable*	(20)	73
Total	(13)	401

* The total net foreign exchange gain recognised in the statement of comprehensive income amounted to US$19 thousand (2017: losses US$1 thousand). Refer also to Note 7.

6. Administrative expenses

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Legal, consulting and other professional services	2 032	2 185
Staff costs (Note 8)	1 608	1 325
Travelling expenses	532	630
Taxes other than on income	272	443
Auditors' remuneration	584	477
Advertising and promotion	28	38
Insurance	87	88
Bank charges	24	19
Depreciation of property, plant and equipment (Note 13)	13	1
Operating lease rentals	80	19
Other expenses	246	202
Total	5 506	5 427

The auditors' remuneration stated above include fees of US$254 thousand (2017: US$249 thousand) for statutory audit services and US$63 thousand (2017: US$60 thousand) for other assurance services charged by the Company's statutory audit firm.

The legal and consulting fees stated above include fees of US$1 thousand (2017: US$4 thousand) for tax consultancy services charged by the Company's statutory audit firm.

7. Other gains/(losses) – net

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Net foreign exchange transaction losses on non-financing activities	39	(74)
Derecognition of financial guarantee (Note 22(k))	1 180	-
Amortisation of financial guarantee (Note 22(k))	1 189	1 300
Other gains/(losses) - net	(163)	-
Total	2 245	1 226

8. Staff costs

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Salaries	1 514	1 274
Social insurance costs	87	39
Other staff costs	7	12
Total	1 608	1 325
Average number of staff employed during the year	6	5

9. Finance costs

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Interest expense on loans from related parties (Note 22(c))	1 197	1 197
Total	1 197	1 197

10. Income tax expense

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Defence contribution	-	1
Total income tax	-	1

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

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Profit/(loss) before tax	(84 182)	1 556
Tax calculated at the applicable corporation tax rate of 12.5%	(10 523)	194
Tax effect of expenses not deductible for tax purposes	11 303	931
Tax effect of allowances and income not subject to tax	(786)	(1 105)
Group relief	-	(20)
Tax effect of tax losses for which no deferred tax assets were recognised	6	-
Defence contribution	-	1
Tax charge	-	1

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

Brought forward losses of only five years may be utilized.

Under certain conditions, interest may be exempt from income tax and only subject to defence contribution at the rate of 30%.

In certain cases dividends received from abroad may be subject to defence contribution at the rate of 17%. In certain cases dividends received 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.

11. Financial instruments by category

(in thousands of US dollars)

	As at 31 December	
	2018	2017
Financial assets at amortised cost (Loans and receivables at 31 December 2017)		
Financial assets as per balance sheet		
Current loan receivables	-	251
Cash and bank balances	744	1 639
Total	744	1 890
Financial liabilities measured at amortised cost		
Financial liabilities as per balance sheet		
Trade and other payables	4 127	6 718
Borrowings (Note 22(i))	22 197	21 000
Total	26 324	27 718

12. Credit quality of financial assets

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

(in thousands of US dollars)

	As at 31 December	
	2018	2017
Counterparties without external rating		
Group 1	-	59
Group 2	-	192
Total	-	251

Group 1 – Loans receivable from related parties with no defaults in the past.
Group 2 – Loans receivable from third parties with no defaults in the past.

(in thousands of US dollars)

	As at 31 December	
Cash and bank	2018	2017
A3 (Moody's)	696	1 612
Aa3 (Moody's)	42	19
Caa1 (Moody's)	6	8
Total	744	1 639

13. Property, plant and equipment

(in thousands of US dollars)

	Motor vehicles and other equipment
At 1 January 2017	
Cost	110
Accumulated depreciation	(110)
Net book amount	-
Additions	67
Depreciation charge for 2017	(1)
Closing net book amount at 31 December 2017	66
At 31 December 2017/1 January 2018	
Cost	67
Accumulated depreciation	(1)
Net book amount	66
Additions	64
Depreciation charge for 2018	(13)
Closing net book amount at 31 December 2018	117
At 31 December 2018	
Cost	131
Accumulated depreciation	(14)
Net book amount	117

14. Investments in subsidiaries

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
At beginning of year	638 899	630 499
Additions	-	9 713
Dividends set off against cost of investment *	(696)	(352)
Impairment charge (Note 4)	(13 565)	(961)
At end of year	624 638	638 899

* Dividends received by a subsidiary of the Company have been recognised by the Company as a reduction of the cost of investment because the Company has asserted that those amounts constitute a return of the original cost of the Company in this subsidiary.

14. Investments in subsidiaries (continued)

The Company's direct interests in subsidiaries, all of which are unlisted, were as follows:

Name	Principal activity	Country of incorporation	2018 % holding	2017 % holding
Arytano Holdings Limited	Holding company	Cyprus	100	100
Intercross Investments B.V.	Holding company	Netherlands	100	100
NCC Pacific Investments Limited	Holding company	Cyprus	100	100
NCC Group Limited	Holding company	Cyprus	100	100
Global Ports Advisory Eesti OU	Consulting company	Estonia	100	100
Global Ports Management LLC	Management and consulting company	Russia	100	100
National Container Holding Company Limited*	Holding company	Cyprus	0.005	0.005

* National Container Holding Company Limited is accounted for as a subsidiary because the Company has indirect control, since its subsidiaries hold the remaining shareholding.

The principal activities of the indirect subsidiaries and joint ventures held by the direct subsidiaries listed above, which represent separate CGUs, are the operation of four container terminals in Russia (Petrolesport (PLP), First Container Terminal (FCT), Ust-Luga Container Terminal (ULCT) and Vostochnaya Stevedoring Company (VSC)); and an oil product terminal AS Vopak E.O.S (VEOS) (classified as assets held for sale in the consolidated financial statements of the Group). All of the above terminals are 100% subsidiaries except ULCT (a subsidiary which the Group controls 80%) and VEOS (a 50% joint venture).

15. Investments in joint ventures

(in thousands of US dollars)

	For the year ended 31 December 2018	2017
At beginning of year	94 978	94 969
Additions	8	9
Impairment charge (Note 4)	(70 148)	-
At end of year	24 838	94 978

The Company's interests in joint ventures, all of which are unlisted, are as follows:

Name	Principal activity	Country of incorporation	2018 % holding	2017 % holding
CD Holding OY	Holding company	Finland	75	75
Multi-Link Terminals Limited	Holding company	Ireland	75	75
M.L.T Container Logistics Ltd	Holding company	Cyprus	75	75

The principal activities of the joint ventures listed above are the operation of two container terminals in Finland (MLT OY CGU), a container terminal in Russia (Moby Dik CGU) and an inland container terminal in Russia (Yanino Logistics Park CGU (YLP)).

16. Loans receivable

(in thousands of US dollars)

	As at 31 December 2018	2017
Loans to related parties (Note 22(h))	-	59
Loans to third parties	-	192
Total current	-	251
Total loans receivable	-	251

The weighted average effective interest rates on loans receivable at the balance sheet date were as follows:

	2018 %	2017 %
Loans to related parties	-	3.8

The carrying amounts of the Company's loans receivable are denominated in the following currencies:

(in thousands of US dollars)

	As at 31 December 2018	2017
Currency:		
Euro	-	251
Total	-	251

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

17. Trade and other receivables

(in thousands of US dollars)

	As at 31 December 2018	2017
Prepayments	309	259
Total trade and other receivables	309	259

The fair values of trade and other receivables approximate their carrying amounts. The carrying amount of the Company's trade and other receivables are denominated in Euros.

18. Cash and bank balances

(in thousands of US dollars)

	As at 31 December	
	2018	2017
Cash at bank	744	1 639
Total	744	1 639

Cash and cash equivalents are denominated in the following currencies:

(in thousands of US dollars)

	As at 31 December	
	2018	2017
Currency:		
US dollar	47	1 619
Euro	697	20
Total	744	1 639

Non-cash transaction

There were no principal non-cash transactions during 2018 and 2017.

19. Share capital, share premium and dividends

(in thousands of US dollars)

	Share capital	Share premium	Total
At 1 January 2017/31 December 2017/31 December 2018	57 317	923 511	980 828

Authorised share capital

The authorised share capital of the Company amounts to US$175,000,000.00 divided into 750,000,000 ordinary shares and 1,000,000,000 ordinary non-voting shares with a par value of US$0.10 each.

Issued share capital

The issued share capital of the Company amounts to US$57,317,073.10 divided into 422,713,415 ordinary shares and 150,457,316 ordinary non-voting shares with a par value of US$0.10 each. All issued shares are fully paid.

The ordinary shares and the ordinary non-voting shares rank pari passu in all respects save that, the ordinary non-voting shares do not have the right to receive notice, attend or vote at any general meeting, nor to be taken into account for the purpose of determining the quorum of any general meeting.

Dividends

There were no dividends declared or paid in 2018 and 2017.

20. Trade and other payables

(in thousands of US dollars)

	As at 31 December	
	2018	2017
Financial guarantee (Note 22(k))	2 668	5 038
Other payables	438	580
Other payables to related parties (Note 22(j))	620	681
Accrued expenses	277	147
Payroll payable	401	419
Total trade and other payables	4 404	6 865

The fair value of trade and other payables which are due within one year approximates their carrying amount at the balance sheet date. The carrying amount of the Company's trade and other payables are denominated in Euros.

21. Contingencies and commitments

Operating environment

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

Estonia and Finland represent established market economies with more stable political systems and developed legislation based on EU directives and regulations. However, the situation with the operations in Estonia remained challenging and is characterised by a structural deterioration of the business environment in which the Company's joint venture operates, which is heavily dependent on the flows of Russian oil products.

Guarantees granted to subsidiaries

Refer to Note 22(k) for details of guarantees granted to direct and indirect subsidiaries.

Commitments

There were no material commitments as of 31 December 2018.

22. Related party transactions

Until April 2018 the Company was jointly controlled by Transportation Investments Holding Limited ("TIHL"), one of Russia's largest privately owned transportation groups, and APM Terminals B.V. ("APM Terminals"), a global port, terminal and inland services operator. In April 2018 TIHL has completed the sale of its 30.75% stake in Global Ports to LLC Management Company "Delo" ("Delo Group"). The Company has been informed that in connection with the transaction, Delo Group has acceded to the shareholder agreement with APM Terminals B.V. and that TIHL has been released from its obligations under such agreement. Since April 2018 the Company is jointly controlled by Delo Group and APM Terminals.

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. Revenue

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Management fees from:		
Subsidiaries	110	20
Total	110	20

b. Dividend income

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Subsidiaries	2 167	630
Joint ventures	1 725	6 864
Total	3 892	7 494

c. Interest income and expenses

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Interest income:		
Subsidiaries	-	260
Joint ventures	-	65
Total interest income	-	325
Interest expense:		
Subsidiaries	1 197	1 197
Total interest expenses	1 197	1 197

Notes to the financial statements - continued

22. Related party transactions (continued)

d. Other gains/(losses) - net

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Subsidiaries (Note 22(k))	2 369	1 300
Total	2 369	1 300

e. Purchases of services

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Subsidiaries	227	218
Total	227	218

f. Acquisitions/disposals of subsidiaries/joint ventures

(in thousands of US dollars)

	For the year ended 31 December	
	2018	2017
Additions/contributions:		
Subsidiaries	-	9 713
Joint ventures	8	9
Total	8	9 722
Disposals/distributions of equity:		
Subsidiaries	696	352
Total	696	352

22. Related party transactions (continued)

g. Key management personnel compensation

The compensation of key management personnel and the total remuneration of the Directors (included in key management personnel compensation above) were as follows:

(in thousands of US dollars)	For the year ended 31 December	
	2018	2017
Key management compensation:		
Salaries, fees, payroll taxes and other short term employee benefits	1 188	1 085
Directors' remuneration:		
Fees	375	408
Emoluments in their executive capacity	813	677
Total	1 188	1 085

h. Loans to related parties

Loans to subsidiaries:

(in thousands of US dollars)	For the year ended 31 December	
	2018	2017
At beginning of year	-	4 882
Loans advanced during the year	-	7 500
Interest charged	-	260
Loan and interest repaid during the year	-	(12 642)
At end of year	-	-

Loans to joint ventures:

(in thousands of US dollars)	For the year ended 31 December	
	2018	2017
At beginning of year	59	1 154
Interest charged	-	65
Loan and interest repaid during the year	(50)	(1 204)
Foreign exchange differences	(9)	44
At end of year	-	59

The loan to joint ventures beared interest at the rate of 3.8%, was unsecured and was repaid in 2018.

22. Related party transactions (continued)

i. Borrowings from related parties

Loans from subsidiaries:

(in thousands of US dollars)	For the year ended 31 December 2018	2017
At beginning of year	21 000	22 197
Loan and interest repaid during the year	-	(2 394)
Interest charged	1 197	1 197
At end of year	22 197	21 000

The borrowings from related parties are USD-denominated, bear effective interest at the rate of 5.7%, are unsecured and repayable by January 2021. The fair value of borrowings as at 31 December 2018 approximates to their carrying value.

j. Other payables

(in thousands of US dollars)	As at 31 December 2018	2017
Payroll payable (Note 20)	325	332
Entities under control of owners of controlling entities (Note 20)	620	681
Total	945	1 013

k. Guarantees granted to subsidiaries

During 2015 and 2016 the Company granted an irrevocable public offer to purchase bonds issued by an indirect subsidiary of the Company, in the event a default occurs in respect of those bonds. These bonds had a balance of US$222,134 thousand (including interest accrued) as at 31 December 2018 (31 December 2017: US$267,820 thousand). At inception the fair value of these guarantees was US$2,575 thousand. As at 31 December 2018 the unamortised balance of these guarantees was US$1,098 thousand.

During 2016 the Company granted a corporate guarantee covering the non - performance by an indirect subsidiary of the Company in respect of a bank loan, which was repaid in October 2018 (31 December 2017 had a balance of US$86,156 thousand (including interest accrued)). The guarantee was provided free of charge and was valid until December 2020. At inception the fair value of the guarantee was US$1,011 thousand. As at 31 December 2018 following the early repayment of the loan there were no unamortised balance of these guarantees (31 December 2017: US$673 thousand).

During 2016 the Company and its indirect subsidiaries granted guarantee to an indirect subsidiary of the Company, which issued the Eurobonds in the event of default in respect of those bonds with a balance of US$646,879 thousand (including interest accrued) as at 31 December 2018 (31 December 2017: US$716,549 thousand). At inception the fair value of the guarantee was US$3,588 thousand. As at 31 December 2018 the unamortised balance of this guarantee was US$1,570 thousand.

The probability of default by the debtors in relation to the guaranteed loans is considered low.

23. Events after the balance sheet date

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

Independent Auditor's Report

To the Members of Global Ports Investments Plc

Report on the Audit of the Financial Statements

Our opinion

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

What we have audited

We have audited the financial statements which are presented in pages 25 to 53 and comprise:

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

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

Basis for opinion

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

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

Independence

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

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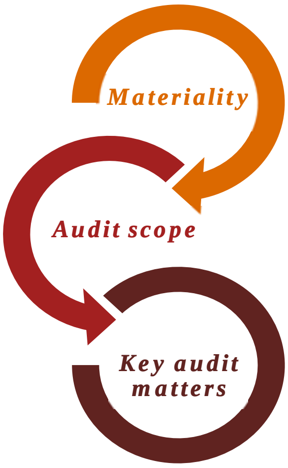
Our audit approach

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



Overall materiality: US$6,5 million, which represents 1% of total assets.

We audited the complete financial statements of the Company.

We have identified the impairment assessment of investments in subsidiaries and joint ventures as the key audit matter.

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

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

Overall materiality	US$6,5 million
How we determined it	1% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark, because, in our view: • it is the benchmark against which the performance of the Company (the principal activity of the Company is the holding of investments) is commonly measured by the users; and • it is a generally accepted benchmark. We chose 1% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above US$0,55 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

How we tailored our audit scope

Global Ports Investments Plc controls or has joint control over a number of entities situated in a number of territories namely Russia, Estonia, Finland and Cyprus. In establishing the overall approach to the audit, we determined the scope of work that needed to be performed taking into consideration the Company's financial information, its activities and the industry in which the Company operates to ensure that we perform sufficient work to enable us to provide an opinion on the financial statements as a whole.

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
The Company performed an impairment test for all the cash generating units ("CGUs"). We focused on this area due to: • the size of investments in subsidiaries and joint ventures; • the assessment of the recoverable amount of the CGUs involves complex and subjective judgements about the future results of the business and the applicable discount rates to be used and the estimation of the fair value less costs of disposal of the CGUs; and	We evaluated the valuation inputs and assumptions, methodologies and calculations adopted by the Board of Directors in determining the CGUs' recoverable amounts. In order to assist us in our audit we involved PwC valuation experts that have the knowledge and experience in the industry and country of operation to assist us in evaluating methodology, models and assumptions used in value in use calculations as well as evaluating the fair value less costs to sell.

Key Audit Matter	How our audit addressed the Key Audit Matter
• the results of the impairment test may indicate a higher recoverable amount than the carrying amount of assets previously impaired and an assessment should be made whether reversal of impairment may be necessary, which involves subjective judgements. In particular, we focused our audit effort on the Board of Directors' assessment of impairment of the following investments: • Investments in Multi Link Terminals Limited and NCC Group Limited due to the fact that there were material impairment losses recognised with respect to these investments during the period; and • Investment in Arytano Holdings Limited as for certain of its CGUs a reasonably possible change in the key assumptions would cause the carrying amount of the CGUs to exceed its recoverable amounts. The recoverable amount of the investment in NCC Group Limited was determined by the Board of Directors based on the fair value less costs of disposal approach. The recoverable amount of the investment in Multi Link Terminals Limited was determined based on the recoverable amounts of Mobi Dik (MD) CGU and Multi Link Terminals Limited Oy (MLT Oy) CGU. For MD CGU, following a substantial reduction in cargo volumes during the year, the fair value less costs of disposal approach was considered to give rise to higher recoverable amount than value in use approach. In determining the fair value of MD CGU, management involved an independent appraiser (the management's expert). The recoverable amount of MLT Oy CGU was based on value in use calculations. For NCC Group Limited, the recoverable amount was based on the net assets of the subsidiary which approximate its fair value less costs of disposal.	For MD CGU, we challenged and evaluated whether the fair value less costs of disposal approach is more appropriate than value in use approach to determine the CGU's recoverable amount given the specific circumstances of the CGU. We further evaluated the work of the management's expert involved for the valuation of MD CGU's assets by assessing the competence, capabilities and objectivity of the independent appraiser and by also engaging PwC valuation experts to assess the methodology, models and inputs used by the management's expert. With respect to the value in use models used for the CGUs of Arytano Holdings Limited and MLT Oy, we challenged and evaluated the composition of the future cash flow forecasts in the model including comparing them to the latest budgets approved by the Board of Directors. We challenged and evaluated: • the Board of Directors' key assumptions for the long term growth rates of key inputs, such as volume and price and compared them to historical results, economic and industry forecasts; • the discount rate applied to these cash flows, by assessing the weighted average cost of capital, cost of debt and considering territory specific factors; and • the macroeconomic assumptions used by the Board of Directors, by comparing them to market benchmarks and publicly available information. For the investment in Arytano Holdings Limited, we have also challenged and evaluated the Board of Directors on the no reversal of previously recognised impairment.

Key Audit Matter	How our audit addressed the Key Audit Matter
The recoverable amount of the investment in Arytano Holdings Limited (FCT, PLP and ULCT CGUs) was determined based on value in use calculations for each CGU. The expected cash flows (budgets) for the year 2019 and the remaining assumptions used for the CGUs' value in use calculations have been approved by the Company's Board of Directors. Certain assumptions made by the Board of Directors in the determination of the CGUs' value in use calculation were considered to be key estimates. Based on the results of the impairment tests the Company recognised an impairment charge amounting to US$13,565 thousand and US$70,148 thousand in relation to the investment in subsidiary NCC Group Limited and the investment in joint venture Multi Link Terminals Limited respectively.	
For the investment in Arytano Holdings Limited, it was determined that despite the fact that the impairment test has shown an overall recoverable amount higher than the carrying amount of the investment, no reversal of previously recognised impairment was necessary because there is no observable external or internal information to support reversal as required by IAS 36 "Impairment of Assets". Refer to Notes 4, 14 and 15 to the financial statements for the related disclosures.	We lastly evaluated the adequacy of the disclosures made in Notes 4, 14 and 15 of the financial statements, including those regarding the key assumptions as required. Based on the evidence obtained, we found that the methodologies, assumptions and data used within the models and disclosures are appropriate.

Reporting on other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed 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, 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 Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

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

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

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

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 2008 by the members of the Company for the audit of the financial statements for the year ended 31 December 2008. Our appointment has been renewed annually, since then, by shareholder resolution. In 2011 the Company was listed in the Main Market of the London Stock Exchange and accordingly the first financial year after the Company qualified as an EU PIE was the year ended 31 December 2012. Since then, the total period of uninterrupted engagement appointment was 7 years.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the financial statements expressed in this report is consistent with the additional report to the Audit and Risk Committee of the Company, which we issued on 26 March 2019 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Company and which have not been disclosed in the financial statements or the 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 management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the financial statements.

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

- 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 management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap, 113, and is consistent with the 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 Company 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

Limassol, 27 March 2019