NOVOROSSIYSK COMMERCIAL SEA PORT

Consolidated Financial Statements and Independent Auditor's Report for the year ended 31 December 2020

NOVOROSSIYSK COMMERCIAL SEA PORT

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NOVOROSSIYSK COMMERCIAL SEA PORT

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Public Joint Stock Company Novorossiysk Commercial Sea Port and its subsidiaries (the "Group") as at 31 December 2020, and the consolidated results of its operations, cash flows and changes in shareholder's equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

In preparing the consolidated financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position, financial performance and cash flows; and
- making an assessment of the Group's ability to continue activity as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- maintaining statutory accounting records in compliance with statutory legislation and accounting standards;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- detecting and preventing fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2020 were approved by management.

S.G. Kireev
Chief Executive Officer

«31» March 2021

N.V. Melnikov
Deputy Chief Executive Officer for Finance and Economics

Independent Auditor's Report

To the Shareholders and Board of Directors of Public Joint Stock Company Novorossiysk Commercial Sea Port:

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Public Joint Stock Company Novorossiysk Commercial Sea Port (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2020, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

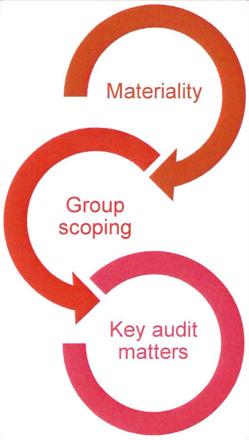
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview



Overall Group materiality: United States Dollars ("USD") 16,600 thousand, which represents 5% of average consolidated profit before tax for years 2018-2020 (excluding the gain on sale of the share capital of LLC NGT in 2019 in the amount of USD 449,224 thousand).

- We conducted audit work on all significant entities of the Group located in Russia. Additionally, we performed an audit in respect of the significant joint venture of the Group;
- Our audit scope addressed 99% of the Group's revenues and 99% of the Group's absolute value of underlying profit before tax.

- Compliance with debt covenants;
- Assessment of goodwill impairment.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management 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.

Materiality

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

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

Overall Group materiality	USD 16,600 thousand
How we determined it	5% of average consolidated profit before tax for years 2018-2020 (excluding the gain on sale of the share capital of LLC NGT in 2019 in the amount of USD 449,224 thousand)
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We used average consolidated profit before tax for three years – 2020, 2019 and 2018 in order to reduce influence of foreign currency exchange rates volatility on the consolidated profit before tax. We excluded the gain on sale of the share capital of LLC NGT in 2019 because it was a one-off transaction. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Compliance with debt covenants *Refer to Note 26 "Borrowings" to the consolidated financial statements.* As at 31 December 2020, the Group's borrowings amount to USD 592,145 thousand, including non-current debt in the amount of USD 362,771 thousand. The relevant loan agreements contain financial and non-financial covenants that the Group must comply with. Breach of certain debt covenants would entitle the Group's lenders to demand early repayment of the borrowings. If one lender exercises its right to demand early repayment, it could trigger cross default clauses with certain other lenders. We focused on this matter because any non-compliance with the debt covenants may have a material impact on the Group's financial statements as a result of reclassification of non-current debt to current borrowings. Also, any demand of early repayment of non-current borrowings may lead to other negative consequences including the risk of the Group not being able to continue as a going concern.	Our procedures for assessing the Group's compliance with the debts' covenants included the following: • We analysed the borrowing agreements in terms of any covenants included therein, the breach of which may result in early repayment of the borrowings; • We verified the compliance with financial covenants by recalculation and comparison of the results with the threshold levels set in the debt agreements; We verified compliance with non-financial covenants by referencing to the facts of the Group's operations and the results of other audit procedures performed.
Assessment of goodwill impairment *Refer to Note 17 "Goodwill" to the consolidated financial statements.* As at 31 December 2020, the carrying value of goodwill recognised in prior periods amounted to USD 416,896 thousand. Goodwill is subject to annual impairment assessment under the requirements of IFRS. We focused on this matter due to the materiality of the carrying value of the goodwill and due to the fact that impairment assessment performed by the management involves applying significant judgments and estimates. Management's assessment is based on several key assumptions, including revenue, capital expenditure (cost of maintenance of the fixed assets) and operating expenses, steady	Management performed the goodwill impairment assessment and provided us with the results of this assessment. Together with our internal valuation specialists, we tested management's impairment testing model that is based on forecasts of future cash flows related to each cash generating unit (CGU). As part of our audit, the following procedures were performed: • We assessed whether the determination of CGUs adopted by the Group's management is compliant with the requirements of IAS 36 "Impairment of Assets"; • We checked the mathematical accuracy of the goodwill allocation to the CGUs; • In respect of all CGUs we performed the following procedures over assumptions applied by management in its assessment:

Key audit matter	How our audit addressed the key audit matter
growth rate after the five-year forecast period and discount rate.	- We compared discount rate to the weighted average cost of capital of the Group recalculated by us; - We verified the appropriateness of financial budgets of CGUs for projected periods through inquiries with Group's management, corroborating management's explanations, examining supporting documentation; - We evaluated management's analysis of the sensitivity of the impairment test result and the adequacy of the sensitivity disclosure in respect of the assumptions with the greatest potential effect on the test result, e.g. those relating to revenue, capital expenditure (cost of maintenance of the fixed assets) and operating expenses forecasts exchange rates forecast, steady growth rate after the five-year forecast period and discount rate; - We verified that the methodology underlying future cash flow forecasts complies with IAS 36 "Impairment of Assets", including the fact that the recoverable amount was determined based on the value in use concept and some other aspects; - We compared forecast for sales prices growth rates with data from independent sources; - We performed independent calculation of steady growth rate after the five-year forecast period based on data from an independent sources. We also analysed the information disclosed in Note 17 to the consolidated financial statements of the Group for completeness, accuracy and compliance with the requirements of IAS 36 "Impairment of Assets".

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We defined PJSC Novorossiysk Commercial Sea Port, LLC Primorsk Trade Port, JSC Novoroslesexport, LLC IPP, JSC Novorossiysk Shiprepair yard, LLC Baltic Stevedore Company, JSC Fleet Novorossiysk Commercial Sea Port and LLC SoyuzFlot Port being financially significant components based on their contribution to Group's consolidated financial statements and their inherent risk of material misstatement of the consolidated financial statements. Audit work was performed on each of the financially significant components. We also performed additional procedures in respect of other entities of the Group, which scope of activity would not have caused significant quantitative or qualitative effect on the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises *the Annual report 2020* and *the Issuer's Report for the 1 Quarter 2021* but does not include the consolidated financial statements and our auditor's report, which is expected to be made available to us after the date of the auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read *the Annual Report 2020* and *the Issuer's Report for the 1 Quarter 2021*, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The certified auditor responsible for the audit resulting in this independent auditor's report is V.V. Solovyev.

AO PricewaterhouseCoopers Audit

31 March 2021
Moscow, Russian Federation

V.V. Solovyev, certified auditor (licence No. 01-000269), AO PricewaterhouseCoopers Audit

Audited entity: Public Joint Stock Company Novorossiysk Commercial Sea Port

Record made in the Unified State Register of Legal Entities on 23 August 2002 under State Registration Number 1022302380638

Taxpayer Identification Number 2315004404

Building 14, Portovaya street, Novorossiysk, Krasnodar Kray, Russian federation, 353901

Independent auditor: AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431

Taxpayer Identification Number 7705051102

Member of Self-regulatory organization of auditors Association «Sodruzhestvo»

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 12006020338

NOVOROSSIYSK COMMERCIAL SEA PORT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020
(in thousands of US Dollars, except as otherwise stated)

	Notes	31 December 2020	31 December 2019
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	15	1,097,465	1,253,388
Right-of-use assets	16	300,086	364,763
Goodwill	17	416,896	497,506
Investment in joint venture	18	25,483	39,831
Deferred tax assets	13	26,889	36,260
Intangible assets other than goodwill		2,651	3,244
Receivables and prepayments	20	1,279	1,845
		1,870,749	2,196,837
CURRENT ASSETS:			
Inventories	19	23,595	20,762
Receivables and prepayments	20	26,075	45,884
VAT recoverable and other taxes receivable		15,070	21,012
Income tax receivable	13	1,153	85,024
Financial assets measured at fair value through profit or loss	21	1,315	2,045
Financial assets measured at amortised cost	22	54,761	-
Cash deposited in escrow account	12	-	206,766
Cash and cash equivalents	23	190,598	433,480
		312,567	814,973
TOTAL ASSETS		**2,183,316**	**3,011,810**
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	24	10,471	10,471
Treasury shares	24	(422)	(422)
Foreign currency translation reserve		(711,880)	(459,022)
Retained earnings		1,801,582	2,088,821
Equity attributable to shareholders of NCSP		1,099,751	1,639,848
Non-controlling interest	25	12,720	11,980
TOTAL EQUITY		**1,112,471**	**1,651,828**
NON-CURRENT LIABILITIES:			
Borrowings	26	362,771	606,033
Lease liabilities	16	292,010	345,662
Deferred tax liabilities	13	107,740	130,956
Provisions for liabilities and charges	27	6,970	8,316
Trade and other payables	28	3,679	3,262
		773,170	1,094,229
CURRENT LIABILITIES:			
Borrowings	26	229,374	199,465
Lease liabilities	16	16,108	15,082
Provisions for liabilities and charges	27	13,519	19,673
Trade and other payables	28	20,728	24,629
Taxes payable, excluding income tax		4,307	4,030
Income tax payable		13,639	2,874
		297,675	265,753
TOTAL EQUITY AND LIABILITIES		**2,183,316**	**3,011,810**

S.G. Kireev
Chief Executive Officer

РОССИЙСКАЯ ФЕДЕРАЦИЯ КРАСНОДАРСКИЙ КРАЙ г.НОВОРОССИЙСК ПУБЛИЧНОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО НОВОРОССИЙСКИЙ МОРСКОЙ ТОРГОВЫЙ ПОРТ НМТП NCSP ОГРН 1022302380638 ИНН 2315004404

N.V. Melnikov
Deputy Chief Executive Officer for Finance and Economics

The notes on pages 7 to 55 are an integral part of these consolidated financial statements.

NOVOROSSIYSK COMMERCIAL SEA PORT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020
(in thousands of US Dollars, except as otherwise stated)

	Notes	Year ended 31 December 2020	Year ended 31 December 2019
Revenue	8	632,289	866,431
Other operating (expenses) / income		(9,619)	761
Operating expenses net of amortisation and depreciation	9	(221,865)	(238,345)
Operating profit before amortisation and depreciation		**400,805**	**628,847**
Amortisation and depreciation		(74,284)	(71,556)
Reversal of impairment of construction in progress	15	1,326	-
OPERATING PROFIT		**327,847**	**557,291**
Finance income	10	21,859	29,734
Finance costs	10	(64,237)	(88,924)
Foreign exchange (loss) / gain	11	(121,447)	99,794
Share of profit in joint venture	18	6,513	7,173
Other income		11,007	9,066
Gain on sale of the subsidiary	12	-	449,224
PROFIT BEFORE INCOME TAX		**181,542**	**1,063,358**
Income tax expense	13	(114,407)	(120,078)
PROFIT FOR THE YEAR		**67,135**	**943,280**
OTHER COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR, NET OF TAX			
Items that may be subsequently reclassified to profit or loss:			
Effect of translation into presentation currency		(254,789)	123,972
Items that will not be subsequently reclassified to profit or loss:			
Remeasurement of net defined benefit liability		290	(2,111)
OTHER COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR, NET OF TAX		**(254,499)**	**121,861**
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		**(187,364)**	**1,065,141**
Profit for the year attributable to:			
Equity shareholders of NCSP		64,108	939,630
Non-controlling interest		3,027	3,650
		67,135	**943,280**
Total comprehensive (loss) / income attributable to:			
Equity shareholders of NCSP		(188,463)	1,060,299
Non-controlling interest		1,099	4,842
		(187,364)	**1,065,141**
Weighted average number of ordinary shares outstanding (units)		18,482,934,068	18,482,934,068
Basic and diluted earnings per share, US Dollars		0.003	0.05

The notes on pages 7 to 55 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020
(in thousands of US Dollars, except as otherwise stated)

		Equity attributable to shareholders of NCSP						
	Notes	**Share capital**	**Treasury shares**	**Foreign currency translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total**
At 1 January 2019		**10,471**	**(422)**	**(581,781)**	**1,294,292**	**722,560**	**9,444**	**732,004**
Profit for the year		-	-	-	939,630	**939,630**	3,650	**943,280**
Other comprehensive income for the year, net of tax		-	-	122,759	(2,090)	**120,669**	1,192	**121,861**
Total comprehensive income for the year		**-**	**-**	**122,759**	**937,540**	**1,060,299**	**4,842**	**1,065,141**
Dividends declared	14	-	-	-	(142,987)	**(142,987)**	(2,297)	**(145,284)**
Acquisition of non-controlling interest		-	-	-	(24)	**(24)**	(9)	**(33)**
At 31 December 2019		**10,471**	**(422)**	**(459,022)**	**2,088,821**	**1,639,848**	**11,980**	**1,651,828**
Profit for the year		-	-	-	64,108	**64,108**	3,027	**67,135**
Other comprehensive loss for the year, net of tax		-	-	(252,858)	287	**(252,571)**	(1,928)	**(254,499)**
Total comprehensive loss for the year		**-**	**-**	**(252,858)**	**64,395**	**(188,463)**	**1,099**	**(187,364)**
Dividends declared	14	-	-	-	(350,296)	**(350,296)**	(359)	**(350,655)**
Expenses attributable directly to capital decreases	14	-	-	-	(1,338)	**(1,338)**	-	**(1,338)**
At 31 December 2020		**10,471**	**(422)**	**(711,880)**	**1,801,582**	**1,099,751**	**12,720**	**1,112,471**

The notes on pages 7 to 55 are an integral part of these consolidated financial statements.

NOVOROSSIYSK COMMERCIAL SEA PORT

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020
(in thousands of US Dollars, except as otherwise stated)

	Notes	Year ended 31 December 2020	Year ended 31 December 2019
Cash flows from operating activities			
Profit for the year		**67,135**	**943,280**
Adjustments for:			
Gain on sale of the subsidiary	12	-	(449,224)
Finance income	10	(21,859)	(29,734)
Finance costs	10	64,237	88,924
Share of profit in joint venture	18	(6,513)	(7,173)
Foreign exchange loss / (gain)	11	121,447	(99,794)
Income tax	13	114,407	120,078
Amortisation and depreciation		74,284	71,556
Change in credit loss allowance	20	9,502	3,886
Change in reserve for the restoration of leased property		(4,264)	5,881
Change in other provisions for liabilities and charges		1,518	2,823
Loss on disposal of property, plant and equipment	15	7,519	667
Other adjustments		(337)	(330)
		427,076	**650,840**
Working capital changes:			
Increase in inventories		(4,145)	(1,431)
Increase in receivables and prepayments		(1,939)	(2,000)
Increase / (decrease) in liabilities		2,094	(6,548)
Cash flows from operating activities		**423,086**	**640,861**
Income tax paid		(31,783)	(163,743)
Interest paid		(60,954)	(90,772)
Net cash from operating activities		**330,349**	**386,346**
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		244	259
Purchases of property, plant and equipment		(99,655)	(79,574)
Proceeds from disposals of investments in deposits		365,187	101,540
Purchases of investments in deposits		(418,035)	(106,423)
Proceeds from sale of the subsidiary, net of cash disposed	12	-	538,276
Funds returned from escrow account		205,332	-
Funds placed in escrow account		-	(196,233)
Interest received		29,561	21,059
Dividends received from joint venture		14,761	-
Other investment (fees) / proceeds		(1,297)	340
Net cash generated used in investing activities		**96,098**	**279,244**
Cash flows from financing activities			
Proceeds from borrowings	26	575,000	-
Repayments of borrowings	26	(793,452)	(200,000)
Increase of ownership in subsidiary		-	(33)
Dividends paid to shareholders of NCSP	14	(341,173)	(219,257)
Dividends paid to non-controlling interest	14	(628)	(2,414)
Repayment of lease obligations		(12,179)	(13,748)
Other financial fees		(1,914)	-
Net cash used in financing activities		**(574,346)**	**(435,452)**
Net (decrease) / increase in cash and cash equivalents		**(147,899)**	**230,138**
Cash and cash equivalents at the beginning of the year	23	433,480	172,865
Effect of exchange rate changes on cash and cash equivalents		(94,983)	30,477
Cash and cash equivalents at the end of the year	23	**190,598**	**433,480**

The notes on pages 7 to 55 are an integral part of these consolidated financial statements.

(in thousands of US Dollars, except as otherwise stated)

1. GENERAL INFORMATION

Organisation

Public Joint Stock Company ("PJSC") Novorossiysk Commercial Sea Port ("NCSP" or "Company") was transformed from a state-owned enterprise to a joint-stock company in December 1992. The Company's registered office is located in Novorossiysk, Krasnodar region, Russian Federation. NCSP's principal activities include stevedoring, additional port services, and sea vessel services. NCSP and its subsidiaries (the "Group") are primarily incorporated and operate in the Russian Federation. The principal activities and significant subsidiaries of the Group as at 31 December 2020 were as follows:

	Effective ownership % held*	
Significant subsidiaries	**31 December 2020**	**31 December 2019**
Stevedoring and additional port services		
LLC Primorsk Trade Port	100.00%	100.00%
JSC Novoroslesexport	91.38%	91.38%
LLC IPP	100.00%	100.00%
JSC Novorossiysk Shiprepair yard	98.26%	98.26%
LLC Baltic Stevedore Company	100.00%	100.00%
Fleet services		
SC Fleet Novorossiysk Commercial Sea Port	95.19%	95.19%
LLC SoyuzFlot Port	100.00%	100.00%

* The effective ownership is calculated based on the total number of shares owned by the Group as at the reporting dates including voting preferred shares.

NCSP is the largest stevedore of the Group and the holding company. It operates the primary cargo-loading district, the Sheskharis oil terminal and the passenger terminal in Novorossiysk. The main subsidiaries of the Group are located in the eastern sector of the Black Sea in Tsemesskaya Bay as well as in the Leningrad and Kaliningrad Districts.

The legal address of NCSP: 353901, Portovaya st., 14, Novorossiysk, Krasnodar region, Russia.

NCSP has seven significant subsidiaries, primary activities of which are as follows:

LLC Primorsk Trade Port ("PTP")

PTP is involved in the transshipment of oil and oil products in the port of Primorsk, 188910, Portovy proezd, 10, Vyborgsky District, Leningrad Region, Russia.

JSC Novoroslesexport ("NLE")

NLE provides stevedoring and storage services for the export of timber, containerised cargo, nonferrous metals and perishable goods in the port of Novorossiysk, 353900, Mira st., 2, Krasnodar region, Russia.

LLC IPP ("IPP")

IPP specialises in transshipment and storage of liquid bulk cargo in the port of Novorossiysk, 353900, Magistralnaya st., 4, Krasnodar region, Russia.

JSC Novorossiysk Shiprepair yard ("NSY")

NSY specialises in transhipment of ferrous metals, cement and perishable goods in the port of Novorossiysk and in providing ship repair services, 353902, Sukhumskoye shosse, w/o numb., Krasnodar region, Russia.

1. GENERAL INFORMATION (CONTINUED)

LLC Baltic Stevedore Company ("BSC")

BSC is a stevedoring company operating a container terminal in the port of Baltiysk, 238520, Nizhneye shosse, 17, Kaliningrad Region, Russia.

JSC Fleet Novorossiysk Commercial Sea Port ("FNCSP")

FNCSP is a maritime tug and towing company. It provides most of the tug and towing, mooring and bunkering services for ships and other maritime vessels at and around the Novorossiysky Port ("Port") in Novorossiysk, 353900, Mira st., 2i, Krasnodar region, Russia. In addition, it carries out emergency services such as transferring vessels to shelter zones during emergencies, cleaning and containment services for oil or other liquid spills in and around the Port and hazardous material response and waste management services.

LLC SoyuzFlot Port ("SFP")

SFP is a subsidiary of PTP. SFP is an operator of pilotage and tug and towing services in the ports of Primorsk and Ust-Luga, 188910, Portovy proezd, 10, Vyborgsky District, Leningrad District, Russia.

Golden share

The Government of the Russian Federation holds a "golden share" in NCSP. This "golden share" allows the state to veto decisions made by the shareholders to amend the charter, as well as decisions relating to liquidation, corporate restructuring and significant transactions.

Going concern assumption

The accompanying consolidated financial statements of the Group have been prepared assuming that the Group will continue as a going concern, which presumes that the Group will be able to realise its assets and discharge its liabilities in the normal course of business.

Price Monitoring

Some activities of the Group fall within the scope of the law "Act on natural monopolies" and, as a result, all prices on cargo-loading services until 2020 were subject to price monitoring by the Federal Antimonopoly Service of Russia ("FAS").

On 12 January 2020 the Russian Government decree № 1923 of 27 December 2019 "On amendments to certain acts of the Government of the Russian Federation concerning state regulation of prices (tariffs, fees) for services of natural monopolies in ports and services for the use of inland waterway infrastructure" came into force, which excluded cargo handling and storage services in seaports from the list of services that are subject to state price regulation (except for services for transshipment of oil and petroleum products, incoming to ports via oil and oil product pipelines). In addition, the list of regulated services excluded towing services, providing berths, providing pilotage for ships, passenger services, and ensuring environmental safety in the port. Currently, the Group's subsidiaries within the framework of price monitoring submit to FAS periodic reports of applicable prices for services only in relation to oil and oil products.

2. BUSINESS ENVIRONMENT OF THE GROUP

The Russian economy is sensitive to hydrocarbons and their derivatives prices. The legal, tax and regulatory frameworks are subject to varying interpretations. The Russian economy continues to be negatively impacted by international sanctions against certain Russian companies and individuals.

On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, the Russian authorities implemented numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, including closures. These measures have, among other things, severely restricted economic activity in Russia and have negatively impacted, and could continue to negatively impact businesses, market participants, clients of the Group, as well as the Russian and global economy for an unknown period of time.

2. BUSINESS ENVIRONMENT OF THE GROUP (CONTINUED)

Management of the Group is taking necessary measures to ensure sustainability of the Group's operations and support its customers and employees.

The future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

For the purpose of measurement of expected credit losses ("ECL") receivables and similar assets the Group uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected. Note 32 provides more information of how the Group incorporated forward-looking information in the ECL models.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of financial instruments categorised at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVOCI"). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (Note 5).

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Consolidated financial statements

Subsidiaries are those investees that the Group controls because the Group (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than the majority of the voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of the investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis at the non-controlling interest's proportionate share of net assets of the acquiree.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidated financial statements (continued)

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and the fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all the liabilities and contingent liabilities assumed and reviews the appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including the fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition of and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity.

Investments in joint ventures

Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Disposals of subsidiaries, associates or joint ventures

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

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

(in thousands of US Dollars, except as otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates.

The functional currency of NCSP and principally all of its subsidiaries is the Russian Rouble ("RUR"). The consolidated financial statements are presented in US Dollars ("USD") as management considers the USD to be a more relevant presentation currency for international users of the consolidated financial statements of the Group.

The Group also issues a separate set of consolidated financial statements prepared in accordance with IFRS that meets the requirements of Federal Law № 208-FZ "Consolidated Financial Statements" ("208-FZ") dated 27 July 2010, using the Russian Rouble as the presentation currency.

The translation from functional currency into presentation currency is performed in accordance with the requirements of IAS 21 "The Effect of Changes in Foreign Exchange Rates".

Transactions and balances

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the Central Bank of the Russian Federation ("CBRF") at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the CBRF are recognised in profit or loss as other gains / (losses), net. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

The results and financial position of each Group entity (the functional currency of none of which is a currency of a hyperinflationary economy) are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position are translated at the closing rate at the end of the respective reporting period;

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

(iii) components of equity are translated at the historic rate; and

(iv) all resulting exchange differences are recognised in other comprehensive income.

When control over a foreign operation or a subsidiary with a functional currency other than the functional or presentation currency of the Group is lost, the exchange differences recognised previously in other comprehensive income are reclassified to profit or loss for the year as part of the gain or loss on disposal. On partial disposal of a subsidiary without loss of control, the related portion of accumulated currency translation differences is reclassified to non-controlling interest within equity.

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

Exchange rates

	2020	2019
Year-end rates		
RUR / 1 USD	73.88	61.91
RUR / 1 EUR	90.68	69.34
Average rates		
RUR / 1 USD	72.15	64.74
RUR / 1 EUR	82.45	72.50

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment, where required. Property, plant and equipment includes assets under construction for future use as property, plant and equipment.

Property, plant and equipment acquired through acquisitions of subsidiaries are recorded at fair value on the date of the acquisition, as determined by management with the assistance of an independent appraiser.

Additions to property, plant and equipment are recorded at cost. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

At the end of each reporting period, management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs of disposal and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs of disposal.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year.

Depreciation

Land and construction in progress are not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Number of years
Buildings and constructions	3-75
Machinery and equipment	2-40
Marine vessels	4-25
Motor transport	3-15
Other	2-30
Leasehold improvements	Shorter of useful life and the term of the underlying lease

Right-of-use assets

The Group leases buildings, land, vessels, mooring installations and equipment.

Assets arising from a lease are initially measured on a present value basis.

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

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- costs to restore the asset to the conditions required by lease agreements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Right-of-use assets (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives. Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives as follows:

	Number of years
Land	2-20
Buildings and constructions	1-48
Equipment	5-20
Marine vessels	4

Goodwill

Goodwill is carried at cost less accumulated impairment losses, if any. Goodwill is allocated to the cash-generating units. Such units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. The carrying value of the cash-generating unit containing goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained.

Intangible assets other than goodwill

The Group's intangible assets other than goodwill have definite useful lives and primarily include computer software, patents, trademarks and licences.

Acquired computer software licences, patents and trademarks are capitalised on the basis of the costs incurred to acquire and bring them to use.

Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if an inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include employee benefits expense of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred.

Intangible assets are amortised using the straight-line method over their useful lives.

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs of disposal.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation and 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments – key measurement terms

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

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy (Note 33) as follows:

(i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,

(ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and

(iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for ECL. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial instruments – initial recognition

Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments – initial recognition (continued)

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

Financial assets – classification and subsequent measurement – measurement categories

The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model

The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Financial assets – classification and subsequent measurement – cash flow characteristics

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Financial assets – reclassification

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Group did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL

The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Group measures ECL and recognises net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC, trade and other receivables are presented in the consolidated statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the consolidated statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets – write-off

Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets – derecognition

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial liabilities – measurement categories

Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Financial liabilities – derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The difference between the carrying value of a financial liability (or a part of a financial liability) extinguished or transferred to another party and the redemption value, including any transferred non-monetary assets and assumed liabilities, is recognised in profit or loss. Any previously recognised components of other comprehensive income pertaining to this financial liability are also included in the financial result and are recognised as gains and losses for the period.

Financial liabilities designated at FVTPL

Financial liabilities at fair value through profit or loss include financial liabilities held for trade and financial liabilities designated initially at fair value through profit or loss. Financial liabilities are classified as held for trade if acquired for the purpose of selling in the short term. Income and expense on liabilities held for trade are recognised in the consolidated statement of comprehensive income, except for the change of the fair value attributable to the change of own credit risk, which is recognised in other comprehensive income. The Group does not have financial liabilities at fair value through profit or loss.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Trade and other receivables

Trade and other receivables are recognised initially at fair value and are subsequently carried at AC using the effective interest method.

The Group initially recognises receivables on the date that they are originated at the price of the transaction. The Group uses the practical expedient provided for in paragraph 63 of the IFRS 15 and does not adjust the amount of the receivable if the period between the transfer of the promised goods or services by the Group to the buyer and the buyer's payment for such goods or services is not more than one year. The Group holds trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less any impairment losses. The Group recognises lifetime expected credit losses (ECL) for trade receivables. The expected credit losses are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Subsequent recoveries of amounts previously written off are credited to profit or loss.

Trade and other payables

Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised at transaction price and are subsequently carried at AC using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently carried at AC using the effective interest method.

Capitalisation of borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of assets that are not carried at fair value and that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January 2009.

The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group’s average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred on the specific borrowings less any investment income on the temporary investment of these borrowings are capitalised.

Lease liabilities

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lease liabilities (continued)

- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Group, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, and
- makes adjustments specific to the lease, e.g. term, country, currency and collateral.

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

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise assets with value of 5 or less.

Income taxes

Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes (continued)

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill, and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions 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 taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

Uncertain tax positions

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions, other than interest and fines, are recorded within the income tax charge. Adjustments for uncertain income tax positions in respect of interest and fines are recorded within finance costs and other gains / (losses).

Value added tax

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

Inventories

Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on the normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepayments

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

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Treasury shares

Where the Company or its subsidiaries purchase the Company’s equity instruments, the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from the equity attributable to the Company’s owners until the equity instruments are reissued, disposed of or cancelled. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company’s owners.

Dividends

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved.

Accumulated profits distributable by the Group’s entities are based on the amounts available for distribution in accordance with the applicable legislation of the jurisdictions where each entity operates and as reflected in the statutory financial statements of the individual entities of the Group based on calendar reporting years (years ended 31 December). These amounts may differ significantly from the amounts calculated on the basis of IFRS.

Provisions for liabilities and charges

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures 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 the passage of time is recognised as an interest expense within finance costs.

Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognised as liabilities when the obligating event that gives rise to pay a levy occurs, as identified by the legislation that triggers the obligation to pay the levy. If a levy is paid before the obligating event, it is recognised as a prepayment.

Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is income arising in the course of the Group's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Revenue is recognised net of discounts, returns and value added taxes, export duties, excise taxes, and other similar mandatory payments.

Sale of goods

The Group sells oil products.

Sales are recognised when control of the goods has transferred, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from the sales with discounts is recognised based on the price specified in the contract, less estimated volume discounts. No element of financing is deemed present as the sales of goods are made with a credit term of 35 days, which is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Sale of services

The Group provides following services:

(i) Stevedoring services (liquid cargo, dry bulk cargo, general cargo and containers transhipment) including loading and unloading of oil, oil products, grain, mineral fertilisers, chemicals, containers, timber, timber products, metal products (slabs, tubing, rolled metal and others), sugar, and other cargo, fuel bunkering.
(ii) Additional port services provided to customers at their requests (e.g. freight forwarding, storage, customs documentation, repacking, ship maintenance in the port).
(iii) Fleet services including tugging, towing and other related services.
(iv) Other services mainly including the rental and resale of energy and utilities to external customers, ship repair services.

Contracts for the provision of services provide for advances of up to 100% of the cost. No element of financing is deemed present as the sales of services are made with a credit term of 10 days, which is consistent with market practice.

The Group provides services under fixed remuneration agreements. For these contracts revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

If the contracts include several obligations to perform, the transaction price is allocated to each individual obligation to perform based on the ratio of prices for their individual sale.

In the case of contracts with fixed remuneration, the buyer pays a fixed amount in accordance with the volume of services provided. If the cost of services provided by the Group exceeds the payment amount, the asset is recognised under the contract with the buyer. If the amount of payments exceeds the cost of services rendered, an obligation under the contract with the buyer is recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Finance income and costs

Finance income and costs is recorded for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of finance income and costs, all fee received between the parties to the contract that are an integral part of the effective interest rate, all other premiums or discounts. Interest income on debt instruments at FVTPL calculated at nominal interest rate is presented within “Finance income” line in profit or loss.

Fees integral to the effective interest rate include origination fees received or paid by the Group relating to the creation or acquisition of a financial asset and issue of financial liability (for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents).

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired, for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

Employee benefits

Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and kindergarten services) are accrued in the year in which the associated services are rendered by the employees of the Group.

Defined contribution plan

The Group’s Russian subsidiaries are legally obliged to make defined contributions to the Russian Federation State Pension Fund. The Group’s contributions to the Russian Federation State Pension Fund relating to defined contribution plans are charged to the consolidated statement of comprehensive income or comprehensive loss in the period to which they relate.

In the Russian Federation, all state social contributions, including contributions to the Russian Federation State Pension Fund, are collected through taxes of 0% to 30%, directly calculated based on the annual gross remuneration of each employee. The rate of contribution to the Russian Federation State Pension Fund varies from 0% to 22%. When the annual gross remuneration of an employee exceeds 1,292 thousand RUR (USD 17 thousand) (in 2019: 1,150 thousand RUR (USD 18 thousand)), the 10% tax rate is applied to the exceeding amount.

Defined benefit plans

For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations performed at the end of each reporting period presented. Actuarial assumptions are company’s best estimates of the variables that will determine the ultimate cost of providing post-employment benefits. Actuarial assumptions include the financial assumptions dealing with items such as taxes paid by the plan in respect of services-related contributions to the balance sheet date, or in respect of remuneration granted in connection with the services. Remeasurement comprising actuarial gains and losses are recognised immediately in the balance sheet with a charge or credit to other comprehensive loss in the period in which they occur. Remeasurement recorded in the other comprehensive loss is not recycled. Past service cost is recognised in profit or loss in the period of scheme amendment.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. The Group's chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. Reportable segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and judgements that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year disclosed below.

Going concern

Management prepared these consolidated financial statements on a going concern basis. In making this judgement management considered the Group's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of the macro-economic developments on the operations of the Group.

Goodwill impairment testing

The Group tests goodwill for impairment at least annually. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates as further detailed in Note 17.

Deferred income tax asset recognition

The recognised deferred tax assets represent income taxes recoverable through future deductions from taxable profits and are recorded in the consolidated statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. This includes temporary difference expected to reverse in the future and the availability of sufficient future taxable profit against which the deductions can be utilised.

The Group management believes that all deferred tax assets recognised as at the reporting date will be fully realised. It is probable that taxable profits will be available against which deductible temporary differences can be utilised. Tax losses carry forward are not connected with operating activities and Group considers that it will gain profit in future and, therefore, deferred tax assets ("DTA") are recoverable. Under the Russian legislation tax loss carry forward may be used to reduce tax base by no more than 50% in any one particular year without limitation of the term of this right.

Initial recognition of related party transactions

In the normal course of business, the Group enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses. Terms and conditions of related party balances are disclosed in Note 29.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Expected credit losses measurement

Measurement of ECLs is a significant estimate that involves determination methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 32. The following components have a major impact on credit loss allowance: definition of default, significant increase in credit risk ("SICR"), probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios. The Group regularly reviews and validates the models and inputs to the models to reduce any differences between ECL estimates and actual credit loss experience.

The Group used supportable forward-looking information for measurement of ECL, primarily an outcome of its own macro-economic forecasting model.

Useful lives of property, plant and equipment

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

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2020 would increase it by 3,606 or decrease it by 3,665 (2019: increase by 3,376 or decrease by 3,352).

Depreciation of right-of-use assets

For leases of buildings, lands, equipment, constructions and sea vessels, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group extends (or not terminate) the lease.
- If any leasehold improvements are expected to have a significant remaining value, the Group extends (or not terminate) the lease.
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Extension and termination options

Extension and termination options are included in a number of leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations.

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

Discount rates used for determination of lease liabilities

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Group, the Group's incremental borrowing rate is used.

A 10% increase or decrease in discount rate at 31 December 2020 would result in an increase or decrease in lease liabilities by 14,780 (1 January 2020: 20,236).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Post-employment benefit obligation

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations.

Additional information is disclosed in Note 27.

5. NEW AND REVISED STANDARDS

Amendments to IFRSs effective from 1 January 2020

The following new standards and pronouncements that became effective did not have any material impact:

- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020);
- Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020);
- Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020);
- Interest rate benchmark reform – Amendments of phase 1 to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).

6. NEW ACCOUNTING PRONOUNCEMENTS

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2021 or later, and which the Group has not early adopted.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB)

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The amendments don’t have any impact on consolidated financial statements of the Group.

IFRS 17 “Insurance Contracts” (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023)

IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. The implement of the new standard doesn’t have any impact of the consolidated financial statements of the Group.

6. NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Classification of liabilities as short-term and long-term - Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022)

These amendments specify that liabilities are classified as current or long-term depending on the rights existing at the end of the reporting period. Liabilities are long-term if the entity has the substantive right to defer repayment by at least twelve months at the end of the reporting period. Management no longer requires the right to be unconditional. Management's expectations as to whether they will subsequently exercise the right to defer settlement do not affect the classification of liabilities. The right to deferment exists only if the company is in compliance with any relevant conditions at the end of the reporting period. An obligation is classified as current if any condition has been violated at or before the reporting date, even if the waiver of this condition was received from the creditor after the end of the reporting period. Conversely, a loan is classified as long-term if the loan agreement is violated only after the reporting date. In addition, the amendments include clarification of the classification requirements for debt, which the company can repay by converting it into equity. Amount is defined as the repayment of a liability in cash, other resources embodying economic benefits, or the entity’s own equity instruments. There is an exception for convertible instruments that can be converted into equity, but only for those instruments where the option to convert is classified as an equity instrument as a separate component of a complex financial instrument. The Group is currently assessing the impact of these amendments on its consolidated financial statements.

Interest Rate Reform - Amendments Phase 2 to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

- changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and
- hedge accounting.

Change in basis for determining cash flows

The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.

At 31 December 2020, the Group has 583,032 LIBOR bank loans that will be subject to IBOR reform. The Group does not expect to have a significant impact on the financial statements as a result of applying the amendments.

Hedge accounting

The amendments provide exceptions to the hedge accounting requirements in the following areas:

- Allow amendment of the designation of a hedging relationship to reflect changes that are required by the reform.
- When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

6. NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Hedge accounting (continued)

- When a group of items is designated as a hedged item and an item in the group is amended to reflect the changes that are required by the reform, the hedged items are allocated to subgroups based on the benchmark rates being hedged.
- If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.

The Group does not expect that amounts accumulated in the cash flow hedge reserve will be immediately reclassified to profit or loss because of IBOR transition. The amendments will require the Group to disclose additional information about the entity's exposure to risks arising from interest rate benchmark reform and related risk management activities. The Group plans to apply the amendments from 1 January 2021. Application will not impact amounts reported for 2020 or prior periods.

Other standards

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- COVID-19-Related Rent Concessions (Amendment to FRS 16);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Reference to Conceptual Framework (Amendments to FRS 3);

Although new or amended standards that will have no or no material effect on the financial statements need not be provided, the Group has included all new or amended standards and their possible impact on the consolidated financial statements for illustrative purposes only.

7. SEGMENT INFORMATION

Operating segments are business units that are engaged in business activities that may earn revenues or incur expenses, the operating results of which are regularly reviewed by the chief operating decision maker ("CODM") and for which discrete financial information is available. The CODM is the person or group of persons responsible for allocating resources and assessing the performance of the entity. The CODM's functions are performed by the members of the parent company's Board of Directors.

The Group's operations are managed by type of services: stevedoring and additional port services; fleet services; and other services mainly comprising rent, ship repair services, resale of energy and utilities to external customers (which individually do not constitute separate reportable segments). Stevedoring services, additional port services and fleet services are then managed by regions. As a result, all decisions regarding allocation of resources and further assessment of performance are made separately for Novorossiysk, Primorsk and Baltiysk in respect of stevedoring and additional services and for Novorossiysk and Primorsk in respect of fleet services. All segments have different segment managers responsible for each segment's operations. The chief operating decision maker (the Board of directors) is responsible for allocating resources to and assessing the performance of each segment of the business.

(in thousands of US Dollars, except as otherwise stated)

7. SEGMENT INFORMATION (CONTINUED)

Segment results are evaluated based on segment operating profit as disclosed in the management accounts, which are determined under Russian statutory accounting standards. Adjustments to reconcile segment profit to profit before income tax under IFRS include the following: unallocated operating and other income and expenses, differences between Russian statutory accounting standards and IFRS, finance income, finance costs, share of profit in joint venture and foreign exchange (loss) / gain.

The difference in depreciation and amortisation relates to a difference arising on transition to IFRS when the remeasurement of property, plant and equipment was performed by an independent appraiser and gave rise to a difference with the underlying Russian accounting standards measurement basis.

Significant differences relate to the entry into force of IFRS 16 Leases. No lease assets and liabilities are recognised under the Russian statutory accounting standards, and all expenses are recorded immediately through profit and loss as incurred.

Segment revenue and segment results

Sales transactions between segments are made at prices which are defined in the Group companies' price lists. The price list contains both services for which tariffs are monitored by the state and other services for which prices are not monitored by FAS. Prices for services are at market rates.

The segment revenue and results for the years ended 31 December 2020 and 31 December 2019 are as follows:

	Segment revenue from external customers		Inter-segment sales		Segment profit	
	Year ended		Year ended		Year ended	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Stevedoring and additional port services	611,820	844,358	1,739	1,840	283,777	495,626
Novorossiysk	441,260	628,240	1,530	1,558	189,153	357,854
Primorsk	156,741	197,044	209	282	88,137	126,085
Baltiysk	13,819	19,074	-	-	6,487	11,687
Fleet services	13,551	14,818	55,082	61,275	24,422	26,043
Novorossiysk	3,032	2,878	30,716	34,133	14,524	17,841
Primorsk	10,519	11,940	24,366	27,142	9,898	8,202
Total reportable segments	**625,371**	**859,176**	**56,821**	**63,115**	**308,199**	**521,669**
Other	7,661	7,255	11,766	12,633	6,865	1,903
Total segments	**633,032**	**866,431**	**68,587**	**75,748**	**315,064**	**523,572**
Unallocated amounts (see following table)					(133,522)	539,786
Profit before income tax					**181,542**	**1,063,358**

During the year ended 31 December 2020, revenue of 65,527 was received from one of the counterparties, which accounted for more than 10% of the revenue included in the segment for stevedoring and additional services of the corresponding period. During the year ended 31 December 2019, there were no counterparties whose revenue amounted to more than 10% of revenue from stevedoring and additional services for respective period. Management of the Group believes that it adequately manages the corresponding credit risk by, inter alia, monitoring the schedule of payments based on agreed repayment terms.

(in thousands of US Dollars, except as otherwise stated)

7. SEGMENT INFORMATION (CONTINUED)

Segment revenue and segment results (continued)

Total reportable segment profit reconciles to the Group consolidated profit before income tax through the following adjustments and eliminations:

	Year ended 31 December 2020	Year ended 31 December 2019
Total segment profit	**315,064**	**523,572**
Differences between management accounts and IFRS:		
Revenue recognition	(743)	-
Reversal of impairment of construction in progress	1,326	-
Amortisation and depreciation	16,242	18,526
Rent	42,758	47,516
Depreciation of right-of-use assets	(24,903)	(26,412)
Credit loss allowance	(9,502)	(3,886)
Other	(2,427)	(2,134)
Unallocated operating income and expenses:		
Defined benefit obligation expense	(349)	(652)
Finance income	21,859	29,734
Finance costs	(64,237)	(88,924)
Foreign exchange (loss) / gain	(121,447)	99,794
Share of profit in joint venture	6,513	7,173
Gain from sale of the subsidiary	-	449,224
Other income, net	1,388	9,827
Profit before income tax	**181,542**	**1,063,358**

Other segment information prepared in accordance with IFRS

	Amortisation and depreciation charge		Capital expenditures	
	Year ended		Year ended	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Stevedoring and additional port services	68,056	66,156	96,772	100,240
Novorossiysk	48,359	45,725	94,935	93,990
Primorsk	18,112	19,006	645	4,437
Baltiysk	1,585	1,425	1,192	1,813
Fleet services	4,551	3,789	3,596	3,464
Novorossiysk	1,736	1,614	2,465	2,578
Primorsk	2,815	2,175	1,131	886
Total reportable segments	**72,607**	**69,945**	**100,368**	**103,704**
Other	1,677	1,611	1,329	4,723
Total segments	**74,284**	**71,556**	**101,697**	**108,427**
Consolidated totals	**74,284**	**71,556**	**101,697**	**108,427**

Capital expenditures consist of additions of property, plant and equipment, which include construction in progress and the related advances paid for the period (Note 15).

(in thousands of US Dollars, except as otherwise stated)

8. REVENUE

	Year ended 31 December 2020	Year ended 31 December 2019
Stevedoring and additional services	610,862	844,358
Fleet services	13,551	14,818
Other	7,876	7,255
Total	**632,289**	**866,431**

9. OPERATING EXPENSES NET OF AMORTISATION AND DEPRECIATION

	Year ended 31 December 2020	Year ended 31 December 2019
Employee benefit	84,096	84,348
Third-party services related to the transhipment process	32,600	36,076
Fuel for resale and own consumption	27,438	37,174
Social funds contributions	20,152	20,485
Repair and maintenance services	17,881	17,588
Change in credit loss allowance	9,502	3,886
Energy and utilities	5,226	5,905
Property tax and other taxes, except for income tax	4,885	4,192
Security services	4,258	4,240
Materials	4,194	6,108
Rent	3,346	5,331
Insurance	942	1,604
Professional services	800	1,840
Other expenses	6,545	9,568
Total	**221,865**	**238,345**

10. FINANCE INCOME AND COSTS

	Year ended 31 December 2020	Year ended 31 December 2019
Interest income:		
Cash and deposits	21,629	21,329
Escrow account	638	7,994
Total interest income	**22,267**	**29,323**
Net (loss) / gain from financial instruments measured at fair value through profit or loss	(408)	411
Total finance income	**21,859**	**29,734**
Interest expense:		
Borrowings	38,637	62,735
Lease liabilities	27,468	30,050
Other interest expenses	389	-
Total interest expense	**66,494**	**92,785**
Less capitalised interest expenses	(2,257)	(3,861)
Total finance costs	**64,237**	**88,924**

(in thousands of US Dollars, except as otherwise stated)

11. FOREIGN EXCHANGE (LOSS) / GAIN

	Year ended	
	31 December 2020	**31 December 2019**
Foreign exchange (loss) / gain on debt financing	(126,010)	112,918
Foreign exchange gain / (loss) on cash and deposits	3,908	(12,235)
Foreign exchange gain / (loss) on other assets and liabilities	655	(889)
Total	**(121,447)**	**99,794**

12. SALE OF THE SUBSIDIARY

In 2019, the Group sold to LLC "Demetra 1" (the company of the VTB Group) 99.9968% of the share in the subsidiary of LLC Novorossiysk Grain Terminal ("NGT") for 553,166. Ownership of the share passed to LLC "Demetra 1" on 6 May 2019.

The assets and liabilities that have been disposed, as well as the remuneration for the sale, are as follows:

Goodwill	73,401
Property, plant and equipment	13,775
Deferred tax assets	6,756
Other intangible assets	46
Inventories	1,712
Receivables and prepayments	287
VAT recoverable and other taxes receivable	1,141
Cash and cash equivalents	9,505
Total	**106,623**
Trade and other payables	1,883
Taxes payable, excluding income tax	169
Income tax payable	330
Provisions for liabilities and charges	299
Total	**2,681**
Net assets of the subsidiary, including goodwill attributable to it	**103,942**
Carrying value of disposed net assets	**103,942**
Compensation received from the sale of the subsidiary	**547,781**
Less cash and cash equivalents of the disposed subsidiary	(9,505)
The cash inflow from the sale	**538,276**

The Group recognised profit from the sale of the subsidiary in the amount of 449,224 separately in the consolidated statement of comprehensive income.

	Gain on sale of the subsidiary
Compensation received from the sale of the subsidiary	547,781
Effect of translation to presentation currency	5,385
Compensation from the sale of the subsidiary	**553,166**
Carrying value of sold net assets less non-controlling interest	(103,942)
Gain on sale of the subsidiary	**449,224**

(in thousands of US Dollars, except as otherwise stated)

12. SALE OF THE SUBSIDIARY (CONTINUED)

An escrow account was opened to ensure fulfillment of the obligation under the transaction aimed at alienating a share in the share capital of NGT. Cash deposited in escrow account amounted to 206,766. According to the agreement, the funds are restricted in use until 23 January 2020. The interest income until 31 December 2019 was accrued on the balance on the escrow account at the rate of 6.2% per annum, from 1 January 2020 - at the rate of 4.7% (Note 10). The amount of accrued interest as at 31 December 2019 is recorded in the consolidated statement of financial position "Receivables and prepayments" in current assets. The Group prepared an appropriate package of documents to unlock the account. On 28 January 2020 funds from the escrow account with interest due in the amount of 214,372 were transferred to the account of the Company.

In connection with the payment of income tax on income received as a result of the NGT sale taxable at the rate of 0 percent, an overpayment of income tax was formed in the amount of 81,698, which is reflected in the consolidated statement of financial position under the line "Income tax receivable". The legality of the Company's application of the 0 percent tax rate was confirmed by the tax desk audit. During the year ended 31 December 2020, the opposite decision of the tax authority was received, according to which the tax on the sale of the share was charged (Note 13).

13. INCOME TAX EXPENSE

	Year ended	
	31 December 2020	**31 December 2019**
Current income tax expense	112,873	84,379
Deferred income tax expense	1,534	35,699
Total	**114,407**	**120,078**

Income tax expense relating to the Group's activities in the Russian Federation, with the exception of the activities of PTP, which is permitted to apply a reduced income tax rate of 16.5% until 31 December 2021 inclusively, is calculated at 20% of the taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Income tax expense calculated by applying the Russian Federation statutory income tax rate to profit before income tax differs from income tax expense recognised in the consolidated statement of comprehensive income as a consequence of the following factors:

	Year ended	
	31 December 2020	**31 December 2019**
Profit before income tax	**181,542**	**1,063,358**
Tax at the Russian Federation statutory rate of 20%	36,308	212,672
Other non-deductible expenses	509	2,677
Recalculation of income tax for previous periods	79,662	-
Tax penalties	1,797	-
Penalty interest by decision of the tax authority	389	-
Impairment of construction in progress	(265)	-
Effect of different tax rates of subsidiaries	(3,993)	(5,426)
Effect of 0% tax rate on gain on sale of the subsidiary	-	(89,845)
Total	**114,407**	**120,078**

Based on the decision of the tax authority, received in March 2021, the Group recalculated income tax for previous periods (Note 34).

(in thousands of US Dollars, except as otherwise stated)

13. INCOME TAX EXPENSE (CONTINUED)

The movement in the Group's net deferred taxation position was as follows:

	31 December 2020	31 December 2019
Net balance at the beginning of the year	**94,696**	**44,826**
Expense recognised during the year	1,534	35,699
Deferred tax asset disposed on the sale of the subsidiary	-	6,752
Effect of translation into presentation currency	(15,379)	7,419
Net balance at the end of the year	**80,851**	**94,696**

Deferred taxation is attributable to the temporary differences that exist between the carrying amounts of assets and liabilities for consolidated financial reporting purposes and the amounts used for tax purposes.

The tax effects of temporary differences that give rise to deferred taxation are as follows:

	31 December 2020	31 December 2019
Deferred tax assets		
Rights of claim to a credit institution in liquidation	48,722	58,146
Provisions for liabilities and charges	9,749	9,860
Expected credit losses	1,376	1,068
Remuneration reserve	1,286	-
Inventory allowance	510	423
Other reserves	338	-
Tax loss carried forward	309	5,643
Employee benefit obligations	170	-
Unused vacation reserve	18	169
Total	**62,478**	**75,309**
Deferred tax liabilities		
Property, plant and equipment	139,262	162,670
Revaluation of investments	3,271	5,974
Borrowings	-	1,361
Other adjustments	796	-
Total	**143,329**	**170,005**
Net deferred tax liability	**80,851**	**94,696**

Claim rights to a credit institution in liquidation will be recognised as an expense for income tax purposes after the completion of bankruptcy proceedings.

In the context of the Group's current structure, tax losses and current tax assets of different companies of the Group may not be offset against current tax liabilities and taxable profits of other companies of the Group and, accordingly, taxes may accrue even where there is a consolidated tax loss.

Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity, when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

The following is the analysis of the deferred tax balances (after offset) as they are recorded in the consolidated statement of financial position:

	31 December 2020	31 December 2019
Deferred tax assets	26,889	36,260
Deferred tax liabilities	107,740	130,956
Net deferred tax liability	**80,851**	**94,696**

13. INCOME TAX EXPENSE (CONTINUED)

At 31 December 2020 and 31 December 2019, The Group has not recorded any deferred tax liability in respect of temporary differences associated with investments in subsidiaries, as the legislation allows zero tax on dividends from subsidiaries under certain conditions. The Group meets such conditions.

14. DIVIDENDS

Dividends declared by the Group during the years ended 31 December 2020 and 31 December 2019 were 350,655 and 145,284, respectively, including dividends to non-controlling interest.

Dividends declared by NCSP per share for the years ended 31 December 2020 and 31 December 2019 were US cents 1.9 and 0.77, respectively. The total dividends paid during the years ended 31 December 2020 and 31 December 2019 were 341,801 and 221,671, respectively. The amount of declared and paid dividends does not include dividends accrued and paid on own shares.

As at 31 December 2020, the Group has restored to retained earnings the outstanding dividends in the amount of 577 and has recognised the tax withheld on the payment of dividends to the subsidiary and on its own shares repurchased from shareholders in the amount of 1,915, as a result, retained earnings decreased by 1,338.

As at 31 December 2020, the dividend liability of the Group amounted to 897 (31 December 2019: 1,701). It is recorded in the consolidated statement of financial position as “Trade and other payables” in current liabilities as at 31 December 2020 and 31 December 2019 (Note 28).

(in thousands of US Dollars, except as otherwise stated)

15. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and constructions	Machinery and equipment	Marine vessels	Transport	Other	Construction in progress	Total
Net book value at 31 December 2018	**565,596**	**217,969**	**179,466**	**36,878**	**7,577**	**4,274**	**85,453**	**1,097,213**
Cost	565,596	370,949	383,503	82,665	20,678	14,226	87,511	1,525,128
Accumulated depreciation and impairment provision	-	(152,980)	(204,037)	(45,787)	(13,101)	(9,952)	(2,058)	(427,915)
Adjustment for initial adoption of IFRS 16	-	-	(24,983)	-	-	-	-	(24,983)
Reclassifications between categories	-	-	(739)	(74)	813	-	-	-
Net book value at 1 January 2019	**565,596**	**217,969**	**153,744**	**36,804**	**8,390**	**4,274**	**85,453**	**1,072,230**
Depreciation	-	(18,042)	(18,718)	(4,579)	(1,329)	(1,023)	-	(43,691)
Addition (including prepayments)	-	7	-	-	-	-	108,420	108,427
Transfers from assets under construction	8,420	43,346	20,589	2,857	1,105	752	(77,069)	-
Disposal of subsidiary: cost	(796)	(24,651)	(15,680)	-	(288)	(302)	(1,669)	(43,386)
Disposal of subsidiary: accumulated depreciation	-	18,568	10,597	-	183	273	-	29,621
Disposals: cost	-	(1,522)	(4,220)	(2,727)	(563)	(117)	(1,587)	(10,736)
Disposals: accumulated depreciation and impairment provision	-	994	4,461	2,676	556	115	-	8,802
Effect of translation into presentation currency	69,465	27,491	18,652	3,269	1,009	507	11,728	132,121
Net book value at 31 December 2019	**642,685**	**264,160**	**169,425**	**38,300**	**9,063**	**4,479**	**125,276**	**1,253,388**
Cost	642,685	434,244	401,302	90,717	24,553	16,312	127,584	1,737,397
Accumulated depreciation and impairment provision	-	(170,084)	(231,877)	(52,417)	(15,490)	(11,833)	(2,308)	(484,009)

(in thousands of US Dollars, except as otherwise stated)

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land	Buildings and constructions	Machinery and equipment	Marine vessels	Transport	Other	Construction in progress	Total
Net book value at 1 January 2020	**642,685**	**264,160**	**169,425**	**38,300**	**9,063**	**4,479**	**125,276**	**1,253,388**
Cost	642,685	434,244	401,302	90,717	24,553	16,312	127,584	1,737,397
Accumulated depreciation and impairment provision	-	(170,084)	(231,877)	(52,417)	(15,490)	(11,833)	(2,308)	(484,009)
Depreciation	-	(21,248)	(18,859)	(5,100)	(1,614)	(1,155)	-	(47,976)
Addition (including prepayments)	-	-	-	-	-	-	101,697	101,697
Transfers from assets under construction	4,576	46,067	28,815	2,970	7,821	1,632	(91,881)	-
Disposals: cost	-	(17,540)	(5,357)	(810)	(570)	(1,244)	(1,388)	(26,909)
Disposals: accumulated depreciation	-	11,675	4,629	565	554	1,251	-	18,674
Reversal of impairment of construction in progress	-	-	-	-	-	-	1,326	1,326
Effect of translation into presentation currency	(104,241)	(43,246)	(27,668)	(4,701)	(1,613)	(737)	(20,529)	(202,735)
Net book value at 31 December 2020	**543,020**	**239,868**	**150,985**	**31,224**	**13,641**	**4,226**	**114,501**	**1,097,465**
Cost	543,020	391,743	359,189	80,916	27,656	14,048	115,142	1,531,714
Accumulated depreciation and impairment provision	-	(151,875)	(208,204)	(49,692)	(14,015)	(9,822)	(641)	(434,249)

(in thousands of US Dollars, except as otherwise stated)

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2020, the total amount of advances paid for property, plant and equipment recorded in construction in progress equals to 46,906 (31 December 2019: 28,204).

As at 31 December 2020, the cost of fully depreciated fixed assets in use was 104,112 (31 December 2019: 128,017).

During the years ended 31 December 2020 and 31 December 2019, net losses from disposal of property, plant and equipment were 7,519 and 667, respectively.

During the year ended 31 December 2020, interest expense was capitalised in the amount of 2,257 (during the year ended 31 December 2019: 3,861).

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group leases various lands, marine vessels, mooring constructions and equipment. Rental contracts are typically made for fixed periods of 2 to 49 years, which may have extension options.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability from the date when the leased asset becomes available for use by the Group.

	Land	Buildings and constructions	Machinery and equipment	Marine vessels	Total
Carrying amount at 1 January 2019	**10**	**289,942**	**53,061**	**130**	**343,143**
Additions	6	514	6,235	234	6,989
Depreciation charge	(1)	(17,276)	(9,055)	(80)	(26,412)
Effect of translation into presentation currency	1	34,664	6,354	24	41,043
Carrying amount at 31 December 2019	**16**	**307,844**	**56,595**	**308**	**364,763**
Additions	-	15,345	11,434	268	27,047
Disposals	-	(7,853)	-	-	(7,853)
Depreciation charge	(2)	(16,413)	(8,408)	(80)	(24,903)
Effect of translation into presentation currency	(2)	(49,671)	(9,241)	(54)	(58,968)
Carrying amount at 31 December 2020	**12**	**249,252**	**50,380**	**442**	**300,086**

The Group recognised lease liabilities as follows:

	31 December 2020	31 December 2019
Short-term lease liabilities	16,108	15,082
Long-term lease liabilities	292,010	345,662
Total lease liabilities	**308,118**	**360,744**

Interest expense included in finance costs for the year ended 31 December 2020 was 27,468 (2019: 30,050).

	Future cash outflows for leases				
31 December 2020	**Total**	**12 months or less**	**1-2 years**	**2-5 years**	**Over 5 years**
Lease liabilities	**632,672**	37,860	37,693	104,833	452,286

(in thousands of US Dollars, except as otherwise stated)

17. GOODWILL

	31 December 2020	31 December 2019
Cost	586,829	700,298
Accumulated impairment loss	(169,933)	(202,792)
Carrying amount	**416,896**	**497,506**
Cost		
Balance at the beginning of the year	700,298	692,391
Disposal of subsidiary	-	(76,704)
Effect of translation into presentation currency	(113,469)	84,611
Balance at the end of the year	**586,829**	**700,298**
Accumulated impairment loss		
Balance at the beginning of the year	(202,792)	(180,709)
Effect of translation into presentation currency	32,859	(22,083)
Balance at the end of the year	**(169,933)**	**(202,792)**

Goodwill is allocated to cash-generating units ("CGUs"), which represent the lowest level within the Group at which the goodwill is monitored by management and which are not larger than a segment as follows:

	Carrying amount	
	31 December 2020	31 December 2019
PTP	245,724	293,237
SFP	73,888	88,175
NLE	51,871	61,901
FNCSP	29,289	34,952
IPP	11,180	13,342
NSY	3,787	4,518
BSC	1,157	1,381
Total	**416,896**	**497,506**

Annual impairment test information

The recoverable amount of each CGU was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates.

The Group's CGUs operate within a consistent industry within the same geographic regions. As such, within the development of the Group's business plan, management applies consistent assumptions across each CGU.

Business plans consider significant industrial and macroeconomic trends including change in the structure of transshipment services, emergence of new competitors, etc.

Assumptions used for value-in-use calculations to which the recoverable amount is most sensitive were:

- Cash flows were presented in the Russian Roubles and were projected using the inflation set by Ministry of Economic Development of the Russian Federation.
- The growth rate for a period of more than 5 years consisted 4.04% per year.
- Discount rate was adjusted for tax effect and consisted of 9.95% (prior year estimate – 12.13%).

The estimated recoverable amount of each of the Group's CGU exceeded its carrying value.

(in thousands of US Dollars, except as otherwise stated)

17. GOODWILL (CONTINUED)

Sensitivity analysis

For all such CGUs, management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of a CGU to exceed its recoverable amount.

Management prepared a sensitivity analysis and determined that neither a 10% reduction in revenue, nor a 10% increase in capital expenditure (costs associated with the maintenance of fixed assets), nor 10% increase in operating expenses (the fixed and variable costs) applied in the impairment testing, nor WACC 1% increase would lead to recognition of impairment loss. These are the most sensitive assumptions used in the impairment test for all CGUs.

18. INVESTMENT IN JOINT VENTURE

LLC Novorossiysk Fuel Oil Terminal ("NFT") is a fuel oil terminal in Novorossiysk, 353900, Russian Federation, Magistralnaya st., 6, Krasnodar region, with maximum transhipment capacity of four million tons per year.

The Group owns 50% of NFT and its share in profit of the joint venture for the years 2020 and 2019 recognised in the consolidated statement of comprehensive income amounted to 6,513 and 7,173, respectively.

Summarised financial information of NFT is represented below:

	31 December 2020	31 December 2019
Current assets	24,279	46,006
Non-current assets	30,122	37,162
Total assets	**54,401**	**83,168**
Current liabilities	(2,193)	(2,045)
Non-current liabilities	(1,242)	(1,460)
Total liabilities	**(3,435)**	**(3,505)**
Net assets	**50,966**	**79,663**
Group's share of joint venture net assets	**25,483**	**39,831**
Carrying value of investment	**25,483**	**39,831**

The above amounts of assets and liabilities include the following:

	31 December 2020	31 December 2019
Cash and cash equivalents	21,627	10,696

	Year ended	
	31 December 2020	31 December 2019
Revenue	36,175	47,950
Operating profit	11,052	14,065
Profit for the year	13,026	14,345
Group's share in profit for the year at 50%	6,513	7,173
Effect of translation into presentation currency	(11,848)	7,699

Contingent liabilities and contingent assets that could materially affect the financial position, cash flow or performance of the organization as at reporting date are missing.

(in thousands of US Dollars, except as otherwise stated)

19. INVENTORIES

	31 December 2020	31 December 2019
Spare parts	10,462	7,977
Materials	7,662	7,009
Goods for resale	4,398	3,752
Fuel	1,073	2,024
Total	**23,595**	**20,762**

Inventories are presented net of provisions for obsolescence which amounted to 2,864 as at 31 December 2020 (31 December 2019: 3,551).

20. RECEIVABLES AND PREPAYMENTS

	31 December 2020	31 December 2019
Long-term receivables		
Financial assets		
Trade receivables	1,250	1,845
Other receivables	14	
Advances and prepayments	15	-
Total long-term receivables	**1,279**	**1,845**
Short-term receivables		
Financial assets		
Trade receivables	29,969	33,561
Other receivables	11,813	19,179
Less credit loss allowance	(20,390)	(13,362)
Total financial assets in short-term receivable	**21,392**	**39,378**
Non-financial assets		
Advances and prepayments	4,683	6,506
Total short-term receivables	**26,075**	**45,884**

Average credit term provided to the Group's customers is 17 days. During this period, no interest is charged on the outstanding balances. Thereafter, interest is charged according to the contracts determined on a customer specific basis, based on size, volume and history of operations with the Group at rates from 1.5% to 15% per month on the outstanding balance.

The Group uses an internal credit system to assess potential customer's credit quality. The Group's 8 largest customers (2019: 6) in total represent 24% (2019: 34%) of the outstanding trade receivables balance at the end of the year.

A maturity analysis of trade and other receivables at 31 December 2020 is as follows:

In % of gross value	Loss rate	Gross carrying amount	Lifetime ECL
Trade receivables			
- current	1%	16,490	165
- less than 45 days overdue	2%	936	19
- 45 to 90 days overdue	20.2%	719	145
- 91 to 180 days overdue	64%	682	436
- 181 to 360 days overdue	100%	7,039	7,039
- over 360 days overdue	100%	5,353	5,353
Total trade receivables (gross carrying amount)		**31,219**	
Credit loss allowance		(13,157)	
Total trade receivables from contracts with customers (carrying amount)		**18,062**	

(in thousands of US Dollars, except as otherwise stated)

20. RECEIVABLES AND PREPAYMENTS (CONTINUED)

In % of gross value	**Loss rate**	**Gross carrying amount**	**Lifetime ECL**
Other receivables			
- current	39%	6,208	2,421
- less than 45 days overdue	10%	642	64
- 45 to 90 days overdue	85.7%	64	55
- 91 to 180 days overdue	84%	2	2
- 181 to 360 days overdue	48%	48	23
- over 360 days overdue	96%	4,863	4,668
Total other receivables		**11,827**	
Credit loss allowance		(7,233)	
Total other receivables (carrying amount)		**4,594**	

The Group does not hold any collateral over these outstanding balances.

The following table explains the changes in the credit loss allowance for trade and other financial receivables under ECL model between the beginning and the end of the annual period:

	Year ended	
	31 December 2020	**31 December 2019**
As at beginning of the year	**13,362**	**8,770**
New originated during the year	9,502	3,886
Receivables written-off during the year as uncollectable	(87)	(522)
Effect of translation into presentation currency	(2,387)	1,228
As at end of the year	**20,390**	**13,362**

Trade and other receivables with a balance of 20,390 (2019: 13,362) were individually impaired.

A maturity analysis of trade and other receivables at 31 December 2019 is as follows:

In % of gross value	**Loss rate**	**Gross carrying amount**	**Lifetime ECL**
Trade receivables			
- current	0.5%	19,920	100
- less than 45 days overdue	3.8%	5,538	210
- 45 to 90 days overdue	27%	419	113
- 91 to 180 days overdue	74%	2,100	1,554
- 181 to 360 days overdue	99%	3,254	3,221
- over 360 days overdue	100%	2,330	2,330
Total trade receivables (gross carrying amount)		**33,561**	
Credit loss allowance		(7,528)	
Total trade receivables from contracts with customers (carrying amount)		**26,033**	
Other receivables			
- current	1%	10,927	109
- less than 45 days overdue	2%	387	8
- 45 to 90 days overdue	11%	1,418	156
- 91 to 180 days overdue	33%	78	26
- 181 to 360 days overdue	47%	696	327
- over 360 days overdue	91.8%	5,673	5,208
Total other receivables		**19,179**	
Credit loss allowance		(5,834)	
Total other receivables (carrying amount)		**13,345**	

(in thousands of US Dollars, except as otherwise stated)

21. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

The analysis of the financial assets at fair value through profit or loss by fair value hierarchy is disclosed in the table below.

Financial instrument	**31 December 2020**	**31 December 2019**
Equity securities (Level 2)	1,315	2,045

Financial assets at fair value through profit or loss represent investment purchase of 12.01978 units by LLC NCSP-Capital of an additional issue of the closed mutual investment fund "Conservative" in the amount of 1,315. During the reporting period, these units were reduced to fair value in the amount of 408. The effect of translation to the presentation currency was 322. The fair value was calculated as a share of the net asset value of the unit investment fund as at 31 December 2020.

22. FINANCIAL ASSETS MEASURED AT AMORTISED COST

The table below discloses information of the financial assets measured at amortised cost as at 31 December 2020.

Type of asset	**Maturity**	**Currency**	**Amount at the issue (purchase) date**	**Carrying amount**
Short-term financial assets				
Deposits	March 2021	USD	23,504	23,504
Deposits	June 2021	USD	31,257	31,257
Total			**54,761**	**54,761**

As at 31 December 2020 the financial assets measured at amortised cost were not past due. Deposits were placed with banks which are under control of the state. Interest rates of the deposits denominated in USD as at 31 December 2020 were in the range from 0.57% to 1%.

As at 31 December 2019, there were no financial assets carried at amortised cost.

23. CASH AND CASH EQUIVALENTS

	31 December 2020	**31 December 2019**
Cash on hand	20	22
Bank balances payable on demand	3,911	4,824
Term deposits with original maturity of less than three months	186,667	428,634
Total	**190,598**	**433,480**

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2020.

Master scale credit risk grade	**Corresponding ratings of external international rating agencies**	**Bank balances payable on demand**	**Term deposits**	**Total**
Excellent	- Baa2, Baa3	3,869	41,295	45,164
Good	- Ba1	42	145,372	145,414
Total cash and cash equivalents, excluding cash on hand				**190,578**

(in thousands of US Dollars, except as otherwise stated)

23. CASH AND CASH EQUIVALENTS (CONTINUED)

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2019.

Master scale credit risk grade	Corresponding ratings of external international rating agencies	Bank balances payable on demand	Term deposits	Total
Excellent	- Baa2	116	-	116
Excellent	- Baa3	4,653	400,516	405,169
Good	- Ba1	-	28,118	28,118
Good	- Ba2	49		49
Satisfactory	Unrated	6	-	6
Total cash and cash equivalents, excluding cash on hand				**433,458**

Each master scale credit risk grade is assigned a specific degree of creditworthiness:

- *Excellent* – strong credit quality with low expected credit risk;
- *Good* – adequate credit quality with a moderate credit risk;
- *Satisfactory* – moderate credit quality with a satisfactory credit risk.

The Group uses lifetime ECL approach to measure ECL for most of its financial assets.

As at 31 December 2020 and 31 December 2019, no credit loss allowance for impairment in respect of these assets was recognised by the Group.

24. SHARE CAPITAL

The share capital of the Group consists of 19,259,815,400 ordinary shares authorised, issued, and fully paid with a par value of US cents 0.054 per share. Authorised share capital at par is 10,471. Each ordinary share has equal voting rights.

Within treasury shares section of equity, the Group reflects its own shares repurchased in 2011.

The number of shares outstanding (except for own shares purchased from shareholders) is 18,482,934,068 as at 31 December 2020 and 31 December 2019.

Shares are admitted to circulation on the Moscow Exchange, as well as on the London Stock Exchange in the form of global depositary receipts.

25. NON-CONTROLLING INTEREST

	Proportion of ownership interests and voting rights held by non-controlling interest		Profit allocated to non-controlling interest		Accumulated non-controlling interest	
Name of subsidiary	**31 December 2020**	**31 December 2019**	**2020**	**2019**	**31 December 2020**	**31 December 2019**
NSY	1.74%	1.74%	55	205	566	608
FNCSP	4.81%	4.81%	698	785	1,864	1,549
NLE	8.62%	8.62%	2,264	2,686	9,842	9,380
Other subsidiaries with non-controlling interest					448	443
Total					**12,720**	**11,980**

(in thousands of US Dollars, except as otherwise stated)

25. NON-CONTROLLING INTEREST (CONTINUED)

	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit	Total comprehensive income	Cash flows
Year ended 31 December 2020								
NSY	9,548	35,611	(2,947)	(9,677)	25,548	3,175	3,175	(1,800)
FNCSP	28,352	15,273	(4,235)	(645)	51,822	14,515	14,515	6,774
NLE	31,222	99,613	(4,851)	(11,811)	67,850	26,264	26,264	10,3
Other subsidiaries with non-controlling interest	2,988	8,592	(1,325)	-	1,385	751	751	752
Year ended 31 December 2019								
NSY	12,539	36,881	(3,132)	(11,332)	37,500	11,788	11,788	949
FNCSP	20,813	16,513	(4,598)	(525)	65,058	16,311	16,311	8,273
NLE	25,559	102,347	(4,868)	(14,225)	75,945	31,162	31,162	(165)
Other subsidiaries with non-controlling interest	2,341	9,207	(1,580)	-	1,382	714	714	1,512

26. BORROWINGS

	31 December 2020	31 December 2019
Total borrowings	592,145	805,498
Less: current portion of non-current borrowings	(229,374)	(199,465)
Total non-current borrowings	**362,771**	**606,033**

The Group’s non-current borrowings are repayable as follows:

31 December 2020	Principal amount	Contractual interest liability	Total
Between 1 and 2 years	227,174	9,594	236,768
Between 2 and 5 years	136,310	2,787	139,097
Total	**363,484**	**12,381**	**375,865**
31 December 2019			
Between 1 and 2 years	205,436	32,467	237,903
Between 2 and 5 years	405,436	26,479	431,915
Total	**610,872**	**58,946**	**669,818**

For borrowings with variable rates, contractual interest liability for future periods was calculated based on effective borrowing rate relating to the Group’s variable rate borrowings as at 31 December 2020 of 3.26% (31 December 2019: 5.92%).

As at 31 December 2020, total borrowings are disclosed net of unamortised expense for raising a loan in the amount of 1,069 (31 December 2019: 6,804), including unamortised expense on non-current borrowings in the amount of 713 (31 December 2019: 4,839).

During the year ended 31 December 2020, the Group partially refinanced existing financial debt in the amount of 575,000, that has improved credit conditions, namely, reduced the interest rate on the loan. The agreement establishes uniform repayment of the debt, the final maturity of the new loan raised for refinancing is June 2023. The repayment schedule for the existing loan as at 31 December 2019 has not changed. The repayment amount on the schedule decreased proportionally.

(in thousands of US Dollars, except as otherwise stated)

26. BORROWINGS (CONTINUED)

The sensitivity analysis is performed in Note 32.

Major part of financial liabilities of the Group are nominated in USD. The fluctuation of the USD exchange rate leads to foreign exchange rate gains or losses which affect the financial performance of the Group. During the year ended 31 December 2020, the foreign exchange loss on financial obligations decreased the Group's profit before income tax by 126,010 (during the year ended 31 December 2019 the foreign exchange gain on financial obligations increased the Group's profit before income tax by 112,918).

Compliance with covenants

The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. The Group was in compliance with covenants at 31 December 2020 and 31 December 2019.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2020	Financing cash flows (i)	Other changes (ii)	31 December 2020
Bank loans	794,624	(218,452)	6,860	583,032
Special-purpose loans	10,874	-	(1,761)	9,113
Lease liabilities (Note 16)	360,744	(12,179)	(40,447)	308,118
Total	**1,166,242**	**(230,631)**	**(35,348)**	**900,263**

	1 January 2019	Financing cash flows (i)	Other changes (ii)	31 December 2019
Bank loans	994,233	(200,000)	391	794,624
Special-purpose loans	9,690	-	1,184	10,874
Lease liabilities (Note 16)	330,563	(13,748)	43,929	360,744
Total	**1,334,486**	**(213,748)**	**45,504**	**1,166,242**

(i) The cash flows from bank loans, special-purpose loans and other borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the consolidated statement of cash flows.

(ii) Other changes include interest accruals and payments 5,870 (2019: 1,265), foreign exchange (gain) / loss, net (59,361) (2019: 40,125) and additions of property, plant and equipment under lease 18,143 (2019: 4,114).

27. PROVISIONS FOR LIABILITIES AND CHARGES

	31 December 2020	31 December 2019
Employee benefit obligations	6,970	8,316
Total long-term portion of provisions for liabilities and charges	**6,970**	**8,316**
Remuneration reserve	7,447	6,556
Vacation reserve	3,909	4,189
Employee benefit obligations	1,000	1,127
Provision for restoration of leased facilities	989	6,150
Legal claim reserve	159	1,641
Other reserves	15	10
Total short-term portion of provisions for liabilities and charges	**13,519**	**19,673**

(in thousands of US Dollars, except as otherwise stated)

27. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

During the year ended 31 December 2020, work was carried out to restore the leased facilities, which led to a decrease in the obligation by 5,161.

Provision in accordance with IAS 19

Employee benefit obligations are fixed benefit pension plans for NCSP and some of its subsidiaries. According to these plans, one-time benefits to employees are provided, as well as regular payments of pensions upon reaching a certain age. In addition, the remuneration after retirement depends on the term of the employee in the company and his qualifications.

In accordance with the principles in IAS 19 "Employee Benefits", the net present value of these obligations was estimated.

The most recent actuarial valuation of the defined benefit obligation was carried out as at 31 December 2020. The present value of the defined benefit obligation, the related current service cost and the past service cost were all measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Valuation at	
	31 December 2020	**31 December 2019**
Discount rate	6.3%	6.4%
Employees turnover per annum	5.0%	5.0%
Expected annual rate of salary increase	6.0%	6.0%
Expected annual rate of post retirement benefits increase	0.0%	0.0%
Average residual period of work	7 years	8 years

The defined benefit obligation charge for the year has been included in cost of services.

The amount of actuarial (gains) / losses recognised during the years ended 31 December 2020 and 31 December 2019 relates to changes in discount rate used as principal assumptions for actuarial valuation.

During the year ended 31 December 2020, the number of retired employees who received benefits was 2,526 (2019: 2,491).

As at 31 December 2020 and 31 December 2019, the weighted average duration of the defined benefit obligation is 12.5 years.

Movements of the defined benefit obligations:

	Year ended	
	31 December 2020	**31 December 2019**
Opening defined benefit obligation	**9,443**	**5,841**
Included in cost of service	**792**	**1,090**
Current service cost	273	217
Interest cost	519	552
Past service cost	-	321
Benefits paid	(443)	(437)
Actuarial (gain) / losses in other comprehensive income	(290)	2,111
Effect of translation into presentation currency	(1,532)	838
Closing defined benefit obligation	**7,970**	**9,443**
including the short-term part	**1,000**	**1,127**

(in thousands of US Dollars, except as otherwise stated)

27. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

Provision in accordance with IAS 19 (continued)

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate increases by 1%, the defined benefit obligation would decrease by 424.
- If the expected salary growth increases by 1%, the defined benefit obligation would increase by 111.

28. TRADE AND OTHER PAYABLES

	31 December 2020	31 December 2019
Long-term payables		
Trade payables	240	82
Liabilities for purchase of property, plant and equipment and construction in progress	3,439	3,099
Other payables	-	81
Total financial payables	**3,679**	**3,262**
Total long-term payables	**3,679**	**3,262**
Short-term payables		
Trade payables	4,199	3,494
Liabilities for purchase of property, plant and equipment and construction in progress	4,408	5,956
Dividends payable	897	1,701
Other payables	2,784	2,884
Total financial payables	**12,288**	**14,035**
Advances received	8,286	10,410
Other	154	184
Total short-term payables	**20,728**	**24,629**

The average credit period for trade payables relating to the purchase of inventories (e.g. fuel) and services (e.g. utilities) is 15 days. No interest is charged on the outstanding balance for payables during the credit period. Thereafter, interest may be charged from 0.3% to 30% per month on the outstanding balance.

29. RELATED PARTY TRANSACTIONS

As at 31 December 2020, the controlling shareholder (the immediate parent entity) of NCSP is PJSC Transneft, which directly controls 50.1% of NCSP shares.

As at 31 December 2020 and 31 December 2019, the Federal Property Agency of the Russian Federation owned a direct 20% interest in NCSP and was a controlling shareholder of PJSC Transneft. Due to the fact that the Federal Property Agency of the Russian Federation had a control over NCSP as at 31 December 2020 and 31 December 2019, respectively, significant balances and transactions with state-controlled entities are considered to be transactions with related parties. During the years ended 31 December 2020 and 31 December 2019, the Group transacted with PJSC Rosneft Oil Company, OJSC Russian Railways, loan companies and other state-controlled entities (apart from PJSC Transneft). The Group rents land plots, mooring installations, vessels and equipment under operating lease agreements with entities controlled or under significant influence by the Russian Federation and other related parties.

Transactions with related parties are carried out in the normal course of business and on an arm's length basis. The amounts outstanding will be settled in cash. No guarantees in regard to related parties have been given or received during the reporting period.

(in thousands of US Dollars, except as otherwise stated)

29. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with state-controlled entities (apart from PJSC Transneft):

	Year ended	
	31 December 2020	**31 December 2019**
Sales		
Compensation received from the sale of the subsidiary	-	547,781
Sales of goods and services	60,269	105,677
Interest income	18,985	27,943
Purchases		
Services and materials received	14,603	15,628
Finance costs and commission for early repayment of debt	36,380	58,874

Balances with state-controlled entities (apart from PJSC Transneft):

	31 December 2020	**31 December 2019**
Cash and cash equivalents	188,750	349,144
Financial assets measured at amortised cost (Note 22)	54,761	-
Receivables and prepayments		
Long-term receivables	1,250	1,824
Trade and other receivables, less credit loss allowance	983	9,963
Advances to suppliers	243	343
Trade and other payables		
Trade and other payables	450	234
Advances received from customers	115	262
Financial liabilities		
Borrowings	592,146	805,498

Transactions with PJSC Transneft and its subsidiaries:

	Year ended	
	31 December 2020	**31 December 2019**
Sales		
Sales of goods and services	56,771	84,644
Purchases		
Services and materials received	55,450	69,036

Balances with PJSC Transneft and its subsidiaries:

	31 December 2020	**31 December 2019**
Financial assets measured at fair value		
Financial assets	1,315	2,045
Receivables and prepayments		
Trade and other receivables, less credit loss allowance	760	714
Advances to suppliers	1,494	1,337
Trade and other payables		
Trade and other payables	748	1,062
Advances received from customers	1,446	2,571
Lease liabilities	194,859	228,178

Transactions and balances with NFT, a joint venture of the Group, are disclosed below.

(in thousands of US Dollars, except as otherwise stated)

29. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with NFT:

	Year ended	
	31 December 2020	**31 December 2019**
Sales and income		
Sales of goods and services	9,128	12,141
Purchases		
Services and materials received	1,699	210

Balances with NFT:

	31 December 2020	**31 December 2019**
Receivables and prepayments		
Trade and other receivables, less credit loss allowance	374	244
Trade and other payables		
Trade and other payables	154	96
Advances received from customers	-	13

Compensation of key management personnel

The short-term remuneration paid to the key management personnel of NCSP and its subsidiaries includes payments determined by the terms of employment contracts in connection with the performance of their duties. Remuneration to members of the Board of Directors is approved by the Annual General Meeting of Shareholders. In accordance with the requirements of Russian law, the Group makes contributions to the Pension fund of the Russian Federation under a defined contribution plan with payments for all employees, including key management personnel of the Company and its subsidiaries.

The amounts of accrued remuneration for 2020 and 2019 amounted to 5,498 and 6,318, respectively. The accrued remuneration contains:

- short-term remuneration in the amount of 4,687 and 5,130, respectively;
- termination benefits for 2019 in the amount of 236;
- taxes directly attributable to salaries accrued on the remuneration of key management personnel in the amount of 811 and 952, respectively.

The key management personnel, the information of the payments of which are disclosed in the consolidated financial statements, recognised the members of the Board of Directors and the Management Board of the Group companies, the general directors of NCSP and its subsidiaries, as well as their deputies, who are authorised and responsible for planning, management and control of activities organizations.

30. COMMITMENTS AND CONTINGENCIES

Legal proceedings

The Group is involved in various claims and legal proceedings arising in the ordinary course of business. Management believes that resolution of such matters will not have a material adverse effect on the Group’s financial performance and liquidity ratios based on information currently available.

30. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Taxation contingencies in the Russian Federation

Management of the Group currently estimates that the tax position and applied interpretations can be confirmed with sufficient level of probability.

However, the Russian tax legislation, which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions with related parties and (or) with tax incompliant counterparties and activities of controlled foreign companies. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about the review was made. Under certain circumstances, reviews may cover longer periods. Management of the Group, based on its interpretation of tax legislation, believes that all applicable taxes have been accrued. However, tax authorities may interpret differently provisions of the current tax legislation and differences in interpretation may significantly affect the consolidated financial statements of the Group. The impact of this development cannot be reliably estimated.

Russian transfer pricing (“TP”) legislation provides for the possibility of additional tax assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm’s-length basis according to the tax authority. The management has implemented internal controls of transactions to comply with current TP legislation.

Tax liabilities arising from controlled transactions are determined based on their actual transaction prices. It is possible, with the evolution of the interpretation of TP rules, that such prices could be a subject of tax audit.

The Group includes companies incorporated outside of Russia and related to controlled foreign companies. The Controlled Foreign Company legislation introduced Russian taxation of profits of foreign companies controlled by Russian tax residents (controlling parties). The tax liabilities of the Group are determined on the assumption that profits of controlled foreign companies exceeding the threshold established by law and not paid in the form of dividends to the Group is subject to Russian profits tax under the legislation of the Russian Federation.

Insurance

The Group’s entities do not have full coverage for property damage, business interruption and third-party liabilities. Until the Group obtains comprehensive insurance coverage exceeding the book value of property, plant and equipment, there is a risk that the loss or destruction of certain assets could have a material adverse effect on Group’s operations and financial position.

Environmental matters

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

31. CAPITAL COMMITMENTS

At 31 December 2020, the Group has contractual capital expenditure commitments in respect of property, plant and equipment and construction in progress totalling 49,181 (31 December 2019: 62,352).

(in thousands of US Dollars, except as otherwise stated)

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Capital risk management

The Group manages its capital to ensure that entities of the Group will be able to continue as a going concern while maximising the return to the equity holder through the optimisation of the debt and equity balance.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, attract new or repay existing borrowings.

Within the framework of capital management for the purpose of maintaining major debt parameters at the optimal level, the Group's management monitors its key financial indicators, such as Total debt / EBITDA, Total debt / Equity and Cash from operating activities / Total debt; that allows the Group to keep its credit rating at the maximum level available for Russian companies.

Major categories of financial instruments

For the purposes of measurement the financial assets are classified into the following categories under IFRS 9 "Financial Instruments": (a) financial assets at FVTPL and (b) financial assets at AC.

The following table provides a reconciliation of financial assets with these measurement categories as at 31 December 2020 and 31 December 2019.

	FVTPL		**AC**	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Financial assets measured	1,315	2,045	54,761	-
Cash deposited in escrow account	-	-	-	206,766
Cash and cash equivalents	-	-	190,598	433,480
Trade and other receivables (Note 20)	-	-	22,656	41,225
Total financial assets	**1,315**	**2,045**	**268,015**	**681,471**

As at 31 December 2020 and 31 December 2019, all of the Group's financial liabilities were carried at AC.

The main risks arising from the Group's activities are foreign currency, interest rate, credit and liquidity risks.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set allowed risk limits and appropriate control mechanisms, and to monitor risks and adherence to limits. Risk management policies and system are reviewed regularly to reflect changes in market conditions and the Group's activities.

The fair value of financial instruments is disclosed in Note 33.

Foreign currency risk

Foreign currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group undertakes certain transactions nominated in foreign currencies.

(in thousands of US Dollars, except as otherwise stated)

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk (continued)

The carrying amount of the Group's US Dollar nominated financial assets and liabilities as at the reporting date are as follows:

	31 December 2020	31 December 2019
Assets		
Cash and cash equivalents	28,083	64,496
Investments long-term and short-term	54,761	-
Receivables and prepayments	3,294	4,988
Total assets	**86,138**	**69,484**
Liabilities		
Borrowings (not including expense for raising a loan)	(584,101)	(801,428)
Lease liabilities	-	-
Trade and other payables	(6)	(33)
Total liabilities	**(584,107)**	**(801,461)**
Total net liability position	**(497,969)**	**(731,977)**

Below are the details sensitivity of the Group's financial instruments to a 20% (2019: 20%) depreciation of the RUR against the US Dollar if all other variables are held constant. The analysis was applied to monetary items nominated in USD at the year-end dates. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. If USD had strengthened / weakened by 20% against RUB, with all other variables left constant, profit after tax and equity would have increased / decreased as at 31 December 2020 at 79,675 (as at 31 December 2019 - 117,116), mainly as a result of losses / (gains) on conversion of borrowings and translation of cash balances and other financial assets denominated in USD into RUB.

The carrying amount of the Group's EUR nominated financial assets and liabilities as at the reporting date are as follows:

	31 December 2020	31 December 2019
Assets		
Cash and cash equivalents	230	207
Receivables and prepayments	574	847
Total assets	**804**	**1,054**
Liabilities		
Trade and other payables	(1,606)	(242)
Total liabilities	**(1,606)**	**(242)**
Total net liability position	**(802)**	**812**

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk (continued)

Below are the details the Group's sensitivity to a 20% (2019: 20%) depreciation of the RUR against the EUR if all other variables are held constant. The analysis was applied to monetary items at the year-end dates nominated in the EUR. If EUR had strengthened / weakened by 20% against RUB, with all other variables left constant, profit after tax and equity would have increased / decreased as at 31 December 2020 at 128 (as at 31 December 2019 - 130), mainly as a result of losses / (gains) on conversion of borrowings and translation of cash balances and other financial assets denominated in EUR into RUB.

Interest rate risk

Loan received by the Group under variable interest rate expose the Group to the risk of changes in the cash flows under borrowings. The Group capitalised the part of borrowing cost.

An increase / decrease of 1% in interest rate for the year ended 31 December 2020 would have decreased / increased after tax profit for the year and equity by 5,450 (year ended 31 December 2019 – 7,056). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments.

The Group has an approved policy in accordance with which it regularly assesses creditworthiness of banks it deals with and reviews limit for allocation of free cash.

The Group's policy is generally to transact with its customers on a prepayment basis. Its trade accounts receivable are unsecured.

Credit risk is managed on a Group level. For certain customers there is no independent rating and therefore the Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

The credit quality of financial assets that are neither past due nor impaired are assessed with the reference to historical information about counterparties, which are existing customers with no defaults in the past.

The Group's suppliers of assets and services are selected mainly through tenders. The criteria for the bidders include both technical and financial indicators (availability of production facilities, skilled personnel, relevant experience, cost of assets and services etc.) and reliability (financial position, professional and ethical image of the bidders, whether quality control of the assets and services is established) resulting in admission of participants. The tender approach ensures the selection of suppliers with a low risk of failure to discharge their contractual obligations.

Expected credit losses measurement

ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Group: probability of default, exposure at default, loss given default and discount rate.

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Expected credit losses measurement (continued)

For purposes of measuring probability of default, the Group defines default as a situation when the exposure meets one or more of the following criteria:

- the borrower is more than 90 days past due on its contractual payments;
- international rating agencies have classified the borrower in the default rating class;
- the borrower meets the unlikeliness-to-pay criteria listed below:
  - the borrower is deceased;
  - the borrower is insolvent;
  - the borrower is in breach of financial covenant(s);
  - it is becoming likely that the borrower will enter bankruptcy; and
  - the loans were purchased or originated at a deep discount that reflects the incurred credit losses.

The Group considers a financial instrument to have experienced an significant increase in credit risk, when one or more of the following quantitative, qualitative or backstop criteria have been met.

For trade and other receivable and contract assets:

- 30 days past due;
- relative threshold defined on individual basis for debtors with existing scoring models.

The assessment of significant increase in credit risk and the calculation of ECLs both incorporate supportable forward-looking information. The Group identified certain key economic variables that correlate with developments in credit risk and ECLs. Forecasts of economic variables (the "base economic scenario") provide the best estimate of the expected macro-economic development over the next five years.

Liquidity risk

In order to manage and control the liquidity needs of the Group, management performs budgeting and forecasting of cash flows, which ensure the availability of the necessary funds for the discharging of payment obligations. Net cash flows from operating activities provide an adequate amount of working capital for conducting the Group's underlying business activities.

For a maturity analysis of financial liabilities, see Notes 16 and 26.

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and liabilities is determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions which are traded on active liquid markets are determined with reference to quoted market prices; and
- The fair values of other financial assets and financial liabilities (excluding derivatives) are determined in accordance with generally accepted pricing models based on discounted cash flow analyses, using prices from observable current market transactions.

As at 31 December 2020 and 2019, management believes that the carrying values of financial assets (Notes 20, 22 and 23) and financial liabilities recorded at amortised cost (Note 26 and 28) in the consolidated financial statements approximate their fair values, due to the fact that they are short-term, except for liabilities under credit agreement (see disclosure below).

The Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements (Note 3).

(in thousands of US Dollars, except as otherwise stated)

33. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair value of Level 2 financial liabilities was calculated by means of the discounted cash flow valuation technique based on the average interest rates applied to similar bank loans provided to non-financial organisations in the reporting period. The information about the discount rates was obtained from the Bank Statistics Bulletin of CBRF. As at 31 December 2020, the discount rate used for obligations under agreement comprised 3.97% (31 December 2019: 5.24%).

The fair value compared to the carrying value of financial liabilities as at 31 December 2020 and 2019 is as follows:

					31 December 2020		31 December 2019	
Category of borrowings		**Mature in**	**Currency**	**Interest rate**	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Bank loans	Variable rate based on LIBOR (Level 2)	2023	USD	Floating LIBOR	583,032	574,373	794,624	810,570
Special-purpose loans	Fixed rate financial liabilities (Level 2)	2022	RUB	Fixed	9,113	8,580	10,874	9,240

34. EVENTS AFTER THE BALANCE SHEET DATE

On 10 March 2021, NCSP received the decision of the Federal Tax Service dated 03.03.2021 No. КЧ-4-9/2676@ (“Decision”), determining the application of 0 percent tax rate at a profit received from the sale of a share in the authorised capital of NGT in 2019, as not responding to the current tax legislation. Oppositely, in October 2019, based on the results of a desk audit tax authority recognised the legality of the application of the tax rate providing NCSP with a corresponding conclusion, therefore, income tax was not charged in the consolidated financial statements for the year ended 31 December 2019.

This Decision was recognised by the NCSP as a material event after the reporting date, the consequences were reflected in the consolidated financial statements for the year ended 31 December 2020 by increasing tax liabilities. Reflection of the event after the reporting date resulted in a decrease of net profit of the Group by 85,633.

The Decision of the tax authority will be appealed to a court.