Globaltrans Investment PLC

Directors’ report and consolidated financial statements for the year ended 31 December 2013

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Board of Directors and other officers

Board of Directors

Mr. Michael Zampelas

Chairman of the Board of Directors
Independent non-executive Director
Member of Remuneration and Nomination Committees

Mr. Sergey Maltsev
Executive Director, Chief Executive Officer
Alternate Director: Mr. Artemis M. Thomaides

Mr. Konstantin Shirokov
Executive Director

Mr. Mikhail Loganov
Non-Executive Director as from 21 October 2013
Executive Director until 20 October 2013

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

Mr. Alexander Eliseev
Non-executive Director
Alternate Director: Ms. Ekaterina Golubeva (appointed on 2 September 2013)

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

Mr. Alexander Storozhev
Executive Director
Appointed on 19 April 2013
Alternate Director: Ms. Elia Nicolaou

Mr. Alexander Tarasov
Executive Director
Appointed on 19 April 2013
Alternate Director: Mr. Mikhail Loganov

Mr. John Carroll Colley
Independent Non-Executive Director
Chairman of the Audit Committee
Appointed on 19 April 2013

Mr. George Papaioannou
Independent Non-Executive Director
Member of the Audit Committee
Appointed on 19 April 2013

Mr. Andrey Gomon
Non-executive Director
Appointed on 19 April 2013
Alternate Director: Ms. Melina Pyrgou

Ms. Melina Pyrgou
Non-executive Director
Appointed on 19 April 2013

Mr. Marios Tofaros
Non-executive Director
Appointed on 19 April 2013

Mr. Sergey Tolmachev
Executive Director since 21 October 2013
Non-executive Director from appointment to 20 October 2013
Appointed on 19 April 2013

Board support

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

Company Secretary

Ms. Elia Nicolaou
Maria House
5th Floor
1 Avlonos Street
CY-1075, Nicosia
Cyprus

Assistant secretary: Mr. Marios Tofaros

Registered office

20 Omirou Street
Agios Nicolaos
CY-3095 Limassol, Cyprus

Report of the Board of Directors

The Board of Directors presents its report together with the audited consolidated financial statements for the year ended 31 December 2013. The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of Cyprus Companies Law, Cap. 113.

Principal activities

The principal activity of the Group is the provision of railway transportation services using own and leased rolling stock as well as fleet engaged from third party rail operators, operating lease of rolling stock and freight forwarding (agency) services.

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

The net profit of the Group for the year ended 31 December 2013 was US$251,638 thousand (2012: US$311,578 thousand). On 31 December 2013 the total assets of the Group were US$2,856,577 thousand (2012: US$2,949,817 thousand) and net assets were US$1,581,870 thousand (2012: US$1,605,860 thousand).

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

On 12 February 2013, the group has completed the purchase of 100% of the share capital of OOO Steeltrans ("ST") (formerly OOO MMK-Trans), the freight rail transportation operator, for a total consideration of US$251,317 thousand. Steeltrans principally handles cargoes of the MMK Group, primarily metallurgical cargoes and coal.

Principal risks and uncertainties

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

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

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

Future developments

The Board of Directors does not expect any significant changes in the activities of the Group for the foreseeable future. The Group's strategic objective is to strengthen its position as a leading private freight rail group in Russia. The Group intends to continue its return-oriented expansion pursuing the strategy of opportunistic growth. The Group will also continue its focus on effective fleet management.

Results

The Group's results for the year are set out on pages 10 and 11. The Board of Directors recommends the payment of a dividend as detailed below and the remaining net profit for the year is retained.

Dividends

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

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

No interim dividends were declared by the Board of Directors during the year ended 31 December 2013.

In April 2013, the shareholders of the Company approved the payment of the final dividend in respect of the financial year ended 31 December 2012 in the amount of 70 US cents per ordinary share, amounting to a total dividend of US$125,118,641.

The Board of Directors of the Company recommends a payment of dividend in relation to the financial year ended 31 December 2013 in the amount of 62 US cents per ordinary share, amounting to a total dividend of US$110,819,368.

Share capital

As at 31 December 2013 the issued share capital of the Company comprised 178,740,916 ordinary shares with a par value of US$0.10 per share.

The role of the Board of Directors

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

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

Members of the Board of Directors

The Board comprises 15 members (7 members in 2012), ten (four for the year 2012) of whom are non-executive directors (including the Chairman). Four (two for the year 2012) of the non-executive directors are independent, they have no relationship with the Company, its related companies or their officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the Group, and they are able to exercise objective judgment on corporate affairs independently from management.

The members of the Board of Directors at 31 December 2013 and at the date of this report are shown on page 1. On 19 April 2013 there were changes in the composition of the Board of Directors, where 8 new directors including 2 new independent directors have been appointed.

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

There were no significant changes in the assignment of responsibilities of the Board of Directors with the only exception that Mr Loganov who acted as an executive director until 20 October and has since been acting as a non-executive Director. Mr Sergey Tolmachev who was appointed on 19 April 2013 as a non-executive director, was appointed as a executive director on 21 October 2013.

The total remuneration of the members of the Board of Directors paid by the Group in 2013 amounted to US$3,627 thousand (2012: US$7,935 thousand).

Directors' interests

The interests in the share capital of Globaltrans Investment PLC and its Group companies, both direct and indirect, of those who were Directors as at 31 December 2013 and 31 December 2012 are shown below:

Name	Type of holding	2013	2012
Alexander Eliseev	Indirect holding of ordinary shares and GDRs	11,318,909	11,318,909
Sergey Maltsev	Indirect holding of ordinary shares and GDRs	8,021,339	8,021,339
Johann Franz Durrer	Holding of GDRs	160,606	160,606

Total number of issued shares of the Company as at 31 December 2013 was 178,740,916 (31 December 2012: 178,740,916)

Events after the balance sheet date

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

Board performance

The Board held 14 meetings in 2013. On 19 April 2013 the number of members of the Board of Directors have been increased from seven to fifteen. The Directors' attendance is presented in the table below.

	Attended
Alexander Eliseev	6
Michael Zampelas	14
Johann Franz Durrer	14
Sergey Maltsev	12
Mikhail Loganov	13
Elia Nicolaou	14
Konstantin Shirokov	13
Carroll Colley	9
George Papaioannou	9
Andrey Gomon	7
Melina Pyrgou	9
Alexander Storozhev	9
Marios Tofaros	9
Sergey Tolmachev	9
Alexander Tarasov	6

The Board Committees

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

Audit Committee

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

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

The Audit Committee manages the relationship with the external auditor on behalf of the Board. It considers the reappointment of the external auditor each year, as well as remuneration and other terms of engagement, and makes a recommendation to the Board. Shareholders are asked to approve the reappointment of the auditor each year at the Annual General Meeting.

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

Nomination Committee

The Nomination Committee comprises two Independent Directors and meets at least once a year. The Nomination Committee is chaired by Dr. Durrer and Mr. Zampelas is the other member. The Committee's remit is to prepare selection criteria and appointment procedures for members of the Board and to review on a regular basis the structure, size and composition of the Board. In undertaking this role, the Committee refers to the skills, knowledge and experience required of the Board, given the Company's stage of development, and makes recommendations to the Board as to any changes. The Committee also considers future appointments in respect of the Board's composition and makes recommendations regarding the membership of the Audit and Remuneration Committees.

Remuneration Committee

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

Corporate governance

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

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

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

Board and Management Remuneration

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

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

The shareholders of the Company approved the remuneration of the members of the Board of Directors at the Annual General Meeting of shareholders held on 19 April 2013.

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

Branches

The Group operates through branches and representative offices, maintaining eleven branches and nine representative offices during 2013 (ten branches and twelve representative offices during 2012).

Treasury shares

In 2013 the Company didn't own or acquire either directly or through a person in his own name, but on Company's behalf any of its own shares.

On 2 January 2012 pursuant to the approval of the Extraordinary General Meeting of shareholders which took place on 20 December 2011, the Company completed the purchase of 3,637,117 own ordinary shares from Envesta Investments Limited at the price of US$11.87 per share for the total value of US$43,172,579. All of such treasury shares were sold by the Company in the context of the offering in July 2012 at the price of US$16.50 per share for the total value of US$60,012,430.

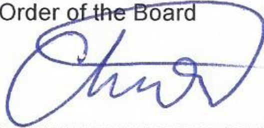
Going concern

Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the consolidated financial statements based on the fact that, after making enquiries and following a review of the Group's budget for 2014, including cash flows and borrowing facilities, the Directors consider that the Group has adequate resources to continue in operation for the foreseeable future.

Auditors

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

By Order of the Board



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Sergey Tolmachev
Director
Limassol, 28 March 2014

Directors' responsibility

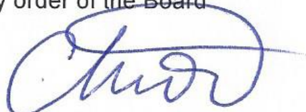
The Company's Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113, and for such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

Each of the Directors confirms to the best of his or her knowledge that the consolidated financial statements (presented on pages 10 to 67) give a true and fair view of the financial position of Globaltrans Investment PLC (the Company") and its subsidiaries (together with the Company, the "Group") as at 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113.

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

(i) proper books of account have been kept by the Company;
(ii) the Company's consolidated financial statements are in agreement with the books;
(iii) the consolidated financial statements give the information required by the Cyprus Companies Law, Cap.113 in the manner so required; and
(iv) the information given in the report of the Board of Directors is consistent with the consolidated financial statements.

By order of the Board



....
Sergey Tolmachev
Director

Independent auditor's report

To the Members of Globaltrans Investment Plc

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Globaltrans Investment Plc (the "Company") and its subsidiaries (together with the Company, the "Group"), which comprise the consolidated balance sheet as at 31 December 2013, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal requirements

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

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

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

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

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Limassol, 28 March 2014

Consolidated income statement

for the year ended 31 December 2013

	Note	2013 US$'000	2012 US$'000
Revenue	5	2,327,549	2,114,295
Cost of sales	6	(1,727,910)	(1,450,215)
Gross profit		599,639	664,080
Selling and marketing costs	6	(16,910)	(4,951)
Administrative expenses	6	(132,167)	(123,796)
Other gains – net	7	1,164	1,153
Operating profit		451,726	536,486
Finance income	9	10,287	-
Finance costs	9	(120,056)	(124,545)
Finance costs – net	9	(109,769)	(124,545)
Share of profit of associates	14	213	339
Profit before income tax		342,170	412,280
Income tax expense	10	(90,532)	(100,702)
Profit for the year		251,638	311,578
Attributable to:			
Owners of the Company		181,717	258,016
Non-controlling interest		69,921	53,562
		251,638	311,578
		-	
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the year (expressed in US$ per share)	27	1.02	1.56

The notes on pages 16 to 67 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2013

	2013 US$'000	2012 US$'000
Profit for the year	251,638	311,578
Other comprehensive (loss)/income:		
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	(89,947)	91,154
Other comprehensive income/(loss) for the year, net of tax	(89,947)	91,154
Total comprehensive income for the year	161,691	402,732
Total comprehensive income attributable to:		
- owners of the Company	93,033	341,266
- non-controlling interest	68,658	61,466
	161,691	402,732

Items in the statement above are disclosed net of tax. There is no income tax relating to the components of other comprehensive income above.

The notes on pages 16 to 67 are an integral part of these consolidated financial statements.

Consolidated balance sheet

at 31 December 2013

	Note	2013 US$'000	2012 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	2,180,425	2,281,868
Intangible assets	13	346,755	197,044
Income tax assets		2,481	1,800
Trade and other receivables	19	4,897	-
Investment in associate	14	2,552	2,230
Total non-current assets		2,537,110	2,482,942
Current assets			
Inventories	20	17,994	13,675
Current income tax assets		4,773	1,715
Trade and other receivables	19	192,597	263,295
Restricted cash	21	-	10,000
Cash and cash equivalents	21	104,103	178,190
Total current assets		319,467	466,875
TOTAL ASSETS		2,856,577	2,949,817
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital	22	17,875	17,875
Share premium	22	949,471	949,471
Common control transaction reserve		(368,476)	(368,476)
Translation reserve		(145,221)	(56,537)
Capital contribution		90,000	90,000
Retained earnings		862,850	815,259
Total equity attributable to the owners of the Company		1,406,499	1,447,592
Non-controlling interest		175,371	158,268
Total equity		1,581,870	1,605,860
Non-current liabilities			
Borrowings	24	737,129	837,175
Deferred tax liabilities	25	143,889	125,074
Total non-current liabilities		881,018	962,249
Current liabilities			
Borrowings	24	276,971	237,933
Trade and other payables	26	116,273	135,568
Current tax liabilities		445	8,207
Total current liabilities		393,689	381,708
TOTAL LIABILITIES		1,274,707	1,343,957
TOTAL EQUITY AND LIABILITIES		2,856,577	2,949,817

On 28 March 2014, the Board of Directors of Globaltrans Investment PLC authorised these financial statements for issue.

By order of the Board

....
Sergey Tolmachev, Director

....
Konstantin Shirokov, Director

The notes on pages 16 to 67 are an integral part of these consolidated financial statements

Consolidated statement of changes in equity

for the year ended 31 December 2013

		Attributable to the owners of the Company									
	Note	Share capital US$'000	Share premium US$'000	Common control transaction reserve US$'000	Treasury shares US$'000	Translation reserve US$'000	Capital contribution US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interest US$'000	Total US$'000
Balance at 1 January 2012		15,814	621,227	(368,476)	-	(139,787)	90,000	639,283	858,061	130,994	989,055
Comprehensive income											
Profit for the year		-	-	-	-	-	-	258,016	258,016	53,562	311,578
Other comprehensive income											
Currency translation differences		-	-	-	-	83,250	-	-	83,250	7,904	91,154
Total comprehensive income for 2012		-	-	-	-	83,250	-	258,016	341,266	61,466	402,732
Transactions with owners of the Company											
Issue of shares	22	2,061	337,928	-	-	-	-	-	339,989	-	339,989
Expenses related to issue of shares	22	-	(9,684)	-	-	-	-	-	(9,684)	-	(9,684)
Purchase of treasury shares	22	-	-	-	(43,173)	-	-	-	(43,173)	-	(43,173)
Sale of treasury shares	22	-	-	-	43,173	-	-	16,839	60,012	-	60,012
Dividends to owners of the Company	23	-	-	-	-	-	-	(98,879)	(98,879)	-	(98,879)
Dividends to non-controlling interest	23	-	-	-	-	-	-	-	-	(34,192)	(34,192)
Total contributions by and distributions to owners of the Company		2,061	328,244	-	-	-	-	(82,040)	248,265	(34,192)	214,073
Total transactions with owners of the Company		2,061	328,244	-	-	-	-	(82,040)	248,265	(34,192)	214,073
Balance at 31 December 2012		17,875	949,471	(368,476)	-	(56,537)	90,000	815,259	1,447,592	158,268	1,605,860

Consolidated statement of changes in equity

for the year ended 31 December 2013

	Note	Share capital US$'000	Share premium US$'000	Common control transaction reserve US$'000	Treasury shares US$'000	Translation reserve US$'000	Capital contribution US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interest US$'000	Total US$'000
		Attributable to the owners of the Company									
Balance at 1 January 2013		17,875	949,471	(368,476)	-	(56,537)	90,000	815,259	1,447,592	158,268	1,605,860
Other comprehensive loss											
Currency translation differences		-	-	-	-	(88,684)	-	-	(88,684)	(1,263)	(89,947)
Total comprehensive income for 2013		-	-	-	-	(88,684)	-	181,717	93,033	68,658	161,691
Transactions with owners of the Company											
Dividends to owners of the Company	23	-	-	-	-	-	-	(125,119)	(125,119)	-	(125,119)
Dividends to non-controlling interest	23	-	-	-	-	-	-	-	-	(53,377)	(53,377)
Total contributions by and distributions to owners of the Company		-	-	-	-	-	-	(125,119)	(125,119)	(53,377)	(178.496)
Non-controlling interest arising on business combination	15	-	-	-	-	-	-	-	-	(7,185)	(7,185)
Acquisition of non-controlling interest	16	-	-	-	-	-	-	(9,007)	(9,007)	9,007	-
Total transactions with owners of the Company		-	-	-	-	-	-	(134,126)	(134,126)	(51,555)	(185,681)
Balance at 31 December 2013		17,875	949,471	(368,476)	-	(145,221)	90,000	862,850	1,406,499	175,371	1,581,870

The notes on pages 16 to 67 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

for the year ended 31 December 2013

	Note	2013 US$'000	2012 US$'000
Cash flows from operating activities			
Profit before tax		342,170	412,280
Adjustments for:			
Depreciation of property, plant and equipment	12	164,389	113,043
Amortisation of intangible assets	13	31,935	7,733
Loss on sale of property, plant and equipment	12	5,856	2,120
Interest income	9	(3,562)	(5,643)
Interest expense	9	122,240	97,990
Share of profit of associates	14	(213)	(339)
Foreign exchange (gains)/losses on finance income/costs	11	(8,909)	32,198
		653,906	659,382
Changes in working capital:			
Inventories		(1,827)	(4,178)
Trade and other receivables		83,837	(24,703)
Trade and other payables		(78,214)	19,401
Cash generated from operations		657,702	649,902
Tax paid		(83,178)	(81,821)
Net cash from operating activities		574,524	568,081
Cash flows from investing activities			
Acquisition of subsidiaries-net of cash acquired	15	(202,999)	(572,888)
Advance payment for acquisition of subsidiary – restricted cash	21	-	(10,000)
Loans repayments received from third parties		81	-
Purchases of property, plant and equipment		(39,967)	(736,911)
Proceeds from disposal of property, plant and equipment	12	5,410	900
Interest received		3,531	5,682
Net cash used in investing activities		(233,944)	(1,313,217)
Cash flows from financing activities			
Proceeds from borrowings		643,306	1,398,298
Repayments of borrowings		(723,265)	(666,787)
Finance lease principal payments		(39,974)	(47,450)
Interest paid		(111,382)	(90,172)
Proceeds from the issue of shares – net of expenses	22	-	330,305
Proceeds from the sale of treasury shares	22	-	60,012
Purchase of treasury shares	22	-	(43,173)
Dividends paid to Company's shareholders	23	(125,119)	(98,879)
Dividends paid to non-controlling interests	23	(53,377)	(34,192)
Net cash (used in)/from financing activities		(409,811)	807,962
Net (decrease)/increase in cash and cash equivalents		(69,231)	62,826
Exchange losses on cash and cash equivalents		(4,856)	(4,356)
Cash and cash equivalents at beginning of year	21	178,190	119,720
Cash and cash equivalents at end of year	21	104,103	178,190

Principal non-cash investing and financing transactions

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

The notes on pages 16 to 67 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. General information

Country of incorporation

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

Approval of the consolidated financial statements

These Group consolidated financial statements were authorised for issue by the Board of Directors on 28 March 2014.

Global Depositary Receipts

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

Principal activities

The principal activity of the Group, which is unchanged from last year, is the provision of railway transportation services using own and leased rolling stock as well as the fleet engaged from other operators and operating lease of rail cars.

Group structure

Globaltrans Investment PLC has direct and indirect shareholding in the following investments in subsidiaries:

Name	Status	Country of incorporation	Principal activities	Effective % interest held 2013	Effective % interest held 2012
Sevtekhnotrans, OOO	Subsidiary	Russia	Railway transportation	100	100
New Forwarding Company, OJSC	Subsidiary	Russia	Railway transportation	100	100
Ferrotrans, OOO (formerly Metalloinvesttrans, OOO)	Subsidiary	Russia	Railway transportation	100	100
Steeltrans, OOO (formerly MMK-Trans, OOO)	Subsidiary	Russia	Railway transportation	100	-
Amalfico Holdings Limited	Subsidiary	Cyprus	Intermediary holding company	100	-
Ural Wagonrepair Company, ZAO	Subsidiary	Russia	Repair and maintenance of rolling stock	97	-
Ukrainian New Forwarding Company OOO	Subsidiary	Ukraine	Railway transportation	100	100
BaltTransServis, OOO	Subsidiary	Russia	Railway transportation	60	60
RemTransServis, OOO	Subsidiary	Russia	Repair and maintenance of rolling stock	59.4	59.4
Ingulana Holdings Limited	Subsidiary	Cyprus	Intermediary holding company	60	60
Ultracare Holdings Limited	Subsidiary	Cyprus	Intermediary holding company	60	60
Spacecom AS	Subsidiary	Estonia	Operating lease of rolling stock and provision of forwarding services	65.25	65.25
Ekolinja Oy	Subsidiary	Finland	Operating sub-lease of rolling stock	65.25	65.25
Spacecom Trans AS	Subsidiary	Estonia	Operating lease of rolling stock	65	65

2. Basis of preparation and summary of significant accounting policies

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

Basis of preparation

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

All International Financial Reporting Standards issued by International Accounting Standards Board (IASB) and effective as at 1 January 2013 have been adopted by the EU through the endorsement procedure established by the European Commission with the exception of certain provisions of IAS 39 “Financial Instruments: Recognition and Measurement” relating to portfolio hedge accounting.

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

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

New standards, interpretations and amendments to published standards

(a) *The Group has adopted the following new standards, amendments and interpretations as of 1 January 2013 that have an impact on the Group:*

- **IFRS 13 “Fair Value Measurement” (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013)** improved consistency and reduced complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The above standard did not have an impact on these financial statements, other than to improve disclosures of fair value measurement.

- **Amendments to IAS 1 “Presentation of Financial Statements” (issued in June 2011, effective for annual periods beginning on or after 1 July 2012)** changed the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to “statement of profit or loss and other comprehensive income”. The amended standard resulted in changed presentation of consolidated financial statements, but did not have any impact on measurement of transactions and balances.

- **Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013)**. The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23 “Borrowing costs”, retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 now requires disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual consolidated financial statements. The amended standards did not have any material impact on the Group’s consolidated financial statements with the exception of the amendment to IAS16, following which, the Group now classifies spare parts which meet the definition of property, plant and equipment as such instead of inventories. The adoption of this amendment did not result in any reclassifications of prior year balances.

(b) The Group has early adopted the following new standards, amendments and interpretations as of 1 January 2013 that have an impact on the Group:

- **Amendments to IAS 36 – "Recoverable amount disclosures for non-financial assets"** (issued in May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The Group has opted to early adopt this amendment and as a result it does not disclose the recoverable amount of CGU containing goodwill when there is no impairment.

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

(c) Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2014 or later, that are expected to have an impact on the Group's consolidated financial statements and which the Group has not early adopted.

IFRS 9 "Financial Instruments: Classification and Measurement"*. Key features of the standard issued in November 2009 and amended in October 2010, December 2011 and November 2013 are:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The amendments made to IFRS 9 in November 2013 removed its mandatory effective date, thus making application of the standard voluntary. The Group does not intend to adopt the existing version of IFRS 9.

IFRS 10 "Consolidated Financial Statements" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013: EU 1 January 2014) replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation - special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Standard is not expected to have any material impact on the Group's consolidated financial statements.

IFRS 12 "Disclosure of Interests in Other Entities" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013; EU 1 January 2014) applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements previously found in IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Standard is expected to improve disclosures of the consolidated entities of the Group .

IAS 27 "Separate Financial Statements" (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013; EU 1 January 2014) was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10 "Consolidated Financial Statements". The amended standard is not expected to have any material impact on the Group's consolidated financial statements.

IAS 28 "Investments in Associates and Joint Ventures" (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013; EU 1 January 2014). The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged. The amended standard is not expected to have any material impact on the Group's consolidated financial statements.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The Group is considering the implications of the amendment and its impact on the Group.

"Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12" (issued in June 2012 and effective for annual periods beginning 1 January 2013; EU 1 January 2014). The amendments clarify the transition guidance in IFRS 10 "Consolidated Financial Statements". Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities", by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied. The amended standards are not expected to have any material impact on the Group's consolidated financial statements other than application of the relief from disclosure of certain comparative information in the notes to the financial statements.

IFRIC 21 – "Levies"(issued on 20 May 2013 and effective for annual periods beginning 1 January 2014)*. The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The Group is currently assessing the impact of the amendments on its financial statements.

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

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014*). The improvements consist of changes to four standards. The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.
IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself. The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9. IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. The Group does not expect the amendments to have any impact on its financial statements.

* denotes new standards and interpretations which have not yet been endorsed by the European Union

Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

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

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

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

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

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

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

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

(b) Transactions with non-controlling interests

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

(c) Disposal of subsidiaries

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

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.

(d) Associates

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

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

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

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

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

Dilution gains and losses arising in investments in associates are recognised in the income statement.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes strategic decisions.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

(a) Revenue from railway transportation services

The Group operates the following services:

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

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

   There are three types of operator's services:

   - The Group has a contractual relationship with the client and sets the terms of the transactions, such as selling and payment terms, bears credit risk and controls the flow of receipts and payments. The OAO "Russian Railways" tariff is borne by the Group. Total proceeds from clients are included in the Group's revenue (Note 5).

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

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

   Revenue is recognised in accordance to the stage of completion of the transaction.

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

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

(b) Revenues from leasing

Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term. Assets leased out under operating leases are included in property, plant and equipment in the balance sheet based on the nature of the asset. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment.

(c) Revenues from sale of wagons and locomotives

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

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

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

(d) Interest income

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

(e) Dividend income

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

Foreign currency translation

(a) Functional and presentation currency

Items included in the Group's financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company and majority of the Group's subsidiaries is the Russian Rouble (RUR). However, the consolidated financial statements are presented in United States dollars (US$) ("the presentation currency") because this is the currency better understood by the principal users of the financial statements.

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within 'Finance costs'. Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the income statement within 'Finance income'. All other foreign exchange gains and losses are presented in the income statement within 'Other gains – net'.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate existing at the date of the balance sheet presented;
- Income and expense items at the average monthly rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- Share capital, share premium and all other reserves are translated using the historic rate.

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

On consolidation, exchange differences arising from the transaction of the net investment in foreign operations are recognised in other comprehensive income. When a foreign operation is disposed of or sold and control or significant influence is lost, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on disposal.

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

Property, plant and equipment

Property, plant and equipment are recorded at purchase or construction cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition or construction of the items.

Land is not depreciated.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost, less residual value, over their estimated useful lives, as follows:

	Number of years
Buildings	30
Rolling stock (except locomotives)	25
Locomotives	15
Mounted wheels	7
Motor vehicles and other property, plant and equipment	3 to 10

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

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

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

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

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

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

Intangible assets

(a) *Goodwill*

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

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

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

(b) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Customer relationships relate to transportation services contract with Metalloinvest Group and MMK Group. Customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Customer relationships are being amortised over an estimated useful life from five to seven years.

(c) Computer software

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

Impairment of non-financial assets

Assets that have indefinite useful life and goodwill are not subject to amortisation and are tested annually for impairment.

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

Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments, the right to use an asset for an agreed period of time.

The Group is the lessee

(a) Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases are depreciated over the useful economic life of the asset as it is reasonably certain that ownership will be obtained at the end of the lease term.

(b) Operating leases

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

(c) Sale and leaseback

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

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

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

The Group is the lessor

(a) Finance leases

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

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

(b) Operating leases

Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term. Assets leased out under operating leases are included in property, plant and equipment in the balance sheet based on the nature of the asset. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment.

Financial assets

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

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

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

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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

A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor/borrower, probability that the debtor/borrower will enter bankruptcy or financial recognition, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within 'selling and marketing costs'. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the income statement.

Extinguishment of the original financial liability

Substantial modification of the terms of an existing financial liability or a part of it is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the existing liability and the new liability is recognised in the income statement as part of finance costs.

Inventories

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

Cash and cash equivalents

In the consolidated cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks less bank overdrafts if any. Cash and cash equivalents are carried at amortised cost using the effective interest method. Bank overdrafts are shown within borrowings in the current liabilities on the balance sheet.

Restricted cash

Restricted cash includes cash deposits which have restrictions governing their use and is classified as a current or non-current asset based on the estimated remaining length of the restriction. Cash paid into escrow accounts for the purpose of future business combination transactions is included within investing activities in the statement of cash flows.

Cash flow statement

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

When the Group enters into a sale and lease back arrangements, the sale proceeds are included within cash flows from financing activities. Receipts from finance lease receivables are included within cash flows from investing activities.

Trade receivables

Trade receivables are amounts due from customers for services provided in the ordinary course of business. If collection is expected in one year or less (or in a normal operating cycle of the business, if longer than one year) they are classified as current assets, if not, they are presented as non-current assets.

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

Share capital, share premium and treasury shares

Ordinary shares are classified as equity.

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

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

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

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions and contingent liabilities

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

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

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

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

Borrowings

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

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

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

Borrowing costs

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

Financial guarantees

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

Current and deferred income tax

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

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

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

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

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

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

Value Added Tax (VAT)

In the Russian Federation, output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice except for export sales related input VAT which is reclaimable upon confirmation of export. The tax authorities permit the settlement of VAT on a net basis. Where provision has been made for impairment of receivables, impairment loss is recognised for the gross amount of the debtor, including VAT. The lease liabilities are disclosed net of VAT. While the leasing payment includes VAT, the amount of VAT from the lease payment made is reclaimable against sales VAT.

Employee benefits

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

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

Dividend distribution

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

Distribution of dividends in favour of non-controlling interests in satisfaction of the minimum dividends distribution obligation is recognised in the income statement as part of finance costs, whereas any distribution in excess of such minimum distribution obligation are recognised as dividends to non-controlling interests in the statement of changes in equity.

Transactions with equity owners

The Group enters into transactions with its shareholders. When consistent with the nature of the transaction, the Group's accounting policy is to recognise any gains or losses with equity holders and other entities which are under the control of the ultimate shareholder, directly through equity and consider these transactions as the receipt of additional capital contribution or the payment of dividends. Similar transactions with non-equity holders, are recognised through the income statement in accordance with IAS39, Financial Instruments: Recognition and Measurement.

3. Financial risk management

Financial risks factors

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

Market risk

(a) Foreign exchange risk

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

Currently the Group attracts a proportion of long-term borrowings and lease liabilities denominated in US dollars, whereas a large proportion of the Group's expenses and revenues are denominated and settled in Russian Roubles. The Group does not have formal arrangements for hedging this foreign exchange risk. Risks related to liabilities denominated in foreign currency are partly compensated by assets and income denominated in foreign currency. The Group continues its efforts to re-finance some of its US Dollar denominated liabilities by obtaining long term debt denominated in Russian Roubles. However, as the US dollar interest rates continue to be relatively attractive compared to the Russian Rouble interest rate, a portion of the Group's long-term borrowings continue to be in US dollars, although the proportion of US Dollar denominated loans has decreased significantly.

During the first four months of 2012, the Russian Rouble has strengthened against the US Dollar, however starting from May, the value of Russian Rouble against the US Dollar depreciated. In the second half of 2012, the Russian Rouble has partially recovered its value. During 2013 the Russian Rouble has depreciated consistently against the US Dollar. The fluctuations in the exchange rate between US Dollar and Russian Rouble expose the Group to foreign exchange risk. The Group is also exposed to the effects of currency fluctuations between the US Dollar and the Euro, which is the functional currency of the Estonian subsidiaries and US Dollar and the Ukrainian Hryvnia, which is the functional currency of the Ukrainian subsidiary of the Group.

The carrying amounts of monetary assets, liabilities and capital commitments denominated in US dollars as at 31 December 2013 and 31 December 2012 are as follows:

	2013 US$'000	2012 US$'000
Assets	37,259	111,559
Liabilities	63,801	103,970

Had US dollar exchange rate strengthened/weakened by 15% against the Russian Rouble and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2013, would have increased/decreased by US$5,686 thousand (2012: 15% change, effect US$15,502 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of lease liabilities, loans, borrowings, cash and cash equivalents and accounts receivable denominated in US dollars for the Group entities with Russian Rouble being their functional currency. Profit was less sensitive to fluctuations of the exchange rate of Russian Rouble to US dollar for the year ended 31 December 2013 compared to 2012 mainly due to the decrease of the proportion of US Dollar denominated borrowings as at the end of 2013 (Note 24) combined with the decrease of the proportion of US Dollar denominated cash and cash equivalents as at the end of 2013.

Had US dollar exchange rate strengthened/weakened by 10% against the Euro and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2013, would have decreased/increased by US$3,301 thousand (2012: 15% change, effect US$8,676 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of lease liabilities, loans, borrowings, cash and cash equivalents and accounts receivable denominated in US Dollars for the Estonian subsidiaries of the Group. Profit was less sensitive to fluctuations of the exchange rate of US dollar to Euro for the year ended 31 December 2013 compared to 2012 mainly due to the decrease of the proportion of US Dollar denominated borrowings as at the end of 2013 (Note 24) combined with the decrease of the proportion of US Dollar denominated cash and cash equivalents as at the end of 2013.

Had US dollar exchange rate strengthened/weakened by 25% against the Ukrainian Hryvnia and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2013, would have decreased/increased by US$8,854 thousand (2012: 15% change, effect US$5,223 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of borrowings denominated in US Dollars for the Ukrainian subsidiary of the Group.

(b) Cash flow and fair value interest rate risk

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

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

Had US dollar, Euro and Russian Rouble lease and credit interest rates shift by 1% (in the case of floating interest rates) and all other variables remained unchanged, the post-tax profit of the Group would have changed by US$1,951 thousand for the year ended 31 December 2013 (2012: US$2,547 thousand).

The Group obtains borrowings at current market interest rates and does not use any hedging instruments to manage interest rate risk. Management monitors changes in interest rates and takes steps to mitigate these risks as far as practicable by ensuring the Group has financial liabilities with both floating and fixed interest rates.

(c) Credit risk

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

The Group has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history. The majority of bank balances are held with independently rated parties with a minimum rating of 'Baa'. These policies enable the Group to reduce its credit risk significantly.

However, the Group's business is heavily dependent on a few large key customers, with the top ten customers accounting for 62,66% of the Group's trade and other receivables (excluding VAT receivable and prepayments) as at 31 December 2013 (2012: 54.51%).

These figures include trade and other receivables arising from business with related parties which account for Nil as at 31 December 2013 (2012: 17.97%).

The table below summarises the analysis of accounts receivable under contractual terms of settlement at the balance sheet date for the year ended 31 December 2013 and 31 December 2012:

	Fully performing US$'000	Past due US$'000	Impaired US$'000	Impairment provision US$'000	Total US$'000
As of 31 December 2013					
Trade receivables	50,389	26,416	11,635	(11,635)	76,805
Loans originated	627	180	-	-	807
Other receivables	2,391	463	1,072	(1,072)	2,854
	53,407	27,059	12,707	(12,707)	80,466
As of 31 December 2012					
Trade receivables	42,177	44,337	655	(655)	86,514
Other receivables	4,114	732	776	(776)	4,846
	46,291	45,069	1,431	(1,431)	91,360

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

(d) Liquidity risk

The Group has an excess of current liabilities over current assets of US$74,222 thousand as at 31 December 2013 (2012: excess of current assets over current liabilities US$85,167 thousand).

The Group has successful credit and refinancing history and maintains enough flexibility ensuring the ability to attract necessary funds through committed credit facilities. Due to availability of committed credit lines amounting to US$192,306 thousand for 2013 (2012: US$187,189 thousand), together with long-term borrowings (Note 24) the Group has the ability to meet its liabilities as they fall due and mitigate risks of adverse changes in the financial markets environment.

Management controls current liquidity based on expected cash flows and expected revenue receipts. In the long term perspective the liquidity risk is determined by forecasting future cash flows at the moment of signing new credit, loan or lease agreements and by budgeting procedures.

The table below summarises the analysis of financial liabilities of the Group by maturity as of 31 December 2013 and 31 December 2012. The amounts in the table are contractual undiscounted cash flows. Trade and other payables balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than one month	Between one month and three months	Between three and six months	Less than one year	Between 1 and 2 years	Between 2 and 5 years	Over five years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
31 December 2013								
Borrowings	21,788	98,302	76,938	148,724	557,354	241,979	1,108	1,146,193
Trade and other payables	21,876	539	179	297	-	-	-	22,891
	43,664	98,841	77,117	149,021	557,354	241,979	1,108	1,169,084
31 December 2012								
Borrowings	22,067	62,084	74,962	155,501	298,049	653,992	-	1,266,655
Trade and other payables	35,833	461	129	663	-	-	-	37,086
	57,900	62,545	75,091	156,164	298,049	653,992	-	1,303,741

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

(e) Capital risk management

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

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

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

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

The rate of borrowings to total capitalisation as at 31 December 2013 and 31 December 2012 are as follows:

	2013	2012
	US$'000	US$'000
Total borrowings	1,014,100	1,075,108
Total capitalisation	2,420,599	2,522,700
Total borrowings to total capitalisation ratio (percentage)	41.89%	42.61%

External requirements are imposed on the capital of the Company as defined by management in relation to long-term loans provided by financial institutions to the Company and certain subsidiaries of the Company. The Group analyses compliance with external requirements to the capital at each reporting date and when entering into new loan agreements and lease contracts. There were no instances of non-compliance with externally imposed capital requirements during 2013 and 2012. Management believes that the Group will be able to comply with its external requirements to the capital during the whole term of agreements.

(f) Fair value estimation

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

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

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

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

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

Liabilities carried at amortised cost. The fair value of non-convertible unsecured bonds is based on quoted market prices. Fair values of other liabilities were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date on which the amount could be required to be paid. The discount rates used ranged from 7,8% p.a. to 10,3 % p.a. depending on the length and currency of the liability. (Note 24).

4. Critical accounting estimates and judgements

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

(a) Critical accounting estimates and assumptions

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

i) Tax legislation

Russian tax, currency and customs legislation is subject to varying interpretations (Note 28).

ii) Determination of fair values in business combinations

In accordance with acquisition method of accounting for business combinations, the Group allocates the purchase price of acquired entities to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. The Group engages third-party valuation experts to assist the management in determining the fair values of certain assets acquired and liabilities assumed. Such valuations require significant estimates and assumptions to be made.

Fair values are estimated based on assumptions believed to be reasonable. These estimates are based on historical experience and information obtained from the management of the acquired companies and are inherently uncertain. Critical estimates in valuing certain assets acquired and liabilities assumed include but are not limited to: future expected cash flows from transportation contracts, market railcar prices, repair and maintenance costs and discount rates.

Fair values of property, plant and equipment were determined by independent valuers with reference to market prices for rolling stock of similar age.

Fair value of customer relationships was determined by independent valuers using the multi-period excess earnings method within the income approach. Projected cash flows were estimated for the existing five-year customer contract and for the two years thereafter. This is based on the assumption that after the expiry of the original contract the cooperation between the Group and MMK will not terminate since the relationship is based on market conditions and the rolling stock of the Group and its expertise best meet the transportation requirements of the client. Other key assumptions included into cash flow calculations are growth of transportation volumes and prices, railway tariffs, structure of the fleet, costs associated with repairs and maintenance and staff costs.

Unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, estimates or actual results.

The goodwill arising on the acquisition of Steeltrans has been allocated to the Russian open wagons/operator’s services group of CGUs. Management has assessed that in view of the fact that the acquisition of Steeltrans gives rise to potential synergies benefiting more than a single cash-generating unit, the activities of the individual legal entities of the Group involve intra-group transactions of leasing of rolling stock, and there are also ongoing restructuring of activities between the Group entities, allocation of goodwill to individual cash-generating unit would not be possible on a non-arbitrary basis. Therefore management has assessed that the lowest level which is expected to benefit from synergies arising on the acquisition of Steeltrans and the level at which goodwill is monitored by management is represented by the Russian open-wagons/operator’s services group of CGUs.

iii) Assessment of recoverability of goodwill

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

Management has assessed that in view of the fact that the acquisitions of OOO Ferrotrans and OOO Steeltrans give rise to synergies benefiting more than a single cash generating unit, the activities of the individual legal entities of the Group involve intra-group transactions of leasing the rolling stock, and there are also ongoing restructuring of activities between the Group entities, allocation of goodwill to individual cash-generating units would not be possible on a non-arbitrary basis. Therefore, the management has assessed impairment of goodwill at the group of CGUs which represent the lowest level which is expected to benefit from the synergies arising on the acquisition of OOO Ferrotrans and OOO Steeltrans and the level at which goodwill is monitored by management, which is represented by the Russian open wagons/operator's services group of CGUs.

The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 13). Goodwill has been allocated for impairment testing purposes to Russian open wagons/operator's services group of CGUs. The Group prepared value-in-use calculations and as a result of such calculations no impairment was identified.

iv) Assessment of recoverability of customer relationships

The Group assesses at each balance sheet date whether there are indications for impairment for the customer relationships with Metalloinvest and MMK Groups. As of 31 December 2013, the Group assessed that despite general deterioration in general industry market conditions, there were no impairment indicators in place for the customer relationship with MMK Group, therefore no impairment testing was performed in relation to this customer relationship. However, impairment indicators were noted in relation to the customer relationship with Metalloinvest Group and as a result, the Group performed an impairment assessment in relation to this customer relationship. The recoverable amount was determined based on value-in-use calculations. These calculations require the use of estimates (Note 13). The impairment testing indicated significant headroom between the recoverable amount and the carrying amount of the customer relationship so that any reasonable possible change in the assumptions used would not trigger any impairment loss.

v) Useful lives of customer relationships

The estimation of the useful lives of customer relationships arising on business combinations and included within intangible assets is a matter of judgment based on expectations of the duration of the relationship with the customers. As of 31 December 2013, the Group carries customers relationships with Metalloinvest and MMK Groups with a carrying amount of US$39,520 thousand and US$129,145 thousand with remaining useful economic lives of 3,5 and 6 years respectively. In assessing the remaining useful life of these customer relationships, management took the view that the cooperation with Metalloinvest and MMK Groups would not terminate after the expiry of the underlying contracts as the relationships are based on market conditions and the rolling stock of the Group and its expertise best meet the transportation requirements of the customers. In view of these considerations, management estimated the useful economic lives of the customer relationships with Metalloinvest and MMK Group to be 3,5 years and 6 years respectively.

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

i) Revenue recognition

Operator's services are rendered using own or leased rolling stock. The Group's customers do not interact with OAO "Russian Railways". A full service is charged by the Group to its customers and the OAO "Russian Railways" tariff is borne by the Group. There are certain characteristics indicating that the Group is acting as an agent, particularly the fact that OAO "Russian Railways" tariffs are available to the public, therefore are known to the customer, and the risk of delivery is borne by OAO "Russian Railways". However, the Group bears the credit risk and controls the flow of receipts and payments. The services are rendered with the use of own or leased rolling stock and the Group bears the OAO "Russian Railways" tariff to bring the rolling stock back or to the next destination. The Group is independent in its pricing policy and considers its potential loss for empty run tariff. Management believes that the Group acts as a principal in these arrangements and the Group accounts receipts from customers as sales revenue and the OAO "Russian Railways" tariff is included in cost of sales. Had OAO "Russian Railways" tariff directly attributable to such services been excluded from revenues and cost of sales both would have decreased by US$763,980 thousand for the year ended 31 December 2013 (US$681,681 thousand for the year ended 31 December 2012).

The above include contracts with several customers where under the legal form of these contracts the Group acts as an agent in respect of Russian Railway tariff and services provided by other transportation organisations and recharges such costs to its customers. Management believes that despite the legal form of the contracts the substance of the relationship with the customers is such that the Group acts as a principal, because the Group's customers do not interact with Russian Railways nor with the operators supplying the engaged fleet but have a contractual relationship with the Group, the Group has discretion in selecting suppliers and decides on type of rolling stock to be used in transportation (owned or engaged), the Group bears the credit and price risk and controls the flow of receipts and payments. The Group accounts for full amounts of receipts from customers as revenue and the Russian Railways tariff and the services provided by other operators are included in cost of sales. Had the Russian Railways loaded trip tariff and services provided by other transportation organisations directly attributable to such contracts been excluded from revenues and cost of sales, both would have decreased by US$920,230 thousand for the year ended 31 December 2013 (US$792,316 thousand for the year ended 31 December 2012).

The Company has contracts with several customers where under the legal form of these contracts the Company acts as an agent in respect of services provided by other transportation organisations and recharges such costs to its customers. Management believes that despite the legal form of the contracts the substance of the relationship with the customers is such that the Company acts as a principal, because the Company's customers do not interact with operators supplying the engaged fleet but have a contractual relationship with the Company, the Company has discretion in selecting suppliers and decides on type of rolling stock to be used in transportation (owned or engaged), the Company bears the credit and price risk and controls the flow of receipts and payments. The Company accounts for full amounts of receipts from customers as revenue and the services provided by other operators are included in cost of sales. Had the services provided by other transportation organisations directly attributable to such contracts been excluded from revenues and cost of sales, both would have decreased by US$ 42,798 thousand for the year ended 31 December 2013 (US$ 61,423 thousand for the year ended 31 December 2012).

ii) Determination of the acquisition date in business combinations and acquisition of non-controlling interest

The Group determines the acquisition date as the date on which the Group obtains control of the acquiree. On 18 December 2012, the Company has entered into agreement for the acquisition of 100 per cent interest in OOO MMK-Trans. Such agreement specified certain conditions that had to be met before the completion date, such as receipt of approvals for the acquisition from the regulatory authorities. The transaction was completed on 12 February 2013 and 100 per cent interest in OOO MMK-Trans was transferred to the Company on that date. The Group considers the conditions specified in the agreement as substantive and not merely procedural and as such the acquisition date was determined as 12 February 2013 when all such conditions were satisfied, the share in OOO MMK-Trans was transferred to the Company and the Group obtained control of the acquiree.

On 30 November 2013, the Group entered into a share purchase agreement to acquire 52,5% economic interest in Amalfico Holdings Limited which in turns held 97% of ZAO Ural Wagon-Repair Company. The agreement was conditional on the Group obtaining approval of the transaction from the Federal Antimonopoly Service of the Russian Federation and Anti-Monopoly Committee of Ukraine which were obtained by 24 January 2014. The Group considered the conditions specified in the agreement as non-substantive and merely procedural in view of the size of Ural Wagon-Repair Company and the fact that the Group was not engaged in any wagon repair activities prior to this acquisition. Therefore, the transaction was accounted for on the date of the share purchase agreement and was therefore reflected in these consolidated financial statements. The Group was already consolidating Amalfico Holding Limited and ZAO Ural Wagon-Repair Company pursuant to a currently exercisable option which had been in place since the acquisition of OOO MMK-Trans, therefore, the acquisition of the 52,5% stake in Amalfico Holdings Limited was accounted for as an acquisition of non-controlling interest taking place on 30 November 2013.

iii) Intention for the distribution of dividends by subsidiaries

Withholding tax at the rate of 5% is applied to the dividends distributed by the Russian subsidiaries of the Group to the Company. In case the dividends are distributed by the Estonian subsidiaries the tax of 21% will be applied to such distributions. Recognition of the provisions for such taxes by the Group is based on the management's intention for future dividend distribution by each respective subsidiary. Deferred income tax liabilities of US$62,739 thousand (2012: US$60,143 thousand) have not been recognised for the withholding taxes that would be payable in case unremitted earnings of certain subsidiaries are distributed to the Company in the form of dividends as it is the current intention of the management of the Group that such amounts are reinvested. Unremitted earnings on which no deferred tax liability was recognised totalled US$494,525 thousand as at 31 December 2013 (2012: US$553,778 thousand).

5. Segmental information

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

The Board considers the business from two perspectives: by type of activity and by type of rolling stock used. From a type of activity perspective, management reviews revenues with no further analysis of the underlying cost components. From the type of rolling stock used perspective management assesses the performance of each type (open wagons, tank cars, locomotives, hopper wagons, platforms) at the level of adjusted revenue.

Adjusted revenue is the measure of profit looked at by the chief operating decision-maker and this includes the revenues derived from the relating type of rolling stock used less infrastructure tariff paid for the loaded trips of relating rolling stock less services provided by other transportation organisations. Further, the Board receives information in respect of relating depreciation charges. All other information provided to the Board is measured in a manner consistent with that in the financial statements.

Segment assets consist of rolling stock, customer relationships and goodwill. Unallocated assets comprise all the assets of the Group except for rolling stock, customer relationship and goodwill, as included within segment assets.

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

Capital expenditure comprises additions of rolling stock to property, plant and equipment and additions to customer relationships and goodwill arising on business combinations.

The Group does not have transactions between different business segments.

	Open wagons US$'000	Tank cars US$'000	All other segments US$'000	Total US$'000
Year ended 31 December 2013				
Total revenue – operator's services	1,138,845	1,019,719	37,993	2,196,557
Total revenue – operating lease	4,203	94,698	19,644	118,545
Revenue (from external customers)	1,143,048	1,114,417	57,637	2,315,102
less Infrastructure and locomotive tariffs - loaded trips	(346,032)	(402,139)	(15,809)	(763,980)
less Services provided by other transportation	(146,315)	(9,852)	(83)	(156,250)
Adjusted revenue for reportable segments	650,701	702,426	41,745	1,394,872
Depreciation and amortisation	(145,855)	(28,960)	(11,373)	(186,188)
Additions to non-current assets (included in reportable segment assets)	315,839[1]	26	44,331	360,196
Reportable segment assets	1,846,960[2]	524,586	73,571	2,445,117

[1] Includes US$211,688 thousand of intangible assets representing goodwill and customer relationships.
[2] Includes US$346,735 thousand of intangible assets representing goodwill and customer relationships.

	Open wagons US$'000	Tank cars US$'000	All other segments US$'000	Total US$'000
Year ended 31 December 2012				
Total revenue – operator's services	924,187	1,026,800	18,341	1,969,328
Total revenue – operating lease	41,827	88,190	5,783	135,800
Revenue (from external customers)	966,014	1,114,990	24,124	2,105,128
less Infrastructure and locomotive tariffs - loaded trips	(148,848)	(530,804)	(2,029)	(681,681)
less Services provided by other transportation	(110,635)	-	-	(110,635)
Adjusted revenue for reportable segments	706,531	584,186	22,095	1,312,812
Depreciation and amortisation	(75,515)	(27,820)	(3,259)	(106,594)
Additions to non-current assets (included in reportable	1,261,716[1]	147,611	18,720	1,428,047
Reportable segment assets	1,838,421[2]	556,218	46,350	2,440,989

[1] Includes US$205,668 thousand of intangible assets representing goodwill and customer relationships.
[2] Includes US$197,033 thousand of intangible assets representing goodwill and customer relationships.

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

	2013 US$'000	2012 US$'000
Adjusted revenue for reportable segments	1,394,872	1,312,812
Other revenues	12,447	9,167
Total adjusted revenue	1,407,319	1,321,979
Cost of sales (excl. Infrastructure and locomotive tariffs - loaded trips, services provided by other transportation organisations, impairments and depreciation of	(645,046)	(545,871)
Selling, marketing and administrative expenses (excl. depreciation and impairments)	(135,656)	(126,784)
Depreciation	(164,389)	(113,043)
Impairment charge	(11,666)	(948)
Other gains – net	1,164	1,153
Operating profit	451,726	536,486
Finance income	10,287	-
Finance costs	(120,056)	(124,545)
Share of profit of associates	213	339
Profit before income tax	342,170	412,280

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

	2013		2012	
	Assets US$'000	Liabilities US$'000	Assets US$'000	Liabilities US$'000
Segment assets/ liabilities	2,445,117		2,440,989	
Unallocated:				
Deferred tax	-	143,889	-	125,074
Income tax assets/liabilities	7,254	445	3,515	8,207
Investment in associates	2,552	-	2,230	-
Inventories	17,994	-	13,675	-
Intangible assets	20	-	11	-
Current borrowings	-	276,971	-	237,933
Non-current borrowings	-	737,129	-	837,175
Property, plant and equipment	82,043	-	37,912	-
Receivables	197,494	-	263,295	-
Payables	-	116,273	-	135,568
Restricted cash	-	-	10,000	-
Cash and cash equivalents	104,103	-	178,190	-
Total	2,856,577	1,274,707	2,949,817	1,343,957

Geographic information
Revenues from external customers

	2013 US$'000	2012 US$'000
Revenue		
Russia	2,249,018	2,023,852
Estonia	47,432	56,127
Finland	27,766	22,850
Ukraine	3,333	11,466
	2,327,549	2,114,295

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

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

	2013		2012	
	US$'000	% revenue	US$'000	% revenue
Revenue				
Customer A – tank cars segment	508,209	22	542,191	26
Customer B – open wagons segment	324,496	14	-	-

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

	2013 US$'000	2012 US$'000
Non-current assets		
Russia	2,221,542	2,171,983
Estonia	266,317	263,909
Ukraine	44,951	47,024
Cyprus	73	26
	2,532,883	2,482,942

Analysis of revenue by category

	2013 US$'000	2012 US$'000
Railway transportation – operators services (tariff borne by the Group)	1,541,608	1,208,463
Railway transportation – operators services (tariff borne by the client)	654,949	760,865
Railway transportation – freight forwarding	1,950	6,895
Operating lease of rolling stock	118,545	135,800
Other	10,497	2,272
Total revenue	2,327,549	2,114,295

Note: Revenue from railway transportation – operators services (tariff borne by the Group) includes infrastructure and locomotive tariffs for loaded trips for the year ended 31 December 2013 amounting to US$763,980 thousand (for the year ended 31 December 2012: US$681,681 thousand) and the cost of engaging the fleet from third parties recharged to clients of the Group amounting to US$156,250 thousand (2012: US$110,635 thousand).

6. Expenses by nature

	2013 US$'000	2012 US$'000
Cost of sales		
Infrastructure and locomotive tariffs:		
Loaded trips	763,980	681,681
Empty run trips and other tariffs	339,381	295,889
Services provided by other transportation organisations	156,250	110,635
Operating lease rentals – rolling stock	40,149	61,618
Employee benefit expense	27,788	18,948
Repairs and maintenance	130,545	104,051
Depreciation of property, plant and equipment	162,634	112,028
Amortisation of intangible assets	31,930	7,730
Fuel and spare parts – locomotives	37,996	31,518
Engagement of locomotive crews	14,104	12,169
Loss on sale of property, plant and equipment	5,914	2,072
Other expenses	17,239	11,876
	1,727,910	1,450,215

	2013 US$'000	2012 US$'000
Selling, marketing and administrative expenses		
Depreciation of property, plant and equipment	1,755	1,015
Amortisation of intangible assets	5	3
(Gain)/loss on sale of property, plant and equipment	(58)	48
Employee benefit expense	68,301	63,137
Impairment charge of receivables	11,666	948
Operating lease rental – office	8,361	6,614
Auditors' remuneration	1,964	1,937
Legal, consulting and other professional fees	5,094	6,955
Advertising and promotion	820	807
Communication costs	1,622	1,153
Information services	2,004	1,664
Taxes (other than income tax and value added taxes)	33,353	28,543
Other expenses	14,190	15,923
	149,077	128,747

	2013 US$'000	2012 US$'000
Total expenses		
Depreciation of property, plant and equipment (Note 12)	164,389	113,043
Amortisation of intangible assets (Note 13)	31,935	7,733
Loss on sale of property, plant and equipment (Note 12)	5,856	2,120
Employee benefit expense (Note 8)	96,089	82,085
Impairment charge for receivables	11,666	948
Operating lease rentals – rolling stock	40,149	61,618
Operating lease rentals – office	8,361	6,614
Repairs and maintenance	130,545	104,051
Fuel and spare parts – locomotives	37,996	31,518
Engagement of locomotive crews	14,104	12,169
Infrastructure and locomotive tariffs:		
Loaded trips	763,980	681,681
Empty run trips other tariffs	339,381	295,889
Services provided by other transportation organisations	156,250	110,635
Auditors' remuneration	1,964	1,937
Legal, consulting and other professional fees	5,094	6,955
Advertising and promotion	820	807
Communication costs	1,622	1,153
Information services	2,004	1,664
Taxes (other than income tax and value added taxes)	33,353	28,543
Other expenses	31,429	27,799
Total cost of sales, selling and marketing costs and administrative expenses	1,876,987	1,578,962

Note: The Cypriot auditors' remuneration stated above include fees of US$492 thousand (2012: US$609 thousand) for audit services charged by the Group's statutory audit firm. The rest of the auditor's remuneration relates to fees for audit services charged by the auditors of the subsidiaries of the Company.

Legal, consulting and other professional fees include US$24 thousand for the year 2013 (US$0 thousand for the year 2012) in fees paid to the Company's statutory auditor for non-audit services.

7. Other gains – net

	2013 US$'000	2012 US$'000
Other gains	2,354	3,574
Other losses	(1,245)	(912)
Net foreign exchange gains / (loses) (Note 11)	55	(1,509)
Total other gains – net	1,164	1,153

8. Employee benefit expense

	2013 US$'000	2012 US$'000
Wages and salaries (including restructuring costs for 2013 US$678 thousand)	49,785	37,598
Bonuses	32,404	33,555
Social insurance costs (including restructuring costs for 2013 US$127 thousand)	13,900	10,932
Total employee benefit expense	96,089	82,085

9. Finance income and costs

	2013 US$'000	2012 US$'000
Interest expense:		
Borrowings from third parties	(2,189)	-
Bank borrowings	(75,927)	(61,758)
Non-convertible bond	(36,206)	(32,551)
Finance leases	(2,057)	(2,873)
Other finance costs	(5,861)	(808)
Total interest expense	(122,240)	(97,990)
Net foreign exchange transaction gains/(losses) on borrowings and other liabilities (Note 11)	2,184	(26,555)
Finance costs	(120,056)	(124,545)
Interest income:		
Loans receivables from third parties	32	-
Bank balances	924	2,309
Short term bank deposits	2,606	3,334
Total interest income	3,562	5,643
Net foreign exchange transaction gains/(losses) on cash and cash equivalents and other monetary assets (Note 11)	6,725	(5,643)
Finance income	10,287	-
Net finance costs	(109,769)	(124,545)

10. Income tax expense

	2013 US$'000	2012 US$'000
Current tax:		
Corporation tax	84,921	85,200
Withholding tax on dividends for which no deferred tax was recognised	3,656	-
Defence contribution	17	-
Total current tax	88,594	85,200
Deferred tax (Note 25):		
Origination and reversal of temporary differences	1,938	4,493
Impact of change in intention for distribution of profits by subsidiary	-	11,059
Impact of change in the Ukrainian tax rate	-	(50)
Total deferred tax	1,938	15,502
Income tax expense	90,532	100,702

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

	2013 US$'000	2012 US$'000
Profit before tax	342,170	412,280
Tax calculated at domestic tax rates applicable to profits in the respective countries	64,390	82,031
Tax effects of:		
Expenses not deductible for tax purposes	4,331	1,414
Allowances and income not subject to tax	(1,642)	(13)
Tax effect of revaluation of deferred tax at current tax rates/utilisation of previously unrecognised tax losses	117	-
Tax effect of tax losses for which no deferred tax asset was recognised	3,537	-
Re-measurement of deferred tax liability – change in the Ukrainian tax rate	-	(50)
Withholding tax on dividends for which no deferred tax was recognised	3,656	-
Derecognition of deferred tax asset previously recognised	1,823	-
Estonian income tax charge(2)	2,113	-
Dividend withholding tax provision (Note 25)(1)	12,190	17,288
Other	17	32
Tax charge	90,532	100,702

(1) Included within 'Dividend withholding tax provision' in 2012 is deferred tax provision of US$11,059 thousand due to the change in intention for distribution of profits of a Russian subsidiary of the Company (the applicable dividend tax rate is 5%) as it was no longer probable that dividend distributions would only be made from future profits of that subsidiary. This resulted in the recognition of one-off deferred tax provision in the amount of US$4,214 thousand (relates to the profits earned in the prior periods) and a further deferred tax provision of US$6,845 thousand for the 2012 profits.

(2) Estonian tax law calls for profits to be taxed at the time of distribution and not during the year in which they are incurred

The weighted average applicable tax rate was 18,8% in 2013 (2012: 19.9%) and the effective tax rate was 26,5% in 2013 (2012: 24,4%). The increase in the effective tax rate is caused by the increased proportion of the Group's profits arising from the Russian subsidiaries of the Group which are taxed at 20% compared to the Estonian subsidiaries which have zero applicable tax rate on profits after tax together with the income tax incurred by the Estonian subsidiaries, as a result of distribution of dividends to the Company.

The Company is subject to income tax on taxable profits at the rate of 10% up to 31 December 2012, and at the rate of 12,5% as from 1 January 2013. As from tax year 2012 brought forward losses of only five years may be utilised.
Up to 31 December 2008, under certain conditions interest may be subject to special contribution for defence at the rate of 10%. In such cases 50% of the same interest will be exempt from income tax thus having an effective tax rate burden of approximately 15%. From 1 January 2009 onwards, under certain conditions, interest may be exempt from income tax and be subject only to special contribution for defence at the rate of 10%; increased to 15% as from 31 August 2011, and to 30% as from 29 April 2013. In certain cases dividends received from abroad may be subject to special contribution for defence at the rate of 15%; increased to 17% as from 31 August 2011; increased to 20% as from 1 January 2012; reduced to 17% as from 1 January 2014. In certain cases dividends received from 1 January 2012 onwards from other Cyprus tax resident companies may also be subject to special contribution for defence. Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc) are exempt from Cyprus income tax.

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

For subsidiaries in Estonia, the annual profit earned by enterprises is not taxed and thus no income tax or deferred tax asset/liabilities arise. Instead of taxing the net profit, the distribution of statutory retained earnings is subject to a dividend tax rate of 21% (until 31 December 2012: 21%) of net dividend paid. The tax rate will be reduced to 20% in 2015. Therefore, the applicable income tax rate for Estonian subsidiaries is zero per cent as the Group currently has no intention to distribute dividends from the Estonian subsidiaries. During the year, the Estonian subsidiary incurred a charge of US$2,113 thousand (2012: US$nil) as a result of distribution of dividends.

For the subsidiary in Ukraine the annual profit was taxed at a tax rate 25% until 31 March 2011; decreased to 23% until 31 December 2011 and further decreased to 21% thereafter. As of 1 January 2013 the tax rate reduced to 19% and is reduced to 18% from 1 January 2014 and to 16% from January 2016.

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

11. Net foreign exchange gains/(losses)

The exchange differences (charged)/credited to the income statement are included as follows:

	2013 US$'000	2012 US$'000
Net finance costs (Note 9)	8,909	(32,198)
Other (losses)/gains – net (Note 7)	55	(1,509)
	8,964	(33,707)

12. Property, plant and equipment

	Rolling stock US$'000	Land and buildings US$'000	Motor vehicles US$'000	Other US$'000	Total US$'000
At 1 January 2012					
Cost	1,415,495	2,480	3,471	5,463	1,426,909
Accumulated depreciation	(314,929)	(860)	(1,865)	(3,084)	(320,738)
Net book amount	1,100,566	1,620	1,606	2,379	1,106,171
Year ended 31 December 2012					
Opening net book amount	1,100,566	1,620	1,606	2,379	1,106,171
Additions	809,729	22	594	664	811,009
Acquired through business combinations (Note 15)	431,478	-	253	327	432,058
Disposals	(2,740)	-	(213)	(56)	(3,009)
Depreciation charge	(111,225)	(192)	(549)	(1,077)	(113,043)
Currency translation differences	48,407	81	82	112	48,682
Closing net book amount	2,276,215	1,531	1,773	2,349	2,281,868
At 31 December 2012					
Cost	2,722,066	2,626	4,048	6,676	2,735,416
Accumulated depreciation	(445,851)	(1,095)	(2,275)	(4,327)	(453,548)
Net book amount	2,276,215	1,531	1,773	2,349	2,281,868

	Rolling stock US$'000	Land and buildings US$'000	Motor vehicles US$'000	Other US$'000	Total US$'000
At 1 January 2013					
Cost	2,722,066	2,626	4,048	6,676	2,735,416
Accumulated depreciation	(445,851)	(1,095)	(2,275)	(4,327)	(453,548)
Net book amount	2,276,215	1,531	1,773	2,349	2,281,868
Year ended 31 December 2013					
Opening net book amount	2,276,215	1,531	1,773	2,349	2,281,868
Additions	35,495	202	1,427	3,121	40,245
Acquired through business combinations (Note 15)	152,091	7,123	664	15,996	175,874
Disposals	(11,012)	-	(196)	(30)	(11,238)
Depreciation charge	(160,907)	(242)	(819)	(2,421)	(164,389)
Currency translation differences	(139,828)	(633)	(168)	(1,306)	(141,935)
Closing net book amount	2,152,054	7,981	2,681	17,709	2,180,425
At 31 December 2013					
Cost	2,697,577	9,276	5,154	23,558	2,735,565
Accumulated depreciation	(545,523)	(1,295)	(2,473)	(5,849)	(555,140)
Net book amount	2,152,054	7,981	2,681	17,709	2,180,425

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

	2013 US$'000	2012 US$'000
Net book amount	11,238	3,009
Loss on sale of property, plant and equipment (Note 6)	(5,856)	(2,120)
Consideration from sale of property, plant and equipment	5,382	889

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

	2013 US$'000	2012 US$'000
Cash consideration received within year	5,410	900
Movement in advances received in accounts payable for sales of property, plant and equipment	(28)	(11)
	5,382	889

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

	2013 US$'000	2012 US$'000
Cost – capitalised finance leases	123,815	147,331
Accumulated depreciation	(18,539)	(19,948)
	105,276	127,383

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

	2013 US$'000	2012 US$'000
Rolling stock	105,206	127,272
Motor vehicles	70	111
	105,276	127,383

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

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

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

The total net book value of pledged property, plant and equipment (included above) which are held as collateral for the borrowings and loans (excluding finance lease liabilities) are as follows (Note 24):

	2013 US$'000	2012 US$'000
Rolling stock	795,554	625,375

Depreciation expense of US$162,634 thousand in 2013 (2012: US$112,028 thousand) have been charged to "cost of sales" and US$1,755 thousand in 2013 (2012: US$1,015 thousand) have been charged to administrative expenses.

13. Intangible assets

	Goodwill US$'000	Computer software US$'000	Customer relationships US$'000	Total US$'000
At 1 January 2012				
Cost	-	490	-	490
Accumulated amortisation and impairment	-	(340)	-	(340)
Net book amount	-	150	-	150
Year ended 31 December 2012				
Opening net book amount	-	150	-	150
Acquired through business combinations (Note 15)	142,328	14	63,340	205,682
Amortisation charge (Note 6)	-	(158)	(7,575)	(7,733)
Currency translation differences	(504)	5	(556)	(1,055)
Closing net book amount	141,824	11	55,209	197,044
At 31 December 2012				
Cost	141,824	533	63,117	205,474
Accumulated amortisation and impairment	-	(522)	(7,908)	(8,430)
Net book amount	141,824	11	55,209	197,044
Year ended 31 December 2013				
Opening net book amount	141,824	11	55,209	197,044
Acquired through business combinations (Note 15)	50,417	42	161,271	211,730
Amortisation charge (Note 6)	-	(30)	(31,905)	(31,935)
Currency translation differences	(14,171)	(3)	(15,910)	(30,084)
Closing net book amount	178,070	20	168,665	346,755
At 31 December 2013				
Cost	178,070	533	207,179	385,782
Accumulated amortisation and impairment	-	(513)	(38,514)	(39,027)
Net book amount	178,070	20	168,665	346,755

Amortisation of US$31,930 thousand (2012: US$7,730 thousand) is included in 'cost of sales' in the income statement; US$5 thousand (2012: US$3 thousand) in 'administrative expenses'.

Year ended 31 December 2012

In May 2012, the Group completed the acquisition of OOO Ferrotrans (formerly Metalloinvesttrans) (note 15). The goodwill of US$142,328 thousand arose on this acquisition from a number of factors such as the ability of extracting operational efficiencies due to extensive expertise of the management of the Group in the operation of railcars and detailed understanding of transportation requirements of metals and mining companies.

As a part of the acquisition the Group have agreed a three-year transportation contract. In accordance with this contract, the Group will provide rail freight transportation and logistics services to Metalloinvest, handling 100% of all its rail transportation cargo volumes in year one based on agreed pricing terms and at least 60% in the following two years. The Group has recognised an intangible asset 'customer relationships' relating to this arrangement in the amount of US$63,340 thousand, which is amortised over 5 years. Amortisation period is based on the assumption that after the expiry of the original contract the cooperation between the Group and Metalloinvest will not terminate since the relationship is based on market conditions and the rolling stock of the Group and its expertise best meet the transportation requirements of the client. As at 31 December 2012 the remaining useful live for customer relationships was estimated at 4.5 years. Goodwill in the amount of US$141,824 thousand as of 31 December 2012 is allocated to Russian open wagons/operator's services group of cash generating units.

Year ended 31 December 2013

In February 2013 the Group completed the acquisition of 100 per cent of the share capital of OOO Steeltrans (formerly MMK-Trans), the captive freight rail operator of MMK Group, one of the largest single-site steelmakers in Russia. At the time of the acquisition of OOO Steeltrans, the Group also entered into an option that was currently exerciseable to obtain control of Amalfico Holdings Limited, a holding company owning 97% of the share capital of ZAO Ural Wagonrepair Company (UWC), a company offering railcar repair services and as a result obtained control over UWC. The goodwill of US$44,278 thousand which arose from the acquisition of Steeltrans results from a number of factors such as the ability of extracting operational efficiencies due to extensive expertise of the management of the Group in the operation of railcars as well as access to MMK cargo base enabling the Group to develop a more efficient gondola car logistics configurations with low empty runs. The goodwill of US$6,139 thousand from the acquisition of UWC arises due to the ability of extracting potential cost savings on repair and maintenance services. Total goodwill arising from the acquisition of OOO Steeltrans and UWC amounting to US$50,417 thousand is allocated to Russian open wagons/operator's services group of cash generating units.

As part of the acquisition of OOO Steeltrans, the Group entered into a five-year contract guaranteed by MMK Group to supply it with rail transportation services for at least 70% of MMK's rail cargo flows. The Group has recognised an intangible asset 'customer relationships' relating to this arrangement in the amount of US$161,271 thousand, which is amortised over 7 years. Amortisation period is based on the assumption that after the expiry of the original contract the cooperation between the Group and MMK Group will not terminate since the relationship is based on market conditions and the rolling stock of the Group and its expertise best meet the transportation requirements of the client. As at 31 December 2013 the remaining useful live of the customer relationship with MMK Group was estimated at 6 years.

As of 31 December 2013, the total carrying amount of goodwill in the amount of US$178,070 thousand is allocated to Russian open wagons/operator's services group of cash generating units. As of the same date, customer relationships with a carrying amount of US$39,520 thousand and US$129,145 thousand have remaining useful economic lives of 3,5 and 6 years respectively.

Impairment assessment of customer relationships

The Group assesses at each balance sheet date whether there are indications for impairment for the customer relationships with Metalloinvest and MMK Group. As of 31 December 2013, the Group assessed that despite general deterioration in general industry market conditions, there were no impairment indicators in place for the customer relationship with MMK Group with a carrying amount of US$129,145 thousand, therefore no impairment testing was performed in relation to this customer relationship.

However, impairment indicators were noted in relation to the customer relationship with Metalloinvest Group and as a result, the Group performed an impairment assessment in relation to this customer relationship. The recoverable amount was determined based on value-in-use calculations. These calculations require the use of estimates. The impairment testing indicated significant excess of the recoverable amount over the carrying amount of the customer relationship so that any reasonable possible change in the assumptions used would not trigger any impairment loss.

For projections prepared for customer relationship with Metalloinvest Group are based on 5-year post-tax cash flow projections and the discount rate of 15.06% have been applied for years 2014-2016 and 17,06% for years 2017-2018. The key assumptions are transportation volumes and prices per trip. The projected volumes reflect past experience and management's estimates. The transportation prices are estimated in accordance with the past performance of the Group and management's expectations of market development.

Impairment test for goodwill

Management reviews the business performance based on types of rail cars and types of business. It has identified open wagons and rail tanks as the main types of rail cars and operator's services and operating lease as the main business activities of the Group. Goodwill is monitored by the management at the operating segment level and currently goodwill is allocated to the Russian open wagons/operator's services group of cash generating units.

The recoverable amount of this group of CGUs is determined based on value in use calculations (2012: value in use). These calculations are based on 7-year post-tax cash flow projections (2012: 5–year post-tax cash flow projections) and all the assumptions in relation to growth rates are determined by reference to management's past experience and industry forecasts. Cash flows beyond the seven-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the operator's business in which the group of CGUs operates.

For projections prepared for Russian open wagon/operator's services group of CGUs, terminal growth rate of 3% (2012: 3%) and the discount rate of 14.0% (2012: 17.82%) have been applied. The key assumptions are transportation volumes and prices per trip. The projected volumes reflect past experience and management's estimates. The transportation prices are estimated in accordance with the past performance of the Group and management's expectations of market development.

The terminal growth rate used is consistent with the forecasts included in industry reports. The discount rate used is post-tax and reflect specific risks relating to the relevant group of CGUs.

The recoverable amount of Russian open wagon/operator's services group of CGUs calculated based on value-in-use exceeds its carrying amount as of 31 December 2013 and 31 December 2012. Management believes that any reasonably possible change in the key assumptions on which these units' recoverable amounts is based would not cause carrying amounts of these units to exceed their recoverable amounts as of 31 December 2013 or 31 December 2012.

14. Investment in associate

	2013 US$'000	2012 US$'000
At beginning of year	2,230	1,845
Share of profit after tax	213	339
Foreign exchange difference gain	109	46
At end of year	2,552	2,230

The Group's share of the results of its associate, which is listed on Riga Stock Exchange, and its share of the assets and liabilities are as follows:

Name	Country of incorporation	Assets US$'000	Liabilities US$'000	Revenue US$'000	Profit US$'000	% held
2013						
Daugavpils Lokomotivju Remonta Rupnica (DLRR)	Latvia	8,299	4,664	9,184	213	25.27
2012						
Daugavpils Lokomotivju Remonta Rupnica (DLRR)	Latvia	7,878	4,545	9,131	339	25.27

The fair value of the investment in associate based on the closing price quoted on Riga Stock Exchange as at 31 December 2013 is US$1,330 thousand active (31 December 2012: US$1,906 thousand). However the market for these shares is not considered as active.

15. Business combination

(a) Acquisition of OOO Steeltrans

On 12 February 2013 the Group completed the acquisition of 100 per cent of the share capital of OOO Steeltrans (formerly MMK-Trans), the captive freight rail operator of MMK Group, one of the largest single-site steelmakers in Russia. The total consideration was US$251,317 thousand. Steeltrans principally handles cargoes of the MMK Group, primarily metallurgical cargoes and coal. As part of the transaction, Globaltrans entered into a five-year contract guaranteed by MMK Group to supply it with rail transportation services for at least 70% of MMK's rail cargo flows. As a result of the acquisition Globaltrans expects to further enhance its position as a leading independent private freight rail group in Russia.

At the time of the acquisition of OOO Steeltrans, the Group has entered into the call option agreement for the acquisition of 52.5% of the share capital of Amalfico Holdings Limited, a holding company owning 97% of the share capital of ZAO Ural Wagonrepair Company (UWC), a company offering railcar repair services. Effective interest of 46.1 per cent of UWC is controlled by OOO Steeltrans and formed part of the acquisition. The option was exercisable after the completion of the acquisition of OOO Steeltrans and was expiring on 12 February 2014. Considering the potential voting rights, the currently exercisable call option provided the Group with the power to govern the financial and operating policies of UWC at the time that the Group entered into this call option, in February 2013 and, as a consequence, UWC is determined to be a subsidiary of the Company as from February 2013.

The goodwill of US$44,278 thousand which arises from the acquisition of Steeltrans results from a number of factors such as the ability of extracting operational efficiencies due to extensive expertise of the management of the Group in the operation of railcars as well as access to MMK cargo base enabling the Group to develop a more efficient gondola car logistics configurations with low empty runs. The goodwill of US$6,139 thousand from the acquisition of UWC arises due to the ability of extracting potential cost savings on repair and maintenance services.

The following table summarises the consideration paid for OOO Steeltrans and the amounts of the assets acquired and liabilities assumed (including the assets and liabilities of UWC) recognised at the acquisition date.

	12-Feb-2013 **US$'000**
Cash consideration	251,317
Total consideration	**251,317**
Fair value of recognised amounts of identifiable assets and liabilities	
Cash and cash equivalents	38,318
Property, plant and equipment (Note 12)	175,874
Intangible assets (Note 13)	161,313
Inventories	2,694
Trade and other receivables	47,918
Deferred tax assets	946
Borrowings	(145,050)
Trade and other payables	(40,659)
Deferred tax liabilities	(47,639)
Total identifiable net assets	**193,714**
Non-controlling interest	**7,185**
Goodwill	**50,417**
	251,317

Purchase consideration in cash:

	12-Feb-2012 **US$'000**
Cash consideration	251,317
Release of restricted cash paid in 2012 and held on the escrow account	(10,000)
Cash and cash equivalents acquired	(38,318)
Net cash outflow from business combination	202,999

OOO Steeltrans and UWC are parties to a loan agreement. The fair value of the amount outstanding in accordance with such agreement from UWC to Steeltrans as of the acquisition date is US$19,062 thousand. Such amount is not included in the table above as it constitutes a pre-existing relationship is effectively settled at the time of acquisition.
Acquisition-related costs of US$1,147 thousand have been charged to administrative expenses in the consolidated income statement for the year.

The fair value of trade and other receivables is US$47,918 thousand and includes trade receivables with a fair value of US$19,528 thousand, other receivables with a fair value of US$19,072 thousand, prepayments for the transportation services with a fair value of US$7,924 thousand, loans receivables with the fair value of US$911 thousand and VAT recoverable with a fair value of US$483 thousand.

The gross contractual amounts for trade receivables and other receivables due is US$38,640 thousand of which US$40 thousand is expected to be uncollectible.

The Group has also recognised deferred tax provision on unremitted earnings of OOO Steeltrans as at the date of acquisition of US$1,346 thousand.

The non-controlling interest has been recognised as a proportion of net assets acquired.

The revenue included in the consolidated income statement from 12 February 2013 to 31 December 2013 contributed by OOO Steeltrans and UWC was US$248,315 thousand. OOO Steeltrans and UWC also contributed profit of US$16,146 thousand respectively over the same period.

Had OOO Steeltrans and UWC been consolidated from 1 January 2013, the consolidated income statement for the year ended 31 December 2013 would show pro-forma revenue of US$2,348,244 thousand and pro-forma profit of US$255,706 thousand. Estimates of the contribution of revenue and profit to the Group are based on unaudited information.

This information is not necessarily indicative of the results of the combined Group that would have occurred had the acquisition actually been made at the beginning of the period presented, or indicative of the future results of the combined Group.

(b) Acquisition of OOO Ferrotrans

On 15 May 2012, the group has completed the purchase of 100% of the share capital of OOO Ferrotrans ("FT") (formerly OOO Metalloinvesttrans), the freight rail transportation operator. The core business of FT is to manage rail logistics of Metalloinvest, a leading global iron ore and hot briquetted iron producer based in Russia, using its owned and leased-in railcar fleet as well as the fleet engaged from third-party operators.

As a result of the acquisition Globaltrans expects to further enhance its position as a leading independent private freight rail group in Russia.

As a part of the transaction Globaltrans and Metalloinvest have agreed a three-year service contract. In accordance with this contract, Globaltrans will provide rail freight transportation and logistics services to Metalloinvest, handling 100% of all its rail transportation cargo volumes in year one based on agreed pricing terms and at least 60% in the following two years based on a "right of first refusal" principle.

FT has been acquired through OJSC New Forwarding Company, a 100% subsidiary of the Company, and has been financed through the use of the Group's own funds and from credit facilities. On 1 November 2012, the interest in the share capital of FT was transferred from NFC to the Company.

The following table summarises the consideration paid for FT and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	15-May-2012 US$'000
Cash consideration	573,471
Total consideration	**573,471**
Fair value of recognised amounts of identifiable assets and liabilities assumed:	
Cash and cash equivalents	583
Property, plant and equipment (Note 12)	432,058
Intangible assets (Note 13)	63,354
Inventories	947
Trade and other receivables	70,832
Current income tax assets	1,154
Trade and other payables	(56,908)
Deferred tax liabilities (Note 25)	(80,877)
Total identifiable net assets	431,143
Goodwill	142,328
	573,471

Purchase consideration in cash:

	15-May-2012 US$'000
Cash paid	573,471
Cash and cash equivalents acquired	(583)
Net cash outflow from business combination	572,888

The goodwill of US$142,328 thousand arises from a number of factors such as the ability of extracting operational efficiencies due to extensive expertise of the management of the Group in the operation of railcars and detailed understanding of transportation requirements of metals and mining companies.

Acquisition-related costs of US$1,611 thousand have been charged to administrative expenses in the consolidated income statement for the period.

The fair value of trade and other receivables is US$70,832 thousand and includes trade receivables with a fair value of US$10,168 thousand, other receivables with a fair value of US$10,360 thousand, prepayments for the transportation services with a fair value of US$35,007 thousand and VAT recoverable with a fair value of US$15,297 thousand. The gross contractual amounts for trade receivables and other receivables due is US$10,590 thousand and US$10,802 thousand respectively of which US$422 thousand and US$442 thousand respectively is expected to be uncollectible.

The revenue included in the consolidated income statement from 15 May 2012 to 31 December 2012 contributed by FT was US$410,443 thousand. FT also contributed profit of US$32,421 thousand over the same period.

Had FT been consolidated from 1 January 2012, the consolidated income statement for the year ended 31 December 2012 would show pro-forma revenue of US$2,369,468 thousand and pro-forma profit of US$333,417 thousand. Estimates of the contribution of revenue and profit to the Group are based on unaudited information.

This information is not necessarily indicative of the results of the combined Group that would have occurred had the acquisition actually been made at the beginning of the period presented, or indicative of the future results of the combined Group.

Final consideration payable by the Group for the acquisition of OOO Ferrotrans completed in May 2012, was finally determined in October 2012 based on the actual amounts of net debt and deviation of working capital of Ferrotrans compared to normalised values. The Group has also recognised deferred tax provision on unremitted earnings of OOO Ferrotrans as at the date of acquisition of US$4,975 thousand. These resulted in an adjustment increasing preliminary consideration by US$6,677 thousand and goodwill arising on such acquisition by US$11,652 thousand. The adjustment was treated as measurement period adjustment by the Group in the second half of 2012.

16. Transactions with non-controlling interests

(a) Acquisition of non-controlling interests in subsidiaries

On 30 November 2013, the Group entered into a share purchase agreement to acquire 52,5% economic interest in Amalfico Holdings Limited which in turn held 97% of ZAO Ural Wagon-Repair Company (UWC). The agreement was conditional on the Group obtaining approval of the transaction from the Federal Antimonopoly Service of the Russian Federation and Anti-Monopoly Committee of Ukraine which were obtained by 24 January 2014. The Group considered the conditions specified in the agreement as non-substantive and merely procedural in view of the size of Ural Wagon-Repair Company and the fact that the Group was not engaged in any wagon repair activities prior to this acquisition. Therefore, the transaction was accounted for on the date of the share purchase agreement and was therefore reflected in these consolidated financial statements. The Group was already consolidating Amalfico Holding Limited and ZAO Ural Wagon-Repair Company pursuant to a currently exercisable option which had been in place since the acquisition of OOO MMK-Trans, therefore, the acquisition of the 52,5% stake in Amalfico Holdings Limited was accounted for as an acquisition of non-controlling interest taking place on 30 November 2013.

The acquisition of non-controlling interest in UWC was made for US$1. The difference between the consideration and the carrying amount of non-controlling interest in UWC amounting to (US$9.007 thousand) was transferred to retained earnings.

As part of the share purchase agreement, the Group undertook to take all necessary actions in order for UWC to repay borrowings to an entity related to TIHL, amounting to US$20,823 thousand by 31 March 2014.

17. Financial instruments by category

	2013		2012	
	Loans and receivables	Total	Loans and receivables	Total
	US$'000	US$'000	US$'000	US$'000
Financial assets as per balance sheet				
Trade and other receivables	80,466	80,466	91,360	91,360
Cash and cash equivalents	104,103	104,103	178,190	178,190
Restricted cash	-	-	10,000	10,000
Total	184,569	184,569	279,550	279,550

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

	2013		2012	
	Financial liabilities measured at amortised cost	Total	Financial liabilities measured at amortised cost	Total
	US$'000	US$'000	US$'000	US$'000
Financial liabilities as per balance sheet				
Borrowings	1,014,100	1,014,100	1,075,108	1,075,108
Trade and other payables	22,891	22,891	37,086	37,086
Total	1,036,991	1,036,991	1,112,194	1,112,194

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

18. Credit quality of financial assets

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

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

	2013	2012
	US$'000	US$'000
Trade and other receivables		
Counterparties with external credit rating		
Standard & Poor's[4] (BB+,BBB-)	53	10,438
Moody's[3](Ba2,Ba3)	22,867	2,905
Fitch[5] (B3 - BBB)	412	-
	23,332	13,343

	2013	2012
	US$'000	US$'000
Counterparties without external credit rating		
Group 1	28,547	31,985
Group 2	1,528	963
	30,075	32,948
Total trade and other receivables	53,407	46,291

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

Cash at bank and short-term bank deposits

	Rating	2013 US$'000	2012 US$'000
Moody's [3]	Aaa - A1	5,246	49,398
Moody's [3]	Baa1 - B3	70,687	107,235
Moody's [3]	Caa3	1,183	-
Standard & Poor's [4]	BBB+ - BBB-	12,366	27,269
Fitch [5]	BBB+	14,474	4,273
Other non-rated banks		123	6
Total cash at bank and bank deposits[1][2]		104,079	188,181

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

19. Trade and other receivables

	2013 US$'000	2012 US$'000
Trade receivables – third parties	88,279	70,430
Trade receivables – related parties (Note 30)	161	16,739
Less: Provision for impairment of trade receivables	(11,635)	(655)
Trade receivables – net	76,805	86,514
Other receivables	3,926	5,618
Other receivables – related parties (Note 30)	-	4
Less: Provision for impairment of other receivables	(1,072)	(776)
Other receivables – net	2,854	4,846
Loans receivables – third parties	807	-
Prepayments - related parties (Note 30)	1,215	2,773
Prepayments – third parties	87,513	84,533
VAT recoverable	28,300	84,629
	197,494	263,295

	2013 US$'000	2012 US$'000
Less non-current portion:		
Trade receivables – third parties	4,067	
Less: Provision for impairment of trade receivables	(344)	-
Trade receivables – net	3,723	-
Loans receivables – third parties	504	-
Prepayments for property, plant and equipment	670	-
Total non-current portion	4,897	-
Current portion	192,597	263,295

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

Receivables amounting to US$53,407 thousand as of 31 December 2013 were fully performing (2012: US$46,291 thousand).

Receivables of US$27,059 thousand as of 31 December 2013 were past due but not impaired (2012: US$45,069 thousand). These relate to a number of independent customers for whom there is no history of either non repayment in the past or renegotiation of the repayment terms due to inability of the customer to repay the balance. Trade receivables are impaired only when there is an indication that the customer is unable to repay the balance.

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

	2013 US$'000	2012 US$'000
Less than 1 month	13,215	29,144
From 1 to 3 months	7,609	9,005
From 3 to 6 month	3,050	5,141
From 6 months to 1 year	2,492	1,687
Over one year	693	92
	27,059	45,069

Trade receivables amounting to US$11,635 thousand as of 31 December 2013, were impaired and provided for in full (2012: US$655 thousand). The individually impaired receivables mainly relate to customers for railway services, which are in unexpectedly difficult economic situation. It was assessed that no portion of these receivables is expected to be recovered.

Other receivables amounting to US$1,072 thousand as of 31 December 2013, were impaired and provided for in full (2012: US$776 thousand). It was assessed that no portion of these receivables is expected to be recovered.

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

	2013 US$'000	2012 US$'000
Currency:		
US dollar	14,384	21,047
Russian Roubles	181,367	235,382
Euro	127	345
Ukrainian Hryvnia	1,616	6,521
	197,494	263,295

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

	2013			2012		
	Trade receivabl US$'000	Other receivabl US$'000	Total US$'00	Trade receivables US$'000	Other receivables US$'000	Total US$'000
At 1 January	655	776	1,431	1,467	406	1,873
Provision for receivables impairment (Note 6)	11,114	918	12,032	861	469	1,330
Bad debt written off	(54)	(210)	(264)	(1,393)	(120)	(1,513)
Unused amounts reversed (Note	(37)	(329)	(366)	(374)	(8)	(382)
Currency translation differences	(43)	(83)	(126)	94	29	123
At 31 December	11,635	1,072	12,707	655	776	1,431

The creation and release of provision for impaired receivables have been included in "selling and marketing costs" in the income statement (Note 6). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

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

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

20. Inventories

	2013 US$'000	2012 US$'000
Raw materials, spare parts and consumables	17,994	13,675
	17,994	13,675

All inventories are stated at cost.

21. Cash and cash equivalents

	2013 US$'000	2012 US$'000
Cash at bank and in hand	48,755	73,944
Short term bank deposits	55,348	104,246
Total cash and cash equivalents	104,103	178,190
Restricted cash	-	10,000
	104,103	188,190

The effective interest rate on short-term deposits was 3.86% in 2013 (2012: 3.41%) and these deposits have a maturity of 1 to 12 days (2012: 3 to 18 days).

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

	2013 US$'000	2012 US$'000
Cash and cash equivalents	104,103	178,190
Total cash and cash equivalents	104,103	178,190

Cash and cash equivalents are denominated in the following currencies:

	2013 US$'000	2012 US$'000
Russian Rouble	86,452	91,154
US Dollar	17,206	86,514
Euro	138	171
Ukrainian Hryvnia	230	351
Swiss franc	77	-
Total cash and cash equivalents	104,103	178,190

As at 31 December 2012, US$10,000 thousand was held on escrow account to secure the obligations of the Company under the agreement for acquisition of 100 per cent interest in OOO MMK-Trans (Note 15). These funds were treated as restricted cash as of 31 December 2012.

22. Share capital, share premium and treasury shares

	Number of shares	Share capital US$'000	Share premium US$'000	Total US$'000
At 1 January 2012	158,135,533	15,814	621,227	637,041
Issue of new shares	20,605,383	2,061	337,928	339,989
Incremental costs directly attributable to the issue of new shares	-	-	(9,684)	(9,684)
At 31 December 2012 /1 January 2013 / 31 December 2013	178,740,916	17,875	949,471	967,346

The total authorised number of ordinary shares at 31 December 2013 was 233,918,128 shares with a par value of US$0.10 per share (31 December 2012: 233,918,128 shares with a par value of US$0.10 per share). All issued shares are fully paid.

On 2 January 2012 pursuant to the approval of the Extraordinary General Meeting of shareholders which took place on 20 December 2011, the Company completed the purchase of 3,637,117 own ordinary shares from Envesta Investments Limited at the price of US$11.87 per share for the total value of US$43,172,579.

Following the offering on 12 July 2012 of Global Depository Receipts, on 17 July 2012, the Company has issued 20,605,383 new ordinary shares out of the authorized share capital as fully paid at a price of US$16.50 (including a premium of US$16.40 per share). In the context of the offering, the Company has sold the 3,637,117 ordinary shares held in treasury at the price of US$16.50 per share for the total value of US$60,012,430.

The expenses directly attributable to the new shares issued amounting to US$9,684 thousand were capitalised against share premium. Included in these expenses is an amount of US$57 thousand for assurance services to the statutory audit firm of the Company.

23. Dividends

Dividends paid in 2013 and 2012 were US$125,118,641 (US$0.70 per share) and US$98,878,986 (US$0.64 per share) respectively.

At the Annual General Meeting which will take place in 28 April 2014, a final dividend in respect of the profit for the year ended 31 December 2013 of 62 US cents per ordinary share, amounting to a total dividend of US$110,819,368 is to be proposed. These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2014.

During the year ended 31 December 2013, the Group declared and paid US$53,377 thousand (2012: US$34,192 thousand) of dividends in favour of non-controlling interests.

24. Borrowings

	2013 US$'000	2012 US$'000
Current		
Bank borrowings	207,784	181,053
Non-convertible unsecured bonds	28,955	31,500
Loans from third parties	20,823	-
Finance lease liabilities	19,409	25,380
Total current borrowings	276,971	237,933
Non-current		
Bank borrowings	388,209	414,194
Non-convertible unsecured bonds	323,138	367,247
Finance lease liabilities	25,782	55,734
Total non-current borrowings	737,129	837,175
Total borrowings	1,014,100	1,075,108
Maturity of non-current borrowings (excluding finance lease liabilities)		
Between 1 and 2 years	500,422	203,436
Between 2 and 5 years	209,862	578,005
Over 5 years	1,063	-
	711,347	781,441

Finance lease liabilities

Finance lease liabilities are effectively secured as the rights to the leased asset reverts to the lessor in the event of default.

	2013 US$'000	2012 US$'000
Finance lease liabilities – minimum lease payments		
Not later than 1 year	20,217	27,374
Later than 1 year and not later than 5 years	26,599	58,188
Future finance charges of finance leases	(1,625)	(4,448)
Present value of finance lease liabilities	45,191	81,114
The present value of finance lease liabilities is as follows:		
Not later than 1 year	19,409	25,380
Later than 1 year and not later than 5 years	25,782	55,734
	45,191	81,114

Bank borrowings

Bank borrowings mature by 2019 and bear average interest of 9.04% per annum (2012: 9.5% per annum).

There were no defaults or breaches of loan terms during the years ended 31 December 2013 and 31 December 2012.

The current and non-current bank borrowings amounting to US$207,784 thousand and US$388,209 thousand respectively (2012: US$180,739 thousand and US$414,194 thousand respectively) are secured by pledge of rolling stock with a carrying net book value of US$795,554 thousand ((2012: US$625,375 thousand) (Note 12). The remaining bank borrowings amounting to US$ nil thousand (2012: US$314 thousand) are unsecured.

Non-convertible bonds

Non-convertible Russian rouble denominated bonds issued by OJSC New Forwarding Company ("NFC") in 2010 for a total amount of RUB3 billion carry a coupon rate of 9.25% and have an amortising structure with final maturity in 2015.

Additionally, in March 2012, NFC, a Russian subsidiary of the Company, has issued 3-year Russian rouble denominated exchange-traded bonds for a total amount of RUB10 billion at a coupon rate of 10.00% per annum. Bonds are traded on MICEX SE in Moscow.

The Company acts as the guarantor for both existing bond issues.

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

	2013	2012
	US$'000	US$'000
6 months or less	273,331	357,484
6 to 12 months	84,943	63,978
1 to 5 years	654,764	653,646
over 5 years	1,062	-
	1,014,100	1,075,108

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

	Carrying amount		Fair value	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Bank borrowings	388,209	414,194	387,646	412,998
Non-convertible unsecured bonds	323,138	367,247	325,045	369,674
Finance lease liabilities	25,782	55,734	25,782	55,734
	737,129	837,175	738,473	838,406

The fair value of current borrowings equals their carrying amount as the impact of discounting is not significant.

The fair values of non-current bank borrowings and finance lease liabilities are based on cash flows discounted using a rate based on the appropriate Libor and MosPrime [1] rates and are within level 2 of the fair value hierarchy. The fair value of non-convertible bonds, which are listed on MICEX[2], is based on the latest quoted price for such bonds which is within level 1 of the fair value hierarchy.

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

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

	2013	2012
	US$'000	US$'000
US Dollar	59,644	98,010
Russian Rouble	954,426	975,108
Euro	30	1,990
	1,014,100	1,075,108

The Group has the following undrawn borrowing facilities:

	2013	2012
	US$'000	US$'000
Floating rate:		
Expiring within one year	4,583	149,985
Fixed rate:		
Expiring within one year	21,205	37,204
Expiring beyond one year	166,518	-
	192,306	187,189

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

	2013 %	2012 %
Bank borrowings	9.0	9.5
Non-convertible unsecured bonds	9.9	9.9
Loans from third parties	17.0[1]	-
Finance lease liabilities	2.9	2.9

(1) Loans from third parties were obtained by UWC prior to its acquisition by the Group, bear the nominal interest of US$11,25% and are repayable by end of March 2014 (Note 16).

25. Deferred income tax

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

	2013 US$'000	2012 US$'000
Deferred tax liabilities:		
- Deferred tax liability to be recovered after more than 12 months	148,029	126,789
- Deferred tax liability to be recovered within 12 months	(4,140)	(1,715)
Deferred tax liabilities	143,889	125,074

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

	2013 US$'000	2012 US$'000
Beginning of year	125,074	35,247
Income statement charge (Note 10)	1,938	15,502
Acquisition of subsidiaries (Note 15)	46,693	80,877
Withholding tax on actual dividend distribution	(15,961)	(8,873)
Currency translation differences	(13,855)	2,321
End of year	143,889	125,074

The movement on the deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	Property, plant and equipment US$'000	Withholding tax provision US$'000	Intangible assets US$'00	Total US$'000
At 1 January 2012	28,244	10,509	-	38,753
Charged/(credited) to:				
Income statement (Note 10)	(1,544)	6,229	(1,516)	3,169
Acquisition of subsidiaries (Note 15)	65,546	4,975	12,671	83,192
Change in intention for distribution of dividends by subsidiary (Note 10)	-	11,059	-	11,059
Withholding tax on actual dividend distribution	-	(8,873)	-	(8,873)
Currency translation differences	1,399	1,191	(111)	2,479
At 31 December 2012 / 1 January 2013	93,645	25,090	11,044	129,779
Charged/(credited) to:				
Income statement (Note 10)	(2,286)	12,190	(4,512)	5,392
Acquisition of subsidiaries (Note 15)	16,380	1,346	32,262	49,988
Withholding tax on actual dividend distribution	-	(15,961)	-	(15,961)
Currency translation differences	(7,936)	(3,345)	(3,250)	(14,531)
At 31 December 2013	99,803	19,320	35,544	154,667

Deferred tax assets	Lease liability US$'000	Trade and other payables US$'000	Borrowings US$'000	Other assets/ liabilities US$'000	Total US$'000
At 1 January 2012	(1,532)	(547)	-	(1,427)	(3,506)
Charged/(credited) to:					
Income statement (Note 10)	1,267	1,139	-	(1,132)	1,274
Acquisition of subsidiaries (Note 15)	-	(2,352)		38	(2,314)
Currency translation differences	(60)	32	-	(131)	(159)
At 31 December 2012 / 1 January 2013	(325)	(1,728)	-	(2,652)	(4,705)
Charged/(credited) to:					
Income statement (Note 10)	(1,835)	(1,291)	1,113	(1,441)	(3,454)
Acquisition of subsidiaries (Note 15)	(654)	(297)	(2,145)	(200)	(3,296)
Currency translation differences	118	180	144	235	677
At 31 December 2013	(2,696)	(3,136)	(888)	(4,058)	(10,778)

Deferred tax assets are recognised for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable.

Deferred income tax liabilities of US$62,739 thousand (2012: US$60,143 thousand) have not been recognised for the withholding taxes that would be payable on the unremitted earnings of certain subsidiaries. It is the current intention of the management of the Group that such amounts are reinvested. Unremitted earnings on which no deferred tax liability was recognised totalled US$494,525 thousand as at 31 December 2013 (2012: US$553,778 thousand).

26. Trade and other payables

	2013 US$'000	2012 US$'000
Current		
Trade payables to third parties	21,433	28,733
Trade payables to related parties (Note 30)	322	502
Other payables to third parties	29,513	32,960
Accrued expenses	8,888	4,816
Advances from customers for transportation services	56,110	67,347
Advances from related parties for sale of wagons (Note 30)	7	1,210
	116,273	135,568

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

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

27. Earnings per share

Basic and diluted

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

	2013	2012
Profit attributable to equity holders of the company (US$ thousand)	181,717	258,016
Weighted average number of ordinary shares in issue (thousand)	178,741	165,580
Basic and diluted earnings per share (expressed in US$ per share)	1.02	1.56

28. Contingencies

Operating environment

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

Russian Federation.

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject varying interpretation.

The ongoing uncertainty and volatility of the financial markets, in particular in Europe, and other risks could have significant negative effects on the Russian financial and corporate sectors. Management assessed possible impairment of the Group's goodwill and intangible assets by considering the current economic environment and outlook. Refer to Note 13. The future economic and regulatory situation may differ from management's current expectations.

Estonia

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

The Group's business is heavily dependent on services provided by OAO "Russian Railways" and the ageing railway infrastructure operated by it. OAO "Russian Railways" plays a monopolistic role as the sole railway infrastructure operator and it enjoys a near monopoly in locomotives services in the Russian Federation. The Group depends on the railway infrastructure operated, and for traction and other services provided, as well as on operational data generated, by OAO "Russian Railways". In addition, the physical infrastructure and the rail network had been inadequately maintained and there can be no assurance that it will not lead to material disruption of the Group's business in the future.

The ongoing uncertainty and volatility of the financial markets, in particular in Europe, and other risks could have significant negative effects on the Russian financial and corporate sectors. Management assessed possible impairment of the Group's property, plant and equipment by considering the current economic environment and outlook. Provisions for trade receivables are determined using the 'incurred loss' model required by the applicable accounting standards. These standards require recognition of impairment losses for receivables that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are. The future economic and regulatory situation may differ from management's current expectations.

Ukraine

The Ukrainian economy is considered to be developing and characterised by relatively high economic and political risks. The future stability of the Ukrainian economy is largely dependent upon reforms and the effectiveness of economic, financial and monetary measures undertaken by government, together with tax, legal, regulatory, and political developments. As a developing economy, it is vulnerable to market downturns and economic slowdowns elsewhere in the world.

In 2013, the world demand for Ukraine's main export commodities, steel and iron ore, was weak. The year was marked by one of record crop harvests; however world prices for wheat, corn and sunflower seed reduced significantly due to peak harvests in other crop producing regions. In 2013 Ukraine's GDP was flat year on year (2012: increase by 0.2%), while industrial output contracted by 4.7% (2012: reduction by 0.5%). The Government of Ukraine introduced a number of restrictions in relation to foreign exchange aiming to support the national currency, the Ukrainian Hryvnia. Inflation during the year was close to zero as the National Bank of Ukraine reduced the money supply. The national foreign exchange reserves reduced to the level of 3 month imports at year end due to reduced inflows from sale of commodities and agro produce, the need to settle scheduled payments, primarily with the International Monetary Fund, and to pay the current and past purchase of natural gas.

The anticipated association agreement with the European Union was not signed at the end of November 2013. The Government announced a deal with the Russian Federation for the purchase of Ukrainian Government bonds up to US$ 15 billion, of which US$ 3 billion was provided in December 2013. The political system of Ukraine experienced instability with a number of protests against the Government's actions in late 2013 and street violence in January - February 2014. At the end of January 2014, the President of Ukraine accepted the resignation of Ukraine's Prime Minister. Following this, the Russian Government suspended the support of the Ukrainian Government and Moody's Investors Service downgraded Ukraine's government bond rating to Caa2 from Caa1 with a negative outlook. To stabilise the deteriorating political situation, the Parliament voted a return of the 2004 Constitution and dismissed the President. On 26 February, the newly formed Parliament majority coalition appointed a Prime Minister and the Government.

During January-February 2014, the Ukrainian Hryvnia saw a significant decrease in value against the major world currencies. The new Government called for immediate dialogue with the International Monetary Fund to provide financing and avoid possible default. On 1 March, the Russian parliament granted approval for the use of armed forces in Ukraine. Russian troops are believed to be occupying government offices and other locations in Crimea. The Ukrainian armed forces were put on full alert. The government in Crimea held a referendum on joining the Russian Federation on 16 March, following which the region of Crimea and the Russian Federation announced the joining of Crimea to Russia.

The final resolution and the effects of the political and economic crisis are difficult to predict but they may have further severe effects on the Ukrainian economy and the Group's business.

Finally, the Group's business is heavily dependent on a few large key customers. Historically, the Group did not have long term contracts with any of these customers and although it has enjoyed good working relations with these customers to date, there can be no assurance that it will retain their custom in the future or that their custom, if lost, could be easily replaced by that of other customers on comparable terms and volume. In 2012, as part of the acquisition of OOO Ferrotrans, the Group has signed three-year service contract with Metalloinvest Group (Note 15). Moreover, in December 2012 as part of the agreement for the acquisition of OOO MMK-Trans the Group has agreed a five-year service contract with MMK (Note 15).

Management is unable to predict all developments in the economic environment which could have an impact on the Group's operations and consequently what effect, if any, they could have on the future financial position of the Group. Management believes it is taking all the necessary measures to support the sustainability and development of the Group's business in the current circumstances.

Tax legislation in Russia

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. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods.

The transfer pricing rules that became effective from 1 January 2012 appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development. This new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not on an arm's length basis. Management believes that its pricing policy used in 2012, 2013 and preceding years is arm's length and it has implemented internal controls to be in compliance with the new transfer pricing legislation.

The transfer pricing legislation that is applicable to transactions on or prior to 31 December 2011, also provided the possibility for tax authorities to make transfer pricing adjustments and to impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%. Controllable transactions included transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective of whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differed by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. Significant difficulties exist in interpreting and applying that transfer pricing legislation in practice.

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

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

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

Compliance with covenants

The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including claims for early repayment. The Group is in compliance with covenants as of 31 December 2013 and 31 December 2012 (Note 24).

Insurance policies

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

Environmental matters

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

Legal proceedings

During the year ended 31 December 2013, the Group was involved as a claimant and defendant in a number of court proceedings.

In July 2011 the Group received a notice of a claim in relation to 240 railcars, which a subsidiary of the Company acquired through finance lease in July 2010. The claim suggests that such railcars were not released from pledge by the lessor upon transfer to the Group and due to the fact that the lessor defaulted on its obligations to the pledgee, the claim was brought against the subsidiary of the Company being the current owner of the pledged railcars. Two law suits were in progress in relation to this matter, one in Moscow City Arbitration Court in Russia and a second one in the Moldova Republic. In February 2012 the subsidiary of the Company has received a positive ruling from Moscow City Arbitration Court in respect of this claim. Following this decision the pledgee’s right in relation to pledged assets was confirmed as non-negotiable. This decision, however, was set aside by the Court of Appeals in July 2012. In October 2012, Federal Arbitration Court amended this decision of Court of Appeals and pledgee’s right on pledged assets was recognised as void again. In the court hearing in Moldova in December 2012 the claimant withdrawn his claim and the court proceedings were terminated.

In February 2012, the pledgee in the above case has also brought a similar claim against the same subsidiary of the Company. It is claimed that such subsidiary of the Company owes to the pledgee RR24,438 thousand (US$745 thousand at 30 June 2012 exchange rate) based on the fact that the right of claim in respect of 50 railcars remained with the pledgee. On 22 June 2012, the court of first instance dismissed the case. The pledgee has appealed and the court of appeal has left the decision of the court of first instance in force. The same decision was upheld on 19 February 2013 by the court of cassation, after the bank has filed the cassation appeal.

During the year ended 31 December 2013, the Company's subsidiaries were involved in a number of legal proceedings. In March 2013 the Federal Antimonopoly Service of the Russian Federation ("FAS Russia") initiated a legal proceeding suggesting a possible violation of the Federal Law "On protection of competition" by OJSC "Russian Railways" and several other railway-operator companies, including the Company's subsidiaries OAO New Forwarding Company and OOO Ferrotrans. The defendants were accused on establishment of cartel agreement and coordination of economic activity through the creation of a pool of the largest railway-operator companies operating in Kemerovo region. Several court hearings have been held in 2013. In December 2013, FAS Russia claimed penalties from OAO New Forwarding Company and OOO Ferrotrans as administrative fines in the total amount of RR 130,926 thousand (US$4,000 thousand). These administrative fines include an amount of RR 57,892 thousand (US$1,769 thousand) which has been charged to OOO Ferrotrans for which the Group is indemnified from Metalloinvest group.

Management believes that the Group has not executed any actions resulting in violation of antimonopoly legislation. As at 31 December 2013, the Group has made a provision of RR 5,482 thousand against the potential fines stipulated by the Russian Legislation should the offence be proved in Court.

In the opinion of management, there are no other legal proceedings or other claims outstanding, as of 31 December 2013 and 2012 which could have a material effect on the results of operations or financial position of the Group and which have not been accrued or disclosed in these financial statements.

29. Commitments

(a) Capital commitments

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

	2013 US$'000	2012 US$'000
Property, plant and equipment	-	676

(b) Operating lease commitments – Group as lessee

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

The Group also leases various types of rolling stock under cancellable and non-cancellable operating lease agreements. The lease expenditure charged to the income statement during the years is disclosed in Note 6.

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

	2013 US$'000	2012 US$'000
Not later than 1 year	27,369	35,793
Later than 1 year not later than 5 years	4,127	6,228
	31,496	42,021

(c) Operating lease commitments – Group as lessor

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

	2013 US$'000	2012 US$'000
Not later than 1 year	39,711	39,420
Later than 1 year not later than 5 years	17,129	12,939
	56,840	52,359

Contingent-based rents recognised in the income statement were US$nil for the year ended 31 December 2013 (2012: US$nil).

30. Related party transactions

Until July 2012, the Group was controlled by Transportation Investments Holding Limited ("TIHL") incorporated in Cyprus, which owned 50.1% of the Company's shares. Envesta Investments Limited ("EIL") owned 12.3% (including the holding of GDRs of the Company) of the Company's shares until July 2012. Until July 2012, the ultimate controlling party of the Group was Mirbay International Inc., which is registered in Bahamas.

Following the issue and sale of shares by the Company and sale of shares by the existing shareholders in July 2012, the Group no longer has an ultimate controlling party.

In March 2013, TIHL transferred the shares it held in the Company to Maple Valley Investments, Marigold Investments and Onyx Investments in equal proportions and since March 2013 is no longer a related party to the Company.

Following the above events, shares held by its major shareholders, Maple Valley Investments, Marigold Investments and Onyx Investments as at 31 December 2013 were 11.5% each. EIL together with their affiliated entities held 10.8% as at 31 December 2013. 54.5% of the shares represent the free marketfloat and are held by external investors through the Global Depositary Receipts. The remaining 0.2% of the shares of the Company are controlled by Directors and management of the Group.

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The following transactions were carried out with related parties:

(a) Sales of goods and services

	2013 US$'000	2012 US$'000
Sales of services:		
Associate	128	-
Other related parties:		
Entities under control of TIHL and its controlling shareholders	16,623	37,241
Entities under joint control by TIHL	84	-
Entities under significant influence of TIHL	-	28
Entities under significant influence of members of key management	12,268	126,389
	29,103	163,658

(b) Purchases of goods and services

	2013 US$'000	2012 US$'000
Purchases of services:		
Other related parties		
Entities under control of TIHL	1,131	9,873
Entities under control by parties with significant influence over the	251	1,030
Entities under significant influence of members of key management	8,418	18,869
	9,800	29,772

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

	2013 US$'000	2012 US$'000
Additions:		
Other related parties		
Entities under control of TIHL	-	1,178
Entities under significant influence of TIHL	124	-
Entities under significant influence of members of key management	-	362
	124	1,540

Profit on disposal of property, plant and equipment:		
Other related parties		
Entities under control of TIHL	57	-
Entities under significant influence of members of key management	295	-
	352	-

(d) Key management compensation

	2013 US$'000	2012 US$'000
Key management salaries and other short term employee benefits	25,517	26,002
	25,517	26,002

Note: 'key management salaries and other short term employee benefits' include directors' remuneration paid to the directors of the Company both by the Company and by subsidiaries of the Group in respect of services provided to such subsidiaries amounting to US$3,627 thousand (2012: US$7,935 thousand).

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

	2013 US$'000	2012 US$'000
Trade receivable from related parties (Note 19):		
Associate	157	-
Other related parties		
Entities under control of TIHL	-	5,768
Entities under significant influence of members of key management	4	10,728
	161	16,496
Other receivables from related parties (Note 19):		
Other related parties		
Entities under control of TIHL	-	3
Entities under significant influence of members of key management	-	1
	-	4
Prepayments to related parties (Note 19):		
Other related parties		
Entities under control of TIHL	-	1,580
Entities under significant influence of members of key management	1,215	1,193
	1,215	2,773

	2013 US$'000	2012 US$'000
Trade payables to related parties (Note 26):		
Associate	5	-
Directors	60	-
Other related parties		
Entities under control of TIHL	-	286
Entities under significant influence of members of key management	257	216
	322	502
Advances from related parties (Note 26):		
Other related parties		
Entities under control of TIHL	-	76
Entities under significant influence of members of key management	7	1,134
	7	1,210

(g) Operating lease commitments – Group as lessee

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

	2013 US$'000	2012 US$'000
Not later than 1 year	1,730	5,570
Later than 1 year and not later than 5 years	2,130	3,796
	3,860	9,366

Operating lease commitments with 'other related parties' amounting to US$3,860 thousand were to entities under significant influence of members of key management (2012: US$8,630 thousand), with the rest of the commitments were to entities under control of TIHL.

(i) Operating lease commitments – Group as lessor

The future minimum lease payments receivable under operating leases with other related parties (entities under control by TIHL) are as follows:

	2013 US$'000	2012 US$'000
Not later than one year	-	26

31. Events after the balance sheet date

In January 2014 the Group has agreed with Metalloinvest to extend the duration of the service contract between them and will continue transporting 100% of Metalloinvest rail volumes to the end of 2016 (an extension from 31 May 2015 as was initially agreed). The pricing formula remains unchanged with transportation prices subject to quarterly review and agreement between the parties.

At the Annual General Meeting which will take place in 28 April 2014, a final dividend in respect of the profit for the year ended 31 December 2013 of 62 US cents per ordinary share, amounting to a total dividend of US$110,819,368 is to be proposed. These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2014.

As at 27 March 2014, the Russian Rouble has depreciated by 8,3% against the US Dollar, compared to 31 December 2013.

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

Independent Auditor's Report on pages 8 to 9.