Globaltrans Investment PLC

Directors’ report and consolidated financial statements for the year ended 31 December 2014

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Directors' report and consolidated financial statements for the year ended 31 December 2014

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

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 (resigned on 10 October 2014)
Mr. Marios Tofaros (appointed on 10 October 2014)

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

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

Mr. Alexander Tarasov
Executive Director
Alternate Director:
Mr Mikhail Loganov (resigned on 29 April 2014)
Mr. Maxim Rubin (appointed on 29 April 2014)

Mr. John Carroll Colley
Independent Non-Executive Director
Chairman of the Audit Committee

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

Mr. Michalakis Thomaides
Non-Executive Director
Appointed on 28 April 2014

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

Ms. Melina Pyrgou
Non-executive Director

Mr. Marios Tofaros
Non-executive Director

Mr. Sergey Tolmachev
Executive Director

Mr. Mikhail Loganov
Non-executive Director
Resigned on 28 April 2014

Board support

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

Company Secretary

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

Assistant secretary: Mr. Marios Tofaros

Registered office

20 Omirou Street
Agios Nicolaos
CY-3095 Limassol, Cyprus

Report of the Board of Directors

The Board of Directors presents its report together with the audited consolidated financial statements for the year ended 31 December 2014. The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of Cyprus Companies Law, Cap. 113.

Principal activities

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

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

The net profit of the Group for the year ended 31 December 2014 was RUB 571,253 thousand (2013: RUB 8,068,086 thousand). On 31 December 2014 the total assets of the Group were RUB 89,118,734 thousand (2013: RUB 93,415,813 thousand) and net assets were RUB 50,136,380 thousand (2013: RUB 51,707,598 thousand).

Globaltrans produced a solid overall financial performance in 2014. Nonetheless, the Group's financial results were affected by the deteriorating economic conditions, as well as the continued weak pricing environment.

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

Taking into consideration the current weak market environment management has assessed the recoverable amount of goodwill, which is allocated to Russian open wagon/operator's services group of CGUs as described in Note 13. As a result the goodwill was fully impaired as at 31 December 2014.

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

Principal risks and uncertainties

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

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

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

Future developments

Subject to the ongoing uncertainty of the Russian economy, the Board of Directors does not expect any significant changes in the activities of the Group for the foreseeable future.

The Group's strategic objective is to strengthen its position as a leading private freight rail group in Russia. 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 does not recommend the payment of a dividend and the net profit for the year is retained.

Dividends

Pursuant to its Articles of Association the Company may pay dividends out of its profits. To the extent that the Company declares and pays dividends, owners of Global Depositary Receipts (GDRs) on the relevant record date will be entitled to receive dividends payable in respect of Ordinary Shares underlying the GDRs, subject to the terms of the Deposit Agreement. The Company expects to pay dividends in US Dollars. If dividends are not paid in US

Dollars, except as otherwise described under “Terms and Conditions of the Global Depositary Receipts – Conversion of Foreign Currency”, they will be converted into US Dollars by the Depositary and paid to holders of GDRs net of currency conversion expenses.

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

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

In April 2014, the shareholders of the Company approved the payment of the final dividend in respect of the financial year ended 31 December 2013 in the amount of 22.28 RUB (US$0.62) per ordinary share, amounting to a total dividend of RUB 3,981,618 thousand.

The Board of Directors of the Company does not recommend the payment of dividends in relation to the financial year ended 31 December 2014.

Share capital

As at 31 December 2014 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, ten of whom are non-executive directors (including the Chairman). Four of the non-executive directors are independent, they have no relationship with the Company, its related companies or their officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director’s independent business judgment with a view to the best interests of the Group, and they are able to exercise objective judgment on corporate affairs independently from management.

The members of the Board of Directors at 31 December 2014 and at the date of this report are shown on page 1. There were no significant changes in the assignment of responsibilities of the Board of Directors.

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

The total remuneration of the members of the Board of Directors paid by the Group in 2014 amounted to RUB 116,172 thousand (2013: RUB 115,743 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 2014 and 31 December 2013 are shown below:

Name	Type of holding	2014	2013
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 2014 was 178,740,916 (31 December 2013: 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 10 meetings in 2014. The Directors' attendance is presented in the table below.

	Eligible	Attended
Michael Zampelas	10	10
Johann Franz Durrer	10	9
Carroll Colley	10	10
George Papaioannou	10	10
Alexander Eliseev	10	10
Sergey Maltsev	10	9
Andrey Gomon	10	10
Melina Pyrgou	10	10
Konstantin Shirokov	10	9
Alexander Storozhev	10	9
Marios Tofaros	10	10
Elia Nicolaou	10	9
Sergey Tolmachev	10	9
Alexander Tarasov	10	8
Michael Thomaides	9	7
Mikhail Loganov*	1	1

** Mikhail Loganov resigned on 28 April 2014*

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 28 April 2014.

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

Branches

The Group operates through branches and representative offices, maintaining eleven branches and eleven representative offices during 2014 (eleven branches and nine representative offices during 2013).

Treasury shares

In 2014 the Company did not own or acquire either directly or through a person in his own name, but on Company's behalf any of its own shares.

Going concern

Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the consolidated financial statements based on the fact that, after making enquiries and following a review of the Group's budget for 2015, including cash flows and borrowing facilities, the Directors consider that the Group has adequate resources to continue in operation for the foreseeable future.

Auditors

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

By Order of the Board

....

Sergey Tolmachev
Director

Limassol, 27 March 2015

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 2014 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113.

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

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

By order of the Board

....
Sergey Tolmachev
Director

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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Globaltrans Investment Plc (the "Company") and its subsidiaries (together with the Company, the "Group"), which comprise the consolidated balance sheet as at 31 December 2014, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2014, 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 those books.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the consolidated financial statements.

Other matter

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

A Loizou

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

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Limassol, 27 March 2015

Consolidated income statement

for the year ended 31 December 2014

	Note	2014 RUB'000	2013 RUB'000
Revenue	5	68,700,394	74,289,393
Cost of sales	6	(52,789,268)	(55,151,675)
Gross profit		15,911,126	19,137,718
Selling and marketing costs	6	(334,218)	(536,056)
Administrative expenses	6	(4,202,172)	(4,215,319)
Impairment of goodwill	13	(5,828,085)	-
Other gains – net	7	30,596	37,180
Operating profit		5,577,247	14,423,523
Finance income	9	735,744	320,433
Finance costs	9	(3,523,555)	(3,833,032)
Finance costs – net	9	(2,787,811)	(3,512,599)
Share of (loss)/profit of associates	14	(12,164)	6,804
Profit before income tax		2,777,272	10,917,728
Income tax expense	10	(2,206,019)	(2,849,642)
Profit for the year		571,253	8,068,086
Profit/(loss) attributable to:			
Owners of the Company		(1,415,739)	5,825,602
Non-controlling interest		1,986,992	2,242,484
		571,253	8,068,086
Basic and diluted (losses)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the year (expressed in RUB per share)	27	(7.92)	32.59

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 2014

	2014 RUB'000	2013 RUB'000
Profit for the year	571,253	8,068,086
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	4,148,291	765,472
Other comprehensive income for the year, net of tax	4,148,291	765,472
Total comprehensive income for the year	4,719,544	8,833,558
Total comprehensive income attributable to:		
- owners of the Company	1,230,660	6,280,033
- non-controlling interest	3,488,884	2,553,525
	4,719,544	8,833,558

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 2014

	Note	31 December 2014 RUB'000	31 December 2013 RUB'000	1 January 2013 RUB'000
ASSETS				
Non-current assets				
Property, plant and equipment	12	71,380,758	71,294,019	69,306,493
Intangible assets	13	4,442,396	11,349,076	5,984,756
Income tax assets		57,892	78,773	54,671
Trade and other receivables	19	32,233	160,247	-
Investment in associate	14	110,182	83,228	67,731
Total non-current assets		76,023,461	82,965,343	75,413,651
Current assets				
Inventories	20	735,694	588,522	415,347
Current income tax assets		1,010,322	156,201	52,089
Trade and other receivables	19	6,701,470	6,299,444	7,996,980
Restricted cash		-	-	303,727
Cash and cash equivalents	21	4,647,787	3,406,303	5,412,111
Total current assets		13,095,273	10,450,470	14,180,254
TOTAL ASSETS		89,118,734	93,415,813	89,593,905
EQUITY AND LIABILITIES				
Equity attributable to the owners of the Company				
Share capital	22	516,957	516,957	516,957
Share premium	22	27,929,478	27,929,478	27,929,478
Common control transaction reserve		(10,429,876)	(10,429,876)	(10,429,876)
Translation reserve		3,397,222	750,823	296,392
Capital contribution		2,694,851	2,694,851	2,694,851
Retained earnings		19,100,433	24,517,956	22,959,475
Total equity attributable to the owners of the Company		43,209,065	45,980,189	43,967,277
Non-controlling interest		6,927,315	5,727,409	4,807,026
Total equity		50,136,380	51,707,598	48,774,303
Non-current liabilities				
Borrowings	24	10,049,915	24,117,625	25,427,265
Trade and other payables	26	13,278	-	-
Deferred tax liabilities	25	5,207,410	4,710,052	3,798,835
Total non-current liabilities		15,270,603	28,827,677	29,226,100
Current liabilities				
Borrowings	24	18,256,223	9,061,736	7,226,668
Trade and other payables	26	5,245,646	3,804,253	4,117,565
Current tax liabilities		209,882	14,549	249,269
Total current liabilities		23,711,751	12,880,538	11,593,502
TOTAL LIABILITIES		38,982,354	41,708,215	40,819,602
TOTAL EQUITY AND LIABILITIES		89,118,734	93,415,813	89,593,905

On 27 March 2015, 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 2014

	Note	Attributable to the owners of the Company								
		Share capital RUB'000	Share premium RUB'000	Common control transaction reserve RUB'000	Translation reserve RUB'000	Capital contribution RUB'000	Retained earnings RUB'000	Total RUB'000	Non-controlling interest RUB'000	Total RUB'000
Balance at 1 January 2013		516,957	27,929,478	(10,429,876)	296,392	2,694,851	22,959,475	43,967,277	4,807,026	48,774,303
Comprehensive income										
Profit for the year		-	-	-	-	-	5,825,602	5,825,602	2,242,484	8,068,086
Other comprehensive income								-		-
Currency translation differences		-	-	-	454,431	-	-	454,431	311,041	765,472
Total comprehensive income for 2013		-	-	-	454,431	-	5,825,602	6,280,033	2,553,525	8,833,558
Transactions with owners of the Company										
Dividends to owners of the Company	23	-	-	-	-	-	(3,968,150)	(3,968,150)	-	(3,968,150)
Dividends to non-controlling interest	23	-	-	-	-	-	-	-	(1,715,413)	(1,715,413)
Total contributions by and distributions to owners of the Company		-	-	-	-	-	(3,968,150)	(3,968,150)	(1,715,413)	(5,683,563)
Non-controlling interest arising on business combination	15	-	-	-	-	-	-	-	(216,700)	(216,700)
Acquisition of non-controlling interest	16	-	-	-	-	-	(298,971)	(298,971)	298,971	-
Total transactions with owners of the Company		-	-	-	-	-	(4,267,121)	(4,267,121)	(1,633,142)	(5,900,263)
Balance at 31 December 2013		516,957	27,929,478	(10,429,876)	750,823	2,694,851	24,517,956	45,980,189	5,727,409	51,707,598

Consolidated statement of changes in equity

for the year ended 31 December 2014

		Attributable to the owners of the Company								
	Note	Share capital RUB'000	Share premium RUB'000	Common control transaction reserve RUB'000	Translation reserve RUB'000	Capital contribution RUB'000	Retained earnings RUB'000	Total RUB'000	Non-controlling interest RUB'000	Total RUB'000
Balance at 1 January 2014		516,957	27,929,478	(10,429,876)	750,823	2,694,851	24,517,956	45,980,189	5,727,409	51,707,598
Comprehensive income										
(Loss)/ profit for the year		-	-	-	-	-	(1,415,739)	(1,415,739)	1,986,992	571,253
Other comprehensive loss										
Currency translation differences		-	-	-	2,646,399	-	-	2,646,399	1,501,892	4,148,291
Total comprehensive income for 2014		-	-	-	2,646,399	-	(1,415,739)	1,230,660	3,488,884	4,719,544
Transactions with owners of the Company										
Dividends to owners of the Company	23	-	-	-	-	-	(3,981,615)	(3,981,615)	-	(3,981,615)
Dividends to non-controlling interest	23	-	-	-	-	-	-	-	(2,306,714)	(2,306,714)
Total contributions by and distributions to owners of the Company		-	-	-			(3,981,615)	(3,981,615)	(2,306,714)	(6,288,329)
Acquisition of non-controlling interest	16	-	-	-	-	-	(20,169)	(20,169)	17,736	(2,433)
Total transactions with owners of the Company		-	-	-	-	-	(4,001,784)	(4,001,784)	(2,288,978)	(6,290,762)
Balance at 31 December 2014		516,957	27,929,478	(10,429,876)	3,397,222	2,694,851	19,100,433	43,209,065	6,927,315	50,136,380

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 2014

	Note	2014 RUB'000	2013 RUB'000
Cash flows from operating activities			
Profit before tax		2,777,272	10,917,728
Adjustments for:			
Depreciation of property, plant and equipment	12	5,084,746	5,245,570
Amortisation of intangible assets	13	1,078,644	1,021,262
Loss on sale of property, plant and equipment	12	21,839	186,689
Impairment of property, plant and equipment	12	223	-
Interest income	9	(184,956)	(113,601)
Interest expense	9	3,092,683	3,902,788
Other finance income	9	(11,337)	-
Share of loss/(profit) of associates	14	12,164	(6,804)
Foreign exchange (gains)/losses on finance income/costs	11	(108,579)	(276,588)
Impairment of goodwill	13	5,828,085	-
		17,590,784	20,877,044
Changes in working capital:			
Inventories		(90,651)	(58,344)
Trade and other receivables		(246,148)	2,323,186
Trade and other payables		1,599,638	(2,016.841)
Cash generated from operations		18,853,623	21,125,045
Tax paid		(2,285,626)	(2,664,726)
Net cash from operating activities		16,567,997	18,460,319
Cash flows from investing activities			
Acquisition of subsidiaries-net of cash acquired	15	-	(6,120,090)
Indemnification received	28	78,400	-
Loans repayments received from third parties		1,332	2,603
Purchases of property, plant and equipment		(1,532,167)	(1,275,200)
Purchases of intangible assets	13	(49)	-
Proceeds from disposal of property, plant and equipment	12	220,724	172,401
Interest received		189,913	112,660
Net cash used in investing activities		(1,041,847)	(7,107,626)
Cash flows from financing activities			
Proceeds from borrowings		6,688,521	20,210,826
Repayments of borrowings		(10,494,675)	(23,244,309)
Acquisition of non-controlling interest	16	(2,433)	-
Finance lease principal payments		(1,586,842)	(1,276,720)
Interest paid		(3,128,620)	(3,552,997)
Dividends paid to Company's shareholders	23	(3,983,892)	(3,906,954)
Dividends paid to non-controlling interests	23	(2,306,714)	(1,715,413)
Net cash used in financing activities		(14,814,655)	(13,485,567)
Net increase/(decrease) in cash and cash equivalents		711,495	(2,132,874)
Exchange gains on cash and cash equivalents		529,989	127,066
Cash and cash equivalents at beginning of year	21	3,406,303	5,412,111
Cash and cash equivalents at end of year	21	4,647,787	3,406,303

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 27 March 2015.

Global Depositary Receipts

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

Principal activities

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

2. Basis of preparation and summary of significant accounting policies

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

Basis of preparation

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

All International Financial Reporting Standards issued by International Accounting Standards Board (IASB) and effective as at 1 January 2014 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 had 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.

(b) The Group has adopted the following new standards, amendments and interpretations as of 1 January 2014 that have an impact on the Group:

- **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 did not 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 has resulted in improved disclosures in relation to the consolidated entities of the Group, details of which are disclosed in Note 14.

- **"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 did not 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.

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

  - Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL). Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.·
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a ‘three stage’ approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

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

- **IFRIC 21 – “Levies”(issued on 20 May 2013 and effective for annual periods beginning 17 June 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 February 2015)**. The improvements consist of changes to seven standards. IFRS 2 was amended to clarify the definition of a ‘vesting condition’ and to define separately ‘performance condition’ and ‘service condition’; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014. IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014. IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity’s assets when segment assets are reported. The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial. IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (‘the management entity’), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. The Group is currently assessing the impact of the amendments on its financial statements.

- **Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 January 2015)**. 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.

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

- **IFRS 15, Revenue from Contracts with Customers*** **(issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017**). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group is currently assessing the impact of the new standard on its financial statements.

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

- **Annual Improvements to IFRSs 2014* (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016**). The amendments impact 4 standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34.

  The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The Group is currently assessing the impact of the amendments on its financial statements.

- **Disclosure Initiative Amendments to IAS 1* (issued in December 2014 and effective for annual periods on or after 1 January 2016**). The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards. The Group is currently assessing the impact of the amendments on its financial statements.

* 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 structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

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

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

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

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

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

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

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

(b) Transactions with non-controlling interests

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

(c) Disposal of subsidiaries

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

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.

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

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

   Revenue is recognised in accordance with the stage of completion of the transaction, based on the actual trip days lapsed against the total estimated number of trip days for the entire trip.

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

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

(b) Revenues from leasing

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

(c) Revenues from sale of 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 (RUB). The consolidated financial statements are presented in Russian Roubles (RUB) ("the presentation currency") because this is the currency better understood by the principal users of the financial statements.

Up to 2013, the Company's financial statements were presented in US Dollars. In 2014, management has decided to change the presentation currency to Russian Rouble. The Company believes that the presentation of financial results in Russian Roubles, which is the functional currency of the Company as well as its Cypriot and Russian subsidiaries, will provide greater transparency in the light of recent volatility of the RUB exchange rate and provide shareholders and other users of the financial statements with reliable and more relevant information, providing a more accurate reflection of the Group's underlying financial performance and financial position. The change has been applied retrospectively in line with IAS8 "Accounting Policies, Changes in accounting Estimates and Errors" and as a result the comparative financial information for the year ended 31 December 2013 has been presented in Russian Roubles. Further, in accordance with IAS1, a balance sheet as at 1 January 2013 was presented in these consolidated 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 and dividends payable are presented in the income statement within 'Finance costs'. Foreign exchange gains and losses that relate to cash and cash equivalents and monetary assets relating to financing activities 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 translation of the net investment in foreign operations including foreign exchange differences on long term loans receivable designated as part of the net investment in foreign operations are recognised in other comprehensive income. When a foreign operation is disposed of or sold and control or significant influence is lost, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on disposal.

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

Property, plant and equipment

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

Land is not depreciated.

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

	Number of years, range
Buildings	30
Rolling stock (except locomotives)	15-32
Locomotives	15-25
Mounted wheels	7
Motor vehicles and other property, plant and equipment	3 to 10

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

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

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

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

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

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

Intangible assets

(a) Goodwill

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

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. 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 the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Customer relationships

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

(c) Computer software

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

Impairment of non-financial assets

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

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

Leases

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

The Group is the lessee

(a) Finance leases

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

Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term, except for instances, where the lessee has the option to obtain ownership of the assets and it is reasonable certain that such ownership will be obtained, in which case the asset is depreciated over the useful economic life of the asset.

(b) Operating leases

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

(c) Sale and leaseback

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

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

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

The Group is the lessor

(a) Finance leases

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

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

(b) Operating leases

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

Financial assets

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

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

Capital contribution

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

Trade payables

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

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

Provisions and contingent liabilities

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the 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 other gains. At the end of each reporting period, the guarantees are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the obligation at the end of the reporting period.

Current and deferred income tax

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

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

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

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

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

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

Value Added Tax (VAT)

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

Employee benefits

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

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

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.

Comparatives

Up to 2013, the Company's financial statements were presented in US Dollars. In 2014, management has decided to change the presentation currency to Russian Rouble. The Company believes that the presentation of financial results in Russian Roubles, which is the functional currency of the Company as well as its Cypriot and Russian subsidiaries, will provide greater transparency in the light of recent volatility of the RUB exchange rate and provide shareholders and other users of the financial statements with reliable and more relevant information, providing a more accurate reflection of the Group's underlying financial performance and financial position. The change has been applied retrospectively in line with IAS8 "Accounting Policies, Changes in accounting Estimates and Errors" and as a result the comparative financial information for the year ended 31 December 2013 has been presented in Russian Roubles. Further, in accordance with IAS1 "Presentation of Financial Statements", a balance sheet as at 1 January 2013 was presented in these consolidated financial statements.

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 small 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.

During 2013 the Russian Rouble has depreciated consistently against the US Dollar. From the beginning of 2014 there has been increased volatility in currency markets and the Russian Ruble has depreciated significantly against some major currencies, especially in the last quarter of 2014. As of end of December 2014 the Russian Ruble has depreciated against the US Dollar from 32.77 as of 31 December 2013 to 56.2584 Russian Rubles (72% devaluation).

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

The carrying amounts of monetary assets and liabilities and capital commitments denominated in US dollars as at 31 December 2014 and 31 December 2013 are as follows:

	2014 RUB'000	2013 RUB'000
Assets	1,658,965	1,217,094
Liabilities	760,331	2,076,133

Had US dollar exchange rate strengthened/weakened by 70% against the Russian Rouble and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2014, would have increased/decreased by RUB 403,931 thousand (2013: 15% change, effect RUB 185,999 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 more sensitive to fluctuations of the exchange rate of Russian Rouble to US dollar for the year ended 31 December 2014 compared to 2013 mainly due to the decrease of the proportion of US Dollar denominated borrowings as at the end of 2014 (Note 24) combined with the increase of the proportion of US Dollar denominated cash and cash equivalents as at the end of 2014.

Had Euro exchange rate strengthened/weakened by 15% against the US Dollar and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2014, would have increased /decreased by RUB 25,164 thousand (2013: 15% change, effect (RUB 162,049 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 2014 compared to 2013 mainly due to the decrease of the proportion of US Dollar denominated borrowings as at the end of 2014 (Note 24).

Had US Dollar exchange rate strengthened/weakened by 70% against the Ukrainian Hryvnia and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2014, would have decreased/increased by RUB 171,895 thousand (2013: 25% change, effect (RUB 289,785) 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. Profit was less sensitive to the fluctuations of the exchange rate of US Dollar to

Ukrainian Hryvnia due to the intercompany loan between UNFC and the Company being recognised as part of net investment in the foreign operation.

(b) Cash flow and fair value interest rate risk

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

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

Had Russian Rouble and US Dollar lease and credit interest rates shifted by 7% and 0,5% respectively (in the case of floating interest rates) and all other variables remained unchanged, the post-tax profit of the Group would have changed by RUB 393,438 thousand for the year ended 31 December 2014 (2013:1% change in Russian Rouble and US Dollar interest rates: RUB 62,259 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 cash and cash equivalents.

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

However, the Group's business is heavily dependent on a few large key customers, with the top ten customers accounting for 69.58% of the Group's trade and other receivables (excluding VAT receivable and prepayments) as at 31 December 2014 (2013: 62.66%).

These figures include trade and other receivables arising from business with related parties which account for Nil as at 31 December 2014 (2013: Nil).

The table below summarises the analysis of accounts receivable under contractual terms of settlement at the balance sheet date for the year ended 31 December 2014 and 31 December 2013:

	Fully performing RUB'000	Past due RUB'000	Impaired RUB'000	Impairment provision RUB'000	Total RUB'000
As of 31 December 2014					
Trade receivables	1,873,701	853,612	315,345	(315,345)	2,727,313
Loans receivable	20,125	-	-	-	20,125
Other receivables	44,322	30,873	45,476	(45,476)	75,195
	1,938,148	884,485	360,821	(360,821)	2,822,633
As of 31 December 2013					
Trade receivables	1,647,554	863,502	376,126	(376,126)	2,511,056
Loans receivable	20,507	5,907	-	-	26,414
Other receivables	78,283	15,143	41,806	(41,806)	93,426
	1,746,344	884,552	417,932	(417,932)	2,630,896

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

Liquidity risk

The Group has an excess of current liabilities over current assets of RUB 10,616,478 thousand as at 31 December 2014 (2013: excess of current liabilities over current assets RUB 2,430,068 thousand), as a result of the maturity of non-convertible unsecured bonds of RUB 10 billion being in March 2015.

The Group repaid RUB 10,000,000 thousand of bonds in March 2015 and has secured new borrowing facilities in the amount of RUB 11,250,0000 since 31 December 2014 to date.

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 RUB 21,902,000 thousand as of 31 December 2014 (2013: RUB 6,294,000 thousand), together with long-term borrowings (Note 24) and the new loan facilities obtained in the first quarter of 2015 in the amount of RUB 11,250,000 thousand of which RUB 10,500,000 thousand were drawn down, 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 2014 and 31 December 2013. 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
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
31 December 2014								
Borrowings	546,582	12,416,224	2,475,888	4,498,915	8,154,470	3,577,527	-	31,669,606
Trade and other payables	700,796	41,062	5,544	35,071	15,681	-	-	798,154
	1,247,378	12,457,286	2,481,432	4,533,986	8,170,151	3,577,527	-	32,467,760
31 December 2013								
Borrowings	712,885	3,216,679	2,517,251	4,865,669	18,239,415	7,914,287	35,192	37,501,378
Trade and other payables	715,414	17,416	5,846	9,722	-	-	-	748,398
	1,428,299	3,234,095	2,523,097	4,875,391	18,239,415	7,914,287	35,192	38,249,776

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

(d) Capital risk management

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

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

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

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

The rate of borrowings to total capitalisation as at 31 December 2014 and 31 December 2013 are as follows:

	2014	2013
	RUB'000	RUB'000
Total borrowings	28,306,138	33,179,361
Total capitalisation	71,515,203	79,159,550
Total borrowings to total capitalisation ratio (percentage)	39.58%	41.91%

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 2014 and 2013. Management believes that the Group will be able to comply with its external requirements to the capital during the whole term of agreements.

(e) Fair value estimation

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

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

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

The fair values in level 2 and level 3 of fair value hierarchy were estimated using discounted cash flows valuation techniques. The fair value of floating rate instruments denominated in currencies other than Russian Rouble 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.

As at 31 December 2013, the 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.

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

In the absence of similar Russian Rouble denominated instruments entered into by the Group close to the 31 December 2014, due to the adverse fluctuation of interest rates, the estimated fair value of fixed interest rate instruments with stated maturity denominated in Russian Rouble was estimated based on expected cash flows discounted at an estimated rate of Mosprime plus a margin. Such rate was management's best estimate of the interest rate it would achieve had it entered into a similar instrument as at the year end.

The 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 20.14% p.a to 25.02% p.a. (2013: 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) 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. The entire balance of goodwill of the Group is allocated to Russian open wagons/operator's services group of cash generating units, which is included in the open wagon/operator’s services segment.

The recoverable amount of this group of cash generating units has been determined based on value-in-use calculations. These calculations require the use of estimates (Note 13).

As a result of the impairment assessment, an impairment charge of RUB 5,828,085 thousand was recognised during the year ended 31 December 2014 (2013: no impairment) against the carrying amount of goodwill, following which, the entire amount of goodwill of the Group was impaired in full as of 31 December 2014.

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

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

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

iii) Assessment of impairment 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, in accordance with the accounting policy for impairment of non-current assets (Note 2). As of 31 December 2014, the management considered the deterioration in the general market and industry conditions as indicators for impairment, and performed impairment assessments in relation to the customer relationships with Metalloinvest and MMK Groups. The recoverable amounts were determined based on value-in-use calculations. These calculations require the use of estimates (Note 13).

The impairment testing for the customer relationship with Metalloinvest Group indicated significant headroom in the recoverable amount over the carrying amount of this customer relationship. Any reasonable possible change in the assumptions used in the value in use calculation for the recoverable amount for this customer relationship would not trigger any impairment loss.

The impairment testing for the customer relationship with MMK Group did not give rise to any impairment. However the recoverable amount is sensitive to changes in the underlying variables and assumptions used in the determination of the recoverable amount of this customer relationship.

If the discount rate had been 0.25% higher than management's estimate at 31 December 2014, the recoverable amount would decrease resulting into an impairment loss of RUB 110,100 thousand to be recognised on the contractual relationship with MMK Group.

If the railway transportation revenue growth rate had been 1% lower than management's estimate at 31 December 2014, the recoverable amount would decrease resulting into an impairment loss of RUB 112,000 thousand to be recognised on the contractual relationship with MMK Group.

iv) 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 2014, the Group carries customers relationships with Metalloinvest and MMK Groups with a carrying amount of RUB 910,060 thousand and RUB 3,532,020 thousand respectively.

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

During 2014 the terms of the contracts with MMK and Metalloinvest Groups were prolonged for a further 1 year and 1,5 year to February 2019 and December 2016 respectively. Management has reassessed the useful economic life of the customer relationships as of 31 December 2014 and has concluded that despite the prolongation of the contracts, the remaining useful economic lives of the customer relationships remain reasonable in view of the current volatile market conditions.

v) Assessment of impairment of rolling stock

The Group assesses at each balance sheet date whether there are indications for impairment for the property, plant and equipment, in accordance with the accounting policy for impairment of non-current assets (Note 2). As of 31 December 2014, the management considered the deterioration in the general market and industry conditions as indicators for impairment, and performed impairment assessments in relation to the property, plant and equipment. The recoverable amounts of property plant equipment, comprising of platforms, hoppers, diesel locomotives and tank cars were determined based on a market value approach as well as value-in-use calculations, on a case by case basis. As a result of the above testing, there was no impairment. These calculations require the use of estimates.

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

i) Revenue recognition

Operator's services are rendered using own or leased rolling stock. The Group's customers do not interact with OAO "Russian Railways". A full service is charged by the Group to its customers and the OAO "Russian Railways" tariff is borne by the Group. There are certain characteristics indicating that the Group is acting as an agent, particularly the fact that OAO "Russian Railways" tariffs are available to the public, therefore are known to the customer, and the risk of delivery is borne by OAO "Russian Railways". However, the Group bears the credit risk and controls the flow of receipts and payments. The services are rendered with the use of own or leased rolling stock and the Group bears the OAO "Russian Railways" tariff to bring the rolling stock back or to the next destination. The Group is independent in its pricing policy and considers its potential loss for empty run tariff. Management believes that the Group acts as a principal in these arrangements and the Group accounts receipts from customers as sales revenue and the OAO "Russian Railways" tariff is included in cost of sales. Had OAO "Russian Railways" tariff directly attributable to such services been excluded from revenues and cost of sales both would have decreased by RUB 23,250,748 thousand for the year ended 31 December 2014 (RUB 24,391,147 thousand for the year ended 31 December 2013).

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

The Group has contracts with several customers where under the legal form of these contracts the Group acts as an agent in respect of services provided by other transportation organisations and recharges such costs to its customers. Management believes that despite the legal form of the contracts the substance of the relationship with the customers is such that the Group acts as a principal, because the Group's customers do not interact with operators supplying the engaged fleet but have a contractual relationship with the Group, the Group has discretion in selecting suppliers and decides on type of rolling stock to be used in transportation (owned or engaged), the Group bears the credit and price risk and controls the flow of receipts and payments. The Group accounts for full amounts of receipts from customers as revenue and the services provided by other operators are included in cost of sales. Had the services provided by other transportation organisations directly attributable to such contracts been excluded from revenues and cost of sales, both would have decreased by RUB 3,117,203 thousand for the year ended 31 December 2014 (RUB 1,365,513 thousand for the year ended 31 December 2013).

ii) Intention for the distribution of dividends by subsidiaries

Withholding tax at the rate of 5% is applied to the dividends distributed by the Russian subsidiaries of the Group to the Company. In case the dividends are distributed by the Estonian subsidiaries the tax of 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 RUB 3,312,499 thousand (2013: RUB 2,053,397 thousand) have not been recognised for the withholding taxes that would be payable in case unremitted earnings of certain subsidiaries are distributed to the Company in the form of dividends as it is the current intention of the management of the Group that such amounts are reinvested. Unremitted earnings on which no deferred tax liability was recognised totalled RUB 23,736,246 thousand as at 31 December 2014 (2013: RUB 16,185,408 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 and amortisation charges for rolling stock and customer relationships respectively. 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 RUB'000	Tank cars RUB'000	All other segments RUB'000	Total RUB'000
Year ended 31 December 2014				
Total revenue – operator's services	33,391,260	30,604,015	1,097,878	65,093,153
Total revenue – operating lease	95,919	2,752,666	410,751	3,259,336
Revenue (from external customers)	33,487,179	33,356,681	1,508,629	68,352,489
less Infrastructure and locomotive tariffs - loaded	(12,142,924)	(10,663,667)	(444,157)	(23,250,748)
less Services provided by other transportation	(3,015,090)	(538,497)	(6,000)	(3,559,587)
Adjusted revenue for reportable segments	18,329,165	22,154,517	1,058,472	41,542,154
Depreciation and amortisation	(4,507,121)	(904,996)	(439,072)	(5,851,189)
Impairment of goodwill	(5,828,085)	-	-	(5,828,085)
Additions to non-current assets (included in reportable segment assets)	371,861	91,001	12,296	475,158
Reportable segment assets	50,278,599[(1)]	20,465,275	2,238,696	72,982,570

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

	Open wagons RUB'000	Tank cars RUB'000	All other segments RUB'000	Total RUB'000
Year ended 31 December 2013				
Total revenue – operator's services	36,356,329	32,535,478	1,215,268	70,107,075
Total revenue – operating lease	132,980	3,023,836	628,181	3,784,997
Revenue (from external customers)	36,489,309	35,559,314	1,843,449	73,892,072
less Infrastructure and locomotive tariffs - loaded trips	(11,054,640)	(12,830,785)	(505,722)	(24,391,147)
less Services provided by other transportation	(4,670,844)	(314,316)	(2,633)	(4,987,793)
Adjusted revenue for reportable segments	20,763,825	22,414,213	1,335,094	44,513,132
Depreciation and amortisation	(4,655,248)	(924,147)	(363,757)	(5,943,152)
Additions to non-current assets (included in reportable segment assets)	9,717,863[(1)]	826	1,419,605	11,138,294
Reportable segment assets	60,418,516[(2)]	17,131,324	2,407,937	79,957,777

[(1)] Includes RUB 6,384,276 thousand of intangible assets representing goodwill and customer relationships.
[(2)] Includes RUB 11,348,395 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:

	2014 RUB'000	2013 RUB'000
Adjusted revenue for reportable segments	41,542,154	44,513,132
Other revenues	347,905	397,321
Total adjusted revenue	41,890,059	44,910,453
Cost of sales (excl. Infrastructure and locomotive tariffs - loaded trips, services provided by other transportation organisations, impairments, depreciation of property, plant and equipment and amortisation of intangible assets)	(19,868,946)	(19,562,206)
Selling, marketing and administrative expenses (excl. depreciation, amortisation and impairments)	(4,305, 245)	(4,326,412)
Depreciation and amortisation	(6,163,390)	(6,266,832)
Impairment of goodwill	(5,828,085)	-
Impairment charge for receivables	(177,519)	(368,660)
Impairment charge for property, plant and equipment	(223)	-
Other gains – net	30,596	37,180
Operating profit	5,577,247	14,423,523
Finance income	735,744	320,433
Finance costs	(3,523,555)	(3,833,032)
Share of (loss)/profit of associates	(12,164)	6,804
Profit before income tax	2,777,272	10,917,728

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

	2014		2013	
	Assets RUB'000	Liabilities RUB'000	Assets RUB'000	Liabilities RUB'000
Segment assets/ liabilities	72,982,570		79,957,777	
Unallocated:				
Deferred tax	-	5,207,410	-	4,710,052
Income tax assets/liabilities	1,068,214	209,882	234,974	14,549
Investment in associates	110,182	-	83,228	-
Inventories	735,694	-	588,522	-
Intangible assets	316	-	681	-
Current borrowings	-	18,256,223	-	9,061,736
Non-current borrowings	-	10,049,915	-	24,117,625
Property, plant and equipment	2,840,268	-	2,684,637	-
Receivables	6,733,703	-	6,459,691	-
Payables	-	5,258,924	-	3,804,253
Restricted cash	-	-	-	-
Cash and cash equivalents	4,647,787	-	3,406,303	-
Total	89,118,734	38,982,354	93,415,813	41,708,215

Geographic information
Revenues from external customers

	2014 RUB'000	2013 RUB'000
Revenue		
Russia	66,640,666	71,783,605
Estonia	1,091,297	1,514,823
Finland	897,875	886,785
Ukraine	70,556	104,180
	68,700,394	74,289,393

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:

	2014		2013	
	RUB'000	% revenue	RUB'000	% revenue
Revenue				
Customer A – tank cars segment	17,816,240	26	19,917,971	27
Customer B – open wagons segment	13,938,612	21	11,432,153	15
Customer C – open wagons segment	10,860,920	16	11,759,309	16

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

	2014 RUB'000	2013 RUB'000
Non-current assets		
Russia	62,077,740	72,719,932
Estonia	12,754,548	8,677,750
Ukraine	1,186,884	1,427,117
Cyprus	1,827	2,203
	76,020,999	82,827,002

Analysis of revenue by category:

	2014 RUB'000	2013 RUB'000
Railway transportation – operators services (tariff borne by the Group)	44,996,497	49,211,354
Railway transportation – operators services (tariff borne by the client)	20,096,656	20,895,721
Railway transportation – freight forwarding	28,681	61,536
Operating lease of rolling stock	3,259,336	3,784,997
Other	319,224	335,785
Total revenue	68,700,394	74,289,393

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 2014 amounting to RUB 23,250,748 thousand (for the year ended 31 December 2013: RUB 24,391,147 thousand) and the cost of engaging the fleet from third parties recharged to clients of the Group amounting to RUB 3,559,587 thousand (2013: RUB 4,987,793 thousand).

6. Expenses by nature

	2014 RUB'000	2013 RUB'000
Cost of sales		
Infrastructure and locomotive tariffs:		
Loaded trips	23,250,748	24,391,147
Empty run trips and other tariffs	11,372,482	10,828,527
Services provided by other transportation organisations	3,559,587	4,987,793
Operating lease rentals – rolling stock	1,249,183	1,280,156
Employee benefit expense	879,538	887,152
Repairs and maintenance	3,800,368	4,165,302
Depreciation of property, plant and equipment	5,031,328	5,189,438
Amortisation of intangible assets	1,078,436	1,021,091
Fuel and spare parts – locomotives	1,402,774	1,212,297
Engagement of locomotive crews	467,994	450,025
Loss on sale of property, plant and equipment	21,017	188,526
Impairment of property, plant and equipment	223	-
Other expenses	675,590	550,221
	52,789,268	55,151,675

	2014 RUB'000	2013 RUB'000
Selling, marketing and administrative expenses		
Depreciation of property, plant and equipment	53,418	56,132
Amortisation of intangible assets	208	171
Loss/(gain) on sale of property, plant and equipment	822	(1,837)
Employee benefit expense	2,356,252	2,179,926
Impairment charge of receivables	177,519	368,660
Operating lease rental – office	249,189	266,855
Auditors' remuneration	60,835	63,031
Legal, consulting and other professional fees	101,565	159,905
Advertising and promotion	25,079	26,138
Communication costs	48,328	51,775
Information services	45,623	63,930
Taxes (other than income tax and value added taxes)	951,072	1,063,992
Other expenses	466,480	452,697
	4,536,390	4,751,375

	RUB'000	RUB'000
Total expenses		
Depreciation of property, plant and equipment (Note 12)	5,084,746	5,245,570
Amortisation of intangible assets (Note 13)	1,078,644	1,021,262
Impairment of property, plant and equipment (Note 12)	223	-
Net loss on sale of property, plant and equipment (Note 12)	21,839	186,689
Employee benefit expense (Note 8)	3,235,790	3,067,078
Impairment charge for receivables (Note 19)	177,519	368,660
Operating lease rentals – rolling stock	1,249,183	1,280,156
Operating lease rentals – office	249,189	266,855
Repairs and maintenance	3,800,368	4,165,302
Fuel and spare parts – locomotives	1,402,774	1,212,297
Engagement of locomotive crews	467,994	450,025
Infrastructure and locomotive tariffs:		
Loaded trips	23,250,748	24,391,147
Empty run trips and other tariffs	11,372,482	10,828,527
Services provided by other transportation organisations	3,559,587	4,987,793
Auditors' remuneration	60,835	63,031
Legal, consulting and other professional fees	101,565	159,905
Advertising and promotion	25,079	26,138
Communication costs	48,328	51,775
Information services	45,623	63,930
Taxes (other than income tax and value added taxes)	951,072	1,063,992
Other expenses	1,142,070	1,002,918
Total cost of sales, selling and marketing costs and administrative expenses	57,325,658	59,903,050

Note: The auditors' remuneration stated above include fees of RUB 13,875 thousand (2013: RUB 15,417 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 RUB 153 thousand for the year 2014 (RUB 747 thousand for the year 2013) in fees paid to the Company's statutory auditor for non-audit services.

7. Other gains – net

	2014 RUB'000	2013 RUB'000
Other gains	47,862	75,119
Other losses	(29,373)	(39,707)
Net foreign exchange gains (Note 11)	12,107	1,768
Total other gains – net	30,596	37,180

8. Employee benefit expense

	2014 RUB'000	2013 RUB'000
Wages and salaries	1,648,625	1,589,195
Bonuses	1,102,964	1,034,171
Social insurance costs	484,201	443,712
Total employee benefit expense	3,235,790	3,067,078

9. Finance income and costs

	2014 RUB'000	2013 RUB'000
Interest expense:		
Borrowings from third parties	(15,799)	(70,109)
Bank borrowings	(1,923,420)	(2,422,880)
Non-convertible bond	(1,099,531)	(1,155,211)
Finance leases	(34,493)	(65,740)
Other finance costs	(19,440)	(188,848)
Total interest expense	(3,092,683)	(3,902,788)
Net foreign exchange transaction (losses)/gains on borrowings and other liabilities (Note 11)	(430,872)	69,756
Finance costs	(3,523,555)	(3,833,032)
Interest income:		
Loans receivables from third parties	992	1,014
Bank balances	40,919	29,520
Short term bank deposits	143,045	83,067
Total interest income	184,956	113,601
Other finance income	11,337	-
Net foreign exchange transaction gains on cash and cash equivalents and other monetary assets (Note 11)	539,451	206,832
Finance income	735,744	320,433
Net finance costs	(2,787,811)	(3,512,599)

10. Income tax expense

	2014 RUB'000	2013 RUB'000
Current tax:		
Corporation tax	1,272,768	2,711,221
Withholding tax on dividends for which no deferred tax was recognised	32,000	120,000
Defence contribution	-	566
Total current tax	1,304,768	2,831,787
Deferred tax (Note 25):		
Origination and reversal of temporary differences	904,378	17,855
Impact of change in intention for distribution of profits by subsidiary	(18,703)	-
Impact of change in Ukrainian tax rate	15,576	-
Total deferred tax	901,251	17,855
Income tax expense	2,206,019	2,849,642

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

	2014 RUB'000	2013 RUB'000
Profit before tax	2,777,272	10,917,728
Tax calculated at domestic tax rates applicable to profits in the respective countries	1,412,985	2,054,780
Tax effects of:		
Expenses not deductible for tax purposes	389,068	137,859
Allowances and income not subject to tax	(14,597)	(50,707)
Tax effect of revaluation of deferred tax at current tax rates	15,576	3,661
Tax effect of tax losses for which no deferred tax asset was recognised/ Tax effect of utilisation of previously unrecognised tax losses	(84,058)	112,966
Withholding tax on dividends for which no deferred tax was recognised	32,000	120,000
Derecognition of deferred tax asset previously recognised	206,544	58,358
Estonian income tax charge[1]	-	67,485
Dividend withholding tax provision (Note 25)	267,204	344,703
Impact of change in intention for distribution of profits by subsidiary on dividend withholding tax provision[2]	(18,703)	
Other	-	542
Tax charge	2,206,019	2,849,642

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

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

The weighted average effective tax rate for the year ended 31 December 2014 was 79.4% (2013: 26.1%). Excluding the impact of the impairment charge of goodwill which was an exceptional item with no tax implications for the Group, the weighted average effective tax rate for the year ended 31 December 2014 is 25.6%. The decrease in the effective tax rate (excluding the impact of the impairment charge on goodwill) is caused by the increased proportion of the Group's profits arising from the Estonian subsidiaries of the Group which are taxed at zero rate compared to the Russian subsidiaries which have an applicable tax rate of 20% on profits after tax.

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

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 2014. In certain cases dividends received from abroad may be subject to special contribution for defence at the rate of 15%; increased to 17% as from 31 August 2011; increased to 20% as from 1 January 2012; reduced to 17% as from 1 January 2013. In certain cases dividends received from 1 January 2013 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 2013: 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 RUB Nil thousand (2013: RUB 67,485) 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 revision of tax code effective from 1 January 2015 had the following effects in the Ukrainian subsidiary of the Group: (i) Provisions for doubtful accounts receivable are no longer tax deductible.(ii) amortisation of the financial assets and liabilities is not included in list of differences between tax and accounting profits. Management interpretation is that such amortisation will be fully deductible and no temporary difference arises for deferred tax calculation purposes.

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

11. Net foreign exchange gains

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

	2014 RUB'000	2013 RUB'000
Net finance costs (Note 9)	108,579	276,588
Other gains – net (Note 7)	12,107	1,768
	120,686	278,356

12. Property, plant and equipment

	Rolling stock RUB'000	Land and buildings RUB'000	Motor vehicles RUB'000	Other RUB'000	Total RUB'000
At 1 January 2013					
Cost	82,676,494	79,759	122,949	202,769	83,081,971
Accumulated depreciation	(13,541,699)	(33,258)	(69,098)	(131,423)	(13,775,478)
Net book amount	69,134,795	46,501	53,851	71,346	69,306,493
Year ended 31 December 2013					
Opening net book amount	69,134,795	46,501	53,851	71,346	69,306,493
Additions	1,132,733	6,458	45,498	99,679	1,284,368
Acquired through business combinations (Note 15)	4,586,906	214,834	20,019	482,415	5,304,174
Disposals	(351,450)	-	(6,212)	(912)	(358,574)
Depreciation charge (Note 6)	(5,134,155)	(7,765)	(26,221)	(77,429)	(5,245,570)
Currency translation differences	997,183	1,138	605	4,202	1,003,128
Closing net book amount	70,366,012	261,166	87,540	579,301	71,294,019
At 31 December 2013					
Cost	88,206,436	303,499	168,402	770,667	89,449,004
Accumulated depreciation	(17,840,424)	(42,333)	(80,862)	(191,366)	(18,154,985)
Net book amount	70,366,012	261,166	87,540	579,301	71,294,019

	Rolling stock RUB'000	Land and buildings RUB'000	Motor vehicles RUB'000	Other RUB'000	Total RUB'000
At 1 January 2014					
Cost	88,206,436	303,499	168,402	770,667	89,449,004
Accumulated depreciation	(17,840,424)	(42,333)	(80,862)	(191,366)	(18,154,985)
Net book amount	70,366,012	261,166	87,540	579,301	71,294,019
Year ended 31 December 2014					
Opening net book amount	70,366,012	261,166	87,540	579,301	71,294,019
Additions	1,354,399	-	40,088	55,903	1,450,390
Disposals	(243,257)	-	(7,188)	(19,143)	(269,588)
Depreciation charge (Note 6)	(4,972,677)	(7,766)	(28,613)	(75,690)	(5,084,746)
Impairment charge (Note 6)	(223)	-	-	-	(223)
Transfer to inventories	(126,523)	-	-	-	(126,523)
Currency translation differences	4,073,222	4,011	6,101	34,095	4,117,429
Closing net book amount	70,450,953	257,411	97,928	574,466	71,380,758
At 31 December 2014					
Cost	93,861,283	314,076	204,501	838,921	95,218,781
Accumulated depreciation	(23,410,330)	(56,665)	(106,573)	(264,455)	(23,838,023)
Net book amount	70,450,953	257,411	97,928	574,466	71,380,758

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

	2014 RUB'000	2013 RUB'000
Net book amount	269,588	358,574
Loss on sale of property, plant and equipment (Note 6)	(21,839)	(186,689)
Consideration from sale of property, plant and equipment	247,749	171,885

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

	2014 RUB'000	2013 RUB'000
Cash consideration received within year	220,724	172,401
Movement in advances received in accounts payable for sales of property, plant and equipment	27,025	(516)
	247,749	171,885

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

	2014 RUB'000	2013 RUB'000
Cost – capitalised finance leases	3,269,958	4,039,988
Accumulated depreciation	(522,215)	(604,818)
	2,747,743	3,435,170

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

	2014 RUB'000	2013 RUB'000
Rolling stock	2,747,743	3,432,902
Motor vehicles	-	2,268
	2,747,743	3,435,170

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):

	2014 RUB'000	2013 RUB'000
Rolling stock	26,140,205	26,029,144

Depreciation expense of RUB 5,031,328 thousand in 2014 (2013: RUB 5,189,438 thousand) have been charged to "cost of sales" and RUB 53,418 thousand in 2014 (2013: RUB 56,132 thousand) have been charged to administrative expenses. Impairment charge of RUB 223 thousand in 2014 (2013: Nil) have been charged to cost of sales.

13. Intangible assets

	Goodwill RUB'000	Computer software RUB'000	Customer relationships RUB'000	Total RUB'000
At 1 January 2013				
Cost	4,307,575	16,189	1,917,034	6,240,798
Accumulated amortisation and impairment	-	(15,855)	(240,187)	(256,042)
Net book amount	4,307,575	334	1,676,847	5,984,756
Year ended 31 December 2013				
Opening net book amount	4,307,575	334	1,676,847	5,984,756
Acquired through business combinations (Note 15)	1,520,510	1,262	4,863,766	6,385,538
Amortisation charge (Note 6)	-	(928)	(1,020,334)	(1,021,262)
Currency translation differences	-	13	31	44
Closing net book amount	5,828,085	681	5,520,310	11,349,076
At 31 December 2013				
Cost	5,828,085	17,477	6,780,826	12,626,388
Accumulated amortisation and impairment	-	(16,796)	(1,260,516)	(1,277,312)
Net book amount	5,828,085	681	5,520,310	11,349,076
Year ended 31 December 2014				
Opening net book amount	5,828,085	681	5,520,310	11,349,076
Amortisation charge (Note 6)	-	(414)	(1,078,230)	(1,078,644)
Currency translation differences	-	-	-	-
Additions	-	49	-	49
Impairment charge	(5,828,085)	-	-	(5,828,085)
Closing net book amount	-	316	4,442,080	4,442,396
At 31 December 2014				
Cost	5,828,085	1,749	6,780,785	12,610,619
Accumulated amortisation and impairment	(5,828,085)	(1,433)	(2,338,705)	(8,168,223)
Net book amount	-	316	4,442,080	4,442,396

The carrying amount of the Russian open wagons/operator's services group of cash-generating units within the open wagon/operator's services segment has been reduced to its recoverable amount through recognition of an impairment loss against goodwill amounting to RUB 5,828,085 thousand. This loss has been reported on the face of the profit or loss within operating profit.

Amortisation of RUB 1,078,436 thousand (2013: RUB 1,021,091 thousand) is included in 'cost of sales' in the income statement; RUB 208 thousand (2013: RUB 171 thousand) in 'administrative expenses'.

Customer relationships

As of 31 December 2014, the Group carries customers relationships with Metalloinvest and MMK Groups with a carrying amount of RUB 910,060 thousand (2013: RUB 1,293,467 thousand) and RUB 3,532,020 thousand (2013: RUB 4,226,843 thousand) respectively.

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

During 2014 the terms of the contracts with MMK and Metalloinvest Groups were prolonged for a further 1 year and 1,5 year to February 2019 and December 2016 respectively. Management has reassessed the useful economic life of the customer relationships as of 31 December 2014 and has concluded that despite of the prolongation of the contracts, the remaining useful economic lives of the customer relationships remain reasonable in view of the current volatile market conditions.

Contractual relationship arising on business combination in 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 exercisable 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 RUB 1,335,355 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 more efficient gondola car logistics configurations with low empty runs. The goodwill of RUB 185,155 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 RUB1,520,510 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 RUB 4,863,766 thousand, which is amortised over 7 years from the date of acquisition. 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 2014 the remaining useful live of the customer relationship with MMK Group was estimated at 5 years (2013: 6 years).

Impairment assessment of customer relationships as of 31 December 2014

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

As of 31 December 2014, the management considered the deterioration in the general market and industry conditions as indicators for impairment, and performed impairment assessments in relation to the customer relationships with Metalloinvest and MMK Groups. The recoverable amounts were determined based on value-in-use calculations. These calculations require the use of estimates.

The impairment testing for the customer relationship with Metalloinvest Group indicated significant headroom in the recoverable amount over the carrying amount of this customer relationship. Any reasonable possible change in the assumptions used in the value in use calculation for the recoverable amount for this customer relationship would not trigger any impairment loss.

The impairment testing for the customer relationship with MMK Group did not give rise to any impairment. However the recoverable amount is sensitive to changes in the underlying variables and assumptions used in the determination of the recoverable amount of this customer relationship.

The projections prepared for customer relationship with MMK Group are based on 5-year post-tax cash flow projections. A discount rate of 17% has been applied for years 2015 and 2016 and 15.75% for years 2017 to 2019.

Two of the main assumptions are transportation volumes and prices per trip which are the main components of revenue as well as cost drivers which are projected on 2014 actual results. These projected volumes reflect past experience and management's estimates. The transportation prices are estimated in accordance with the past performance of the Group and management's expectations of market development. The key assumptions thereon, are the estimated growth in revenue during the years 2016 and 2017 as well as the discount rate.

Impairment assessment of customer relationships as of 31 December 2013

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 with a carrying amount of RUB 4,226,843, 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 required 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 developments.

Impairment test for goodwill as of 31 December 2014

Management reviews the business performance based on type of rail cars and types of business. It has identified 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. The entire balance of goodwill of the Group is allocated to Russian open wagons/operator's services group of cash generating units, which is included in the open wagon/operator's services segment.

As a result of the impairment assessment a full impairment of the goodwill of RUB 5,828,085 thousand was recognised (2013: no impairment). The impairment arose as a result of the general deterioration of the general industry market conditions, which resulted into a significant decrease in the revenue from the Russian open wagons/operator's services group of cash generating units and a reduction in the margins achieved.

The recoverable amount of this group of CGUs is determined based on value in use calculations (2013: value in use) and has been estimated at RUB 50,851,000 thousand.

These calculations are based on 7-year post-tax cash flow projections (2013: 7–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 4.1% (2013: 3%) and the discount rate of 17% for years 2015 and 2016 and 15.75% thereafter (2013: consistent 14%) 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 developments.

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.

14. Investments

14.1 Investment in associate

Set out below are the associates of the group as at 31 December 2014, which, in the opinion of the directors, are material to the group. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the group; the country of incorporation or registration is also their principal place of business.

	2014 RUB'000	2013 RUB'000
At beginning of year	83,228	67,731
Share of (loss)/profit after tax	(12,164)	6,804
Currency translation difference	39,118	8,693
At end of year	110,182	83,228

Nature of investment in associates 2014 and 2013:

Name of entity	**Place of business/ country of incorporation**	**% of ownership interest**	**Nature of the relationship**	**Measurement method**
2014				
Daugavpils Lokomotivju Remonta Rupnica (DLRR)	Latvia	25.27	Associate	Equity

The fair value of the investment in associate based on the closing price quoted on Riga Stock Exchange as at 31 December 2014 is RUB 43,259 thousand active (31 December 2013: RUB 46,845 thousand). However the market for these shares is not considered as active.

14.2 Principal subsidiaries

The Group had the following subsidiaries at 31 December 2014:

Name	Country of incorporation	Principal activities	Proportion of ordinary shares held by the parent (%)		Proportion of ordinary shares held by the group (%)		Proportion of ordinary shares held by non-controlling interest (%)	
			2014	2013	2014	2013	2014	2013
Sevtekhnotrans, OOO)[1]	Russia	Railway transportation	-	100	-	100	-	-
New Forwarding Company, OAO	Russia	Railway transportation	100	100	100	100	-	-
Ferrotrans, OOO (formerly Metalloinvesttrans, OOO)[1]	Russia	Railway transportation	-	100	-	100	-	-
GTI Management, OOO[1]	Russia	Railway transportation	100	-	100	-	-	-
Steeltrans, OOO (formerly MMK-Trans, OOO)[2]	Russia	Railway transportation	100	100	100	100	-	-
Amalfico Holdings Limited[3]	Cyprus	Intermediary holding company	100	100	100	100	-	-
Ural Wagonrepair Company, ZAO[4]	Russia	Repair and maintenance of rolling stock	3	-	100	97	-	3
Ukrainian New Forwarding Company OOO	Ukraine	Railway transportation	100	100	100	100	-	-
BaltTransservis, OOO[5]	Russia	Railway transportation	60	-	60	60	40	40
RemTransservis, OOO	Russia	Repair and maintenance of rolling stock	-	-	59,4	59,4	40,6	40,6
Ingulana Holdings Limited[5]	Cyprus	Intermediary holding company	-	60	-	60	-	-
Ultracare Holdings Limited[5]	Cyprus	Intermediary holding company	-	-	-	60	-	-
Syntezrail LLC[7]	Russia	Railway transportation	-	-	100	-	-	-
Syntezrail Ltd[7]	Cyprus	Intermediary holding company	100	-	100	-	-	-
Spacecom AS	Estonia	Operating lease of rolling stock and provision of forwarding services	65,25	65,25	65,25	65,25	34,75	34,75
Ekolinja Oy[6]	Finland	Operating sub-lease of rolling stock	-	-	65,25	65,25	34,75	34,75
Spacecom Trans AS	Estonia	Operating lease of rolling stock	65	65	65	65	35	35

1 GTI Management, OOO was formed as a result of a merger of Sevtekhnotrans, OOO and Ferrotrans, OOO. No gains or losses were recognised with regards to this transaction.

2 Steeltrans was acquired on 12 February 2013 (Note 15)

3 Amalfico Holding Limited was liquidated in January 2015. Amalfico Holdings Limited was acquired on 12 February 2013 (Notes 15 and 16)

4 During 2014, the Group acquired the remaining 3% interest of Ural Wagonrepair Company ZAO. This subsidiary was acquired on 12 February 2013 (Notes 15 and 16)

5 BaltTransservis OOO was held through intermediate holding entities, Ingulana Holdings Limited and Ultracare Holdings Limited. A restructuring took place in 2014 following which BaltTransservis, OOO is held directly by the Company. The two intermediate holding entities were disposed in December 2014.

6 Ekolinja Oy is a 100% subsidiary of Spacecom AS

7 Syntezrail LLC and Syntezrail Ltd have been incorporated in 2014 and started activity in December 2014

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

The accumulated non-controlling interest as of 31 December 2014 and 31 December 2013 comprised the following:

	2014 RUB'000	2013 RUB'000
BaltTransservis, OOO (including RemTransservis, OOO) (2013: including RemTransservis, OOO Ingulana Holdings Limited, Ultracare Holdings Limited)	2,488,800	3,015,843
Spacecom AS (including Ekolinja Oy)	3,466,270	2,120,568
Spacecom Trans AS	972,245	608,165
Ural Wagonrepair Company, ZAO	-	(17,167)
Total	6,927,315	5,727,409

Significant restrictions

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

Summarised financial information of subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. See Note 16 for transactions with non-controlling interests. The financial information of Spacecom AS (including Ekolinja Oy) and Spacecom Trans AS have been aggregated since both entities operate in the Estonian tank cars segment, have significant transactions between them, and management reviews their performance as a single organisation. The financial information of BaltTransservis, OOO includes RemTransservis, OOO, Ingulana Holdings Limited and Ultracare Holdings Limited.

No summarised financial information is presented for Ural Wagonrepair Company, ZAO as its operations and financial position are not material to the Group.

Summarised balance sheet				
	BaltTransservis OOO		Spacecom AS – Spacecom Trans AS	
	2014 RUB'000	2013 RUB'000	2014 RUB'000	2013 RUB'000
Current				
Assets	5,229,373	4,191,136	793,142	981,680
Liabilities	2,349,694	1,084,486	546,069	1,050,754
Total current net assets/(net liabilities)	2,879,679	3,106,650	247,073	(69,074)
Non-current				
Assets	6,403,146	5,714,984	12,672,534	8,591,472
Liabilities	3,060,824	1,282,027	248,901	768,709
Total non-current net assets	3,342,322	4,432,957	12,423,633	7,822,763
Net assets	6,222,001	7,539,607	12,670,706	7,753,689

Summarised income statement				
	BaltTransservis OOO		Spacecom AS – Spacecom Trans AS	
	2014	2013	2014	2013
	RUB'000	RUB'000	RUB'000	RUB'000
Revenue	28,718,637	30,972,681	2,750,692	3,411,669
Profit before income tax	5,514,998	6,428,096	662,690	1,164,909
Income tax expense	(1,118,942)	(1,301,035)	-	(67,485)
Post-tax profit from continuing operations	4,396,056	5,127,061	662,690	1,097,424
Post-tax profit from discontinued operations	-	-	-	-
Other comprehensive income	-	-	4,291,120	888,689
Total comprehensive income	4,396,056	5,127,061	4,953,810	1,986,113
Total comprehensive income allocated to non-controlling interests	1,758,422	2,050,824	1,733,834	695,139
Dividends paid to non-controlling interest	(2,306,714)	(1,627,012)	-	(88,401)

Summarised cash flow statements				
	BaltTransservis OOO		Spacecom AS – Spacecom Trans AS	
	2014	2013	2014	2013
	RUB'000	RUB'000	RUB'000	RUB'000
Cash flows from operating activities				
Cash generated from operations	5,993,996	6,301,017	1,312,729	1,499,188
Income tax paid	(1,070,331)	(1,238,480)	(20,290)	(50,565)
Net cash generated from operating activities	4,923,665	5,062,537	1,292,439	1,448,623
Net cash (used in)/ generated from investing activities	(896,004)	(188,415)	1,464	(162,898)
Net cash generated from/(used in) financing activities	(3,263,296)	(4,076,656)	(1,455,899)	(1,470,931)
Net increase/(decrease) in cash and cash equivalents	764,365	797,466	(161,996)	(185,206)
Cash and cash equivalents at beginning of year	1,484,611	678,571	177,402	340,848
Exchange differences on cash and cash equivalents	164,645	8,574	26,367	813
Cash and cash equivalents at end of year	2,413,621	1,484,611	41,773	156,455

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 RUB 7,579,458 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 was 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 control in accordance with IFRS10 "Consolidated financial statements" at the time that the Group entered into this call option, in February 2013 and, as a consequence, UWC was determined to be a subsidiary of the Company as from February 2013.

The goodwill of RUB 1,335,355 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 RUB 185,155 thousand from the acquisition of UWC arises due to the ability of extracting potential cost savings on repair and maintenance services or railcars.

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 RUB'000
Cash consideration	7,579,458
Total consideration	**7,579,458**
Fair value of recognised amounts of identifiable assets and liabilities	
Cash and cash equivalents	1,155,641
Property, plant and equipment (Note 12)	5,304,174
Intangible assets (Note 13)	4,865,028
Inventories	81,274
Trade and other receivables	1,445,149
Deferred tax assets	28,525
Borrowings	(4,374,551)
Trade and other payables	(1,226,237)
Deferred tax liabilities	(1,436,755)
Total identifiable net assets	5,842,248
Non-controlling interest	216,700
Goodwill	1,520,510
	7,579,458

Purchase consideration in cash:

	12-Feb-2013 RUB'000
Cash consideration	7,579,458
Release of restricted cash paid in 2012 and held on the escrow account	(303,727)
Cash and cash equivalents acquired	(1,155,641)
Net cash outflow from business combination	6,120,090

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 RUB 574,902 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 RUB 34,592 thousand have been charged to administrative expenses in the consolidated income statement for the year.

The fair value of trade and other receivables is RUB 1,445,149 thousand and includes trade receivables with a fair value of RUB 588,952 thousand, other receivables with a fair value of RUB 575,203 thousand, prepayments for the transportation services with a fair value of RUB 238,990 thousand, loans receivables with the fair value of RUB 27,482 thousand and VAT recoverable with a fair value of RUB 14,522 thousand.

The gross contractual amounts for trade receivables and other receivables due is RUB 1,164,155 thousand of which RUB 1,206 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 RUB 40,594 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 RUB 7,951,820 thousand. OOO Steeltrans and UWC also contributed profit of RUB 517,045 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 RUB 74,914,944 thousand and pro-forma profit of RUB 8,191,050 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.

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 (RUB 298,971 thousand) was transferred to retained earnings. The above transaction provided the Group with 97% interest in UWC.

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

17. Financial instruments by category

	2014		2013	
	Loans and receivables RUB'000	Total RUB'000	Loans and receivables RUB'000	Total RUB'000
Financial assets as per balance sheet				
Trade and other receivables	2,822,633	2,822,633	2,630,896	2,630,896
Cash and cash equivalents	4,647,787	4,647,787	3,406,303	3,406,303
Total	7,470,420	7,470,420	6,037,199	6,037,199

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

	2014		2013	
	Financial liabilities measured at amortised cost RUB'000	Total RUB'000	Financial liabilities measured at amortised cost RUB'000	Total RUB'000
Financial liabilities as per balance sheet				
Borrowings	28,306,138	28,306,138	33,179,361	33,179,361
Trade and other payables	798,154	798,154	748,398	748,398
Total	29,104,292	29,104,292	33,927,759	33,927,759

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:

	2014 RUB'000	2013 RUB'000
Trade and other receivables		
Counterparties with external credit rating		
Standard & Poor's(3) (BB+,BBB-)	-	1,718
Moody's(2)(Ba2 - Ba3)	567,672	748,411
Fitch(4) (Ba1)	5,248	-
Fitch(4) (B3 - BBB)	4,390	13,503
	577,310	763,632

	2014 RUB'000	2013 RUB'000
Counterparties without external credit rating		
Group 1	1,308,169	933,024
Group 2	52,669	49,688
	1,360,838	982,712
Total trade and other receivables	1,938,148	1,746,344

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	2014 RUB'000	2013 RUB'000
Moody's [2]	Aaa - A1	65,083	171,090
Moody's [2]	Baa1 - B3	4,377,087	2,313,136
Moody's [2]	Caa3	1,621	38,714
Standard & Poor's [3]	BBB+ - BBB-	194,998	404,724
Fitch [4]	BBB- BBB+	5,876	473,727
Other non-rated banks – satisfactory credit quality		1,915	4,100
Total cash at bank and bank deposits[1][2]		4,646,580	3,405,491

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

19. Trade and other receivables

	2014 RUB'000	2013 RUB'000
Trade receivables – third parties	3,033,978	2,881,945
Trade receivables – related parties (Note 30)	8,680	5,237
Less: Provision for impairment of trade receivables	(315,345)	(376,126)
Trade receivables – net	2,727,313	2,511,056
Other receivables	119,114	135,224
Other receivables – related parties (Note 30)	1,557	8
Less: Provision for impairment of other receivables	(45,476)	(41,806)
Other receivables – net	75,195	93,426
Loans receivables – third parties	20,125	26,414
Prepayments - related parties (Note 30)	50,054	39,774
Prepayments – third parties	3,066,889	2,863,465
VAT recoverable	794,127	925,556
	6,733,703	6,459,691

	2014 RUB'000	2013 RUB'000
Less non-current portion:		
Trade receivables – third parties	-	122,195
Less: Provision for impairment of trade receivables	-	(344)
Trade receivables – net	-	121,851
Loans receivables – third parties	2,462	16,490
Prepayments for property, plant and equipment	29,771	21,906
Total non-current portion	32,233	160,247
Current portion	6,701,470	6,299,444

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 RUB 1,938,148 thousand as of 31 December 2014 were fully performing (2013: RUB 1,746,344 thousand).

Receivables of RUB 884,485 thousand as of 31 December 2014 were past due but not impaired (2013: RUB 884,552 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:

	2014 RUB'000	2013 RUB'000
Less than 1 month	362,682	432,210
From 1 to 3 months	271,689	248,757
From 3 to 6 month	129,031	99,592
From 6 months to 1 year	70,413	81,343
Over one year	50,670	22,650
	884,485	884,552

Trade receivables amounting to RUB 315,345 thousand as of 31 December 2014, were impaired and provided for in full (2013: RUB 376,126 thousand). The individually impaired receivables mainly relate to customers for railway services, which are in unexpectedly difficult economic situation. It was assessed that no portion of these receivables is expected to be recovered.

Other receivables amounting to RUB 45,476 thousand as of 31 December 2014, were impaired and provided for in full (2013: RUB 41,806 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:

	2014 RUB'000	2013 RUB'000
Currency:		
US dollar	538,690	469,572
Russian Roubles	6,130,743	5,934,631
Ukrainian Hryvnia	46,959	51,310
Euro	17,311	4,178
	6,733,703	6,459,691

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

	2014			2013		
	Trade receivables RUB'000	Other receivables RUB'000	Total RUB'000	Trade receivables RUB'000	Other receivables RUB'000	Total RUB'000
At 1 January	376,126	41,806	417,932	19,894	29,804	49,698
Provision for receivables impairment (Note 6)	137,197	54,574	191,771	351,047	29,739	380,786
Bad debt written off	(179,647)	(53,841)	(233,488)	(1,765)	(6,988)	(8,753)
Unused amounts reversed (Note 6)	(2,741)	(11,511)	(14,252)	(1,377)	(10,749)	(12,126)
Unwind of discount	(12,505)	-	(12,505)	-	-	-
Currency translation	11,363	-	11,363	8,327	-	8,327
Other	(14,448)	14,448	-	-	-	-
At 31 December	315,345	45,476	360,821	376,126	41,806	417,932

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

	2014 RUB'000	2013 RUB'000
Raw materials, spare parts and consumables	735,694	588,522
	735,694	588,522

All inventories are stated at cost.

21. Cash and cash equivalents

	2014 RUB'000	2013 RUB'000
Cash at bank and in hand	2,858,277	1,594,823
Short term bank deposits	1,789,510	1,811,480
Total cash and cash equivalents	4,647,787	3,406,303

The effective interest rate on short-term deposits was 11.69% in 2014 (2013: 3.86%) and these deposits have a maturity of 1 to 12 days (2013: 3 to 18 days).

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

	2014 RUB'000	2013 RUB'000
Cash and cash equivalents	4,647,787	3,406,303
Total cash and cash equivalents	4,647,787	3,406,303

Cash and cash equivalents are denominated in the following currencies:

	2014 RUB'000	2013 RUB'000
Russian Rouble	3,818,189	2,829,509
US Dollar	810,402	562,490
Euro	16,859	4,516
Ukrainian Hryvnia	2,337	7,293
Swiss franc	-	2,495
Total cash and cash equivalents	4,647,787	3,406,303

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

22. Share capital, share premium and treasury shares

	Number of shares	Share capital USD'000	Share premium USD'000	Total USD'000
At 1 January 2013 /31 December 2013 / 1 January 2014 / 31 December 2014	178,740,916	17,875	949,471	967,346

	Number of shares	Share capital RUB'000	Share premium RUB'000	Total RUB'000
At 1 January 2013 /31 December 2013 / 1 January 2014 / 31 December 2014	178,740,916	516,957	27,929,478	28,446,435

The total authorised number of ordinary shares at 31 December 2014 was 233,918,128 shares with a par value of US$0.10 per share (31 December 2013: 233,918,128 shares with a par value of US$0.10 per share.

23. Dividends

The Board of Directors of the Company does not recommend the payment of final dividends in relation to the financial year ended 31 December 2014.

In April 2014, the shareholders of the Company approved the payment of the final dividend in respect of the financial year ended 31 December 2013 in the amount of 22.28 RUB (US$0.62) per ordinary share, for the total dividend declared and paid refer to the table below.

During the years ended 31 December 2014 and 2013, the Group declared and paid dividends in favour of non-controlling interests as detailed in the table below.

	2014 RUB'000	2013 RUB'000
Dividends declared to equity holders of the Company	3,981,615	3,968,150
Dividends paid to equity holders of the Company	3,983,892	3,906,954
Dividends declared to non-controlling interest	2,306,714	1,715,413
Dividends paid to non-controlling interest	2,306,714	1,715,413

24. Borrowings

	2014 RUB'000	2013 RUB'000
Current		
Bank borrowings	7,296,288	6,799,562
Non-convertible unsecured bonds	10,772,293	947,666
Loans from third parties	-	681,517
Finance lease liabilities	187,642	632,991
Total current borrowings	18,256,223	9,061,736
Non-current		
Bank borrowings	10,031,715	12,700,603
Non-convertible unsecured bonds	-	10,576,062
Loans from third parties	18,104	-
Finance lease liabilities	96	840,960
Total non-current borrowings	10,049,915	24,117,625
Total borrowings	28,306,138	33,179,361
Maturity of non-current borrowings (excluding finance lease liabilities)		
Between 1 and 2 years	6,722,324	16,377,362
Between 2 and 5 years	3,327,495	6,865,576
Over 5 years	-	33,727
	10,049,819	23,276,665

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.

	2014 RUB'000	2013 RUB'000
Finance lease liabilities – minimum lease payments		
Not later than 1 year	188,720	659,332
Later than 1 year and not later than 5 years	96	867,601
Future finance charges of finance leases	(1,078)	(52,982)
Present value of finance lease liabilities	187,738	1,473,951
The present value of finance lease liabilities is as follows:		
Not later than 1 year	187,642	632,991
Later than 1 year and not later than 5 years	96	840,960
	187,738	1,473,951

Bank borrowings

Bank borrowings mature by 2019 and bear average interest of 10.59% per annum (2013: 9.04% per annum).

There were no defaults or breaches of loan terms during the years ended 31 December 2014 and 31 December 2013.

The current and non-current bank borrowings amounting to RUB 7,296,288 thousand and RUB 10,031,715 thousand respectively (2013: RUB 6,799,562 thousand and RUB 12,700,603 thousand respectively) are secured by pledge of rolling stock with a carrying net book value of RUB 26,140,205 thousand (2013: RUB 26,029,144 thousand) (Note 12). There are no bank borrowings as of 31 December 2014 and 31 December 2013 which 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 RUB 3 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:

	2014 RUB'000	2013 RUB'000
6 months or less	15,186,222	8,940,812
6 to 12 months	3,884,093	2,780,150
1 to 5 years	9,235,823	21,424,673
over 5 years	-	33,726
	28,306,138	33,179,361

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

	Carrying amount		Fair value	
	2014 RUB'000	2013 RUB'000	2014 RUB'000	2013 RUB'000
Bank borrowings	17,328,003	19,500,165	14,910,427	19,481,744
Loans from third parties	18,104	681,517	14,727	681,517
Non-convertible unsecured bonds	10,772,293	11,523,728	10,434,340	11,720,514
Finance lease liabilities	187,738	1,473,951	187,738	1,473,951
	28,306,138	33,179,361	25,547,232	33,357,726

The fair value of non-convertible unsecured bonds is based on quoted market prices. Fair values of other liabilities were determined using valuation techniques.

As at 31 December 2013, the 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.

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

In the absence of similar Russian Rouble denominated instruments entered into by the Group close to the year-end, due to the adverse fluctuation of interest rates, the estimated fair value of fixed interest rate instruments with stated maturity denominated in Russian Rouble was estimated based on expected cash flows discounted at an estimated rate of Mosprime plus a margin. Such rate was management's best estimate of the interest rate it would achieve had it entered into a similar instrument as at the year end. The discount rates used ranged from 20.14% p.a to 25.02% p.a. (2013: 7.8% p.a. to 10.3 % p.a.) depending on the length and currency of the liability. The fair value measurement of the bank borrowings, loans from third parties and lease liabilities are within level 3 of the fair value hierarchy.

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

The fair value of non-convertible bonds, which 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:

	2014 RUB'000	2013 RUB'000
US Dollar	592,156	1,940,752
Russian Rouble	27,713,982	31,237,630
Euro	-	979
	28,306,138	33,179,361

The Group has the following undrawn borrowing facilities:

	2014 RUB'000	2013 RUB'000
Floating rate:		
Expiring within one year	650,000	150,000
Fixed rate:		
Expiring within one year	650,000	694,000
Expiring beyond one year	20,602,000	5,450,000
	21,902,000	6,294,000

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

	2014 %	2013 %
Bank borrowings	10.6	9.0
Non-convertible unsecured bonds	10.0	9.9
Loans from third parties	-	17.0[1]
Finance lease liabilities	2.3	2.9

(1) Loans from third parties were obtained by UWC prior to its acquisition by the Group, bear the nominal interest of RUB 11.25% and were repaid by end of March 2014.

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:

	2014 RUB'000	2013 RUB'000
Deferred tax liabilities - net:		
- Deferred tax liability to be recovered after more than 12 months	5,306,502	4,847,211
- Deferred tax liability to be recovered within 12 months	(99,092)	(137,159)
Deferred tax liabilities	5,207,410	4,710,052

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

	2014 RUB'000	2013 RUB'000
Beginning of year	4,710,052	3,798,835
Income statement charge (Note 10)	901,251	17,855
Acquisition of subsidiaries (Note 15)	-	1,408,230
Withholding tax on actual dividend distribution	(407,500)	(515,000)
Currency translation differences	3,607	132
End of year	5,207,410	4,710,052

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

Deferred tax liabilities	Property, plant and equipment RUB'000	Withholding tax provision RUB'000	Intangible assets RUB'000	Total RUB'000
At 1 January 2013	2,844,251	762,051	335,436	3,941,738
Charged/(credited) to:				
Income statement (Note 10)	(73,143)	344,703	(144,428)	127,132
Acquisition of subsidiaries (Note 15)	494,037	40,594	972,985	1,507,616
Withholding tax on actual dividend distribution	-	(515,000)	-	(515,000)
Currency translation differences	899	-	-	899
At 31 December 2013 / 1 January 2014	3,266,044	632,348	1,163,993	5,062,385
Charged/(credited) to:				
Income statement (Note 10)	814,950	248,501	(275,528)	787,923
Withholding tax on actual dividend distribution	-	(407,500)	-	(407,500)
Currency translation differences	(2,165)	-	-	(2,165)
At 31 December 2014	4,078,829	473,349	888,465	5,440,643

Deferred tax assets	Lease liability RUB'000	Trade and other payables RUB'000	Borrowings RUB'000	Other assets/ liabilities RUB'000	Total RUB'000
At 1 January 2013	(9,871)	(52,484)	-	(80,548)	(142,903)
Charged/(credited) to:					
Income statement (Note 10)	(58,540)	(41,180)	35,638	(45,195)	(109,277)
Acquisition of subsidiaries (Note 15)	(19,714)	(8,971)	(64,689)	(6,012)	(99,386)
Currency translation differences	-	-	-	(767)	(767)
At 31 December 2013 / 1 January 2014	(88,125)	(102,635)	(29,051)	(132,522)	(352,333)
Charged/(credited) to:					
Income statement (Note 10)	41,483	20,743	29,051	22,051	113,328
Currency translation differences	-	-	-	5,772	5,772
At 31 December 2014	(46,642)	(81,892)	-	(104,699)	(233,233)

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 RUB 3,312,499 thousand (2013: RUB 2,053,397 thousand) have not been recognised for the withholding taxes that would be payable on the unremitted earnings of certain subsidiaries. It is the current intention of the management of the Group that such amounts are reinvested. Unremitted earnings on which no deferred tax liability was recognised totalled RUB 23,736,246 thousand as at 31 December 2014 (2013: RUB 16,185,440 thousand).

26. Trade and other payables

	2014 RUB'000	2013 RUB'000
Current		
Trade payables to third parties	704,703	700,669
Trade payables to related parties (Note 30)	10,796	10,534
Other payables to third parties	904,142	965,774
Accrued expenses	303,741	290,811
Advances from customers for transportation services	3,317,004	1,836,220
Advances from related parties for sale of wagons (Note 30)	5,260	245
	5,245,646	3,804,253

	2014 RUB'000	2013 RUB'000
Non-current		
Other payables to third parties	13,278	-
	13,278	-

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

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

27. Earnings per share

Basic and diluted

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

	2014	2013
(Loss)/Profit attributable to equity holders of the company (RUB thousand)	(1,415,739)	5,825,602
Weighted average number of ordinary shares in issue (thousand)	178,741	178,741
Basic and diluted (losses)/earnings per share (expressed in RUB per share) attributable to the equity holders of the Company during the year	(7.92)	32.59

28. Contingencies

Operating environment

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

Russian Federation

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. During 2014 the Russian economy was negatively impacted by a decline in oil prices and ongoing political tension in the region and international sanctions against certain Russian companies and individuals. As a result during 2014

- the CBRF exchange rate fluctuated between RUB 32.7292 and RUB 56.2584 per USD; between RUB44.9699 and RUB 68.3427 per Euro; between RUB 3.9720 and RUB 3.5564 per Ukrainian Hryvnia.
- the CBRF key refinancing interest rate increased from 5.5% p.a. to 17.0% p.a. including an increase from 12.0% p.a. to 17.0% p.a. on 16 December 2014;
- the RTS stock exchange index ranged between 1 445 and 791;
- access to international financial markets to raise funding was limited for certain entities; and
- capital outflows increased compared to prior years.

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Subsequent to 31 December 2014:

- the CBRF exchange rate fluctuated between RUB 56.2584 per USD and RUB 69.6640 per USD;
- Russia's credit rating was downgraded by Fitch Ratings in January 2015 to BBB-, whilst Standard & Poor's cut it to BB+, putting it below investment grade for the first time in a decade. In February 2015 Moody's Investors Service downgraded Russia's rating to Ba1 from Baa3. Fitch Ratings still have Russia as investment grade. However, all these rating agencies indicated a negative outlook, meaning further downgrades are possible.
- the RTS stock exchange index ranged between 791 and 862;
- bank lending activity decreased as banks are reassessing the business models of their borrowers and their ability to withstand the increased lending and exchange rates; and
- the CBRF key refinancing interest rate decreased from 17.0% p.a. to 14 % p.a.

These events may have a further significant impact on the Group's future operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation and its impact on the Group's operations may differ from management's current expectations.

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

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length. Management believes that its pricing policy used in 2013 and 2014 and preceding years is arm's length and it has implemented internal controls to be in compliance with this transfer pricing legislation.

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

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group. In 2014, the Controlled Foreign Company (CFC) legislation introduced Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties). Starting from 2015, CFC income will be subject to a 20% tax rate. As a result, management reassessed the Group's tax positions and recognised deferred taxes for temporary differences that arose from the expected taxable manner of recovery of the relevant Group's operations to which the CFC legislation will apply to and to the extent that the Group (rather than its owners) is obliged to settle such taxes.

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

Estonia

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

Ukraine

Starting in 2013, the political situation in Ukraine has experienced instability with numerous protests and continued political uncertainty that has led to deterioration of the state's finances, volatility of financial markets and sharp depreciation of the national currency against major foreign currencies. The ratings of Ukrainian sovereign debt were downgraded by international rating agencies with negative outlooks for the future. The National Bank of Ukraine ("NBU"), among other measures, imposed certain restrictions on processing of client payments by banks and on the purchase of foreign currency on the inter-bank market.

The recent political situation has been volatile, with changes in the Ukrainian Parliament and the Presidency. In March 2014, various events in Crimea led to the accession of the Republic of Crimea to the Russian Federation. This event resulted in a significant deterioration of the relationship between Ukraine and the Russian Federation.

The political and economic situation has deteriorated particularly in Eastern Ukraine with increasing levels of armed conflict and military activity, particularly in the Donetsk and Lugansk regions. The Group has no business in Crimea/Donetsk/Lugansk regions.

As at 26 March 2015, the official NBU exchange rate of Hryvnia against US dollar was UAH 23.50 per USD 1, compared to 15.77 per USD 1 as at 31 December 2014. In 2014, real GDP fell by 6.8% compared to 2013. Industrial production in 2014 increased by 6% compared to 2013.

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

Compliance with covenants

The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including claims for early repayment. The Group is in compliance with covenants as of 31 December 2014 and 31 December 2013 (Note 24).

Indemnification received in relation to financial guarantee

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

Insurance policies

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

Environmental matters

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

Legal proceedings

During the year ended 31 December 2014, the Group was involved as a claimant and defendant in a number of court proceedings.

During the year ended 31 December 2014, 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 and 2014. In December 2013, FAS Russia claimed penalties from OAO New Forwarding Company and OOO Ferrotrans as administrative fines in the total amount of RUB 130,926 thousand . These administrative fines include an amount of RUB 57,892 thousand which has been charged to OOO Ferrotrans for which the Group is indemnified from Metalloinvest Group.

Management believes that the Group has not executed any actions resulting in violation of antimonopoly legislation. As at 31 December 2013 and 2014, the Group has made a provision of RUB 5,482 thousand against the potential fines stipulated by the Russian Legislation should the offence be proved in Court.

In the opinion of management, there are no other legal proceedings or other claims outstanding, as of 31 December 2014 and 2013 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:

	2014 RUB'000	2013 RUB'000
Property, plant and equipment	2,103	-

(b) *Operating lease commitments – Group as lessee*

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

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

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

	2014 RUB'000	2013 RUB'000
Not later than 1 year	628,870	894,716
Later than 1 year not later than 5 years	16,495	134,861
	645,365	1,029,577

(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:

	2014 RUB'000	2013 RUB'000
Not later than 1 year	916,399	1,295,585
Later than 1 year not later than 5 years	-	558,579
	916,399	1,854,164

Contingent-based rents recognised in the income statement were RUB nil for the year ended 31 December 2014 (2013: RUB nil).

30. Related party transactions

Marigold Investments, Onyx Investments and Maple Valley Investments, are Company's shareholders with a direct shareholding as at 31 December 2013 and as at 31 December 2014 of 11.5% each.

As at 31 December 2013, Envesta Investment Limited and in affiliates held 10.8% and in early 2014 it distributed its shares in the Company to Litten Investments Limited and Goldriver Resources Limited. Litten Investments Limited and Goldriver Resources Limited, both controlled by members of key management of the Group have a direct shareholding in the Company of 6.3% and 4.5% respectively, as at 31 December 2014.

54.5% of the shares represent the free market-float 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.

Until March 2013, Transportation Investments Holding Limited ("TIHL") held 34.5% of the Company's shares which when then disposed to Marigold Investments, Onyx Investments and Maple Valley Investments.

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

	2014 RUB'000	2013 RUB'000
Sales of services:		
Associate	-	4,101
Other related parties:		
Entities under control of TIHL and its controlling shareholders	-	516,142
Entities under joint control by TIHL	-	2,608
Entities under significant influence of members of key management	921	380,988
	921	903,839

(b) Purchases of goods and services

	2014 RUB'000	2013 RUB'000
Purchases of services:		
Other related parties		
Entities under control of TIHL	-	35,132
Entities under control by parties with significant influence over the	-	8,000
Entities under significant influence of members of key management	241,909	268,210
	241,909	311,342

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

	2014 RUB'000	2013 RUB'000
Additions:		
Other related parties		
Entities under control of TIHL	-	-
Entities under significant influence of TIHL	-	3,746
Entities under significant influence of members of key management	7,751	-
	7,751	3,746

Profit on disposal of property, plant and equipment:		
Other related parties		
Entities under control of TIHL	-	1,735
Entities under significant influence of members of key management	1,318	9,409
	1,318	11,144

(d) Key management compensation

	2014 RUB'000	2013 RUB'000
Key management salaries and other short term employee benefits	669,363	814,188
	669,363	814,188

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 RUB 116,172 thousand (2013: RUB 115,743 thousand).

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

	2014 RUB'000	2013 RUB'000
Trade receivable from related parties (Note 19):		
Associate	8,075	5,121
Other related parties		
Entities under significant influence of members of key management	605	116
	8,680	5,237
Other receivables from related parties (Note 19):		
Other related parties		
Entities under significant influence of members of key management	1,557	8
	1,557	8
Prepayments to related parties (Note 19):		
Other related parties		
Entities under significant influence of members of key management	50,054	39,774
	50,054	39,774

	2014 RUB'000	2013 RUB'000
Trade payables to related parties (Note 26):		
Associate	-	164
Directors	-	1,964
Other related parties		
Entities under significant influence of members of key management	10,796	8,406
	10,796	10,534
Advances from related parties (Note 26):		
Other related parties		
Entities under significant influence of members of key management	5,260	245
	5,260	245

(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:

	2014 RUB'000	2013 RUB'000
Not later than 1 year	74,008	56,594
Later than 1 year and not later than 5 years	16,496	69,698
	90,504	126,292

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

31. Events after the balance sheet date

The Group redeemed non-convertible unsecured bonds of RUB 10,000,000 thousand during March 2015.

During the first 3 months of 2015, the Group concluded long-term loan agreements with financial institutions for facilities of RUB 11, 250,000 thousand, of which RUB 10,500,000 thousand were drawn down to date.

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.