Globaltrans Investment PLC

Consolidated Management report and consolidated financial statements for the year ended 31 December 2023

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Consolidated Management report and consolidated financial statements for the year ended 31 December 2023

Board of Directors and other officers

Board of Directors as of 5 April 2024

Mr. Jaafar Borhan
Senior Independent Non-Executive Director
Appointed on 4 April 2024, (Senior Independent director since 5 April 2024)
Chairman of Remuneration Committee (since 5 April 2024)
Chairman of Nomination Committee (since 5 April 2024)
Member of ESG Committee (since 5 April 2024)

Ms. Jouslin Khairallah
Independent Non-Executive Director
Appointed on 4 April 2024
Chairperson of the Audit Committee (since 5 April 2024)
Chairperson of ESG Committee (since 5 April 2024)

Mr. Abdulla Belobaida
Independent Non-Executive Director
Member of the Audit Committee (since 5 April 2024)
Member of Remuneration Committee (since 5 April 2024)
Member of Nomination Committee (since 5 April 2024)

Mr. Abdultaiyab Bahrainwala
Non-Executive Director

Ms. Albina Amangeldinova
Non-Executive Director

Mr. Yerzhan Niyazaliyev
Chairman of the Board of Directors
Executive Director

Mr. Kairat Itemgenov
Executive Director

Mr. Anton Gazizov
Executive Director

Mr. Alexander Storozhev
Executive Director

Mr. Viacheslav Stanislavskiy
Executive Director

Mr. Ruslan Izatov
Non-Executive Director

Mr. Stefan Henrich
Non-Executive Director

Mr. Yousef Abu Laban
Non-Executive Director

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

Mr. Aleksandr Lavrentjev

Registered office

Office Unit 3, Floor 6, Al Sila Tower
Abu Dhabi Global Market Square
Al Maryah Island, Abu Dhabi, UAE

Consolidated Management Report

The Board of Directors presents its report together with the audited consolidated financial statements for the year ended 31 December 2023. The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of Cyprus Companies Law, Cap. 113.

Principal activities

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

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

Globaltrans reported strong financial results in 2023 with growth achieved across all key metrics. The overall performance of the freight rail transportation sector was relatively steady despite the continued challenging operating environment that persisted for most of 2023, and which resulted in widespread transformation of freight flows and logistics, as well as pressure on cargo volumes and intensified cost pressures. The Group also improved its operational efficiency with all service contracts remaining intact. Robust financial profile was maintained with further deleveraging. Globaltrans sizably decreased its investments into fleet expansion and M&A in 2023 reflecting a conservative approach to investment given elevated new rolling stock prices.

IFRS financial information

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

The Group's Total revenue increased 11% year on year to RUB 104,748,023 thousand in 2023 (2022: RUB 94,474,032 thousand). Operating profit increased 29% year on year to RUB 44,124,702 thousand in 2023 (2022: RUB 34,301,602 thousand). The profit for the year ended 31 December 2023 increased 55% year on year to RUB 38,617,605 thousand (2022: RUB 24,919,886 thousand).

On 31 December 2023 the total assets of the Group were RUB 130,385,766 thousand (2022: RUB 110,154,102 thousand) and net assets were RUB 99,853,356 thousand (2022: RUB 67,462,195 thousand).

On 31 December 2023 the total debt of the Group was RUB 15,377,104 thousand which decreased by 26% as compared to end of 2022 which amounted to RUB 20,648,650 thousand. Total cash and cash equivalents on 31 December 2023 increased by 166% and amounted to RUB 42,776,832 thousand (31 December 2022: 16,052,345 thousand).

Non-IFRS financial information

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

Adjusted Revenue increased 7% year on year to RUB 87,387,994 thousand (2022: RUB 81,609,908 thousand) largely supported by robust average pricing. Total Operating Cash Costs were up 8% year on year to RUB 35,048,708 thousand (2022: RUB 32,373,079 thousand).

Adjusted EBITDA increased 6% year on year to RUB 52,289,028 thousand (2022: RUB 49,216,294 thousand) with the Adjusted EBITDA Margin at 60% (2022: 60%) remains stable year on year despite ongoing cost pressures.

The Group had a strong balance sheet with Net Debt to Adjusted EBITDA decreasing to (0.52x) (2022 end: 0.09x). Net Debt reduced to RUB (27,399,728) thousand (2022 end: RUB 4,596,305 thousand). As at 31 December 2023 and 31 December 2022 100% of the Group's debt was denominated in Russian roubles.

Free Cash Flow of RUB 25,845,174 thousand increased 74% year on year (RUB 14,824,581 thousand for 2022) as the 28% year on year decrease in Total CAPEX to RUB 8,260,603 thousand (2022: RUB 11,423,671 thousand) and 50% year on year decrease in Total CAPEX adjusted for M&A to RUB 10,091,996 thousand (2022: RUB 20,223,671 thousand).

Operational information

In 2023, Freight Rail Turnover (including Engaged Fleet) decreased by 2% year on year and the Group's Transportation Volume (including Engaged Fleet) decreased by 2%. The Freight Rail Turnover (including Engaged Fleet) amounted to 138.8 billion tonnes-km (2022: 141.4 billion tonnes-km) and the Group's Transportation Volume (including Engaged Fleet) was 78.6 million tonnes in 2023 (2022: 80.4 million tonnes).

The Average Number of Loaded Trips per Railcar decreased by 5% year on year and the Average Distance of Loaded Trips remained stable.

Average Price per Trip increased by 10% year on year to RUB 71,125 (2022: RUB 64,553) reflecting largely continued favourable market pricing conditions in both bulk and liquids segments.

The Empty Run Ratio for gondola cars improved to its lowest level in more than ten years at 36% (2022: 41%) whereas the Total Empty Run Ratio decreased to 45% (2022: 50%).

Total Fleet decreased by 1% to 65,644 units (2022 end: 66,115 units).

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

Definitions to Non-IFRS financial measures

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

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

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

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

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

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

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

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

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

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

Free Cash Flow is calculated as “Cash generated from operations” (after “Changes in working capital”) less “Tax paid”, “Purchases of property, plant and equipment”, “Purchases of intangible assets”, “Acquisition of subsidiary undertakings - net of cash acquired”, “Acquisition of non-controlling interest”, “Interest paid on lease liabilities”, “Interest paid on bank borrowings and non-convertible unsecured bonds” “Interest paid on leases with financial institutions”, “Principal elements of lease payments for other lease liabilities”, “Payment for rolling stock to disposed subsidiary” plus “Cash inflow from disposal of subsidiary undertakings - net of cash disposed of”.

Freight Rail Turnover is a measure of freight carriage activity over a particular period calculated as the sum of tonnage of each loaded trip multiplied by the distance of each loaded trip, expressed in tonnes-km. It excludes volumes transported by Engaged Fleet (unless otherwise stated).

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

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

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

Total CAPEX calculated on a cash basis as the sum of “Purchases of property, plant and equipment”, “Purchases of intangible assets”.

Total CAPEX adjusted for M&A (a non-IFRS financial measure) is calculated as a combination of Total CAPEX (which includes maintenance CAPEX) and cash inflows and outflows from acquisitions and disposals.

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

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

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

Transportation Volume is a measure of freight carriage activity over a particular period, measuring weight of cargo carried in tonnes. It excludes volumes transported by Engaged Fleet (unless otherwise stated).

Changes in group structure

There were no changes in the Group structure of the Company during the year ended 31 December 2023 other than sale of 65.25% in Spacecom AS and incorporation of GLTR Cyprus Ltd.

Environmental matters

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

Human resources

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

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

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

Principal risks and uncertainties

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

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

The escalation of the conflict in Ukraine and the associated sanctions imposed by the US, European Union and a number of other countries on some of the biggest Russian industrial groups, as described in Note 33 to the consolidated financial statements, may adversely affect the business environment and prospects of the Company and its subsidiaries and create significant new risks, which did not exist as at the balance sheet date.

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

Strategic risks

The strategic risks faced by the Company and its subsidiaries, together referred to as "Group", that pose risks that influence the Group's ability to achieve its strategy include the general economic situation and operating environment in Russia, Kazakhstan and CIS countries in which the Group operates; the regulatory risk relating to the operation of the Russian railway transportation market including railway tariff regulation and technical requirements for fleet maintenance; the highly competitive Russian rail transportation market with unregulated operators' services tariffs; the significant concentration of the Group's customer base with the top 10 customers (including their affiliates and suppliers) accounting for around 68% of the Group's Net Revenue from the operation of rolling stock in 2023; cost of borrowing and/or deterioration in market conditions with potential impacts on the profitability and recoverability of investments; and reliance on State railway company for issuing permits allowing the Group to operate locomotives.

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

The management of the Group constantly monitors the developments in the operating environment and regulatory regime of the railway transportation market in the countries in which the Group operates. The Group's business model is to maintain a balanced fleet between universal gondola cars, adaptable to the demand for transportation of various bulk cargoes and rail tank cars. Further, the Group has long-term, established relationships with its key customers and their affiliates and suppliers and in some cases, the Group becomes an integrated part of its customers' operations. Around 61% of the Group's Net Revenue from the Operation of Rolling Stock in 2023 was covered by long-term service contracts with several large clients. Such contracts provide additional stability and greater certainty regarding transport volumes for the Group. In addition, the Group's marketing function regularly monitors competitors' strategies, their use of technology, their price strategies and industry trends.

The sanctions imposed on the Russian Central Bank, National Settlement Depositary (NSD) and number of commercial banks, the restrictions for capital movements outside Russian Federation, the sanctions imposed by US, European Union and number of other countries on the biggest Russian industrial groups adversely affects the business environment and prospects of the Group and create significant risks. The restrictions on the export of certain types of Russian commodities or change in directions of supply for Russian commodities may have a negative impact on the freight rail transportation market and the Group's business.

The situation is still evolving and further sanctions and limitations on business activity of companies operating in the region, as well as consequences on the Russian economy in general, may arise but the full nature and possible effects of these are unknown. It is not possible for management to predict with any degree of certainty the impact of this uncertainty on the future operations of the Group and estimate the financial effect on the Group. Management is closely monitoring the situation and is ready to act depending on the developments.

In addition, the appearance of new pandemics or other dangerous illnesses could seriously affect the global and local business environment and lead to negative consequences for Group's business.

Operational risks

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

The Group is managing operational risk by ensuring that practically all of the Group's rolling stock is insured against damage. Further, the Group monitors its rolling stock through the Group's dispatch centre on a 24/7 basis and plans routes accordingly to minimise the risks of disruption. The Group monitors FAS initiatives with the aim of detecting possible changes in tariff-setting methodology and tries to reflect respective changes in contracts with customers. Among the Group's key objectives are to increase operational efficiency and to focus on control and reduction of costs. The Group continuously monitors its costs to maintain efficiency.

The Human Resource function regularly monitors salary levels and other benefits offered by competitors to ensure that the Group's remuneration packages are adequate. Customer satisfaction is one of the key metrics that the Group's management monitors, with customer feedback being analysed and appropriate follow-up actions being taken. Due to recent sanctions imposed by US, European Union and number of other countries, number of IT solutions will no longer be maintained by US and European Union suppliers. Local IT specialists have introduced alternative solutions to maintain the availability of IT services, continuity of business processes and ensure their recovery in case of disruption. The IT function and Internal Audit function monitor all IT-related activities and performance for compliance with IT policies and procedures.

Further the Group permanently monitors any disruptive events and applies a Business Continuity Policy to ensure the safety of employees and human life; maintain continuity of time-critical services; minimise disruptions to clients and partners; and minimise operational, financial and reputational impact.

Compliance risks

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

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

Financial risks

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

Foreign exchange risk

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

The Group is exposed to the effects of currency fluctuations between (i) the Russian Rouble and the US Dollars in relation to US Dollar denominated balances held in the Company and the Cypriot and Russian subsidiaries of the Group having the Russian Rouble as their functional currency.

The Group does not have formal arrangements for hedging foreign exchange risk, with the exception of application of hedge accounting to hedge foreign currency risk associated with highly probable dividend payments and associated dividend payable until their settlement, as set out in the accounting policy for hedging activities in Note 4 to these financial statements.

Cash flow and fair value interest rate risk

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

Credit risk

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

Liquidity risk

The Group has an excess of current assets over current liabilities of RUB 39,017,720 thousand as at 31 December 2023.

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

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

Contingencies

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

Future developments

The Group's strategic objective is to strengthen its position as a leading freight rail transportation group in Russia. The future development of the Group may be affected by the escalation of the conflict in Ukraine in the period after the balance sheet date. It is not possible for the Board of Directors to predict with any degree of certainty the impact of this uncertainty on the future operations of the Group and estimate the financial effect on the Group.

Results

The Group's results for the year are set out on pages 19 and 20. On the date of this report, the Board of Directors, having considered the profitability and liquidity position of the Group as well as all the risks and recent developments, does not recommend the payment of a final 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 declare dividends in Russian Roubles and pay such dividends in US Dollars. If dividends are not paid in US Dollars and if the conversion from the currency of payment to US Dollars is possible for the Depositary, 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 and limitations on capital movement, if applicable. 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.

On the date of this report, the Board of Directors of the Company, having considered the profitability and liquidity position of the Group as well as all the risks and recent developments, does not recommend a payment of final dividends.

Share capital

As of 31 December 2023 the issued share capital of the Company comprised 178,318,259 ordinary shares with a par value of US$0.10 per share (31 December 2022 comprised 178,740,916 ordinary shares with a par value of US$0.10 per share).

Treasury shares

As of 31 December 2023 the Company didn't have treasury shares (31 December 2022: 422 657 treasury shares).

Research and development activities

The Group has not undertaken any research and development activities during the year ended 31 December 2023.

Events after the balance sheet date

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

Branches

The Group operates through branches and representative offices, maintaining six branches and eight representative offices during 2023 (seven branches and eight representative offices during 2022).

Going concern

The 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 2024, including cash flows and borrowing facilities, and taking into account the developments after the reporting date impacting the economic and business environment in which the Group operates, as set out in Note 33 to the consolidated financial statements, the Directors consider that the Group has adequate resources to continue in operation for the foreseeable future.

Auditors

Following the completion of redomiciliation of Globaltrans Investment Plc from Cyprus to UAE, ADGM effective from 26 February 2024, the Independent Auditor, GAC Auditors Ltd will be replaced by RAI LLP, who has license in ADGM for the audit of public companies. A resolution giving authority to the Board of Directors to fix the remuneration of RAI LLP will be proposed at the Annual General Meeting.

Corporate governance

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

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

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

The role of the Board of Directors

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

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

Members of the Board of Directors

As at 31 December 2023, the Board comprises of 14 members (2022: 14 members), 10 (2022: 10 members) of whom are non-executive directors. Three (2022: three) of the non-executive directors are independent, they have no relationship with the Company, its related companies or their officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the Company, and they are able to exercise objective judgment on corporate affairs independently from management.

The members of the Board of Directors at the date of this report are shown on page 1, the members of the Board of Directors as of 31 December 2023 are shown in the table below, all of them were members of the Board throughout the year 2023.

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

The total gross remuneration of the members of the Board of Directors incurred by the Group in 2023 amounted to RUB 1,076,241 thousand (2022: RUB 776,827 thousand) (Note 35).

Board performance

The Board held 24 meetings in 2023. The Directors' attendance is presented in the table below.

	Eligible	Attended
John Carroll Colley	24	24
George Papaioannou	24	24
Alexander Eliseev	24	23
Melina Pyrgou	24	24
Konstantin Shirokov	24	23
Alexander Storozhev	24	24
Marios Tofaros	24	24
Elia Nicolaou	24	24
Sergey Tolmachev	24	24
Sergey Maltsev (Chairman)	24	24

Andrey Gomon	24	24
Sergey Foliforov	24	24
Vasilis Hadjivassiliou	24	24
Michalakis Thomaides	24	24

The Board Committees

During 2023 the Board had four committees: the Audit Committee, the Nomination Committee, the Remuneration Committee and the ESG Committee, which was established by the Board of Directors in January 2022. A brief description of the terms of reference of the committees is set out below.

Audit Committee
The Audit Committee comprises of three Directors and meets at least four times each year. As of 31 December 2023 all the members of the Audit Committee were independent and the Audit Committee was chaired by Mr. Colley and was also attended by Mr. Papaioannou and Mr. Hadjivassiliou. 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 of two Independent Directors and meets at least once a year. As of 31 December 2023 the Nomination Committee was chaired by Carroll Colley and George Papaioannou was 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 of two Independent Directors and meets at least once a year. As of 31 December 2023 the Remuneration Committee was chaired by Carroll Colley and George Papaioannou was 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.

ESG Committee

The Board of Directors established an ESG Committee to lead its thinking on ESG matters and ensure that ESG issues are integrated into the Group's long-term strategy. The ESG Committee also monitors the development of the Group's sustainability strategy, reviews and recommends ESG disclosures for Board approval and approves the Group's sustainability reports. The ESG Committee was comprised of two Board members: Elia Nicolaou, Non-executive Director, who serves as the Chair, and Carroll Colley, Independent Non-executive Director. The ESG Committee meets at least two times a year.

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 21 April 2023.

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

Diversity policy

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

As of 31 December 2023 the Board had 2 females representing approximately 14% from the total number of directors. The age of the members of the Board of Directors starts from over 40 years, with the average age of directors being 52 years. The Board members have the following educational backgrounds: transportation and ports industry, accounting, economics and financial, banking sector and legal, engineering and mechanics, biophysics and mathematics, history, international affairs and risk management. The Board has a necessary balance of skills and expertise to run the Company and the Group.

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

Regulations with regards to the amendment of the article of association

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

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

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

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

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

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

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

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

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

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

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

Directors' interests

The interests in the share capital of Globaltrans Investment PLC and its Group companies, both direct and indirect, of those who were Directors of the Company as at 31 December 2023 and 31 December 2022 are shown below:

Name	Type of holding	2023	2022
Alexander Eliseev	Indirect holding of ordinary shares and GDRs	9,065,790	9,065,790
Sergey Maltsev	Indirect holding of ordinary shares	5,490,149	5,490,149

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

The Company does not have any titles with special rights.

Any restrictions in exercising of voting rights of shares

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

By Order of the Board

....
Alexander Storozhev
Director

Abu Dhabi, ADGM, 05 April 2024

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 is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

As the Company has completed redomiciliation to ADGM, UAE on 26 February 2024, the Company's Board of directors must ensure that all legal and financial aspects are properly addressed, including compliance with any new requirements in the new jurisdiction. From 1 January 2024 International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113 will no longer be applicable and International Financial Reporting Standards will be applied.

This responsibility includes selecting appropriate accounting policies and applying them consistently; and making accounting estimates and judgements that are reasonable in the circumstances.

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

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

Directors' confirmations

Each of the directors, whose names and functions are listed in page 1 confirms that, to the best of his or her knowledge:

(a) the consolidated financial statements, which are presented on pages 19 to 75, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

(b) the Consolidated Management Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that it faces/they face.

Further, each of the Directors confirms that, to the best of their knowledge:

(i) adequate accounting records have been maintained which disclose with reasonable accuracy the financial position of the Group and explain its transactions;
(ii) all information of which they are aware that is relevant to the preparation of the consolidated financial statements, such as accounting records and all other relevant records and documentation, has been made available to the Company's auditors;
(iii) the consolidated financial statements disclose the information required by the Cyprus Companies Law, Cap.113 in the manner so required; and
(iv) the Consolidated Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap.113, and the information given therein is consistent with the consolidated financial statements.

By order of the Board

....

Alexander Storozhev
Director

Abu Dhabi, ADGM, 05 April 2024

Independent Auditor's Report

To the Members of Globaltrans Investment PLC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of the parent company Globaltrans Investment PLC (the "Company"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the parent company Globaltrans Investment PLC as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to the operating environment of the consolidated financial statements, which describes the impact of conflict between Russia and Ukraine. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period.

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

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report, but does not include the consolidated financial statements and our auditor's report thereon.

Independent Auditor's Report (continued)

To the Members of Globaltrans Investment PLC

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

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

Responsibilities of the Board of Directors 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.

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

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

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

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

Independent Auditor's Report (continued)

To the Members of Globaltrans Investment PLC

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

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

Report on Other Legal Requirements

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

- In our opinion, the Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Management Report.

Independent Auditor's Report (continued)

To the Members of Globaltrans Investment PLC

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

Other Matters

This report, including the opinion, has been prepared for and only for the Group's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Michalis Lambrianides
Certified Public Accountant and Registered Auditor
for and on behalf of
GAC Auditors Ltd
Certified Public Accountants and Registered Auditors

48 Inomenon Ethnon , Guricon House 1st floor, 6042

Larnaca, 5 April 2024

Consolidated income statement

for the year ended 31 December 2023

	Note	**2023 RUB’000**	2022 RUB’000
Revenue	10	104,748,023	94,474,032
Cost of sales	11	(57,899,197)	(53,929,494)
Gross profit		46,848,826	40,544,538
Selling and marketing costs	11	(346,867)	(282,458)
Administrative expenses	11	(5,494,083)	(4,625,577)
Profit from sale of subsidiary	12,36	3,400,047	-
Other (losses) / gains – net	12	(283,221)	(1,334,901)
Operating profit		44,124,702	34,301,602
Finance income	14	2,173,246	811,588
Finance costs	14	(2,405,410)	(2,602,339)
Net foreign exchange transaction gains/(losses) on financing activities	14	3,194,185	641,196
Finance income / (costs) – net	14	2,962,021	(1,149,555)
Profit before income tax		47,086,723	33,152,047
Income tax expense	15	(8,469,118)	(8,232,161)
Profit for the year		38,617,605	24,919,886
Profit attributable to:			
Owners of the Company		38,620,269	25,193,420
Non-controlling interest		(2,664)	(273,534)
		38,617,605	24,919,886
Weighted average number of ordinary shares outstanding (thousand)	32	178,318	178,382
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RUB per share)[1]	32	216.58	141.23

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

The notes on pages 24 to 74 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2023

	2023 RUB'000	2022 RUB'000
Profit for the year	38,617,605	24,919,886
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	(3,332,461)	(1,546,414)
Items that will not be reclassified to profit or loss		
Currency translation differences attributable to non-controlling interest	3,473	(442,197)
Other comprehensive income for the year, net of tax	(3,328,988)	(1,988,611)
Total comprehensive income for the year	35,288,617	22,931,275
Total comprehensive income for the year attributable to:		
- owners of the Company	35,287,808	23,647,006
- non-controlling interest	809	(715,731)
	35,288,617	22,931,275

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 24 to 74 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

at 31 December 2023

	Note	**31 December 2023 RUB'000**	31 December 2022 RUB'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	75,211,678	77,606,926
Right-of-use assets	18	2,738,914	3,838,027
Intangible assets	19	2,076	1,760
Other assets	23	196,310	1,011,970
Total non-current assets		78,148,978	82,458,683
Current assets			
Inventories	24	1,142,672	798,621
Other assets	23	3,268,427	6,047,171
Loans and other receivables	22	272,353	433,091
Trade receivables	22	4,627,397	3,750,433
Current income tax assets		149,107	613,758
Cash and cash equivalents	25	42,776,832	16,052,345
Total current assets		52,236,788	27,695,419
TOTAL ASSETS		130,385,766	110,154,102
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital	26	515,735	516,957
Share premium	26	27,929,478	27,929,478
Treasury shares		-	(145,993)
Common control transaction reserve		(8,458,334)	(10,429,876)
Translation reserve		-	3,332,461
Capital contribution		2,694,851	2,694,851
Retained earnings		77,171,626	43,579,823
Total equity attributable to the owners of the Company		99,853,356	67,477,701
Non-controlling interest		-	(15,506)
Total equity		99,853,356	67,462,195
Non-current liabilities			
Borrowings	28	7,662,972	9,052,778
Other lease liabilities	29	897,585	1,794,464
Contract liabilities	10	17,787	14,454
Deferred tax liabilities	30	8,734,998	9,081,239
Total non-current liabilities		17,313,342	19,942,935
Current liabilities			
Borrowings	28	7,714,132	11,595,872
Other lease liabilities	29	2,198,502	2,400,332
Trade and other payables	31	2,438,472	6,384,348
Contract liabilities	10	792,682	813,406
Current tax liabilities		75,280	1,555,014
Total current liabilities		13,219,068	22,748,972
TOTAL LIABILITIES		30,532,410	42,691,907
TOTAL EQUITY AND LIABILITIES		130,385,766	110,154,102

On 5 April 2024, the Board of Directors of Globaltrans Investment PLC authorised these financial statements for issue.

By order of the Board

....

Alexander Storozhev, Director | Yerzhan Niyazaliyev, Director

The notes on pages 24 to 74 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2023

	Note	Attributable to the owners of the Company										
		Share capital RUB'000	Share premium RUB'000	Treasury shares RUB'000	Common control transaction reserve RUB'000	Cash flow hedge 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 2022		516,957	27,929,478	(31,496)	(10,429,876)	-	4,878,875	2,694,851	24,688,577	50,247,366	6,257,857	56,505,223
Comprehensive income												
Profit for the year		-	-	-	-	-	-	-	25,193,420	25,193,420	(273,534)	24,919,886
Other comprehensive income												
Currency translation differences		-	-	-	-	-	(1,546,414)	-	-	(1,546,414)	(442,197)	(1,988,611)
Total comprehensive income for 2022		-	-	-	-	-	(1,546,414)	-	25,193,420	23,647,006	(715,731)	22,931,275
Transactions with owners												
Dividends to owners of the Company	27	-	-	-	-	-	-	-	-	-	-	-
Dividends to non-controlling interest	27	-	-	-	-	-	-	-	-	-	(2,759,806)	(2,759,806)
Acquisition of NCI		-	-	-	-	-	-	-	(6,302,174)	(6,302,174)	(2,797,826)	(9,100,000)
Purchase of treasury shares	26	-	-	(114,497)	-	-	-	-		(114,497)	-	(114,497)
Total transactions with owners		-	-	-	-	-	-	-	(6,302,174)	(6,416,671)	(5,557,632)	(11,974,303)
Balance at 31 December 2022		516,957	27,929,478	(145,993)	(10,429,876)	-	3,332,461	2,694,851	43,579,823	67,477,701	(15,506)	67,462,195

Consolidated statement of changes in equity

for the year ended 31 December 2023

		Attributable to the owners of the Company										
	Note	Share capital RUB'000	Share premium RUB'000	Treasury shares RUB'000	Common control transaction reserve RUB'000	Cash flow hedge 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 2023		516,957	27,929,478	(145,993)	(10,429,876)	-	3,332,461	2,694,851	43,579,823	67,477,701	(15,506)	67,462,195
Comprehensive income												
Profit for the year		-	-	-	-	-	-	-	38,620,269	38,620,269	(2,664)	38,617,605
Other comprehensive income												
Currency translation differences		-	-	-	-	-	(3,332,461)	-	-	(3,332,461)	3,473	(3,328,988)
Total comprehensive income for 2023		-	-	-	-	-	(3,332,461)	-	38,620,269	35,287,808	809	35,288,617
Transactions with owners												
Dividends to owners of the Company	27	-	-	-	-	-	-	-	-	-	-	-
Dividends to non-controlling interest	27	-	-	-	-	-	-	-	-	-	-	-
Sale of SC		-	-	-	1,971,542	-	-	-	(4,883,695)	(2,912,153)	14,697	(2,897,456)
Cancellation of treasury shares	26	(1,222)	-	145,993	-	-	-	-	(144,771)	-	-	-
Total transactions with owners		(1,222)	-	145,993	1,971,542	-	-	-	(5,028,466)	(2,912,153)	14,697	(2,897,456)
Balance at 31 December 2023		515,735	27,929,478	-	(8,458,334)	-	-	2,694,851	77,171,626	99,853,356	-	99,853,356

The notes on pages 24 to 74 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

for the year ended 31 December 2023

	Note	2023 RUB'000	2022 RUB'000
Cash flows from operating activities			
Profit before tax		47,086,723	33,152,047
Adjustments for:			
Depreciation of property, plant and equipment	17	8,852,851	6,752,811
Depreciation of right-of-use assets	18	2,445,695	2,596,568
Amortisation of intangible assets	19	429	325
Gain on sale of property, plant and equipment	17	(280,219)	(12,624)
Loss on derecognition arising on capital repairs	17	284,448	309,878
(Reversal of impairment)/impairment of property, plant and equipment	11	(22,052)	3,932,833
Other impairment	12	-	19,237
Profit on sale of subsidiaries	12	(3,400,047)	-
Net impairment losses on trade and other receivables	11	50,258	20,535
Interest income	14	(2,173,246)	(779,268)
Interest expense and other finance costs	14	2,405,410	2,602,339
Net foreign exchange transaction losses/(gains) on financing activities	14	(3,194,185)	(641,196)
Other (gains) / losses		(14,145)	9,768
		52,041,920	47,963,253
Changes in working capital:			
Inventories		441,993	547,813
Trade receivables		(2,424,377)	(86,363)
Other assets		1,892,188	(1,285,225)
Other receivables		(259,777)	388,690
Trade and other payables		(2,488,682)	1,659,908
Contract liabilities		(9,695)	(557,133)
Cash generated from operations		49,193,570	48,630,943
Tax paid		(8,267,084)	(8,455,068)
Net cash from operating activities		40,926,486	40,175,875
Cash flows from investing activities			
Payment for acquisition of non-controlling interest	20	-	(8,800,000)
Proceeds from sale of subsidiaries - net of cash disposed of	20	4,771,748	-
Payment for rolling stock to disposed subsidiary		(6,603,141)	-
Loans granted to related parties		-	(800,000)
Loans granted to third parties		(884,700)	-
Loan repayments received from related parties		400,000	400,000
Loans repayments received from third parties		884,700	-
Purchases of property, plant and equipment		(8,259,858)	(11,421,671)
Purchases of intangible assets		(745)	(2,000)
Proceeds from sale of property, plant and equipment	17	626,548	238,377
Interest received		2,160,854	761,235
Receipts from finance lease receivable - related parties		10,796	9,261
Receipts from finance lease receivable - third parties		42,891	28,163
Other		-	(64,972)
Net cash used in investing activities		(6,850,907)	(19,651,607)
Cash flows from financing activities			
Proceeds from bank borrowings	28	8,800,000	2,750,000
Repayments of borrowings	28	(10,188,110)	(9,549,396)
Repayments of non-convertible unsecured bonds	28	(3,750,000)	(3,750,000)
Principal elements of lease payments for other lease liabilities	28	(2,477,780)	(2,402,700)
Interest paid on bank borrowings and non-convertible unsecured bonds	28	(2,051,443)	(1,938,619)
Interest paid on other lease liabilities	28	(460,093)	(786,304)
Dividends paid to non-controlling interests in subsidiaries	27	(334,268)	(1,728,073)
Purchase of treasury shares	26	-	(114,497)
Net cash used in financing activities		(10,461,694)	(17,519,589)
Net increase in cash and cash equivalents		23,613,885	3,004,679
Exchange gains on cash and cash equivalents		3,110,602	192,959
Cash and cash equivalents at beginning of year		16,052,345	12,854,707
Cash and cash equivalents at end of year	25	42,776,832	16,052,345

Principal non-cash investing and financing transactions

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

The notes on pages 24 to 74 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. General information

Country of incorporation

Globaltrans Investment Plc ("the Company") is incorporated and domiciled in Cyprus as a limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113 and converted into a public company on 15 April 2008. Until 26 February 2024 the address of its registered office was 20 Omirou Street, CY-3095 Limassol, Cyprus. On 26 February 2024 the Company has completed redomiciliation to ADGM, UAE with the registered address: Office Unit 3, Floor 6, Al Sila Tower, Abu Dhabi Global Market Square, Al Maryah Island, Abu Dhabi, UAE.

The Group's principal place of business is at Nizhnyaya Krasnoselskaya st. 39, bld. 1, Moscow, Russia.

Approval of the consolidated financial statements

These consolidated financial statements were authorised for issue by the Board of Directors on 5 April 2024.

Global Depositary Receipts

Global Depositary Receipts (GDRs), each representing one ordinary share of the Company, are listed on the London Stock Exchange International Main Market (the Imposed suspension of GDRs trading on the London Stock Exchange continued as of the date of publication) and on the Moscow Exchange. Furthermore, Russian Rouble denominated bonds, issued by the Company's subsidiary New Forwarding Company, AO, for a total amount of RUB 10 billion, out of a RUB 100 billion registered program, were listed on the Moscow Exchange, all outstanding bonds were redeemed in February 2024.

Principal activities

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

2. Basis of preparation

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

As of the date of the authorization of these financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are relevant to the Group's operations and are effective as at 1 January 2023 have been adopted by the EU through the endorsement procedure established by the European Commission.

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

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

3. Adoption of new or revised standards and interpretations

During the current year the Group adopted all the new and amended standards that are relevant to its operations and are effective for accounting periods beginning on 1 January 2023. None of these had a significant impact on these financial statements.

4. 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 the years presented, unless otherwise stated.

Basis of consolidation

(a) Subsidiaries

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

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

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

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

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

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

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

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

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

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

(b) Transactions with non-controlling interests

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

(c) Disposal of subsidiaries

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

Segment reporting

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

Revenue recognition

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

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

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

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

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

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

Operator's services

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

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

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

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

- The Group has a contractual relationship with the customer and sets the terms of the transaction, excluding the infrastructure 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 providers of infrastructure tariff. Under these arrangements the Group recognises revenue net of infrastructure tariff. Revenue for all of the above types of contracts is recognised over time while the Group satisfies its performance obligation by transferring control over the promised services to the customer in the accounting period in which the services are rendered. In particular, revenue is recognised in accordance with the stage of completion of the transaction, determined based on the actual trip days lapsed against the total estimated number of trip days for the entire trip, since the customer receives and consumes the benefits from the services simultaneously.

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

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

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

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

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

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

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

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

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

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company and of the majority of its subsidiaries is the Russian Rouble (RUB). The consolidated financial statements are presented in Russian Roubles (RUB) ("the presentation currency") because this is the currency better understood by the principal users of the financial statements.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, with the exception of foreign exchange differences that relate to qualifying cash flow hedges which are deferred in equity.

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

All other foreign exchange gains and losses are presented in the income statement within "Other 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 yearly rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- Share capital, share premium and all other reserves are translated using the historic rate.

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

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, including foreign exchange differences on long term loans receivable designated as part of the net investment in foreign operations, are recognised in other comprehensive income. When a foreign operation is disposed of or sold and control or significant influence is lost, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on disposal. On a partial disposal of a foreign operation, the proportionate share of the cumulative amount of the exchange differences recorded in equity relating to the amount disposed is reclassified in the income statement. The Group assesses whether there is a partial disposal of a foreign operation on the basis of the change in the Group's proportionate ownership interest in the foreign operation.

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

Hedging activities

The Group is exposed to foreign exchange risk arising from dividends declared in Russian Roubles and paid in US Dollar at the rate set at the date of the declaration. The Group uses foreign currency cash deposits denominated in US Dollars to hedge this foreign exchange risk exposure.

In particular, the US Dollar denominated cash deposits are designated by the Group as hedging instruments in hedging the foreign exchange risk associated with the highly probable dividend payment and the resulting payable. At inception of the hedge relationship, the Group documents, amongst others, the economic relationship between the hedging instrument and hedged item, including whether changes in the cash flows of the hedging instrument are expected to offset changes in the cash flows of the hedged item. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

As a result of the application of hedge accounting, the foreign exchange difference on the hedging instrument is recognised in other comprehensive income in the “Cash flow hedge reserve” within equity. Amounts recognised in equity are reclassified to the income statement, within “Finance income and costs”, in the same period or periods during which the hedged item impacts the income statement, being once foreign exchange differences are recognised on the hedged item.

Accordingly, in the cash flow statement “Dividends paid to the owners of the Company” are disclosed net-off foreign exchange differences on the relevant cash deposits (i.e. at the amounts declared) and the “Exchange (losses)/gains on cash and cash equivalents” do not include the impact from the relevant cash deposits used for hedging. In the income statement the amounts included in “Finance income and costs” (Note 14) within “Net foreign exchange transaction (losses)/gains on cash and cash equivalents and other monetary assets” and “Net foreign exchange transaction gains/(losses) on borrowings and other liabilities” are disclosed after application of hedge accounting (i.e. excluding the foreign currency gains/losses arising for the hedging).

Property, plant and equipment

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

Land is not depreciated.

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

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

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

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

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

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

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

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

Rolling stock repair and maintenance costs

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

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

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

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

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

Intangible assets

(a) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Customer relationships are being amortised using the straight-line method over their estimated useful life. The useful lives of the customer relationships are reviewed, and adjusted if appropriate, at the end of each reporting period.

(b) Computer software

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

Impairment of non-financial assets

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

Leases

(a) The Group is the lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group, with limited exceptions as set out below. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

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

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

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

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

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

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

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

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

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

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

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

Security deposits paid by the Group at the commencement of a lease contract that are held by the lessor throughout the term of the lease and are refunded to the Group at the end of the lease term if the Group has fully performed and observed all of the conditions set out in the contract are accounted for as financial assets.

Sale and leaseback

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

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

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

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

(b) The Group is the lessor

Finance leases

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

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

Impairment of lease receivables

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

Operating leases

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

Revenues from operating leasing

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

Financial instruments

(a) Financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) Financial liabilities

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

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

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

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

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

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

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

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

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

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

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

Inventories

Group entities usually maintain a store of spare parts and servicing equipment. These are carried as inventory and recognised in the income statement as consumed, unless they meet the definition of property, plant and equipment in which case they are classified as such. Major spare parts are also recognised within property, plant and equipment when they meet the definition of property, plant and equipment. Spare parts in inventory as well as other inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business less the cost of completion and applicable variable selling expenses and takes into account, amongst others, evidence of damage or obsolescence.

Cash flow statement

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

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

Share capital, share premium and treasury shares

Ordinary shares are classified as equity.

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

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

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

Capital contribution

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

Provisions and contingent liabilities

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

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

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

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

Current and deferred income tax

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

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

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

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

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

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

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

Uncertain tax positions

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

Russian Value Added Tax (VAT)

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

Employee benefits

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

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

Termination benefits

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

Share based payment transactions

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

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

Dividend distribution

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

Prepayments

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

Other income

Other income generally represents amounts received from transactions that are outside the Group's principal activities. This is recognised in the income statement over the period it relates to, based on the terms of the arrangement. Other income that it is not linked to the Group's future performance and/or satisfaction of any future obligations is recognised in the period in which the Group is entitled to receive it.

5. New accounting pronouncements

The new standards, interpretations, and amendments to the existing standards effective for annual accounting periods commencing on 1 January 2023 are as follows:

IFRS 17 Insurance Contracts – (issued on 18 May 2017 and is effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted as long as IFRS 9 is also applied). The IASB completed its project on insurance contracts with the issuance of IFRS 17 Insurance Contracts in May 2017. IFRS 17 replaces IFRS 4 and sets out principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of IFRS 17. IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts.
Amendments to IFRS 17 Insurance Contracts – (issued on 25 June 2020 and is effective for annual reporting periods beginning on or after 1 January 2023). The main changes are:

- Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023
- Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk
- Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognised in a business acquired in a business combination
- Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level
- Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements
- Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives
- Amendments to require an entity that at initial recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held
- Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts
- Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach

• Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies – (issued on 12 February 2021 and is effective for annual reporting periods beginning on or after 1 January 2023). The IASB concluded that the concept of materiality could be applied in making decisions about the disclosure of accounting policies. Therefore, the Board decided to amend IAS 1 to replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. In the Board's view, accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The Board concluded that these amendments would help entities reduce immaterial accounting policy disclosures in their financial statements.

• Amendments to IAS 8 - Definition of Accounting Estimates – (issued on 12 February 2021 and is effective for annual reporting periods beginning on or after 1 January 2023). The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

• Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction – (issued on 7 May 2021 and is effective for annual reporting periods beginning on or after 1 January 2023). The IASB amends IAS 12 to provide a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

We understand that, based on management's assessment, none of the above new standards, interpretations and amendments to existing standards had any material effect on the Group/Company. Management's assessment will be considered during our audit.

Developments in auditing

ISA 600 (Revised 2022) – Audits of Group Financial Statements (Including the Work of Component Auditors), effective for audits of group financial statements for periods beginning on or after 15 December 2023. ISA 600 (Revised) includes new and revised requirements and application material that better aligns the standard with recently revised standards such as ISQM 1, ISA220 (Revised) and ISA 315 (Revised 2019). The new and revised requirements also strengthen the auditor's responsibilities related to professional skepticism, planning and performing a group audit, two-way communications between the group auditor and component auditors, and documentation.
The changes made to ISA 600 (Revised) are intended to:

- Encourage proactive management of quality at the group engagement level and the component level
- Keep the standard fit for purpose in a wide range of circumstances and in a developing environment
- Reinforce the need for robust communication and interactions during the group audit
- Foster an appropriately independent and challenging skeptical mindset of the auditor

The revisions aim to drive better quality and more consistent risk assessments, as well as promote the exercise of professional skepticism.

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

6. Financial risk management

Financial risks factors

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

Market risk

(a) Foreign exchange risk

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

As of 31 December 2023, 100% of the Group's long-term borrowings are denominated in Russian Rouble. Further, a large proportion of the Group's expenses and revenues are denominated and settled in Russian Roubles. Risks related to liabilities denominated in foreign currency are partly compensated by assets and income denominated in foreign currency.

As of the end of December 2023 the Russian Rouble has decreased against the US Dollar from 70.3375 as of 31 December 2022 to 89.6883 Russian Roubles (27.5% decrease) and has decreased against the Euro from 75.6553 as of 31 December 2022 to 99.1919 Russian Roubles (31.1% decrease).

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

The carrying amounts of monetary assets and liabilities denominated in US Dollars as at 31 December 2023 and 31 December 2022 are as follows:

	2023 RUB'000	2022 RUB'000
Assets	29,478	1,046,653
Liabilities	232	29,070

Had US Dollar exchange rate strengthened/weakened by 20% against the Russian Rouble and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2023, would have increased/decreased by RUB 4,937 thousand (2022: 20% change, effect RUB 158,706 thousand) and equity would have increased/decreased by RUB 4,937 thousand (2022: 20% change, effect RUB 491,067 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of cash and cash equivalents and accounts payable denominated in US Dollars for the Group entities with Russian Rouble being their functional currency. The impact on equity is mainly due to foreign exchange gains and losses arising upon retranslation of intercompany loans being recognised as part of net investment in the foreign operation denominated in US Dollars for the Ukrainian subsidiary of the Group.

Had Euro exchange rate strengthened/weakened by 30% against the US Dollar and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2023, would have increased /decreased by RUB NIL thousand (2022: 30% change, effect RUB 32,836 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of payable balances and cash and cash equivalents and accounts receivable denominated in US Dollars for the Estonian subsidiaries of the Group.

The Group does not have formal arrangements for hedging foreign exchange risk, with the exception of application of hedge accounting to hedge foreign currency risk associated with highly probable dividend payments and associated dividend payable until their settlement, as set out in the accounting policy for hedging activities in Note 4 to these financial statements.

The impact of application of hedge accounting has been to disclose in the cash flow statement “Dividends paid to the owners of the Company” net-off RUB NIL thousand (2022: RUB NIL thousand) foreign exchange losses and the “Exchange (losses)/gains on cash and cash equivalents” does not include the equivalent impact from the relevant cash deposits used for hedging. Furthermore, in the income statement the amounts included in “Finance income and costs” within “Net foreign exchange transaction (losses)/gains on cash and cash equivalents and other monetary assets” and “Net foreign exchange transaction gains/(losses) on borrowings and other liabilities” are disclosed after application of hedge accounting (i.e. excluding the foreign currency gains/losses arising for the hedging of RUB NIL thousand (2022: RUB NIL thousand)).

(b) Cash flow and fair value interest rate risk

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

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

As at 31 December 2023 and 31 December 2022, the Group did not have any credit facilities at floating interest rates, therefore any reasonably possible change in market interest rates would not have any significant impact on the post-tax profit or equity of the Group.

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

Credit risk

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

(i) Risk management

The Group has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history. Management assesses the credit quality of the Group’s customers, taking into account their financial position, past experience and other factors. These policies allow the Group to reduce its credit risk. However, the Group’s business is heavily dependent on a few large key customers, with the top ten customers accounting for 78.89% of the Group’s trade receivables as at 31 December 2023 (2022: 78.83%).

For banks and financial institutions, the Group has established policies whereby the majority of bank balances are held with independently rated parties with a minimum rating of 'Baa2'. These policies enable the Group to reduce its credit risk significantly.

(ii) Impairment of financial assets

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

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

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

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

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

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

Especially the following indicators are incorporated:

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

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

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

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

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

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

Trade receivables and finance lease receivables

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

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

	Trade receivables RUB'000	Finance lease receivables RUB'000
As at 31 December 2023		
Current (not past due)	3,748,020	138,760
1-30 days past due	678,363	-
31-90 days past due	205,866	-
more than 90 days past due	10,348	-
Total	4,642,597	138,760

	Trade receivables RUB'000	Finance lease receivables RUB'000
As at 31 December 2022		
Current (not past due)	3,134,198	149,746
1-30 days past due	589,065	-
31-90 days past due	26,111	-
more than 90 days past due	11,402	-
Total	3,760,776	149,746

The gross carrying amounts, as per above, represent the Group's maximum exposure to credit risk on these assets as at 31 December 2023 and as at 31 December 2022 without taking into account any collateral held. The Group does not hold any collateral as security for any trade receivable balances. Finance lease receivables are effectively secured as the rights to the leased asset revert to the Group in the event of default.

The movement in the credit loss allowance for trade receivables during the years 2023 and 2022 is presented in the table below:

	Trade receivables	
	2023 RUB'000	2022 RUB'000
Opening balance as at 1 January	(10,343)	(98,955)
Net loss allowance of financial assets at the start of the year	(7,490)	(2,736)
Assets written off during the year as uncollectible	135	23,874
Unused amounts reversed	-	66,606
Recoveries	2,498	868
Other	-	-
Closing balance as at 31 December	(15,200)	(10,343)

The estimated expected credit loss allowance on finance lease receivables as at 31 December 2023 and as at 31 December 2022 was immaterial. This assessment takes into consideration the presence of the leased asset, which acts as a collateral for the finance lease receivable.

Loans and other receivables

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

The following table contains an analysis of the credit risk exposure other receivables on the basis of the Group's internal credit risk rating grades. The gross carrying amounts below represent the Group's maximum exposure to credit risk on these assets as at 31 December 2023 and 2022:

Internal credit risk rating grade	Company definition of category	2023 RUB'000	2022 RUB'000
Performing	Stage 1 - Counterparties have a low risk of default and a strong capacity to meet contractual cash flows	261,446	22,155
Under-performing	Stage 2 - Customers for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	10,881	9,762
Non-performing or Credit-impaired	Stage 3 - Interest and/or principal repayments are more than 90 days past due	25,632	4,602

The gross carrying amounts, as per above, represent the Group's maximum exposure to credit risk on these assets as at 31 December 2023 and as at 31 December 2022 without taking into account any collateral held. The Group does not hold any collateral as security for any loans receivable or other receivable balances.

The movement in the credit loss allowance for other receivables during the years 2023 and 2022 is presented in the table below:

	Non-performing	
	2023 RUB'000	2022 RUB'000
Opening balance as at 1 January	(4,602)	(6,141)
Assets written off during the year as uncollectible	202	1,707
Other	(21,232)	(168)
Closing balance as at 31 December	(25,632)	(4,602)

The estimated expected credit loss allowance on loans receivable as at 31 December 2022 was immaterial.

Cash and cash equivalents

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

The following table contains an analysis of the gross carrying amount of the Group's cash at bank by reference to the credit risk ratings assigned by external credit rating agencies. The gross carrying amounts below represent the Group's maximum exposure to credit risk on these assets as at 31 December 2023 and 2022:

	Rating	2023 RUB'000	2022 RUB'000
Moody's (1)	A2 - A1	859,279	4,187,545
Moody's (1)	Baa3 – Baa1	79,065	127,458
Moody's (1)	B1	-	1,337
ACRA (2)	AAA(RU) - A(RU)	41,723,686	11,600,969
ACRA (2)	BBB+(RU)	414	-
Expert RA (3)	ruA+ - ruA	114,005	28,926
Other external non-rated banks – satisfactory credit quality (performing)		-	95,360
Total cash at bank and bank deposits (4)		42,776,449	16,041,595

(1) International rating agency Moody's Investors Service
(2) Russian authorized credit rating agency ACRA

(3) Russian authorized credit rating agency Expert RA
(4) The rest of the balance sheet item 'cash and cash equivalents' is cash on hand.

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

The estimated expected credit loss allowance on cash and cash equivalents as at 31 December 2023 and as at 31 December 2022 based on the general approach of IFRS 9, was immaterial. All cash and cash equivalents were performing (Stage 1) as at 31 December 2023 and as at 31 December 2022.

Liquidity risk

The Group has an excess of current assets over current liabilites of RUB 39,017,720 thousand as at 31 December 2023 (2022: excess of current assets over current liabilites RUB 4,946,447 thousand).

The Group has predictable cash flows which allow the Group to repay its liabilities when they fall due. The Group also has successful credit and refinancing history and maintains enough flexibility ensuring the ability to attract necessary funds through committed credit facilities. Due to availability of undrawn borrowing facilities amounting to RUB 29,000,000 thousand as of 31 December 2023 (2022: RUB 42,783,333 thousand), together with long-term borrowings (Note 28) the Group has the ability to meet its liabilities as they fall due and mitigate risks of adverse changes in the financial markets environment.

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

The table below summarises the analysis of financial liabilities of the Group by maturity as of 31 December 2023 and 31 December 2022. The amounts in the table are contractual undiscounted cash flows. Trade and other payables balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than one month RUB'000	Between one month and three months RUB'000	Between three and six months RUB'000	Between 6 months and less than one year RUB'000	Between 1 and 2 years RUB'000	Between 2 and 5 years RUB'000	Over five years RUB'000	Total RUB'000
31 December 2023								
Borrowings	990,107	2,697,528	2,086,700	2,997,037	4,208,639	4,578,954	-	17,558,965
Trade and other payables	581,157	12,005	-	-	-	-	-	593,162
Other lease liabilities	286,184	557,783	719,938	950,674	554,005	562,276	1,658	3,632,518
	1,857,448	3,267,316	2,806,638	3,947,711	4,762,644	5,141,230	1,658	21,784,645
31 December 2022								
Borrowings	1,240,580	3,761,571	2,200,301	5,437,567	6,693,045	3,216,301	-	22,549,365
Trade and other payables	402,763	1,210,094	-	-	-	-	-	1,612,857
Other lease liabilities	230,754	447,630	685,969	1,371,635	1,792,351	102,732	3,433	4,634,504
	1,874,097	5,419,295	2,886,270	6,809,202	8,485,396	3,319,033	3,433	28,796,726

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

(a) Capital risk management

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

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

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

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

The rate of borrowings to total capitalisation as at 31 December 2023 and 31 December 2022 are as follows:

	2023 RUB'000	2022 RUB'000
Total borrowings	15,377,104	20,648,650
Total capitalisation	115,230,460	88,126,351
Total borrowings to total capitalisation ratio (percentage)	13.34%	23.43%

External requirements are imposed on the capital of the Group as defined by management in relation to long-term loans provided by financial institutions to the Company and certain subsidiaries of the Company. The Group analyses compliance with external requirements to the capital at each reporting date and when entering into new loan agreements and lease contracts. There were no instances of non-compliance with externally imposed capital requirements during 2023 and 2022. Management believes that the Group will be able to comply with its external requirements to the capital during the whole term of agreements.

Fair value estimation

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

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

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

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

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

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

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

As at 31 December 2023 and 31 December 2022 there were no fixed or floating interest rate instruments with stated maturity denominated in a currency other than the Russian Rouble.

The fair value as at 31 December 2023 and 31 December 2022 of fixed interest rate instruments with stated maturity denominated in Russian Rouble was estimated based on expected cash flows discounted using the rate of similar Russian Rouble denominated instruments entered into by the Group close to 31 December 2023 and 31 December 2022, respectively. The discount rate used was 18.5% p.a. (2022: 11.1% p.a.) (Note 28). The fair value as at 31 December 2023 and 31 December 2022 of the fixed interest rate non-convertible bonds was equal to their quoted price and the resulting fair value measurement is within level 1.

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

7. Critical accounting estimates and judgements

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

(a) Critical accounting estimates and assumptions

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

i) Tax legislation

Russian tax, currency and customs legislation is subject to varying interpretations (Note 33).

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

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

Revenue recognition

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

- Identification of performance obligations

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

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

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

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

Had the infrastructure tariff directly attributable to such services been excluded from revenues and cost of sales for the year ended 31 December 2023 both would have decreased by RUB 12,963,846 thousand (2022: RUB 10,957,305 thousand).

8. Segmental information

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

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

Adjusted revenue for reportable segments is the measure of profit looked at by the chief operating decision-maker and this includes the revenues derived from the relating type of rolling stock used less infrastructure tariff paid for the loaded trips of the relevant rolling stock and services provided by other transportation organisations. Further, the Board receives information in respect of depreciation charges for rolling stock and right-of-use assets relating to rolling stock, amortisation charges for customer relationships, impairment charges/reversals of impairment in respect of rolling stock, right-of-use assets relating to rolling stock and customer relationships and loss on derecognition arising on capital repairs. All other information provided to the Board is measured in a manner consistent with that in the financial statements.
The Board also reviews additions to segment assets. Segment assets consist of rolling stock, right-of-assets relating to rolling stock and customer relationships. Unallocated assets comprise all the assets of the Group except for rolling stock, right-of-assets relating to rolling stock and customer relationships, as included within segment assets. Liabilities are not segmented since they are not reviewed from that perspective by the chief operating decision maker. Capital expenditure comprises additions of rolling stock to property, plant and equipment and additions of right-of-use assets relating to rolling stock.

The Group does not have transactions between different business segments.

	Gondola cars RUB'000	Rail tank cars RUB'000	Other railcars RUB'000	Total RUB'000
Year ended 31 December 2023				
Total revenue – operator's services	64,542,462	35,043,375	311	99,586,148
Total revenue – operating lease	282,535	3,414,292	841,363	4,538,190
Revenue (from external customers)	64,824,997	38,457,667	841,674	104,124,338
less Infrastructure and locomotive tariffs - loaded trips	(6,283,602)	(6,731,050)	-	(13,014,652)
less Services provided by other transportation organisations	(3,538,931)	(806,446)	-	(4,345,377)
Adjusted revenue for reportable segments	55,002,464	30,920,171	841,674	86,764,309
Depreciation and amortisation	(8,188,938)	(2,608,828)	(248,909)	(11,046,675)
Impairment of property, plant and equipment	30,163	(8,111)	-	22,052
Loss on derecognition arising on capital repairs	(249,618)	(34,822)	(8)	(284,448)
Additions to non-current assets (included in reportable segment assets)	7,039,168	2,393,800	23,924	9,456,892
Reportable segment assets	**51,913,859**	**21,357,916**	**2,971,154**	**76,242,929**

	Gondola cars RUB'000	Rail tank cars RUB'000	Other railcars RUB'000	Total RUB'000
Year ended 31 December 2022				
Total revenue – operator's services	59,447,945	31,077,753	12,299	90,537,997
Total revenue – operating lease	437,427	2,048,795	885,958	3,372,180
Revenue (from external customers)	59,885,372	33,126,548	898,257	93,910,177
less Infrastructure and locomotive tariffs - loaded trips	(4,266,905)	(6,193,899)	(4,091)	(10,464,895)
less Services provided by other transportation organisations	(2,051,228)	(348,001)	-	(2,399,229)
Adjusted revenue for reportable segments	53,567,239	26,584,648	894,166	81,046,053
Depreciation and amortisation	(6,804,486)	(2,011,804)	(241,882)	(9,058,172)

Impairment of property, plant and equipment	(3,814,843)	(74,990)	(43,000)	(3,932,833)
Loss on derecognition arising on capital repairs	(192,293)	(117,581)	(4)	(309,878)
Additions to non-current assets (included in reportable segment assets)	9,286,205	4,324,926	17,961	13,629,092
Reportable segment assets	**47,459,256**	**29,754,578**	**3,233,340**	**80,447,174**

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

	2023 RUB'000	2022 RUB'000
Adjusted revenue for reportable segments	86,764,309	81,046,053
Other adjusted revenues	623,685	563,855
Total adjusted revenue	87,387,994	81,609,908
Cost of sales (excl. Infrastructure and locomotive tariffs - loaded trips, services provided by other transportation organisations, reversal of impairment/(impairment) of property, plant and equipment, depreciation of property, plant and equipment and right-of-use assets, amortisation of intangible assets and loss on derecognition arising on capital repairs)	(29,167,495)	(27,695,998)
Selling, marketing and administrative expenses (excl. depreciation, amortisation and impairments)	(5,600,994)	(4,664,457)
Depreciation and amortisation	(11,298,975)	(9,349,704)
Net impairment losses on trade and other receivables	(50,258)	(20,535)
Reversal of impairment/(impairment) of property, plant and equipment	22,052	(3,932,833)
Loss on derecognition arising on capital repairs	(284,448)	(309,878)
Other gains – net	3,116,826	(1,334,901)
	44,124,702	34,301,602
Finance income	2,173,246	811,588
Finance costs	(2,405,410)	(2,602,339)
Net foreign exchange transaction (losses)/gains on financing activities	3,194,185	641,196
Profit before income tax	47,086,723	33,152,047

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

	2023		2022	
	Assets RUB'000	Liabilities RUB'000	Assets RUB'000	Liabilities RUB'000
Segment assets/ liabilities	76,242,929	-	80,447,174	-
Unallocated:				
Deferred tax liabilities	-	8,734,998	-	9,081,239
Current income tax assets/liabilities	149,107	75,280	613,758	1,555,014
Property, plant and equipment	1,166,593	-	834,936	-
Right-of-use assets	541,070	-	162,843	-
Intangible assets	2,076	-	1,760	-
Other assets	3,464,737	-	7,059,141	-
Trade receivables	4,627,397	-	3,750,433	-
Loans and other receivables	272,353	-	433,091	-
Inventories	1,142,672	-	798,621	-
Cash and cash equivalents	42,776,832	-	16,052,345	-
Borrowings	-	15,377,104	-	20,648,650
Other lease liabilities	-	3,096,087	-	4,194,796
Trade and other payables	-	2,438,472	-	6,384,348
Contract liabilities	-	810,469	-	827,860
Total	130,385,766	30,532,410	110,154,102	42,691,907

Geographic information
Revenues from external customers

	2023 RUB'000	2022 RUB'000
Revenue		
Russia	104,714,413	92,677,592
Estonia	33,610	1,701,153
Ukraine	-	95,287
	104,748,023	94,474,032

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:

	2023		2022	
	RUB'000	% revenue	RUB'000	% revenue
Revenue				
Customer A – rail tank cars segment	21,732,232	21	21,234,661	22
Customer B – gondola cars segment	20,142,950	19	15,126,672	16
Customer C – gondola cars segment	11,492,224	11	11,046,722	12

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

	2023	2022
	RUB'000	RUB'000
Non-current assets		
Russia	76,934,090	81,174,663
Estonia	1,172,242	1,175,214
Cyprus	9,268	12,105
	78,115,600	82,361,982

9. Non-IFRS financial information

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

Adjusted Revenue

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

The following table provides details of Adjusted revenue for 2023 and 2022 and its reconciliation to Total revenue.

	2023	2022
	RUB'000	RUB'000
Total revenue	104,748,023	94,474,032
Minus "pass through" items		
Infrastructure and locomotive tariffs: loaded trips	(13,014,652)	(10,464,895)
Services provided by other transportation organisations	(4,345,377)	(2,399,229)
Adjusted Revenue	87,387,994	**81,609,908**

Total Operating Cash Costs and Non-cash Costs

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

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

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

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

	2023 RUB’000	2022 RUB’000
“Pass through” cost items	**(17,360,029)**	**(12,864,124)**
Infrastructure and locomotive tariffs: loaded trips	(13,014,652)	(10,464,895)
Services provided by other transportation organisations	(4,345,377)	(2,399,229)
Total cost of sales, selling and marketing costs and administrative expenses (adjusted for “pass through” cost items)	**(46,380,118)**	**(45,973,405)**
Total Operating Cash Costs	**(35,048,708)**	**(32,373,079)**
Infrastructure and locomotive tariffs - empty runs and other tariffs	(19,489,606)	(18,540,527)
Repairs and maintenance	(4,273,915)	(3,942,968)
Employee benefit expense	(8,173,564)	(6,780,615)
Expense relating to short-term leases – rolling stock	(58,860)	(34,798)
Fuel and spare parts – locomotives	(1,957,931)	(2,016,665)
Engagement of locomotive crews	(93,812)	(116,042)
Other Operating Cash Costs	(1,001,020)	(941,464)
Advertising and promotion	*(57,167)*	*(41,260)*
Auditors' remuneration	*(49,997)*	*(46,187)*
Communication costs	*(25,437)*	*(24,676)*
Information services	*(18,582)*	*(15,230)*
Legal, consulting and other professional fees	*(114,467)*	*(94,298)*
Expense relating to short-term leases – office	*(94,052)*	*(92,990)*
Taxes (other than on income and value added taxes)	*(13,534)*	*(23,721)*
Other expenses	*(627,784)*	*(603,102)*
Total Operating Non-Cash Costs	**(11,331,410)**	**(13,600,326)**
Depreciation of property, plant and equipment	(8,852,851)	(6,752,811)
Depreciation of right-of-use assets	(2,445,695)	(2,596,568)
Amortisation of intangible assets	(429)	(325)
Loss on derecognition arising on capital repairs	(284,448)	(309,878)
Net impairment losses on trade and other receivables	(50,258)	(20,535)
Reversal of impairment/(impairment) of property, plant and equipment	22,052	(3,932,833)
Gain on sale of property, plant and equipment	280,219	12,624
Total cost of sales, selling and marketing costs and administrative expenses	**(63,740,147)**	**(58,837,529)**

Adjusted EBITDA

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

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

The following table provides details on Adjusted EBITDA for 2023 and 2022 and its reconciliation to EBITDA and Profit for the year:

	2023 RUB'000	2022 RUB'000
Profit for the year	**38,617,605**	**24,919,886**
Plus (Minus)		
Income tax expense	8,469,118	8,232,161
Finance costs – net	(2,962,021)	1,149,555
Net foreign exchange transaction (losses)/gains on financing activities	3,194,185	641,196
Amortisation of intangible assets	429	325
Depreciation of right-of-use assets	2,445,695	2,596,568
Depreciation of property, plant and equipment	8,852,851	6,752,811
EBITDA	**58,617,862**	**44,292,502**
Plus (Minus)		
Loss on derecognition arising on capital repairs	284,448	309,878
Net foreign exchange transaction (losses)/gains on financing activities	(3,194,185)	(641,196)
Other gains/(losses) – net	283,221	1,334,901
Profit from sale of subsidiaries	(3,400,047)	-
Gain on sale of property, plant and equipment	(280,219)	(12,624)
Reversal of impairment/(impairment) of property, plant and equipment	(22,052)	3,932,833
Adjusted EBITDA	**52,289,028**	**49,216,294**

Free Cash Flow

Free Cash Flow is calculated as “Cash generated from operations” (after “Changes in working capital”) less “Tax paid”, “Interest paid on bank borrowings and non-convertible unsecured bonds”, “Interest paid on leases with financial institutions”, “Interest paid on other lease liabilities”, “Purchases of property, plant and equipment”, “Purchases of intangible assets”, “Acquisition of subsidiary undertakings - net of cash acquired”, “Acquisition of non-controlling interest”, “Principal elements of lease payments for other lease liabilities” plus “Cash inflow from disposal of subsidiary undertakings - net of cash disposed of”.

Total CAPEX calculated on a cash basis as the sum of “Purchases of property, plant and equipment”, “Purchases of intangible assets” and “Acquisition of subsidiary undertakings - net of cash acquired”.

Total CAPEX adjusted for M&A (a non-IFRS financial measure) is calculated as a combination of Total CAPEX (which includes maintenance CAPEX) and cash inflows and outflows from acquisitions and disposals.

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

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

The following table sets out details on Free Cash Flow and Attributable Free Cash Flow for 2023 and 2022, and its reconciliation to Cash generated from operations.

	2023 RUB'000	2022 RUB'000
Cash generated from operations	49,193,570	48,630,943
Tax paid	(8,267,084)	(8,455,068)
Interest paid on bank borrowings and non-convertible unsecured bonds	(2,051,443)	(1,938,619)
Interest paid on other lease liabilities	(460,093)	(786,304)
Purchases of property, plant and equipment	(8,259,858)	(11,421,671)
Payment for Rolling stock to disposed subsidiary	(6,603,141)	-
Purchases of intangible assets	(745)	(2,000)
Principal elements of other lease payments	(2,477,780)	(2,402,700)
Cash inflow from disposal of subsidiary undertakings - net of cash disposed of	4,771,748	-
Acquisition of non-controlling interest	-	(8,800,000)
Total CAPEX	**(8,260,603)**	**(11,423,671)**
Total CAPEX adjusted for M&A	**(10,091,996)**	**(20,223,671)**
Free Cash Flow	**25,845,174**	**14,824,581**
Attributable Free Cash Flow	**25,847,838**	**15,098,115**

Net Debt and Net Debt to Adjusted EBITDA

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

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

The following table sets out the details on the Group's Net Debt and Net Debt to Adjusted EBITDA at 31 December 2023 and 2022, and reconciliation of Net Debt to Total Debt.

	2023 RUB'000	2022 RUB'000
Total debt	15,377,104	20,648,650
Minus		
Cash and cash equivalents	42,776,832	16,052,345
Net Debt	**(27,399,728)**	**4,596,305**
Net Debt to Adjusted EBITDA	**-0.52x**	**0.09x**

10. Revenue

(a) *Disaggregation of revenue*

	2023 RUB'000	2022 RUB'000
Railway transportation – operator's services (tariff borne by the Group)	36,655,751	30,340,686
Railway transportation – operator's services (tariff borne by the client)	62,930,397	60,197,311
Other	623,685	563,855
Total revenue from contracts with customers recognised over time	100,209,833	91,101,852
Operating lease of rolling stock	4,538,190	3,372,180
Total revenue	**104,748,023**	**94,474,032**

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 2023 amounting to RUB 13,014,652 thousand (for the year ended 31 December 2022: RUB 10,464,895 thousand) and the cost of engaging the fleet from third parties recharged to clients of the Group amounting to RUB 4,345,377 thousand (2022: RUB 2,399,229 thousand).

(b) *Liabilities related to contracts with customers*

The Group has recognised the following liabilities related to contracts with customers as of 31 December 2022 and 31 December 2023:

	31 December 2023 RUB'000	31 December 2022 RUB'000	1 January 2022 RUB'000
Current			
Contract liabilities relating to railway transportation contracts – Third parties	791,215	811,178	1,369,599
Contract liabilities relating to railway transportation contracts – Related parties (Note 35)	1,467	2,228	1,425
	792,682	813,406	1,371,024
Non-current			
Contract liabilities relating to railway transportation contracts – Third parties	12,909	9,575	9,140
Contract liabilities relating to railway transportation contracts – Related parties (Note 35)	4,878	4,879	4,879
	17,787	14,454	14,019
Total contract liabilities	**810,469**	**827,860**	**1,385,043**

Contract liabilities represent advances from customers for transportation services.

(c) Revenue recognised in relation to contract liabilities

The Group's revenue for the year ended 31 December 2023 includes RUB 810,821 thousand that were included in the balance of the contract liability as of 1 January 2023 (year ended 31 December 2022: RUB 1,346,417 as of 1 January 2022).

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

11. Expenses by nature

	2023 RUB'000	2022 RUB'000
Cost of sales		
Infrastructure and locomotive tariffs: loaded trips	13,014,652	10,464,895
Infrastructure and locomotive tariffs: empty run trips and other tariffs	19,489,606	18,540,527
Services provided by other transportation organisations	4,345,377	2,399,229
Expense relating to short-term leases (rolling stock)	58,860	34,798
Employee benefit expense	3,381,556	2,847,269
Repairs and maintenance	4,273,915	3,942,968
Depreciation of property, plant and equipment	8,788,362	6,662,020
Depreciation of right-of-use assets	2,320,501	2,464,331
Loss on derecognition arising on capital repairs	284,448	309,878
Amortisation of intangible assets	414	310
Fuel and spare parts – locomotives	1,957,931	2,016,665
Engagement of locomotive crews	93,812	116,042
Gain on sale of property, plant and equipment	(275,960)	(7,470)
(Reversal of impairment)/impairment of property, plant and equipment	(22,052)	3,932,833
Other expenses	187,775	205,199
Total cost of sales	**57,899,197**	**53,929,494**

	2023 RUB'000	2022 RUB'000
Selling, marketing and administrative expenses		
Depreciation of property, plant and equipment	64,489	90,791
Depreciation of right-of-use assets	125,194	132,237
Amortisation of intangible assets	15	15
Gain on sale of property, plant and equipment	(4,259)	(5,154)
Employee benefit expense	4,792,008	3,933,346
Net impairment losses on trade and other receivables	50,258	20,535
Expense relating to short-term leases (office)	94,052	92,990
Auditors' remuneration	49,997	46,187
Legal, consulting and other professional fees	114,467	94,298
Advertising and promotion	57,167	41,260
Communication costs	25,437	24,676
Information services	18,582	15,230
Taxes (other than income tax and value added taxes)	13,534	23,721
Other expenses	440,009	397,903
Total selling, marketing and administrative expenses	**5,840,950**	**4,908,035**

	2023 RUB'000	2022 RUB'000
Total expenses		
Depreciation of property, plant and equipment (Note 17)	8,852,851	6,752,811
Depreciation of right-of-use assets (Note 18)	2,445,695	2,596,568
Loss on derecognition arising on capital repairs (Note 17)	284,448	309,878
Amortisation of intangible assets (Note 19)	429	325
(Reversal of impairment)/impairment of property, plant and equipment (Note 17)	(22,052)	3,932,833
Gain on sale of property, plant and equipment (Note 17)	(280,219)	(12,624)
Employee benefit expense (Note 13)	8,173,564	6,780,615
Net impairment losses on trade and other receivables	50,258	20,535
Expense relating to short-term leases (rolling stock)	58,860	34,798
Expense relating to short-term leases (office)	94,052	92,990
Repairs and maintenance	4,273,915	3,942,968
Fuel and spare parts – locomotives	1,957,931	2,016,665
Engagement of locomotive crews	93,812	116,042
Infrastructure and locomotive tariffs: loaded trips	13,014,652	10,464,895
Infrastructure and locomotive tariffs: empty run trips and other tariffs	19,489,606	18,540,527
Services provided by other transportation organisations	4,345,377	2,399,229
Auditors' remuneration	49,997	46,187
Legal, consulting and other professional fees	114,467	94,298
Advertising and promotion	57,167	41,260
Communication costs	25,437	24,676
Information services	18,582	15,230
Taxes (other than income tax and value added taxes)	13,534	23,721
Other expenses	627,784	603,102
Total cost of sales, selling and marketing costs and administrative expenses	**63,740,147**	**58,837,529**

Note: The auditors' remuneration stated above includes fees of RUB 11,686 thousand (2022: RUB 7,722 thousand) for statutory audit services and 4,308 (2022: RUB 5,398 thousand) for other assurance services charged by the Company's statutory audit firm. The rest of the auditors' remuneration relates to fees for audit services charged by the auditors of the subsidiaries of the Company.

Legal, consulting and other professional fees include RUB NIL thousand for the year 2023 (RUB NIL thousand for the year 2022) in relation to fees paid to the Company's statutory audit firm for tax consultancy services.

12. Other gains/(losses) – net

	2023 RUB'000	2022 RUB'000
Other gains	338,368	320,248
Other losses	(628,581)	(448,484)
Net foreign exchange (losses) / gains (Note 16)	6,992	(1,187,428)
Gain from sale of subsidiaries (Note 20)	3,400,047	-
Other impairment	-	(19,237)
Total other gains/(losses) – net	**3,116,826**	**(1,334,901)**

13. Employee benefit expense

	2023 RUB'000	2022 RUB'000
Wages and salaries	3,282,401	2,925,075
Termination benefits	3,397	8,744
Bonuses	3,553,688	2,611,365
Share based payment expense (Note 21)	-	125,737
Social insurance costs	1,334,078	1,109,694
Total employee benefit expense	**8,173,564**	**6,780,615**
Average number of employees during the year	1,771	1,781

14. Finance income/(costs) - net

	2023 RUB'000	2022 RUB'000
Interest expense:		
Bank borrowings	(1,733,788)	(1,258,143)
Non-convertible bonds	(204,879)	(561,448)
Total interest expense calculated using the effective interest rate method	(1,938,667)	(1,819,591)
Other lease liabilities	(464,560)	(780,601)
Total interest expense	(2,403,227)	(2,600,192)
Other finance costs	(2,183)	(2,147)
Total finance costs	(2,405,410)	(2,602,339)
Interest income:		
Bank balances	1,654,015	520,642
Short term deposits	492,734	222,453
Loans to related parties (Note 35)	9,666	18,033
Loans to third parties	2,726	-
Total interest income calculated using the effective interest rate method	2,159,141	761,128
Finance leases – related parties (Note 35)	609	1,609
Finance leases – third parties	13,496	16,531
Total interest income	2,173,246	779,268
Other finance income	-	32,320
Total finance income	2,173,246	811,588
Net foreign exchange transaction (losses)/gains on borrowings and other liabilities	(70,925)	-
Net foreign exchange transaction (losses)/gains on cash and cash equivalents and other monetary assets	3,265,110	641,196
Net foreign exchange transaction (losses)/gains on financing activities (Note 16)	3,194,185	641,196
Net finance income/(costs)	**2,962,021**	**(1,149,555)**

15. Income tax expense

	2023 RUB'000	2022 RUB'000
Current tax:		
Corporation tax	8,111,952	8,763,224
Withholding tax on dividends	702,849	122,696
Withholding tax on interest payments	558	11,997
Total current tax	8,815,359	8,897,917
Deferred tax (Note 30):		
Origination and reversal of temporary differences	(346,241)	(665,756)
Total deferred tax	(346,241)	(665,756)
Income tax expense	8,469,118	8,232,161

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

	2023 RUB'000	2022 RUB'000
Profit before tax	47,086,723	33,152,047
Tax calculated at domestic tax rates applicable to profits in the respective countries	10,699,255	8,940,987
Tax effects of:		
Expenses not deductible for tax purposes	(218,447)	29,216
Allowances and income not subject to tax	132,196	119,070
Tax effect of tax losses for which no deferred tax asset was recognised	(4,629)	(119,649)
Withholding taxes:		
Estonian income tax arising on distribution(1)	(497,474)	1,772,393
Dividend tax provision in relation to intended dividend distribution of subsidiaries	(1,744,903)	(2,354,808)
Withholding tax on interest payments	558	190
Over provision of current and deferred tax in prior years	(131,004)	(155,238)
Windfall tax	233,566	-
Tax charge	8,469,118	8,232,161

(1) Estonian tax law calls for profits to be taxed at the time of distribution and not during the year in which they arise. During the years 2023 and 2022, the Group incurred taxes on distributions from Estonian subsidiaries.

As of 31 December 2023 the Company was subject to income tax on taxable profits at the rate 12.5%. Brought forward losses of the Company of only five years may be utilised.

Under certain conditions, interest may be exempt from income tax and be subject only to special contribution for defence at the rate of 30%. In certain cases dividends received from abroad may be subject to special contribution for defence at the rate of 17%. Further, in certain cases dividends received by the Company 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 will be payable by Russian subsidiaries where there is an intention that earnings will be distributed to the Company in the form of dividends.

For subsidiaries in Estonia, the annual profit earned by enterprises is not taxed and thus no income tax arise. Instead of taxing the net profit, the distribution of statutory retained earnings is subject to a tax rate of 20% of net dividend paid which, under certain conditions, can decrease to 14%. Provision for taxes is recognised in the respective periods for the income tax that will be payable by the Estonian subsidiaries where there is an intention that the net profits will be distributed in the form of dividends.

For the subsidiary in Ukraine the annual profit was taxed at a tax rate of 18%.

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

16. Net foreign exchange (losses) / gains

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

	2023 RUB'000	2022 RUB'000
Finance income and costs (Note 14)	3,194,185	641,196
Other (losses) / gains – net (Note 12)	6,992	(1,187,428)
	3,201,177	(546,232)

17. Property, plant and equipment

	Rolling stock RUB'000	Land and buildings RUB'000	Motor vehicles RUB'000	Other RUB'000	Total RUB'000
At 1 January 2022					
Cost	125,742,564	410,314	231,770	962,979	127,347,627
Accumulated depreciation	(45,463,304)	(134,186)	(120,121)	(528,832)	(46,246,443)
Net book amount	80,279,260	276,128	111,649	434,147	81,101,184
Year ended 31 December 2022					
Opening net book amount	80,279,260	276,128	111,649	434,147	81,101,184
Additions	11,003,172	39,063	39,422	104,841	11,186,498
Disposals	(263,571)	-	(2,942)	(2,359)	(268,872)
Disposed through disposals of subsidiaries					
Depreciation charge (Note 11)	(6,594,915)	(16,170)	(40,968)	(100,758)	(6,752,811)
Transfers	1,792	-	-	(1,792)	-
Impairment charge	(4,085,082)	-	-	(283)	(4,085,365)
Reversal of impairment	152,532	-	-	-	152,532
Transfer to inventories	(681,307)	-	-	(87)	(681,394)
Derecognition arising on capital repairs	(309,878)	-	-	-	(309,878)
Currency translation differences	(2,730,013)	(1,374)	(3,181)	(400)	(2,734,968)
Closing net book amount	76,771,990	297,647	103,980	433,309	77,606,926
At 31 December 2022					
Cost	128,806,367	447,195	247,323	1,046,626	130,547,511
Accumulated depreciation	(52,034,377)	(149,548)	(143,343)	(613,317)	(52,940,585)
Net book amount	76,771,990	297,647	103,980	433,309	77,606,926

	Rolling stock RUB'000	Land and buildings RUB'000	Motor vehicles RUB'000	Other RUB'000	Total RUB'000
At 1 January 2023					
Cost	128,806,367	447,195	247,323	1,046,626	130,547,511
Accumulated depreciation	(52,034,377)	(149,548)	(143,343)	(613,317)	(52,940,585)
Net book amount	76,771,990	297,647	103,980	433,309	77,606,926
Year ended 31 December 2023					
Opening net book amount	76,771,990	297,647	103,980	433,309	77,606,926
Additions	8,566,804	298,653	66,086	138,444	9,069,987
Disposals	(368,595)	-	(9,215)	(9,637)	(387,447)
Disposed through disposals of subsidiaries	(1,135,154)	(12,377)	(15,245)	(1,039)	(1,163,815)
Depreciation charge (Note 11)	(8,729,125)	(16,660)	(20,982)	(86,084)	(8,852,851)
Transfers	164	69,399	-	(69,563)	-
Impairment charge	(8,111)	-	-	-	(8,111)
Reversal of impairment	30,163	-	-	-	30,163
Transfer to inventories	(800,263)	(33)	-	(206)	(800,502)
Derecognition arising on capital repairs	(284,448)	-	-	-	(284,448)
Currency translation differences	1,660	18	21	77	1,776
Closing net book amount	74,045,085	636,647	124,645	405,301	75,211,678
At 31 December 2023					
Cost	130,579,728	795,400	255,216	1,060,247	132,690,591
Accumulated depreciation	(56,534,643)	(158,753)	(130,571)	(654,946)	(57,478,913)
Net book amount	74,045,085	636,647	124,645	405,301	75,211,678

Borrowing costs amounting to RUB NIL thousand were capitalised within rolling stock during the year 2023 (2022: RUB 4,053 thousand).

Useful lives of rolling stock

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

Based on management's assessment, the useful economic life of the Group's rolling stock as of 31 December 2023 is considered appropriate.

Residual values of rolling stock

The Group reviews and adjusts the residual values of its rolling stock and wheel pairs as of each balance sheet date, taking into account, among others, the price of scrap metal as of the assessment date. Management has revised the residual value of the Group's rolling stock and wheel pairs as of 1 January 2023, following a significant decrease in market prices of scrap metal. In making this assessment, management took into account actual scrap prices achieved by the Group near the assessment date and available market information on the level of scrap metal as at that date.

As a result of the revision of the residual values of the Group's rolling stock and wheel pairs, the depreciation charged in the income statement for the year ended 31 December 2023 is RUB 915,451 thousand higher than the one that would have been charged for the same period if there was no revision in residual values. A reasonable change in the inputs used by management would not result in material differences.

Based on management's assessment, the residual values of the Group's rolling stock as of 31 December 2023 are considered appropriate.

Impairment assessment of rolling stock

The Group assesses at each balance sheet date whether there are indications for impairment of the Group's property, plant and equipment, in accordance with its accounting policy for impairment of non-financial assets, as set out in Note 4.

As of 31 December 2022, the management considered the deterioration of the economic environment, the weak prevailing industry conditions, conflict between Russia and Ukraine and the COVID-19 pandemic related uncertainties as indications of impairment of the Group's cash generating units ("CGUs") and proceeded to perform impairment assessments to determine if there is an impairment loss.

As a result of the impairment assessment, the Group recognised impairment losses in amount RUB 3,932,833 thousand related to the impairment of about 3.8 thousand units of rolling stock (mostly gondola cars) blocked in Ukraine (Note 11).

No other impairment indicators or losses were noted. The impairment testing for all the CGUs, indicated a significant headroom in the recoverable amount over the carrying amount of these CGUs.

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

	2023 RUB'000	2022 RUB'000
Net book amount	387,447	268,872
Gains on sale of property, plant and equipment (Note 11)	280,219	12,624
Consideration from sale of property, plant and equipment	667,666	281,496

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

	2023 RUB'000	2022 RUB'000
Cash consideration received within year	626,548	238,377
Movement in advances received for sales of property, plant and equipment	41,118	43,119
	667,666	281,496

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

	2023 RUB'000	2022 RUB'000
Rolling stock	13,649,738	11,529,299
	13,649,738	11,529,299

Depreciation expense of RUB 8,788,362 thousand in 2023 (2022: RUB 6,662,020 thousand) has been charged to "cost of sales" and RUB 64,489 thousand in 2023 (2022: RUB 90,791 thousand) has been charged to "selling, marketing and administrative expenses" (Note 11).

18. Right-of-use assets

	Rolling stock RUB'000	Land and buildings RUB'000	Other RUB'000	Total RUB'000
Year ended 31 December 2022				
Opening net book amount	5,286,718	320,127	-	5,606,845
Additions	2,625,920	8,711	-	2,634,631
Disposals	(1,413,726)	(11,457)	-	(1,425,183)
Change of terms of leases	(360,471)	(19,465)	-	(379,936)
Depreciation charge (Note 11)	(2,463,257)	(133,311)	-	(2,596,568)
Currency translation differences	-	(1,762)	-	(1,762)
As at 31 December 2023	3,675,184	162,843	-	3,838,027

	Rolling stock RUB'000	Land and buildings RUB'000	Other RUB'000	Total RUB'000
Year ended 31 December 2023				
Opening net book amount	3,675,184	162,843	-	3,838,027
Additions	890,088	19,146	-	909,234
Disposals	(189,047)	-	-	(189,047)
Disposals through subleases	-	(38,136)	-	(38,136)
Change of terms of leases	139,169	533,781	-	672,950
Depreciation charge (Note 11)	(2,317,550)	(128,145)	-	(2,445,695)
Currency translation differences	-	7	-	7
Disposed through disposals of subsidiaries	-	(8,426)	-	(8,426)
As at 31 December 2023	2,197,844	541,070	-	2,738,914

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

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

As at 31 December 2022 and 31 December 2023, there were no right-of-use assets and associated lease liabilities arising from leases with financial institutions that were presented within property, plant and equipment and borrowings, respectively.

The total cash outflow for leases in 2023 was RUB 2,937,873 thousand (2022: RUB 3,189,004 thousand).

19. Intangible assets

	Computer software RUB'000	Customer relationships RUB'000	Total RUB'000
At 1 January 2022			
Cost	10,934	-	10,934
Accumulated amortisation	(10,849)	-	(10,849)
Net book amount	85	-	85
Year ended 31 December 2022			
Opening net book amount	85	-	85
Additions	2,000		2,000
Amortisation charge (Note 11)	(325)	-	(325)
Closing net book amount	1,760	-	1,760
At 31 December 2022			
Cost	12,934	-	12,934
Accumulated amortisation	(11,174)	-	(11,174)
Net book amount	1,760	-	1,760
Year ended 31 December 2023			
Opening net book amount	1,760	-	1,760
Additions	745		745
Amortisation charge (Note 11)	(429)	-	(429)
Closing net book amount	2,076	-	2,076
At 31 December 2023			
Cost	2,907	-	2,907
Accumulated amortisation	(831)	-	(831)
Net book amount	2,076	-	2,076

Amortisation of RUB 414 thousand (2022: RUB 310 thousand) has been charged to "cost of sales" in the income statement and RUB 15 thousand (2022: RUB 15 thousand) to "selling, marketing and administrative expenses" (Note 11).

20. Principal subsidiaries

The Company had the following subsidiaries at 31 December 2023 and 31 December 2022:

Name	Place of business/ country of incorporation	Principal activities	Proportion of ordinary shares held by the Company (%)		Proportion of ordinary shares held by the Group (%)		Proportion of ordinary shares held by non- controlling interest (%)	
			2023	**2022**	**2023**	**2022**	**2023**	**2022**
New Forwarding Company, AO	Russia	Railway transportation	100	100	100	100	-	-
GTI Management, OOO	Russia	Railway transportation	100	100	100	100	-	-
Ural Wagonrepair Company, AO	Russia	Repair and maintenance of rolling stock	100	100	100	100	-	-
Ukrainian New Forwarding Company OOO	Ukraine	Railway transportation	100	100	100	100	-	-
BaltTransServis, OOO	Russia	Railway transportation	100	100	100	100	-	-
BTS-Locomotive Solutions OOO[1]	Russia	Support activities for locomotive traction	-	-	100	100	-	-
RemTransServis, OOO[2]	Russia	Repair and maintenance of rolling stock	-	-	100	100	-	-
Spacecom AS	Estonia	Operating lease of rolling stock	-	65.25	-	65.25	-	34.75
Spacecom Trans AS[3]	Estonia	Operating lease of rolling stock	-	-	-	65.25	-	34.75
GLTR Cyprus Limited	Cyprus	Operation in Cyprus	100	-	100	-	-	-

1. BTS-Locomotive Solutions, OOO is a 100% subsidiary of BaltTransServis.
2. RemTransServis, OOO is a 100% subsidiary of BaltTransServis, OOO.

3. Spacecom Trans AS is 100% subsidiary of Spacecom AS.

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

The accumulated non-controlling interest as of 31 December 2023 and 31 December 2022 comprised the following:

	2023 RUB'000	2022 RUB'000
Spacecom AS (including Spacecom Trans AS)	-	(15,506)
Total	-	(15,506)

Acquisition of the 40% non-controlling interest in BaltTransServis, OOO

In February 2022 the Company acquired 40% non-controlling interest in BaltTransServis, OOO following receipt by the Company of the approval from the Federal Antimonopoly Service of the Russian Federation and satisfaction of the remaining pre-conditions, including settlement of the remaining RUB 8,800,000 thousand of the purchase consideration.

In January 2023 the Group disposed of its shareholding 65.25% in Spacecom AS for EUR 65,300,000.

In September 2023 the Group incorporated a new Cyprus company and holds 100% shares.

Significant restrictions

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

Summarised financial information of subsidiaries with material non-controlling interests

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

Summarised balance sheet		
	Spacecom AS	
	2023 RUB'000	2022 RUB'000
Current		
Assets	-	10,040,495
Liabilities	-	5,025,524
Total current net assets	-	5,014,971
Non-current		
Assets	-	1,127,303
Liabilities	-	3,379
Total non-current net assets	-	1,123,924
Net assets	-	6,138,895

Summarised income statement		
	Spacecom AS	
	2023 RUB'000	2022 RUB'000
Revenue	33,610	1,701,153
Profit before income tax	(7,312)	6,095,012
Income tax expense	-	(1,740,042)
Post-tax profit from continuing operations	(7,312)	4,354,970
Other comprehensive income	(6,944,213)	(1,984,219)
Total comprehensive income	(6,951,525)	2,370,751

Total comprehensive income allocated to non-controlling interests	(2,541)	1,513,352
Dividends paid to non-controlling interest	-	(2,759,806)

Summarised cash flow statements		
	Spacecom AS	
	2023 RUB’000	2022 RUB’000
Cash flows from operating activities		
Cash generated from/(used in) operations	921,130	(1,170,770)
Income tax paid	-	(368,772)
Net cash generated from/(used in) operating activities	921,130	(1,539,542)
Net cash generated from/(used in) investing activities	(3,175)	6,671,629
Net cash used in financing activities	(962,408)	(4,978,418)
Net increase/(decrease) in cash and cash equivalents	(44,453)	153,669
Cash and cash equivalents at beginning of year	222,442	71,069
Exchange differences on cash and cash equivalents	(1,310)	(2,296)
Cash and cash equivalents at end of year	176,679	222,442

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

21. Share-based payments

The Group maintains a remuneration program for some of the members of management, including members of key management of the Group. This includes, amongst other things, a three-year compensation scheme in accordance to which, members of management receive a yearly cash compensation calculated based on the weighted average market quotations of the GDRs of the Company. This compensation is set for a three-year period and is divided on three instalments to be paid after the end of each assessment period which equals to one year. The award is conditional on the performance of the participants and on meeting certain key performance indicators (“KPIs”) each year during the three years vesting period. The scheme matured by 31 December 2020 and was renewed on 1 January 2021 for another three-year period.

The scheme falls within the scope of IFRS 2 "Share-based payment" and has therefore been classified as a cash-settled share-based payment arrangement.

In accordance with the terms of the remuneration program, the compensation is calculated based on the weighted average fair value of the Company’s GDRs, quoted in US Dollar multiplied by the weighted average RUB/USD exchange rate for each period.

The Group recognised an employee benefit expense of RUB NIL thousand in this respect for the year ended 31 December 2023 (2022: RUB 125,737 thousand) and the Group’s liability in respect of this amounted to RUB NIL thousand as of 31 December 2023 (2022: RUB 125,737 thousand).

The share-based payment liability as of 31 December 2023 was determined based on the assumption that all participants will remain with the Group and all KPIs will be met and that there will be no significant fluctuation in the value of the Company’s GDRs during the vesting period. The significant inputs into the valuation were the weighted average fair value of the Company’s GDRs and the weighted average USD/RUB exchange.

22. Financial assets

(a) Trade receivables

	2023 RUB'000	2022 RUB'000
Trade receivables – third parties	4,641,832	3,760,501
Trade receivables – related parties (Note 35)	765	275
Less: Provision for impairment of trade receivables	(15,200)	(10,343)
Trade receivables – net	4,627,397	3,750,433
Current portion	4,627,397	3,750,433

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

	2023 RUB'000	2022 RUB'000
Currency:		
US Dollar	-	32,859
Russian Roubles	4,627,397	3,693,691
Euro	-	23,883
	4,627,397	3,750,433

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

(b) Loans and other receivables

	2023 RUB'000	2022 RUB'000
Loans receivables – related parties (Note 35)	-	401,151
Other receivables – third parties	297,959	36,519
Other receivables – related parties (Note 35)	26	23
Less: Provision for impairment of other receivables	(25,632)	(4,602)
Loans and other receivables – net	272,353	433,091
Less non-current portion:		
Other receivables - third parties	-	-
Total non-current portion	-	-
Current portion	272,353	433,091

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

	2023 RUB'000	2022 RUB'000
Currency:		
Russian Roubles	272,353	433,089
Euro	-	2
	272,353	433,091

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

23. Other assets

	2023 RUB'000	2022 RUB'000
Prepayments – third parties	3,283,283	3,889,771
Finance leases to third parties	137,801	137,914

Finance leases to related parties	959	11,832
VAT recoverable	42,694	3,019,624
Other assets	3,464,737	7,059,141
Less non-current portion:		
Finance leases to third parties	33,378	95,748
Finance leases to related parties (Note 35)	-	953
Prepayments for property, plant and equipment	162,932	915,269
Total non-current portion	196,310	1,011,970
Current portion	3,268,427	6,047,171

The Group's finance leases as at 31 December 2023 and 31 December 2022 are denominated in Russian Roubles. The finance lease receivables are scheduled as follows:

	Less than one year RUB'000	Between 1 to 5 years RUB'000	Over 5 years RUB'000	Total RUB'000
At 31 December 2023				
Minimum lease receivable	118,819	50,174	1,179	170,172
Less: Unearned finance income	(13,437)	(17,954)	(21)	(31,412)
Present value of minimum lease receivables	105,382	32,220	1,158	138,760
At 31 December 2022				
Minimum lease receivable	66,018	98,363	-	164,381
Less: Unearned finance income	(12,973)	(1,662)	-	(14,635)
Present value of minimum lease receivables	53,045	96,701	-	149,746

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

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

	2023 %	2022 %
Finance leases to third parties	16.05	10.43

24. Inventories

	2023 RUB'000	2022 RUB'000
Raw materials, spare parts and consumables	1,142,672	798,621
	1,142,672	798,621

All inventories are stated at cost.

25. Cash and cash equivalents

	2023 RUB'000	2022 RUB'000
Cash at bank and in hand	42,617,451	14,997,495
Short term bank deposits	159,381	1,054,850
Total cash and cash equivalents	42,776,832	16,052,345

The weighted average effective interest rate on short-term deposits was 10.5-12.87% in 2023 (2022: 5.18-8.76%) and these deposits have a maturity of 1 to 12 days (2022: 1 to 18 days).

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

	2023	2022

	RUB'000	RUB'000
Cash and cash equivalents	42,776,832	16,052,345
Total cash and cash equivalents	42,776,832	16,052,345

Cash and cash equivalents are denominated in the following currencies:

	2023 RUB'000	2022 RUB'000
Russian Rouble	41,902,714	11,616,051
US Dollar	29,478	1,013,793
Euro	844,640	3,422,501
Total cash and cash equivalents	42,776,832	16,052,345

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

26. Share capital, share premium and treasury shares

	Number of shares	Share capital USD'000	Share premium USD'000	Total USD'000
At 1 January 2022 /31 December 2022 / 1 January 2023	178,740,916	17,875	949,471	967,346
At 31 December 2023	178,318,259	17,832	949,471	967,303

	Number of shares	Share capital RUB'000	Share premium RUB'000	Total RUB'000
At 1 January 2022 /31 December 2022 / 1 January 2023	178,740,916	516,957	27,929,478	28,446,435
Cancellation of treasury shares	(422,657)	(1,222)	-	(1,222)
At 31 December 2023	178,318,259	515,735	27,929,478	28,445,213

The total authorised number of ordinary shares at 31 December 2023 was 233,495,471 shares with a par value of US$0.10 per share (31 December 2022: 233,918,128 shares with a par value of US$0.10 per share). All issued shares are fully paid.

In accordance with the decision of the Extraordinary General Meeting which took place on 12 May 2020, the Company started a GDRs buyback program. The buyback programme is for the Company's Global Depositary Receipts ("GDRs) and will run till the earlier of the close of the Annual General Meeting of the Company to be held in 2021 and May 2021. The total number of purchased GDRs shall not exceed 5% of the Company's share capital (equivalent to 8,937,046 shares, with each GDR representing one ordinary share). The shareholders of the Company at the Annual General Meeting which took place on 29 April 2022 approved the prolongation of the term of the buyback program until the earlier of the close of the Annual General Meeting of the Company to be held in 2023 or 12 months from the date of the approval.

During the year 2020, the Company purchased a total of 76,877 GDRs, which are held in treasury for a total consideration of 422 thousand US Dollars (equivalent to RUB 31,496 thousand). No further acquisitions took place within the year 2021.

During the first six months of 2022, the Company purchased a total of 345,780 GDRs, which are held in treasury for a total consideration of 832 thousand US Dollars (equivalent to RUB 114,497 thousand). No further acquisitions took place within the last six months of 2022.

As of 31 December 2023 the Company didn't have treasury shares (31 December 2022 - 422,657 GDRs which were held in treasury for a total consideration of 1.254 thousand US Dollars (equivalent to RUB 145,993 thousand).

27. Dividends

During the years ended 31 December 2023 and 2022, the Group declared and paid dividends in favour of the equity holders of the Company and the non-controlling interests as detailed in the table below.

	2023 RUB'000	2022 RUB'000
Dividends declared to non-controlling interest	-	2,759,806
Dividends paid to non-controlling interest	334,268	1,728,073

28. Borrowings

	2023 RUB'000	2022 RUB'000
Current		
Bank borrowings	6,423,132	7,690,301
Non-convertible unsecured bonds	1,291,000	3,905,571
Total current borrowings	7,714,132	11,595,872
Non-current		
Bank borrowings	7,662,972	7,802,778
Non-convertible unsecured bonds	-	1,250,000
Total non-current borrowings	7,662,972	9,052,778
Total borrowings	15,377,104	20,648,650
Maturity of non-current borrowings		
Between 1 and 2 years	3,559,959	6,165,311
Between 2 and 5 years	4,103,013	2,887,467
	7,662,972	9,052,778

Bank borrowings

Bank borrowings mature by 2028 (2022: by 2027) and bear average interest of 10.2% per annum (2022: 7.9% per annum).

There were no defaults or breaches of loan terms during the years ended 31 December 2023 and 31 December 2022.

The current and non-current bank borrowings amounting to RUB 6,423,132 thousand and RUB 7,662,972 thousand respectively (2022: RUB 7,356,968 thousand and RUB 5,056,405 thousand respectively) are secured by pledge of rolling stock with a total carrying net book value of RUB 13,649,738 thousand (2022: RUB 11,529,299 thousand) (Note 17).

Non-convertible bonds

New Forwarding Company AO issued non-convertible Russian Rouble denominated bonds for amount of RUB 5 billion in 2018, priced at a coupon rate of 7.25% p.a. and with maturity in 2023 and for amount of RUB 5 billion in 2020, priced at a coupon rate of 8.8% p.a. and with maturity in 2024 out of a total RUB 100 billion registered program.

The Company acts as the guarantor for the bond issue.

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:

	2023 RUB'000	2022 RUB'000
6 months or less	5,204,824	6,700,884
6 to 12 months	2,509,309	4,894,988
1 to 5 years	7,662,971	9,052,778
	15,377,104	20,648,650

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

Movements in borrowings are analysed as follows:

	Bank borrowings and loans (excl. overdrafts) RUB’000	Lease liabilities with financial institutions RUB’000	Other lease liabilities RUB’000	Non-convertible unsecured bonds RUB’000	Total RUB’000
Year ended 31 December 2022					
Opening amount as at 1 January *2022*	22,309,598	-	5,841,573	9,008,872	37,160,043
Cash flows:					
Amounts advanced	2,750,000	-	-	-	2,750,000
Repayments of borrowings	(9,549,396)	-	(2,402,700)	(3,750,000)	(15,702,096)
Interest paid	(1,273,870)	-	(786,304)	(664,749)	(2,724,923)
Non-cash changes:					
Interest charged	1,262,196	-	780,601	561,448	2,604,245
Net foreign exchange	-	-	(2,755)	-	(2,755)
Other lease liability	-	-	2,569,659	-	2,569,659
Change of terms of leases			(1,805,278)		(1,805,278)
Other	(5,449)	-	-	-	(5,449)
Closing amount as at 31 December 2022	15,493,079	-	4,194,796	5,155,571	24,843,446

	Bank borrowings and loans (excl. overdrafts) RUB’000	Lease liabilities with financial institutions RUB’000	Other lease liabilities RUB’000	Non-convertible unsecured bonds RUB’000	Total RUB’000
Year ended 31 December 2023					
Opening amount as at 1 January 2023	15,493,079	-	4,194,796	5,155,571	24,843,446
Cash flows:					
Amounts advanced	8,800,000	-	-	-	8,800,000
Repayments of borrowings	(10,188,110)	-	(2,477,780)	(3,750,000)	(16,415,890)
Interest paid	(1,731,993)	-	(460,093)	(319,450)	(2,511,536)
Non-cash changes:					
Interest charged	1,733,788	-	464,560	204,879	2,403,227
Net foreign exchange	1	-	1,440	-	1,441
Other lease liability	-	-	909,234	-	909,234
Change of terms of leases	-	-	472,438	-	472,438
Disposed through disposals of subsidiaries	-	-	(8,508)	-	(8,508)
Other	(20,661)	-	-	-	(20,661)
Closing amount as at 31 December 2023	14,086,104	-	3,096,087	1,291,000	18,473,191

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

	Carrying amount		Fair value	
	2023 RUB’000	2022 RUB’000	2023 RUB’000	2022 RUB’000
Bank borrowings	14,086,104	15,493,079	12,929,168	15,134,443
Non-convertible unsecured bonds	1,291,000	5,155,571	1,244,375	5,028,375
	15,377,104	20,648,650	14,173,543	20,162,818

The fair value as at 31 December 2023 and 31 December 2022 of fixed interest rate instruments with stated maturity denominated in Russian Rouble was estimated based on expected cash flows discounted using the rate of similar Russian Rouble denominated instruments entered into by the Group close to 31 December 2023 and 31 December 2022. The discount rate was 18.5% p.a. (2022: 11.1% p.a.). The fair value measurements are within level 2 of the fair value hierarchy (2022: level 2). The fair value as at 31 December 2023 and 31 December 2022 of the fixed interest rate non-convertible bonds was equal to their quoted price and the resulting fair value measurement is within level 1.

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

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

	2023 RUB'000	2022 RUB'000
Russian Rouble	15,377,104	20,648,650
	15,377,104	20,648,650

The Group has the following undrawn borrowing facilities:

	2023 RUB'000	2022 RUB'000
Fixed rate:		
Expiring within one year	1,000,000	10,083,333
Expiring beyond one year	28,000,000	32,700,000
	29,000,000	42,783,333

Drawdowns under certain of the above credit facilities are subject to successful conclusion of additional agreements with the lenders, which, amongst others, will specify the terms of each disbursement.

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

	2023 %	2022 %
Bank borrowings	10.2	7.9
Non-convertible unsecured bonds	8.8	8.5

29. Other lease liabilities

	2023 RUB'000	2022 RUB'000
Other lease liabilities		
Current lease liabilities	2,198,502	2,400,332
Non-current lease liabilities	897,585	1,794,464
Total lease liabilities	3,096,087	4,194,796

	2023 RUB'000	2022 RUB'000
Maturity of other lease liabilities		
Between 1 and 2 years	450,483	1,694,562
Between 2 and 5 years	445,578	96,970
Over 5 years	1,524	2,932
	897,585	1,794,464

30. Deferred income tax

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

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

	2023 RUB'000	2022 RUB'000
Beginning of year	9,081,239	9,752,314
Income statement charge (Note 15)	(346,241)	(665,756)
Exchange differences	-	(5,319)
End of year	8,734,998	9,081,239

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	Right-of-use assets RUB'000	Total RUB'000
At 1 January 2022	9,082,738	1,123,424	-	798,065	11,004,227
Charged/(credited) to:					
Income statement (Note 15)	(249,779)	(435,460)	-	(76,425)	(761,664)
Translation differences	-	(5,319)	-	-	(5,319)
At 31 December 2022	8,832,959	682,645	-	721,640	10,237,244
Charged/(credited) to:					
Income statement (Note 15)	76,521	(568,623)	-	(217,794)	(709,896)
At 31 December 2023	8,909,480	114,022	-	503,846	9,527,348

Deferred tax assets	Tax losses RUB'000	Trade and other payables RUB'000	Other lease liabilities and Borrowings RUB'000	Other assets/ liabilities RUB'000	Total RUB'000
At 1 January 2022	-	(227,640)	(848,589)	(175,684)	(1,251,913)
Charged/(credited) to:					
Income statement (Note 15)	-	36,420	46,774	12,714	95,908
At 31 December 2022	-	(191,220)	(801,815)	(162,970)	(1,156,005)
Charged/(credited) to:					
Income statement (Note 15)	-	171,909	212,921	(21,175)	363,655
Disposed through disposals of subsidiaries					
At 31 December 2023	-	(19,311)	(588,894)	(184,145)	(792,350)

Deferred tax assets are recognised for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group has not recognised deferred tax assets in the amount of RUB Nil thousand (2022: RUB 89,231 thousand) for tax losses amounting to RUB Nil thousand (2022: RUB 713,852 thousand) available to be carried forward as it is not probable that future taxable profits will be available against which these tax losses can be utilised.

Withholding tax at the rate of 5% is applied to the dividends distributed by the Russian subsidiaries of the Group to the Company. In case the dividends are distributed by the Estonian subsidiaries the tax of 20% or, under certain conditions, 14% will be applied to gross amount of such distributions. The Group recognises provisions for such taxes based on management's estimates and intention for future dividend distribution by each respective subsidiary out of profits of subsidiaries as of 31 December 2023.

Deferred income tax liabilities of RUB 2,809,390 thousand (2022: RUB 1,683,687 thousand) have not been recognised for the withholding taxes that would be payable in case unremitted earnings of certain subsidiaries are distributed to the Company in the form of dividends as it is the current intention of the management of the Group that such amounts are reinvested. Unremitted earnings on which no deferred tax liability was recognised totalled to RUB 55,871,122 thousand as at 31 December 2023 (2022: RUB 32,832,980 thousand).

31. Trade and other payables

	2023 RUB'000	2022 RUB'000
Current		
Trade payables to third parties	550,862	338,540
Other payables to third parties	154,497	2,036,750
VAT payable and other taxes	1,485,159	3,441,091
Accrued expenses	113,874	98,140
Accrued key management compensation, including share-based payment (Note 35)	134,080	469,827
	2,438,472	6,384,348

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

32. Earnings per share

Basic and diluted

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

	2023	2022
Profit attributable to equity holders of the company (RUB thousand)	38,620,269	25,193,420
Weighted average number of ordinary shares in issue (thousand)	178,318	178,382
Basic and diluted earnings per share (expressed in RUB per share) attributable to the equity holders of the Company during the year	216.58	141.23

33. Contingencies

Operating environment

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. Ongoing political tension in the region and sanctions against certain Russian companies and individuals have an additional negative impact on the Russian economy.

The geopolitical situation in Eastern Europe intensified on 24 February 2022 with the commencement of the conflict between Russia and Ukraine. As at the date of authorizing these financial statements for issue, the conflict continues to evolve as military activity proceeds. In addition to the impact of the events on entities that have operations in Russia or Ukraine or that conduct business with their counterparties, the conflict is increasingly affecting economies and financial markets globally and exacerbating ongoing economic challenges.

The European Union as well as United States of America, Switzerland, United Kingdom and other countries imposed a series of restrictive measures (sanctions) against the Russian government, various companies, and certain individuals. The sanctions imposed include an asset freeze and a prohibition from making funds available to the sanctioned individuals and entities. In addition, travel bans applicable to the sanctioned individuals prevent them from entering or transiting through the relevant territories. The Republic of Cyprus has adopted the United Nations and European Union measures. The rapid deterioration of the conflict in Ukraine may as well lead to the possibility of further sanctions in the future.

Emerging uncertainty regarding global supply of commodities due to the conflict between Russia and Ukraine conflict may also disrupt certain global trade flows and place significant upwards pressure on commodity prices and input costs as seen through early March 2022. Challenges for companies may include availability of funding to ensure access to raw materials, ability to finance margin payments and heightened risk of contractual non-performance.

The impact on the Group largely depends on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the conflict prevails and the high level of uncertainties arising from the inability to reliably predict the outcome.

The event did not exist in the reporting period and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2023 as it is considered as a non-adjusting event.

The Group actively monitors political developments on an ongoing basis. However, the macroeconomic situation in Ukraine, Russia is out of Management's control. The scope and impact of any new potential sanctions (and any counter-sanctions) is yet unknown, however they might further affect key Russian financial institutions as well as companies operating in the Russian Federation.

Fluctuations in foreign exchange rates may also impact the operations of the Goup. The Russian central bank had raised the key rate of interest from 9,5% to 20% as a preventive measure to stop the devaluation of the RUB.

The Group continues to monitor the situation and implement a set of measures to minimize the impact of possible risks on the Group's operations and financial position.

Tax contingencies. Russian tax and customs legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the

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

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD) but has specific characteristics. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length. Management has implemented internal controls to be in compliance with this transfer pricing legislation. Management believes that its pricing policy used in 2023 and 2022 and preceding years is arm’s length and it has implemented internal controls to be in compliance with this transfer pricing legislation.

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

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

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

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

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 2023 and 31 December 2022 (Note 28).

Insurance policies

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

Environmental matters

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

Legal proceedings

In the opinion of management, there are no legal proceedings or other claims outstanding, as of 31 December 2023 and 2022 which could have a material effect on the results of operations or financial position of the Group and which have not been accrued or disclosed in these financial statements.

34. Commitments

(a) Capital commitments

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

	2023 RUB'000	2022 RUB'000
Property, plant and equipment	62,413	879,341

(b) 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:

	2023 RUB'000	2022 RUB'000
Not later than 1 year	3,367,422	2,635,180
Later than 1 year not later than 5 years	25,397	856,038
	3,392,819	3,491,218

There were no contingent-based rents to be recognised in the income statement for the year ended 31 December 2023 and 31 December 2022.

35. Related party transactions

Litten Investments Ltd, controlled by a Director of the Company, has a shareholding in the Company of 5.1% as at 31 December 2023 (31 December 2022: 5.1%).

Goldriver Resources Ltd, controlled by a Director of the Company, has a shareholding in the Company of 3.1% as at 31 December 2023 (31 December 2022: 3.1%).

As at 31 December 2023, another 0.1% (2022: 0.1%) of the shares of the Company is controlled by Directors and key management of the Company.

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

The following transactions were carried out with related parties:

(a) Key management compensation

	2023 RUB'000	2022 RUB'000
Key management salaries and other short-term employee benefits	3,334,479	2,702,399
Share based compensation (Note 21)	-	125,737
	3,334,479	2,828,136

The key management compensation above includes directors' remuneration paid to the directors of the Company both by the Company and by subsidiaries of the Company in respect of services provided to such subsidiaries amounting to RUB 1,076,241 thousand (2022: RUB 776,827 thousand) and analysed as follows:

	2023 RUB'000	2022 RUB'000
Non-executive directors' fees	20,537	20,793
Emoluments in their executive capacity	1,055,704	738,450
Share based compensation in their executive capacity	-	17,584
	1,076,241	776,827

(b) Sale of goods and services

	2023 RUB'000	2022 RUB'000
Revenue from entity under control of member of key management:		
Operating lease of rolling stock	832,175	813,750
Other	673	880
	832,848	814,630

(c) Other gains

	2023 RUB'000	2022 RUB'000
Other gains from entity under control of member of key management:		
Other gains	112,567	96,722
	112,567	96,722

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

	2023 RUB'000	2022 RUB'000
Trade receivables from related parties - current (Note 22):		
Entity under control of member of key management	765	275
	765	275
Other receivables from related parties – current (Note 22):		
Entity under control of member of key management	26	23
	26	23
Key management remuneration – current (Note 31):		
Accrued salaries and other short-term employee benefits	134,080	344,088
Share based payment liability (Note 21)	-	125,737
	134,080	469,825

(e) Interest income

	2023 RUB'000	2022 RUB'000
Finance leases (Note 14):		
Entity under control of members of key management	609	1,609
	609	1,609
Loans (Note 14):		
Entity under control of members of key management	9,666	18,033
	9,666	18,033

(f) Contract liabilities

	2023 RUB'000	2022 RUB'000
Contract liabilities relating to railway transportation contracts – current (Note 10):		
Entity under control of member of key management	1,467	2,228
	1,467	2,228
Contract liabilities relating to railway transportation contracts – non-current (Note 10):		
Entity under control of member of key management	4,878	4,879
	4,878	4,879

(g) Loans

	2023 RUB'000	2022 RUB'000
Loans receivables (Note 22):		
Entity under control of member of key management	-	401,151
	-	401,151

	2023 RUB'000	2022 RUB'000
At the beginning of the period	401,151	-
Loans advanced during the year	-	800,000
Loans repaid during the year	(400,000)	(400,000)
Interest charged (Note 14)	9,666	18,033
Interest received	(10,817)	(16,882)
At the end of the period	-	401,151

(h) *Finance leases*

	2023 RUB'000	2022 RUB'000
Finance leases to related parties – current (Note 23):		
Entity under control of member of key management	959	10,879
	959	10,879
Finance leases to related parties – non-current (Note 23):		
Entity under control of member of key management	-	953
	-	953

(i) *Operating lease commitments – Group as lessor*

	2023 RUB'000	2022 RUB'000
Entity under control of member of key management		
Not later than 1 year	856,038	836,960
Later than 1 year not later than 5 years	-	856,038
	856,038	1,692,998

36. Business combinations

Disposal of subsidiary

In January 2023 the Group disposed of its 65.25% shareholding in Spacecom AS, Estonia for EUR 65,300,000 (RUB 4,948,427 thousand) realising a profit from sale of RUB 3,400,047 thousand.

37. Events after the balance sheet date

On 26 February 2024 the Company has completed redomiciliation to ADGM, UAE with the registered address: Office Unit 3, Floor 6, Al Sila Tower, Abu Dhabi Global Market Square, Al Maryah Island, Abu Dhabi, UAE.

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

Independent Auditor's Report on pages 14 to 17.