FAR-EASTERN SHIPPING COMPANY PLC.
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

CONTENTS

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Auditors' Report

To the Shareholders and Board of Directors

FAR-EASTERN SHIPPING COMPANY PLC. (FESCO)

We have audited the accompanying consolidated financial statements of FAR-EASTERN SHIPPING COMPANY PLC. (FESCO) (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for 2014, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and its cash flows for 2014 in accordance with International Financial Reporting Standards.

Akylbek Y.A.

Director, (power of attorney dated 16 March 2015 No.77/15)

JSC "KPMG"

30 March 2015

Moscow, Russian Federation

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Consolidated Statement of Financial Position
As at 31 December 2014

USD mln	Note	31 December 2014	31 December 2013
ASSETS			
Non-Current Assets			
Fleet	5	92	91
Rolling stock	6	182	442
Other tangible fixed assets	7	221	361
Goodwill	4	114	260
Investments in associates and joint ventures	8	229	370
Other non-current assets	9	173	165
Total non-current assets		1,011	1,689
Current Assets			
Inventories	10	41	30
Accounts receivable	11	160	165
Current tax assets		6	14
Assets held-for-sale		-	4
Other current assets		2	5
Cash and cash equivalents	12	66	191
Total current assets		275	409
Total Assets		1,286	2,098
EQUITY AND LIABILITIES			
Shareholders' Equity	16		
Share capital		57	57
Share premium		777	777
(Accumulated losses)/Retained earnings		(113)	9
Reserves		(726)	(211)
Equity attributable to owners of the Company		(5)	632
Non-controlling interests		4	9
Total equity		(1)	641
Non-current liabilities			
Long term debt and finance lease obligations	14	1,068	1,098
Deferred tax liability	15	12	44
Other long term liabilities		7	12
Total non-current liabilities		1,087	1,154
Current Liabilities			
Accounts payable	13	150	132
Current tax liabilities		2	1
Short term debt and finance lease obligations	14	48	170
Total current liabilities		200	303
Total liabilities		1,287	1,457
Total equity and liabilities		1,286	2,098

K.A. Sokolov, President____________ V.N. Belyakov, Vice President and CFO____________

Date: 30 March 2015

The accompanying notes on pages 12 to 47 form an integral part of these consolidated financial statements.

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Consolidated Statement of Profit or Loss
For the year ended 31 December 2014

USD mln	Note	2014	2013
Revenue	18	1,118	1,140
Operating expenses	19	(829)	(816)
Gross profit before depreciation and amortization		289	324
Depreciation and amortisation	5,6,7	(73)	(86)
Administrative expenses	20	(130)	(143)
Impairment (loss)/release on tangible fixed assets, net	21	(56)	3
Goodwill impairment		(39)	-
Other income and expenses, net		4	(2)
(Loss)/profit from operating activity		(5)	96
Interest expense		(114)	(116)
Foreign exchange loss		(32)	(14)
Other finance income, net		11	29
Share of profit of equity accounted investees	8	30	47
(Loss)/profit before income tax		(110)	42
Income tax expense	15	(11)	(24)
(Loss)/profit for the year		(121)	18
Attributable to:			
Owners of the Company		(123)	16
Non-controlling interests		2	2
(Loss)/ Earnings per share (in USD)	22	(0.042)	0.005

The accompanying notes on pages 12 to 47 form an integral part of these consolidated financial statements.

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Consolidated Statement of Other Comprehensive Income
For the year ended 31 December 2014

USD mln	**2014**	**2013**
(Loss)/profit for the year	(121)	18
Other comprehensive (loss) /income:		
Items that are or may be reclassified to profit or loss		
Effect of foreign currency translation	(508)	(88)
Revaluation reserve disposal	(11)	-
Revaluation of fleet	-	1
Other comprehensive loss for the year	(519)	(87)
Total comprehensive loss for the year	(640)	(69)
Total comprehensive loss attributable to:		
Ordinary shareholders of the Company	(637)	(69)
Non-controlling interests	(3)	-

The accompanying notes on pages 12 to 47 form an integral part of these consolidated financial statements.

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Consolidated Statement of Changes in Equity
For the year ended 31 December 2014

	Attributable to equity holders of the Company							
USD mln	Share capital (Note 16)	Share premium (Note 16)	Retained earnings	Revaluation reserve	Translation reserve	Total	Non-controlling interests	Total equity
Balance at 1 January 2013	57	777	814	13	(138)	1,523	9	1,532
Profit for the year	-	-	16	-	-	16	2	18
Other comprehensive income/(loss)								
Effect of foreign currency translation	-	-	-	-	(86)	(86)	(2)	(88)
Revaluation of fleet, net of deferred tax	-	-	-	1	-	1	-	1
Release from revaluation reserve	-	-	1	(1)	-	-	-	-
Total other comprehensive (loss)	-	-	1	-	(86)	(85)	(2)	(87)
Total comprehensive income/(loss) for the year	-	-	17	-	(86)	(69)	-	(69)
Transactions with owners, recorded directly in equity								
Distribution to shareholders	-	-	(824)	-	-	(824)	-	(824)
Acquisition of non-controlling interests without a change in control	-	-	(4)	-	-	(4)	-	(4)
Correction of the cost of tangible fixed assets, net of deferred tax	-	-	6	-	-	6	-	6
Total transaction with owners	-	-	(822)	-	-	(822)	-	(822)
Balance at 31 December 2013	57	777	9	13	(224)	632	9	641

The accompanying notes on pages 12 to 47 form an integral part of these consolidated financial statements.

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Consolidated Statement of Changes in Equity
For the year ended 31 December 2014
(Continued)

USD mln	Share capital (Note 16)	Share premium (Note 16)	Retained earnings	Revaluation reserve	Translation reserve	Total	Non-controlling interests	Total equity
	Attributable to equity holders of the Company							
Balance at 1 January 2014	57	777	9	13	(224)	632	9	641
Loss for the year	-	-	(123)	-	-	(123)	2	(121)
Other comprehensive loss								
Effect of foreign currency translation	-	-	-	-	(503)	(503)	(5)	(508)
Release from revaluation reserve	-	-	1	(1)	-	-	-	-
Revaluation reserve disposal	-	-	-	(11)	-	(11)	-	(11)
Total other comprehensive loss	-	-	1	(12)	(503)	(514)	(5)	(519)
Total comprehensive loss for the year	-	-	(122)	(12)	(503)	(637)	(3)	(640)
Transactions with owners, recorded directly in equity								
Acquisition of non-controlling interests without a change in control	-	-	-	-	-	-	(2)	(2)
Total transaction with owners	-	-	-	-	-	-	(2)	(2)
Balance at 31 December 2014	57	777	(113)	1	(727)	(5)	4	(1)

The availability of the Company's retained earnings for distribution to shareholders is determined by the Company's Charter and by Russian law and does not correspond with the figures shown above. The Company's retained earnings available for distribution under Russian Accounting Standards as at 31 December 2014 were USD 60 million (as at 31 December 2013 USD 331 million).

The accompanying notes on pages 12 to 47 form an integral part of these consolidated financial statements.

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Consolidated Statement of Cash Flows
For the year ended 31 December 2014

USD mln	For the year ended 31 December 2014	2013
Cash flows from operating activities		
(Loss)/profit for the year	(121)	18
Adjustments for:		
Depreciation and amortisation	73	86
Impairment losses/(reverse)	95	(3)
Loss on disposal of tangible fixed assets	3	7
Share option release	-	(3)
Foreign exchange differences	32	14
Net finance costs	103	87
Share of profit of equity accounted investees	(30)	(47)
Income tax expense	11	24
Other income and expense	2	-
Cash from operating activities before changes in working capital and provisions	168	183
Change in inventories	(11)	(4)
Change in trade and other receivables	-	19
Change in trade and other payables	15	(24)
Effect of exchange rate fluctuations in net current assets	(35)	-
Cash flows from operations before income taxes paid	137	174
Income tax paid	(21)	(33)
Cash flows generated from operating activities	116	141

The accompanying notes on pages 12 to 47 form an integral part of these consolidated financial statements.

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Consolidated Statement of Cash Flows
For the year ended 31 December 2014
(Continued)

	Note	For the year ended 31 December 2014	2013
USD mln			
Cash flows from investing activities			
Vessels acquired	5	(9)	(9)
Expenditure on other fixed assets	6,7	(53)	(36)
Expenditure on drydocking	5	(5)	(1)
Proceeds on disposal of fleet	5	8	15
Proceeds on disposal of other fixed assets		4	8
Acquisition of equity-accounted investee		-	(9)
Other non-current assets acquired		(6)	(1)
Proceeds on sale of investments		-	6
Dividends received		11	11
Loans issued		-	(16)
Repayment of loans		-	423
Finance lease received		3	2
Interest received		5	17
Net cash (used in)/ generated from investing activities		(42)	410
Cash flows from financing activities			
Proceeds from borrowings		199	197
Proceeds from bonds		-	1,030
Repayment of borrowings		(239)	(857)
Distribution to shareholders		-	(824)
Finance charges		(107)	(115)
Acquisition of non-controlling interests		(1)	(3)
Net cash used in financing activities		(148)	(572)
Effect of exchange rate fluctuations on cash and cash equivalents		(51)	(20)
Net decrease in cash and cash equivalents		(125)	(41)
Cash and cash equivalents at the beginning of the year		191	232
Cash and cash equivalents at the end of the year	12	66	191

The accompanying notes on pages 12 to 47 form an integral part of these consolidated financial statements.

1. Organisation and Trading Activities

Far-Eastern Shipping Company PLC. (FESCO or Company) was privatised and became a joint stock company governed by the laws of the Russian Federation on 3 December 1992. The Company's registered office and principal place of business is: 29 Serebryanicheskaya Naberezhnaya, Moscow, Russian Federation, 109028.

The Company's immediate shareholders are several Cyprus entities and Mr. Ziavudin Magomedov is considered to be the Company's ultimate controlling party.

The principal activity of FESCO and its subsidiaries (the Group) has traditionally been shipping (ship owning, ship management, chartering out and line operating). In recent years FESCO has been transformed into an intermodal logistics Group focused on Russia, offering a full range of logistical solutions through a combination of shipping, rail, trucking and port services.

2. Basis of Preparation

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

In addition to presenting the consolidated financial statements in USD, consolidated financial statements in RUB are presented in accordance with Russian reporting requirements.

The preparation of consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of selecting and applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where estimates are significant to the financial statements are disclosed in Note 2(c).

The significant accounting policies adopted by the Group have been consistently applied with those of the prior period taking into account adoption of new and revised standards effective as of 1 January 2014. Adoption of new and revised standards did not have material effect on consolidated financial statements of the Group.

The consolidated financial statements are prepared on the historical cost basis. Group's vessels are stated at fair value at each reporting date based on valuation performed by an independent professional appraiser as disclosed in Note 5. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

(b) Basis of consolidation

These financial statements include the accounts of FESCO and its subsidiaries. The principal subsidiaries of the Group are as follows:

Name	Country of Incorporation	Percentage Holding as at 31 December 2014	Activity
Bodyguard Shipping Company Limited	Cyprus	100%	Ship owning
Diataxis Shipping Company Limited	Cyprus	100%	Ship owning
Yerakas Shipping Company Limited	Cyprus	100%	Ship owning
Pacific Conlease Company Limited	Cyprus	100%	Containers owning
Carmina Maritime Ltd	Marshall Islands	100%	Ship owning
Udarnik Maritime Ltd.	Marshall Islands	100%	Ship owning
Marline Shipping Company Limited	Cyprus	100%	Ship owning
Marview Shipping Company Limited	Cyprus	100%	Ship owning
Astro-Moon Shipping Company Limited	Cyprus	100%	Ship owning
Anouko Shipping Company Limited	Cyprus	100%	Ship owning
FESCO Lines China, Co., Ltd.	China	100%	Shipping agency
Firm Transgarant LLC	Russia	100%	Holding company for transportation services group
FIT LLC	Russia	100%	Transport and forwarding services
VMTP PLC	Russia	98%	Commercial Port
TRANSFES Co., Ltd	Russia	100%	Shipping agency and operations
Dalreftrans Co, Ltd	Russia	100%	Transport and forwarding services
FESCO ESF	Cyprus	100%	Shipping agency and operations
FESCO Lines Hong Kong Limited	China	100%	Shipping agency
Arctic Ocean International Limited	BVI	100%	Corporate services
Valsta Ltd	Cuprus	100%	Holder of TransContainer share
Far East Capital Limited S.A.	Luxembourg	100%	Eurobonds Holder
Fesco Ocean Freight Management	BVI	100%	Shipping operations
Fesco Lines Korea Co., Ltd	South Korea	100%	Shipping agency
FESCO Lines Management Limited	Hong Kong	100%	Financial management
FESCO Ocean Management Limited	Cyprus	100%	Shipping operations
FESCO Integrated Transport North America INC.	USA	100%	Container freight services
Remono Shipping Company Limited	Cyprus	100%	Freight forwarder

Subsidiaries.
Subsidiaries are entities controlled by the Group. Control exists when the Group has the power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of investor's retun. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

Certain subsidiaries, associate companies and joint ventures that are neither individually nor in aggregate material to the results, cash flows or financial position of the Group are not consolidated. These investments are recorded as available-for-sale investments at fair value as estimated by management. Where it is not possible to estimate fair values reliably, they are recorded at historical cost less applicable impairment.

Joint ventures and associates (equity accounted investees).
Joint ventures are those companies and other entities in which the Group, directly or indirectly, undertake an economic activity that is subject to joint control. Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies Joint ventures and associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that joint control/significant influence commences until the date that joint control/significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Transactions eliminated on consolidation.
Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(c) Critical accounting estimates and judgements in applying accounting policies

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.
Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

1. Impairment of goodwill and tangible fixed assets, see Note 4 and Notes 5,6,7;
2. Determination of the fair value of the Group's fleet, see Note 5;
3. Russian taxation contingencies, see Note 23(b).

(d) Segmental reporting

The Group has five operating segments: shipping, which operates on a global basis; liner and logistics; railway transportation services which operate in Russia and other countries of the CIS, port services which include Russian-based port, sea terminal and bunkering services. A segmental analysis has been included in Note 17.

3. Accounting Policies

(a) Functional and presentation currency

The presentation currency used in the preparation of these consolidated financial statements is the U.S. Dollar ("USD").
The functional currency of each Group entity is the currency of the primary economic environment in which the entity operates.
The results and financial position of each Group entity whose functional currency is different from USD, are translated into the presentation currency as follows:

i) assets and liabilities at each reporting date are translated at the closing rate at this date;
ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
and
iii) all resulting exchange differences are recognised as a separate component of equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the translation reserve is transferred to the income statement.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity.

None of the Group entities has a functional currency which is a currency of hyperinflational economy. All financial information presented in USD has been rounded to the nearest million.

The Russian rouble is not a fully convertible currency outside of the Russian Federation and, accordingly, any conversion of RUB amounts to USD should not be construed as a representation that RUB amounts have been, could be, or will be in the future, convertible into USD at the exchange rate shown, or at any other exchange rate.

At 31 December 2014, the official rate of exchange, as determined by the Central Bank of the Russian Federation, was USD 1 = RUB 56.2584 (31 December 2013 USD 1 = RUB 32.7292).

Fleet

The fleet is stated on an individual vessel basis at market value as assessed by independent professional valuers and supported by calculations of value in use.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Revaluations are performed annually.

A revaluation increase is recognised in revaluation reserve in equity except to the extent that it reverses a previous revaluation deficit on the same asset recognised in the income statement, in which case it is recognised in the income statement. A revaluation decrease is recognised in the income statement except to the extent that it reversed the previous revaluation surplus on the same asset recognised directly in equity, in which case it is recognised directly in equity.

At the year end a portion of the revaluation reserve, which is equal to the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Other fixed assets are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment. Dry-docking and special survey costs ("Dry-docking costs") are recognised as a separate component of the vessel and are capitalised as incurred during the period of the dry-docking programme.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of that item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Fleet depreciation

Depreciation is charged on a straight-line basis in the income statement on net book value less an estimated scrap value, based on anticipated useful lives of 25 years from date of building of the vessel.

Other fixed assets depreciation

Other fixed assets are depreciated on a straight line basis to their residual values at the following annual rates:

Buildings	3 – 10%
Rolling stock	4 – 20%
Machinery, equipment and other fixed assets	5 – 33%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease. Land is not depreciated.

Residual values
The residual value of an asset is the estimated amount that the Group would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

(b) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of material impairment. If any such indication exists, recoverable amounts are estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business acquisition, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in the income statement unless it reverses a previous revaluation recognised in equity in which case it is recognised in equity.
Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(c) Dry-docking and special surveys

Dry-docking and special survey costs are capitalised and depreciated on a straight-line basis over a period of five years. Any unamortised amounts are derecognised when the next dry dock / special survey occurs or on disposal of the vessel to which the costs relate.

(d) Inventories

Inventories are stated at the lower of cost, calculated on a FIFO basis, and net realisable value. Inventories comprise bunkers, victualling stocks, stores, spares and materials for construction. Net realisable value is the estimated amount an item could be sold for less any selling expenses.

(e) Revenue recognition

The Group derives revenue from the following main sources:

- “freight and hire” revenue from sea transportation;
- agency fees for arranging transportation;
- provision of transportation services using own and leased wagons (operators’ business);
- revenue from stevedoring services;
- revenue from rentals;
- bunkering.

The Group recognises revenue on an accruals basis at the fair value of the consideration received or receivable. Revenue is presented in the income statement net of VAT and discounts.

Freight and hire
Revenue from transportation services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to the number of days completed out of the total estimated number of days in a particular transportation route/charter. Estimated losses on transportation in progress are recognised at the time such losses become evident.

Transportation agency fee
In certain cases Group’s subsidiaries act as a legal intermediary for transportation organizations and pay transport fees on behalf of its clients. These fees, which are reimbursed by the Group’s clients, are not included in sales or cost of sales. Consequently, only the Group’s fees for intermediary activities are recognised as sales. Debtors and liabilities that occur in accordance with these activities are recognized as accounts receivable and accounts payable respectively.

Transportation services (operator’s business)
The Group also organizes transportation for clients and provides similar services using its own or leased wagons. Normally, a transportation tariff charged by the Russian Railway is re-charged to the counterparty (the Company acts as an agent). For this type of activity, the Group’s revenue comprises operator’s fee.

The costs of sales for this type of activity generally includes transportation fees charged by transportation organizations for transportation of empty wagons (those are not re-charged to the counterparty), depreciation, repairs and maintenance costs for owned

Revenue from port and stevedoring services
Port and stevedoring services represent cargo handling and storage in port and terminal. The revenue is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to the surveys of work performed.

Revenues from rentals
Revenue earned by the Group from rentals is recognised on a straight line basis over the term of the rent agreements.

(f) Classification of financial assets

Non-derivative financial instruments.
Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Accounting for finance income and costs is discussed in note 3(t).

Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. Investments in equity securities that are not quoted on a stock exchange are principally valued using valuation techniques such as discounted cash flow analysis, option pricing models and comparisons to other transactions and instruments that are substantially the same. Where fair value cannot be estimated on a reasonable basis by other means, investments are stated at cost less impairment losses.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

(g) Financial liabilities and equity instruments issued by the Company

Debt and equity instruments are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Financial liabilities are classified as either financial liabilities at Fair Value Through Profit or Loss or “other financial liabilities”.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Fair value is obtained through discounting future cash flows at the current market interest rate applied to financial instruments with similar terms. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The Company derecognises financial liabilities when, and only when, the Company’s obligations are discharged, cancelled or they expire.

(h) Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in the income statement. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(j) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from the share premium.

(k) Operating leases

Where the Group is a lessee
Where Group company is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments, including those on expected termination, are charged to profit or loss on a straight-line basis over the period of the lease.

Where the Group company is a lessor
Assets leased to third parties under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

(l) Finance leases

Where the Group is a lessee

Where a Group company is a lessee in a lease which transfers substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to the income statement over the lease period using the effective interest method.

Assets acquired under finance leases are depreciated over the shorter of useful life and the lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

Where the Group is a lessor

Assets leased out under finance lease agreements are recognized in the statement of financial position and presented as receivable at an amount equal to the net investment in the lease. The income on the finance lease is recognized as interest income and is based on the pattern reflecting a constant periodic rate of return on the Company's net investment in the finance lease.

(m) Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans, including Russia's State pension fund, are recognised in the income statement when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on Russian Government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method.
When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.
The Group recognises all actuarial gains and losses arising from defined benefit plans in the other comprehensive income in the period in which they arise.

(n) Current and deferred income tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the balance sheet liability method. Deferred income taxes are provided for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.
Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(p) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

(q) Goodwill arising on acquisition

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is tested annually for impairment and carried at cost less accumulated impairment losses.

Negative goodwill (excess of the fair value of the share in net assets acquired over consideration paid) is recognised in the income statement.

Any excess of the consideration paid to acquire a non-controlling interest over the book value of the non-controlling interest is recognised in equity.

(r) Other intangible assets

Other intangible assets are recognised at cost less accumulated amortisation and impairment losses. Amortisation is charged on a straight line basis over the useful life (generally five years), representing management's estimate of the period during which the Group is expected to benefit from these assets.

(s) Dividends

Dividends are recognised as a deduction from equity in the period in which they are approved by the shareholders.

(t) Finance income and costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss.

Interest income is recognised as it accrues in the income statement, using the effective interest method. Dividend income is recognised in the income statement on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in the income statement using the effective interest method, except to the extent that they relate to acquisition of qualifying assets, in which case they are capitalized in the cost of such assets.

Adoption of new and revised standards and interpretations

A number of new standards and interpretations are not yet effective as of the reporting date, and have not been applied in preparing these consolidated financial statements.

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating

impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.
IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.
The core principle of the new standard is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements.
IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of these standards.

4. Goodwill

	Gross amount	Accumulated impairment loss	Carrying amount
		USD mln	
At 1 January 2013	312	(32)	280
Translation difference	(22)	2	(20)
At 31 December 2013	290	(30)	260
Impairment	-	(39)	(39)
Translation difference	(120)	13	(107)
At 31 December 2014	170	(56)	114

Goodwill has been allocated to groups of cash generating units (CGU's) which represent the lowest level within the Group at which goodwill is monitored by management for internal reporting purposes.

The carrying amount of goodwill, net of impairment, allocated to each CGU is as follows:

	31 December 2014	31 December 2013
	USD mln	
FIT LLC and its subsidiaries	2	3
FESCO ESF Limited and its subsidiaries	6	6
Firm Transgarant LLC and its subsidiaries	-	68
Commercial Port of Vladivostok (VMTP)	106	183
	114	260

The Group uses discounted cash flow techniques to arrive at the recoverable amounts of the cash generating units for the purposes of an impairment testing.

The discount and growth rates used in the impairment testing for each CGU for the year 2014 were as follows:

2014	**Discount rate**	**Terminal growth rate**
FIT LLC and its subsidiaries	15.6%	2%
Firm Transgarant LLC and its subsidiaries	17.5%	4%
FESCO ESF Limited and its subsidiaries	8.6%	3%
Commercial Port of Vladivostok (VMTP)	15.6%	3%

The recoverable amount is determined based on discounted cash flows calculations. These calculations are based on post-tax cash flow projections and all the assumptions in relation to growth rates are determined by reference to management's past experience and industry forecasts.

The cash flow projections included specific estimates for six years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term growth rate, consistent with the assumption that a market participant would make.
The key assumptions in respect of relevant CGUs are as follows:

Transgarant LLC and its subsidiaries

- Total revenues and costs were calculated assuming constant railcar fleet and railcar utilization rates throughout the period (including owned and lease railcars) fixed at the level existed as at 31 December 2014;
- Based on management assessment of the current market conditions and further market developments railcar lease rates (expressed in RUR) are assumed to decrease in 2015 on all types of rolling stock (with decrease rates ranging from (1.8%) to (11.0%) depending on the type of wagon) except gondola cars and 80-foot fitting platforms (*Increase of* 16.1% and 6.4% respectively). Starting in 2016, rates are expected to grow in line with Ruble inflation (6.1% in 2016, 5.0% in 2017, and 4.9% annually thereafter).

Commercial Port of Vladivostok (VMTP)

- Revenue projections were made assuming average annual growth rate of 17% during the forecast period as result of increase in throughput of containers and other cargos, and revenue rates inflation;
- Costs projections were made assuming EBITDA margin decline at year 2014 level (22%) during the forecast period, with a temporary decrease to 20% and 21% in 2015 and 2016, respectively.

The projected volumes of throughput and railcar fleet dynamics reflect past experience and management's estimates. The prices are estimated in accordance with the past performance of relevant CGUs and management's expectations of market development.
The discount rate was a post-tax measure estimated based on the industry average weighted-average cost of capital reflecting specific risks relating to the relevant CGU.

Recoverable amount for Firm Transgarant LLC and its subsidiaries was less than the carrying value and, therefore, impairment loss on goodwill and rolling stock in the total amount of USD 96 million was recognized.

Below please see the results of sensitivity analysis for each CGU:

- Firm Transgarant LLC and its subsidiaries : increase in discount rate by 1% or decrease in revenue by 2% would result in additional impairment loss in the amount of USD 14 million and USD 17 million recognised in respect of property, plant and equipment to that already recognised in these consolidated financial statements;
- Commercial Port of Vladivostok (VMTP) and FIT LLC and its subsidiaries: there's a significant headroom between carrying value and recoverable amount, thus the impairment testing results are not sensitive to changes in discount rate and revenue;

- FESCO ESF Limited and its subsidiaries: increase in discount rate by 1% would not result in any impairment and decrease in revenue by 2% would result in impairment loss in the amount of USD 12 million in respect of goodwill and other assets.

5. Fleet

	Carrying value	
	31 December 2014	**31 December 2013**
	USD mln	
Fleet	80	80
Deferred dry docking expenses	12	11
	92	91
Total deadweight tonnage	268	268

	Valuation	Depreciation	Net Book Value
		USD mln	
At 1 January 2013	80	-	80
Depreciation charge for the year	-	(2)	(2)
Additions	9	-	9
Disposals	(7)	-	(7)
Revaluation	2	2	4
Transfers to current assets held-for-sale	(4)	-	(4)
At 31 December 2013	80	-	80
Depreciation charge for the year	-	(3)	(3)
Additions	8	-	8
Disposals	(4)	-	(4)
Revaluation	(4)	3	(1)
At 31 December 2014	80	-	80

The Group reviews the carrying value of the fleet on an annual basis. In determining an appropriate carrying value the Company relies on the opinion of expert third party valuers. The valuers determine by reference to recent sales transactions of similar vessels the amount a vessel could be sold for, assuming that the vessel is in reasonable condition. Management critically reviews the valuation arrived at by the valuers and also produces calculations of value in use based on discounted anticipated future cash flows.

The valuation basis utilised implicitly includes the value of dry docking in the overall valuation. Management, therefore, deducts the net book value of capitalised dry dock from the valuation and account, for such dry dock at historical cost less accumulated depreciation.

At 31 December 2014, the estimated scrap value of the Group's fleet was calculated based on an estimate of USD 420 per LWT (31 December 2013: USD 390). This change of scrap rate did not result any change in depreciation charge.

The fleet includes 7 vessels, fully depreciated, with an aggregate scrap value of USD 15 million at 31 December 2014 (7 vessels with scrap value of USD 13 million at 31 December 2013).

Had the vessels been carried at the historical cost, the carrying amount would have been USD 70 million at 31 December 2014 (31 December 2013 – USD 70 million).

The fleet was revalued as at 31 December 2014 by independent professional brokers with reference to the observable market transactions with comparable vessels. The resulting revaluation decrease of USD 1 million has been recognised in the statement of profit or loss.

At 31 December 2014, 11 vessels in the Group’s fleet with a net book value of USD 53 million were insured for hull and machinery risks with western underwriters, a further 11 vessels with a net book value of USD 27 million were insured with Russian underwriters. The total insured value amounted to USD 100 million.

Movements during the period on deferred dry docking expenses were:

	Cost	Depreciation	Net Book Value
		USD mln	
At 1 January 2013	19	(12)	7
Additions	9	-	9
Charge for the year	-	(3)	(3)
Amortised dry dock write off	(3)	3	-
Release on disposal of fleet	(7)	5	(2)
At 31 December 2013	18	(7)	11
Additions	5	-	5
Additions on aqcuisition	1	-	1
Charge for the year	-	(4)	(4)
Amortised dry dock write off	(2)	2	-
Release on disposal of fleet	(2)	1	(1)
At 31 December 2014	20	(8)	12

6. Rolling Stock

	Cost	Depreciation	Net Book Value
		USD mln	
At 1 January 2013	681	(183)	498
Correction of the cost of tangible fixed assets	6	-	6
Additions	25	-	25
Depreciation charge	-	(43)	(43)
Disposals	(15)	3	(12)
Translation difference	(50)	18	(32)
At 31 December 2013	647	(205)	442
Additions	12	-	12
Depreciation charge	-	(35)	(35)
Disposals	(7)	5	(2)
Impairment	(57)	-	(57)
Translation difference	(271)	93	(178)
At 31 December 2014	324	(142)	182

At 31 December 2014 rolling stock was impared by USD 57 million as the result of an impairment testing recoverable amounts of the cash generating units (Note 4). The resulting impairment decrease has been recognised in the statement of profit or loss (USD 46 million) and in the revaluation reserves (USD 11 million).

Rolling stock includes assets held under finance leases with a net book value of USD 37 million (at 31 December 2013 – USD 85 million).

As at 31 December 2014, rolling stock with a net book value of USD 153 million was insured with Russian insurance companies. The total insured value is USD 353 million (31 December 2013 – USD 607 million with a net book value of USD 338 million).

7. Other Tangible Fixed Assets

	Buildings and Infrastructure	Plant, Machinery and Other	Assets under construction	Total
	USD mln			
Cost				
At 1 January 2013	235	280	28	543
Additions	5	13	4	22
Disposals	-	(26)	-	(26)
Translation difference	(16)	(13)	(1)	(30)
At 31 December 2013	224	254	31	509
Additions	1	7	28	36
Transfers from AUC	7	4	(11)	-
Disposals	-	(8)	(2)	(10)
Impairment	(5)	-	(4)	(9)
Translation difference	(80)	(74)	(13)	(167)
At 31 December 2014	147	183	29	359
Depreciation				
At 1 January 2013	31	103	-	134
Depreciation charge for the year	8	26	-	34
Eliminated on disposal	-	(17)	-	(17)
Translation difference	-	(3)	-	(3)
At 31 December 2013	39	109	-	148
Depreciation charge for the year	6	21	-	27
Eliminated on disposal	-	(7)	-	(7)
Translation difference	(7)	(23)	-	(30)
At 31 December 2014	38	100	-	138
Net Book Value				
At 1 January 2013	204	177	28	409
At 31 December 2013	185	145	31	361
At 31 December 2014	109	83	29	221

The Group’s management has identified certain assets for which recoverable amount (USD 2 million) is lower than their carrying value (USD 11 million) as at 31 December 2014. The recoverable amount of these specific assets was determined based on value in use calculations. The discount rate used in calculation of value in use is 17.5%. The respective impairment loss in the amount of USD 9 million was recognized in the statement of profit or loss for the year ended 31 December 2014 (31 December 2013: 0).

Plant, machinery and other fixed assets include containers held under finance lease with a net book value of USD 5 million (31 December 2013– USD 9 million) and plant and machinery with a net book value of USD 1 million (31 December 2013 – USD 4 million).

8. Investments in Associates and Joint Ventures

Equity accounted investments represent investments in joint ventures and associates.

Name	Country of Incorporation	Percentage Holding	Activity	Classification
OJSC TransContainer	Russia	24.1%	Intermodal Container Operations	Associate
"Russkaya Troyka"	Russia	50%	Intermodal Container Operations	Joint Venture
Trans Russia Agency Japan Co. Ltd	Japan	50%	Agency services	Joint Venture
International Paint (East Russia) Limited	Hong Kong	49%	Ship Paint Production	Associate
"SHOSHTRANS" JVCSC	Uzbekistan	25%	Forwarding services	Associate
Fesco China Logistic Co.Ltd	China	50%	Forwarding services	Joint Venture
MB – Fesco Trans	Cyprus	49%	Forwarding services	Associate

Movements in joint ventures and associated companies consolidated on an equity basis are as follows:

	31 December 2014	31 December 2013
	USD mln	
Balance as at 1 January	370	359
Share of results of equity accounted investees	30	47
Additions	-	9
Disposal	-	(6)
Dividends received	(13)	(13)
Translation differences	(158)	(26)
Balance as at 31 December	229	370

Summary financial information for equity- accounted investees, not adjusted for the percentage ownership held by the Group, is as follows:

	Reporting date	Current assets	Non-current assets	Total assets	Current liabilities	Non – current liabilities	Total liabilities	Income	Expenses	Profit/ (loss)
		USD mln								
2014										
TransContainer	31 December	124	975	1,099	99	190	289	1,036	(923)	113
Russkaya Troyka (joint venture)	31 December	8	30	38	5	8	13	20	(16)	4
Other companies	31 December	9	1	10	5	4	9	21	(20)	1
		141	1,006	1,147	109	202	311	1,077	(959)	118
2013										
TransContainer	31 December	226	1,621	1,847	192	368	560	1,293	(1,124)	169
Russkaya Troyka (joint venture)	31 December	20	55	75	13	16	29	31	(20)	11
Other companies	31 December	16	2	18	9	5	14	38	(33)	5
		262	1,678	1,940	214	389	603	1,362	(1,177)	185

The Group performed impairment testing of investments in OJSC Transcontainer as at 31 December 2014 using discounted cash flow techniques to arrive at the recoverable amount of the investments. The recoverable amount is determined based on value in use calculations. These calculations are based on post-tax cash flow projections and all the assumptions in relation to growth rates are determined by reference to past performance and industry forecasts. The discount and growth rates used in the impairment testing were 17.5% and 4% respectively. The cash flow projections included specific estimates for six years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term growth rate, consistent with the assumption that a market participant would make. Projections for the year 2015 were based on the company's budget. The key assumptions for the years 2016-2020 were the following:

- Revenue projections were made assuming price growth at the inflation rate plus 1% in 2016-2017, and at the inflation rate thereafter (average for 2018-2020: 5.5.% p.a.). Volumes were assumed to grow by 2% p.a. in 2015 and 2016, and at twice the GDP growth rate thereafter (average for 2017-2020: 4% p.a.).
- Costs projections were made based on the forecast inflation rate (12.9% in 2015 and an average of 6.0% in 2016-2020) and, in the case of variable costs, projected container transportation volumes.
- EBITDA projections were made assuming decline by 5% in 2015 and further average annual growth by 15% to reach the inflated pre-crisis level which equals year 2012 EBITDA by the end of projection period.
- The projected volumes of transportation services provided reflect past experience and management's estimates. The prices are estimated in accordance with the past performance of the company and management's expectations of market development. The discount rate was a post-tax measure estimated based on the industry average weighted-average cost of capital reflecting specific risks relating to the company.

The recoverable amount of the investments approximate their carrying value.
The results of sensitivity analysis are the following: increase in discount rate by 1% would result in impairment loss in the amount of USD 8 million, decrease in revenue by 2% would result in impairment loss in the amount of USD 21 million

Goodwill in amount of USD 19 million related to OJSC TransContainer is included into the investments in associates and joint ventures.

The market value of OJSC TransContainer shares and GDR's held by the Group, based on the quotations in Moscow Stock Exchange and LSE at 31 December 2014 is USD 146 million.

9. Other Non-Current Assets

	31 December 2014	31 December 2013
	USD mln	
Long term loans to related parties, at amortized cost	152	145
Lease right	6	8
Non-current portion of finance lease receivable, at amortized cost	-	2
Prepayments for fixed assets, at cost	5	2
Other intangible assets	6	3
Other equity investments	2	2
Other non-current assets	2	3
	173	165

Loans to related parties in the amount of USD 152 million represents loans to intermediate shareholder. Loans in the amount of USD 144 million are repayable in December 2018 and outstanding amount is repayable in December 2020.

Prepayments for fixed assets represent prepayments for equipment.

The Group leases railroad platforms to one of its joint ventures. The lease agreement provides for ownership transfer of assets to the lessee at the end of the lease term for nominal consideration. The contractual interest rate on the platforms leased is 13.2 %.

10. Inventories

	31 December 2014	31 December 2013
	USD mln	
Bunkers	33	21
Stores and spares	3	4
Other stocks and raw materials	5	5
	41	30

Increase in bunker as at 31 December 2014 resulted from the growing activity of new bunkering division which provides services of ship bunkering.

11. Accounts Receivable

	31 December 2014	31 December 2013
	USD mln	
Trade debtors	70	84
VAT receivable	30	41
Prepayments to OJSC “Russian Railways”	12	9
Amounts due from non-consolidated subsidiaries	-	1
Amounts due from associates and joint ventures	2	2
Other debtors and prepayments	51	49
Allowance for impairment	(5)	(21)
	160	165

12. Cash and Cash Equivalents

	31 December 2014	31 December 2013
	USD mln	
Bank accounts and cash in hand	66	191
	66	191

13. Accounts Payable

	31 December 2014	31 December 2013
	USD mln	
Trade creditors	65	51
Taxes payable, other than income tax	7	10
Interest payable	16	15
Other creditors and accruals	62	56
	150	132

14. Debt and Finance Leases Obligations

(a) Loans payable

	31 December 2014	31 December 2013
	USD mln	
Loans and other obligations comprise:		
Secured loans		
At fixed rate 5% - 10%	27	29
At fixed rate 10% - 15%	10	-
At variable rates 5%-9.5% above Libor/Euribor /Mosprime	89	150
	126	179
Bonds		
At coupon rate of 10.25% p.a	88	151
At interest rate 8%-8.75%	864	864
	952	1,015
Obligations under finance leases at fixed rate 6%-10.5%%	9	12
Obligations under finance leases at fixed rate 10.5%-18.87%	29	62
	38	74
	1,116	1,268
Repayable within the next twelve months	48	170
Long term balance	1,068	1,098
	1,116	1,268

Market value of Eurobonds and bonds at the reporting date was USD 360 million and USD 64 million respectively (at 31 December 2013 - USD 784 million and USD 154 million respectively) .

During the reporting year the Group paid Eurobond and bonds interest to the total amount of USD 72 million and USD 12 million respectively (2013: USD 36 million and USD 8 million respectively).

The carrying amount of pledged under debt obligations rolling stock, fleet and other fixed assets as at 31 December 2014 was USD 144 million.

In December 2013 the Group entered into Repurchase Agreement (REPO) with VTB Bank. The Group has pledged 20,556,088 Global Depositary Receipts and 1,295,259 ordinary shares of TransContainer OJSK as a security for a short term loan to the total amount of USD 150 million.

In August and November 2014, the Group paid in secured deposit to the total amount of USD 44 million under Repurchase Agreement (REPO) with VTB Bank prior to refinancing described below because security to loan ratio fell below the level fixed therein.

In December 2014 the Group refinanced REPO loan with VTB Capital. The new EUR 72,9 million loan is secured against 24.1% stake in TransContainer.

As at 31 December 2014 the Group was in compliance with covenants under credit arrangement with Sberbank. At the reporting date the waiver has been obtained by the Group in respect of credit arrangement with Unicreditbank. Consequently, the entire amount of the latter loan is included in the long-term borrowings as at 31 December 2014.
For currency and maturity analysis of loans and other obligations see Note 24.

(b) Finance leases obligations

The Group partially finances the purchase of wagons and containers through leasing and sale-leaseback transactions with leasing companies.

All the lease agreements provide for ownership transfer of assets to the Group at the end of the lease terms for a nominal consideration.

The Group's finance leases mainly relate to acquisition of containers and railroad platforms.
The effective interest rate on the wagon lease liability is 8.33%-19.01% on obligations in roubles and 11.69%-14.94% on obligations in USD (2013: 13.9%-20.01% on obligations in roubles and 14,42% on obligations in USD) and on the container lease liability it is 6%-10,5% on obligations in USD (2013: 6%-10.5% on obligations in USD). Minimum lease payments and future interest element are estimated based on the rates applicable to each individual lease concontract.

Lease payments as at each reporting date are scheduled as follows:

	31 December 2014		**31 December 2013**	
	Minimum lease payments	**Present value of minimum lease payments**	**Minimum lease payments**	**Present value of minimum lease payments**
	USD mln		**USD mln**	
Within one year	22	18	28	20
Two to five years	22	20	63	54
Over five years	-	-	-	-
	44	38	91	74
Less: future finance charges	(6)		(17)	
Present value of lease obligations	38		74	
Less current portion		(18)		(20)
Non-current portion		20		54

15. Current and Deferred Tax

Companies within the Group are subject to taxation in different jurisdictions. The most significant tax expense arises in entities incorporated in the Russian Federation.

	31 December 2014	31 December 2013
	USD mln	
Current tax expense		
Current period	29	32
	29	32
Deferred tax expense		
Origination and reversal of temporary differences	(18)	(8)
	(18)	(8)
Total income tax expense	11	24

Reconciliation of effective tax rate:

	31 December 2014		31 December 2013	
	USD mln	%	USD mln	%
(Loss)/profit before income tax	(110)	100	42	100
Income tax at applicable tax rate of 20% (2013: 20%)	(22)	(20)	9	20
Effect of income taxed at different rates	(6)	(6)	(5)	(11)
Non-deductible expenses related to goodwill impairment	8	8	-	-
Income tax on dividends	1	1	1	2
Non-deductible expenses/non taxable income, net	28	25	8	19
Change in unrecognised deferred tax asset	2	2	11	27
	11	10	24	57

The Group's deferred tax liability mainly arises in entities incorporated in Russia and the effect of deferred taxation in other jurisdictions is not material.

Movements in temporary differences were the following:

	Balance 1 January 2014	Recognised in profit or loss	Translation differences	Balance 31 December 2014
	USD mln			
Vessels	(4)	(2)	-	(6)
Other fixed assets	(65)	18	24	(23)
Assets under construction	1	(1)	(1)	(1)
Accounts receivable	4	3	(1)	6
Accounts payable	11	(4)	(4)	3
Provisions, accruals and deferred income	5	(1)	(1)	3
Tax loss carry-forwards	4	5	(3)	6
	(44)	18	14	(12)

	Balance 1 January 2013	Recognised in profit or loss	Translation differences	Balance 31 December 2013
	USD mln			
Vessels	(6)	2	-	(4)
Other fixed assets	(81)	10	6	(65)
Assets under construction	1	-	-	1
Accounts receivable	3	1	-	4
Accounts payable	22	(10)	(1)	11
Provisions, accruals and deferred income	1	4	-	5
Tax loss carry-forwards	3	1	-	4
	(57)	8	5	(44)

Tax losses for which the deferred tax assets were recognized expire in year 2023 (USD 2 million), year 2024 (USD 4 million) as at 31 December 2014 (31 December USD 4 million).

Unrecognised deferred tax asset

The Group has unrecognized deferred tax assets at the amount of USD 11 million as of 31 December 2014 (31 December 2013: USD 24 million). Unrecognised deferred tax assets relate to tax losses carried forward that are not expected to be recoverable in the foreseeable future.

Unrecognised deferred tax liability

A temporary difference of USD 127 million relating to investments in subsidiaries and joint ventures has not been recognised as at 31 December 2014 (31 December 2013: USD 144 million) as the Group is able to control the timing of reversal of the difference, and reversal is not expected in the foreseeable future.

16. Shareholders' Equity

	31 December 2014	31 December 2013
	USD mln	
Authorised number of shares (1 Rouble per share)	3,643,593,000	3,643,593,000
Issued number of shares	2,951,250,000	2,951,250,000
Share capital (USD mln)	57	57

17. Business Segmental Analysis

For management purposes, the Group is organised into five major operating divisions – shipping, liner and logistics, railway services and ports. Ports are also divided into port and bunkering. The Group also includes certain companies that cannot be allocated to a specific division; these include investing and managing companies. These divisions are the basis on which the Group reports its operating segment information. The services provided by each of these divisions are as follows:

Shipping — The shipping division is involved in ship ownership, ship management, chartering out and provision of agency services. These activities are carried out on a cabotage, cross trade and import-export basis. The vessels operated by the shipping division are largely container vessels and bulk carriers.

Liner and Logistics	The Liner and logistics division operates liner services and provides freight forwarding services both for containers and break-bulk cargoes.
Railway Services	The railway services division provides services both as an operator and an agent. When acting as an operator it renders services for containerised and bulk cargoes using locomotives, railway wagons, hoppers, steel-pellet wagons and tank wagons owned by the division or leased by it under finance leases. In addition it uses rolling stock hired on short term operating leases.
Ports	The ports division owns and operates port facilities and container terminals in Russia and provides cargo handling, stevedoring, container storage and rental and related port services and facilities.
Bunkering	The bunkering division provides services of ship bunkering which involves transferring oil and fuel to and from a vessel.

Segmental reporting information is submitted to management of the Group on a regular basis as part of the management reporting process. It is used to assess the efficiency of the segments and to take decision on the allocation of resources.

Segment information for the main reportable segments of the Group for the year ended 31 December 2014 is set out below.

	Shipping	Liner and Logistics	Railway services	Ports	Bunkering	Corporate	Investment in Trans-Container	Eliminations/ Adjustments	Total
	USD mln								
External sales	41	622	154	137	164	-	-	-	1,118
Inter-segment sales	40	1	11	49	54	-	-	(155)	-
Segment revenue	81	623	165	186	218	-	-	(155)	1,118
Segment expenses (*)	(73)	(585)	(124)	(92)	(208)	(44)	-	167	(959)
Segment result	8	38	41	94	10	(44)	-	12	159
Segment non-cash items:									
Depreciation and amortization	(10)	(11)	(36)	(15)	-	(1)	-	-	(73)
Goodwill impairment	-	-	(39)	-	-	-	-	-	(39)
Impairment reversal on tangible fixed assets, net	(1)	-	(46)	-	-	(9)	-	-	(56)
Other material items of income/expense:									
Other income and expenses	3	1	4	-	-	8	-	(12)	4
Interest expense	(1)	(2)	(22)	(4)	(5)	(101)	-	21	(114)
Share of profit of equity accounted investees	-	-	3	-	-	-	27		30
Income tax expense	(1)	(7)	14	(17)	(1)	1	-	-	(11)

Segment information for the main reportable segments of the Group for the year ended 31 December 2013 is set out below.

	Shipping	Liner and Logistics	Railway services	Ports	Bunkering	Corporate	Investment in Trans-Container	Eliminations/ Adjustments	Total
	USD mln								
External sales	36	671	240	146	47	-	-	-	1,140
Inter-segment sales	29	1	11	54	36	-	-	(131)	-
Segment revenue	65	672	251	200	83	-	-	(131)	1,140
Segment expenses (*)	(78)	(640)	(160)	(106)	(79)	(41)	-	145	(959)
Segment result	(13)	32	91	94	4	(41)	-	14	181
Segment non-cash items:									
Depreciation and amortization	(8)	(12)	(44)	(20)	-	(2)	-	-	(86)
Impairment reversal on tangible fixed assets, net	3	-	-	-	-	-	-	-	3
Other material items of income/expense:									
Other income and expenses	4	4	(2)	(3)	-	8	-	(13)	(2)
Interest expense	(1)	(5)	(41)	(19)	-	(78)	-	28	(116)
Share of profit of equity accounted investees	1	1	5	-	-	-	40	-	47
Income tax expense	-	(5)	(1)	(16)	-	(2)	-	-	(24)

Segmental assets and liabilities

	Assets		Liabilities	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	USD mln			
Shipping (Global)	126	150	21	22
Liner and logistics (Global)	145	203	85	78
Railway services (Russia)	256	571	42	86
Ports (Russia)	218	348	63	87
Bunkering (Russia)	62	19	14	-
Total of all segments	807	1,291	225	273
Goodwill	114	260	-	-
Other items not attributable to a specific segment	365	547	1,062	1,184
Consolidated	1,286	2,098	1,287	1,457

Other segmental information

	Acquisition of segment assets		Investments in equity accounted investees	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	USD mln			
Shipping (Global)	17	19	-	1
Liner and logistics (Global)	4	7	3	4
Railway services (Russia)	20	25	13	23
Ports (Russia)	21	13	-	-
Investment in TransContainer	-	-	213	342
	62	64	229	370

(*) Segment expenses include operating expenses and administrative expenses.

18. Revenue

	2014	2013
	USD mln	
Transportation services (operators' business)	747	864
Bunkering	164	47
Port and stevedoring services	137	146
Hire and freight	41	36
Revenue from rentals	25	43
Agency fees	4	4
	1,118	1,140

19. Operating Expenses

	2014	2013
	USD mln	
Railway infrastructure tariff and transportation services	498	566
Bunkering	150	55
Payroll expenses	85	93
Voyage and vessel running cost	40	40
Operating lease	27	26
Stevedoring services	22	28
Non-profit based taxes	7	8
	829	816

20. Administrative Expenses

	2014	2013
	USD mln	
Salary and other staff related costs	81	91
Professional fees	11	14
Office rent	8	8
Other administrative expenses	30	30
	130	143

21. (Impairment Loss)/Release on Tangible Fixed Assets

	2014	2013
	USD mln	
Other tangible fixed assets impairment charge (Note 6,7)	(55)	-
Fleet impairment (charge)/ release (Note 5)	(1)	3
	(56)	3

22. (Loss)/Earnings per Share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding those held by Group companies.

	31 December 2014	31 December 2013
	USD	
(Loss)/profit for the year	(123,550,000)	16,015,000
Weighted average number of shares in issue (note 16)	2,951,250,000	2,951,250,000
(Loss)/ Earnings per share	(0.042)	0.005

23. Contingencies and Commitments

(a) Operating lease commitments – where a Group company is the lessee

The Group leases rolling stock, berths and office premises under non-cancellable lease agreements. As at 31 December 2014 all non-cancellable operating lease agreements are for a period of less than 12 months with renewal options.

At 31 December 2014, the Group had the following outstanding commitments under non-cancellable operating leases.

	31 December 2014	31 December 2013
	USD mln	
Within one year	11	15
In two to five years	29	42
After five years	65	80
	105	137

(b) Taxation contingencies

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities.

Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

Transfer pricing legislation enacted in the Russian Federation starting from 1 January 2012 provides for major modifications making local transfer pricing rules closer to OECD guidelines, but creating additional uncertainty in practical application of tax legislation in certain circumstances.
These transfer pricing rules introduce an obligation for the taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe new basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level.

The transfer pricing rules primarily apply to cross-border transactions between related parties, as well as to certain cross-border transactions between independent parties, as determined under the Russian Tax Code. In addition, the rules apply to in-country transactions between related parties if the accumulated annual volume of the transactions between the same parties exceeds a particular threshold (RUB 3 billion in 2012, RUB 2 billion in 2013, and RUB 1 billion in 2014 and thereon).
Since there is no practice of applying the new transfer pricing rules by the tax authorities and courts as transfer pricing tax audits under new rules started recently, however, it is anticipated that transfer

pricing arrangements will be subject to very close scrutiny potentially having effect on these consolidated financial statements.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the tax authorities and courts, especially due to recent reform of the supreme courts that are resolving tax disputes, could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

In addition, a number of new laws introducing changes to the Russian tax legislation have been adopted in the fourth quarter 2014 and are effective 1 January 2015. In particular, those changes are aimed at regulating transactions with offshore companies and their activities which may potentially impact the Group’s tax position and create additional tax risks going forward.

(c) Business environment

Part of the Group’s operations is located in the Russian Federation and Ukraine. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation and Ukraine which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. The consolidated financial statements reflect management’s assessment of the impact of the Russian and Ukrainian business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

The recent conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Ruble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian entities may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine.

Ukraine's political and economic situation has deteriorated significantly since the Government's decision not to sign the Association Agreement and the Deep and Comprehensive Free Trade Agreement with the European Union in late November 2013. Starting from March 2014, when the regional Parliament in the Autonomous Republic of Crimea declared its independence from Ukraine and signed an agreement with the Russian Federation, the Ukrainian authorities are not able to enforce Ukrainian laws on the territory of the Autonomous Republic of Crimea. This resulted in continuous escalation of political unrest in the Eastern regions of Ukraine, including primarily Donetsk and Lugansk regions, which has slightly decrease at the end of 2014 - beginning of 2015 when certain agreements between Ukraine and Russia on conflict resolution in Donbas were reached.
Political and social unrest combined with rising regional tensions has deepened the ongoing economic crisis and has resulted in a widening of the state budget deficit and a depletion of the National Bank of Ukraine’s foreign currency reserves and, as a result, a further downgrading of the Ukrainian sovereign debt credit ratings. Furthermore, throughout financial year 2014 the Ukrainian Hryvnia rate to US dollar decreased by approximately 100%, and the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions and also announced a transition to a floating foreign exchange rate regime.

Further economic and political developments are currently unpredictable and their severe adverse affect on the Ukrainian economy may continue.
Whilst management believes it is taking appropriate measures to support the sustainability of the Group’s business in the current circumstances, a continuation of the current unstable business

environment could negatively affect the Group's results and financial position in a manner not currently determinable. These consolidated financial statements reflect management's current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment. These consolidated financial statements do not include any adjustments for the potential impact of events in Ukraine that have occurred after the reporting date.

24. Fair Value and Risk Management

Fair Values

Management of the Group believes that the fair values of financial assets and liabilities shown in the in the statement of financial position as at 31 December 2014 approximate their carrying amounts except for the following borrowings:

	Market value USD mln	**Book value USD mln**	**Difference USD mln**
Secured banks loans	29	37	(8)
Bonds	424	952	(528)
Total	**453**	**989**	**(536)**

Market value of the Eurobonds and bonds was determined based on Bloomberg and MICEX respectively.

As at 31 December 2013 the fair values of financial assets and liabilities shown in the statement of financial position approximated their carrying amounts.

The basis for determining fair values is disclosed in note 3.

Capital Risk Management

The Group manages its capital to ensure that it can continue to operate and expand their operations while at the same time maximising returns to shareholders.
The Group is not subject to externally imposed capital requirements other than those included, from time to time, in the financial covenants associated with bank borrowing and those, imposed by the Russian legislation.

During the reporting year Russian Rouble had significantly depreciated against US dollar. As at 31 December 2014 Rouble to US dollar rate decreased more than 70% since 01 January 2014. The effect of the above devaluation has resulted in recognition of currency translation reserve in amount of USD 503 million and as consequence total liabilities exceeded total assets by USD 1 million.
This negative effect is technical by its nature and doesn't effect to the Group's ability to continue as a going concern.

Major categories of financial instruments.

The Group's principle financial liabilities comprise borrowings, finance leases, trade and other payables.

The main risks arising from the Group's financial instruments are market risk which includes foreign currency and interest rate risk, credit and liquidity risks.

The Board of Directors has overall responsibility for the establishment and overseeing of the Group's risk management framework. The Group Audit Committee is responsible for developing and monitoring the Group's risk management policies.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(a) Credit risk

Credit risk is the risk that a customer may default or not meet its obligations to the Group on a timely basis, leading to financial losses to the Group.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which the customer operates, has less of an influence on a credit risk. There is no concentration of credit risk with a single customer.

Each company within the Group establishes its own credit policy taking into account the specifics of the sector and the company's customer base.

The majority of the Group's customers have been transacting with the Group companies for many years and losses arising from this category of customer are infrequent.

Policies established by Group companies for new customers will generally involve some form of credit check based on the available information. Where a customer is not deemed creditworthy, the Group will generally only offer services on a prepayment basis.

The Group has provided fully for all receivables over one year because historical experience is such that receivables that are past due beyond one year are generally not recoverable.

The Group's maximum exposure to credit risk in relation to each class of recognised financial asset is the carrying amount of those assets as stated in the balance sheet and was as follows:

	31 December 2014	31 December 2013
	USD mln	
Long term loans issued to a related party	152	145
Accounts receivable	161	165
Current tax assets	6	14
Other current assets	2	5
Cash and cash equivalents	66	191
	387	520

The ageing profile of trade receivables was:

	31 December 2014		31 December 2013	
	USD mln			
	Total book value	Allowance for impairment	Total book value	Allowance for impairment
Current	62	-	56	-
Overdue 90 days	4	-	6	-
Overdue 91 days to one year	2	-	5	-
Overdue more than one year	2	(2)	17	(17)
	70	(2)	84	(17)

During the year, the Group had the following movement in allowance for trade receivables:

	31 December 2014	31 December 2013
	USD mln	
Balance as at 1 January	17	22
Uncollectible receivables written off during the year	(16)	(4)
Change in allowance	1	(1)
Balance as at 31 December	2	17

Other assets of the Group with exposure to credit risk include cash and advances to suppliers. Cash is placed with reputable banks. Advances to suppliers mainly include prepayments for transportation services and prepayments to Russian Railway. Management does not expect these counterparties to fail to meet their obligations.

(b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on sales, purchases, finance leases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the RUB and USD.
In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

At 31 December 2014, the Group had the following monetary assets and liabilities denominated in currencies other than the functional currency of the respective Group entity:

	USD	RUB	Other currencies
		USD mln	
Assets			
Other non-current assets	2	-	-
Accounts receivable	15	2	3
Other current assets	2	-	-
Bank and cash balances	27	-	1
Intra-group assets	10	3	-
	56	5	4
Liabilities			
Accounts payable	6	5	1
Loans and other obligations	2	-	89
Intra-group liabilities	46	1	-
	54	6	90
	2	(1)	(86)

Other currencies include EURO primarily.

At 31 December 2013, the Group had the following monetary assets and liabilities denominated in currencies other than the functional currency of the respective Group entity.

	USD	**RUB**	**Other currencies**
		USD mln	
Assets			
Other non-current assets	4	-	-
Accounts receivable	13	3	-
Other current assets	3	-	-
Bank and cash balances	12	1	1
Intra-group assets	49	59	-
	81	63	1
Liabilities			
Accounts payable	7	5	-
Loans and other obligations	2	-	-
Intra-group liabilities	55	1	-
	64	6	-
	17	57	1

Foreign currency sensitivity analysis

The table below details the Group's sensitivity to strengthening/weakening of USD against the RUB by 20% which represents management's assessment of the possible change in foreign currency exchange rates.

	RUB/USD impact			
USD mln	**31 December 2014**	**31 December 2014**	**31 December 2013**	**31 December 2013**
	RUB/USD +20%	**RUB/USD -20%**	**RUB/USD +10%**	**RUB/USD -10%**
Profit or (loss)	-	-	2	(2)

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's interest risk mainly arises from its debt obligations in particular non-current borrowings. Borrowing at variable rates exposes the Group to cash flow interest rate risk. Lending at fixed rates or the purchase of debt instruments at fixed rates expose the Group to changes in the fair value.

The Group reviews its debt portfolio and monitors the changes in the interest rate environment to ensure that interest payments are within acceptable levels. Information relating to interest rates on the Group's borrowings is disclosed in Note 14.

Structure of interest rate risk.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments, excluding the effect of derivative financial instruments, was:

	Carrying amount	
	31 December 2014	31 December 2013
	USD mln	
Fixed rate instruments		
Cash and cash equivalents	6	69
Loans and promissory notes receivable	15	18
Finance lease receivable	2	5
Debt and Finance Leases Obligations	(1,027)	(1,118)
	(1,004)	(1,026)
Variable rate instruments		
Loans receivable	138	129
Borrowings	(89)	(150)
	49	(21)

Interest rate sensitivity analysis

Group's results are not sensitive to changes in Libor/Euribor/Mosprime rates.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they fall due. The Group has in place a detailed budgeting and cash flow forecasting process to help ensure that it has sufficient cash to meet its payment obligations.

Loans, borrowings, finance lease and other payables

	Carrying value	Minimum future payment	Less than 3 month	3-6 month	6-12 month	1-5 years	Later than 5 years
	USD mln						
As at 31 December 2014							
Debt and interest payable	1,094	1,404	23	32	66	958	325
Finance leases	38	44	5	5	12	22	-
Trade and other payables	104	104	104	-	-	-	-
Defined benefit obligations	2	2	-	-	-	-	2
Total	1,238	1,554	132	37	78	980	327
As at 31 December 2013							
Debt and interest payable	1,209	1,642	7	43	200	1,053	339
Finance leases	74	91	7	7	14	63	-
Trade and other payables	94	94	94	-	-	-	-
Defined benefit obligations	4	4	-	-	-	-	4
Total	1,381	1,831	108	50	214	1,116	343

25. Related Party Transactions

For the purposes of these financial statements, parties are considered to be related if both parties are under common control or one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

During the period eleven individuals were considered to be the Group's key management and directors (2013 – seven individuals). Their remuneration during the period was as follows:

	31 December 2014	31 December 2013
	USD mln	
Salaries	4	4
Bonuses	2	3
	6	7

	31 December 2014	31 December 2013	Nature of balances
	USD mln		
Statement of financial position			
Non-consolidated subsidiaries	-	1	Trade receivables
Associates	2	1	Trade receivables
Joint Venture Company	-	1	Trade receivables
Joint Venture Company	1	1	Loan issued
Joint Venture Company	1	1	Interest receivable
Joint Venture Company	2	5	Finance lease receivable
Related through common shareholder	152	143	Loan issued
Related through common shareholder	-	3	Other receivables
Related through common shareholder	2	-	Trade receivables
Related through common shareholder	(9)	-	Trade payables

	31 December 2014	31 December 2013	Nature of transactions
	USD mln		
Statement of Profit or Loss			
Associates purchases	(9)	(9)	Agency services, rent and other expenses
Associates sales	5	4	Agency services, rent and other income
Joint Venture Company purchases	(4)	(7)	Agency ,transportation and stevedoring services
Joint Venture Company sales	1	2	Transportation services
Joint Venture Company	1	1	Finance lease and interest income
Related through common shareholder	77	-	Sale of bunker
Related through common shareholder	6	-	Transportation services
Related through common shareholder	9	19	Interest income

	31 December 2014	31 December 2013	Nature of transactions
	USD mln		
Related through common shareholder	(4)	(1)	Other related services
Related through common shareholder	-	9	Acquisition of TransContainer

26. Events subsequent to the reporting date

In March 2015 the Group obtained short term loan for corporate purpoces to the total amount of USD 125 million.

In March 2015, the Group's management has approved changes in the terms and conditions of the Rouble Bonds circulation. In accordance with amendments, the following order for redemption of the bonds was approved: 20% of the nominal value is repaid on each of the following dates - 31 May 2016, 29 November 2016, 30 May 2017 and remaining 40% of the nominal value is repaid on 28 November 2017. According to the amended terms of the issue the Group has the right to redeem the bonds at the end date of the sixth coupon period. All of the above amendments were approved by the meeting of the bondholders.