Globaltrans Investment PLC

Consolidated Management report and consolidated financial statements for the year ended 31 December 2021

Contents

Consolidated Management report and consolidated financial statements for the year ended 31 December 2021

Board of Directors and other officers

Board of Directors

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

Mr. Vasilis Hadjivassiliou
Independent Non-Executive Director
Member of the Audit Committee (since January 2021)

Mr. John Carroll Colley
Independent Non-Executive Director
Chairman of the Audit Committee
Member of Remuneration Committee
Member of Nomination Committee
Member of ESG Committee (since January 2021)

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

Ms. Elia Nicolaou
Non-executive Director
Chairwoman of the ESG Committee (since January 2021)
Member of the Audit Committee (until January 2021)
Company Secretary
Secretary of the Board
Alternate Director: Mr. Marios Tofaros

Mr. Michalakis Thomaides
Non-Executive Director

Ms. Melina Pyrgou
Non-executive Director

Mr. Marios Tofaros
Non-executive Director

Mr. Sergey Maltsev
Chairman of the Board of Directors
Executive Director
Alternate director: Mr. Yuri Isaev

Mr. Sergey Tolmachev
Executive Director

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

Mr. Konstantin Shirokov
Executive Director

Mr. Alexander Eliseev
Non-executive Director
Alternate Director: Ms Ekaterina Golubeva

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

Mr. Alexander Tarasov
Non-executive Director

Board support

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

Company Secretary

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

Assistant secretary: Mr. Marios Tofaros

Registered office

20 Omirou Street
Agios Nicolaos
CY-3095 Limassol, Cyprus

Consolidated Management Report

The Board of Directors presents its report together with the audited consolidated financial statements for the year ended 31 December 2021. The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of Cyprus Companies Law, Cap. 113.

Principal activities

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

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

The first half of 2021 saw weak gondola pricing conditions. However, continued momentum in the bulk cargo market supported an improvement in gondola rates toward the end of the second quarter that has carried through the second half of the year. The significant market recovery seen in the second half of 2021 was converted into a strong business performance for the full year. The Group has improved the financial results, reduced the leverage and renewed key long-term contracts during 2021. Group's Free Cash Flow remained robust despite the moderate increase in expansion CAPEX, reflecting mainly purchases of additional tank cars.

IFRS financial information

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

The Group's Total revenue increased 7% year on year to RUB 73,151,013 thousand in 2021 (2020: RUB 68,367,404 thousand). Operating profit increased 15% year on year to RUB 21,627,259 thousand in 2021 (2020: RUB 18,811,071 thousand). The Profit for the year ended 31 December 2021 increased 24% year on year to RUB 15,099,559 thousand (2020: RUB 12,186,847 thousand).

On 31 December 2021 the total assets of the Group were RUB 108,284,996 thousand (2020: RUB 98,327,207 thousand) and net assets were RUB 56,505,223 thousand (2020: RUB 52,773,813 thousand).

On 31 December 2021 the total debt of the Group was RUB 31,318,470 thousand and decreased by 2% as compared to end of 2020 which amounted to RUB 32,015,239 thousand. Total cash and cash equivalents on 31 December 2021 increased by 158% and amounted to RUB 12,854,707 thousand (31 December 2020: 4,978,322 thousand).

Non-IFRS financial information

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

Adjusted Revenue increased 6% year on year to RUB 58,492,364 thousand (2020: RUB 54,933,713 thousand) supported by substantial recovery in gondola rates in second half of 2021 coupled with continued robust pricing in the tank car segment. Total Operating Cash Costs were up 2.16% year on year to RUB 29,750,883 thousand (2020: RUB 29,121,210 thousand).

Adjusted EBITDA increased 8% year on year to RUB 29,044,127 thousand (2020: RUB 26,807,224 thousand) with the Adjusted EBITDA Margin rose to 50% (2020: 49%), mainly impacted by growing Adjusted revenue and costs remaining stable.

The Group had a strong balance sheet with Net Debt to Adjusted EBITDA decreasing to 0.64x (2020 end: 1.01x). Net Debt reduced by 32% to RUB 18,463,763 thousand (2020 end: RUB 27,036,917 thousand). As at 31 December 2021 and 31 December 2020 100% of the Group's debt was denominated in Russian roubles.

Free Cash Flow of RUB 16,130,930 thousand increased 7% year on year (RUB 15,103,243 thousand for 2020) despite a 22% increase in Total CAPEX year on year to RUB 8,439,159 thousand (2020: RUB 6,941,159 thousand) following purchases of additional tank cars, and increased maintenance CAPEX.

Operational information

In 2021, Freight Rail Turnover (excluding Engaged Fleet) decreased by 2.3% year on year and the Group's Transportation Volume (excluding Engaged Fleet) decreased by 4.3%. The Freight Rail Turnover amounted to 146.8 billion tonnes-km (2020: 150.3 billion tonnes-km) and the Group's Transportation Volume was 85.1 million tones in 2021 (2020: 88.9 million tones).

The Average Number of Loaded Trips per Railcar decreased by 3.2% year on year and the Average Distance of Loaded Trips increased by 2.1% year on year, mainly reflecting changed logistics.

Average Price per Trip increased by 11% year on year to RUB 41,075 (2020: RUB 36,909), with solid pricing in the gondola segment.

The decrease in the Empty Run Ratio for gondola cars to 44% (2020: 45%) due to continued adjustments to cargo and client mix due to the impact of the COVID-19 pandemic whereas the Total Empty Run Ratio remains stable on the level 51% (2020: 51%).

Total Fleet decreased by 4% to 69,106 units (2020 end: 71,688 units) primarily reflecting the sale of Syntezrail LLC, which more than offset the additions of units in the year and increase in leased-in fleet.

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

Definitions to Non-IFRS financial measures

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

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

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

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

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

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

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

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

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

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

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

Freight Rail Turnover is a measure of freight carriage activity over a particular period calculated as the sum of tonnage of each loaded trip multiplied by the distance of each loaded trip, expressed in tonnes-km. It includes volumes transported by the engaged fleet and excludes performance of petrochemical tank container segment.

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

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

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

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

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

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

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

Transportation Volume is a measure of freight carriage activity over a particular period, measuring weight of cargo carried in million tonnes. It excludes volumes transported by Engaged Fleet and the performance of petrochemical tank container segment.

Changes in group structure

There were no changes in the Group structure of the Company during the year ended 31 December 2021, apart from the sale of 60% in Syntezrail Ltd and Syntezrail LLC. Furthermore, in February 2022 the Company acquired 40% non-controlling interest in BaltTransServis, OOO (Note 36). For the principal subsidiaries of the Company, refer to Note 20 of the consolidated financial statements.

Environmental matters

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

In January 2021, the Board established the ESG Committee to analyse and oversee risks related to the environmental, social and governance issues.

Human resources

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

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

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

Principal risks and uncertainties

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

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

The escalation of the conflict in Ukraine and the associated sanctions imposed by the US, European Union and a number of other countries on some of the biggest Russian industrial groups, as described in Note 36 to the consolidated financial statements, may adversely affect the business environment and prospects of the Company and its subsidiaries and create significant new risks, which did not exist as at the balance sheet date.

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

Strategic risks

The strategic risks faced by the Group that pose risks that influence the Group's ability to achieve its strategy include the general economic situation and operating environment in Russia, Kazakhstan, Ukraine, CIS and Baltic countries in which the Group operates; the regulatory risk relating to the operation of the Russian railway transportation market, including railway tariff regulation and technical requirements for fleet maintenance; the highly competitive Russian rail transportation market with unregulated operator's services tariffs; the significant concentration of the Group's customer base with the top 10 customers (including their affiliates and suppliers) accounting for around 68% of the Group's Net Revenue from the operation of rolling stock in 2021; cost of borrowing and/or deterioration in market conditions with potential impacts on the profitability and recoverability of investments; and reliance on RZD for issuing permits allowing the Group to operate locomotives.

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

The management of the Group constantly monitors the developments in the operating environment and regulatory regime of the railway transportation market in the countries in which the Group operates. The Group's business model is to maintain a balanced fleet between universal gondola cars, adaptable to the demand for transportation of various bulk cargoes and rail tank cars, which are used for the transportation of oil products and oil. Further, the Group has long-term, established relationships with its key customers and their affiliates and suppliers and in some cases, the Group becomes an integrated part of its customers' operations. Around 59% of the Group's Net Revenue from the Operation of Rolling Stock in 2021 was covered by long-term service contracts with several large clients. Such contracts provide additional stability and greater certainty regarding transport volumes for the Group. In addition, the Group's marketing function regularly monitors competitors' strategies, their use of technology, their price strategies and industry trends.

The sanctions imposed on the Russian Central Bank, its restrictions for capital movements outside Russian Federation, the sanctions imposed by US, European Union and number of other countries on the biggest Russian industrial groups adversely affect the business environment and prospects of the Group and create significant new risks, which didn't exist as at the reporting date. The restrictions on the export of certain types of Russian commodities or changes in directions of supply for Russian commodities may have a negative impact on the freight rail transportation market and the Group's business.

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

In addition to the human impact, the spread of Coronavirus (COVID-19) continues to affect global businesses and cause uncertainty. The freight rail market may experience reduced demand stemming from the effects of COVID-19. The Group cannot predict the full impact of COVID-19 on its markets, business or prospects although they may be materially adversely impacted by the evolving situation. In addition, the appearance of new pandemics or other dangerous illnesses could seriously affect the global and local business environment and lead to negative consequences for Group's business. Significant levels of COVID-19 illness in the Group or its key clients could interfere with stability of Group's operations.

Management is closely monitoring the implications of the global outbreak of COVID-19 and acts depending on the development of the situation. The Group constantly evaluates and implements options for distant work for its workforce to mitigate risks of spreading and catching COVID-19 illness.

Operational risks

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

The Group is managing operational risk by ensuring that practically all of the Group's rolling stock is insured against damage. Further, the Group monitors its rolling stock through the Group's dispatch centre on a 24/7 basis and plans routes accordingly to minimise the risks of disruption. The Group monitors FAS initiatives with the aim of detecting possible changes in tariff-setting methodology and tries to reflect respective changes in contracts with customers. Among the Group's key objectives are to increase operational efficiency and to focus on control and reduction of costs. The Group continuously monitors its costs to maintain efficiency. The Human Resource function regularly monitors salary levels and other benefits offered by competitors to ensure that the Group's remuneration packages are adequate. Customer satisfaction is one of the key metrics that the Group's management monitors, with customer feedback being analysed and appropriate follow-up actions being taken. Due to recent sanctions imposed by US, European Union and number of other countries a number of IT solutions will no longer be maintained by US and European Union suppliers. Local IT specialists have introduced alternative solutions to maintain the availability of IT services, the continuity of business processes and ensure their recovery in case of disruption. The IT function and Internal Audit function monitor all IT-related activities and performance for compliance with IT policies and procedures. Further the Group permanently monitors any disruptive events and applies a Business Continuity Policy to ensure the safety of employees and human life; maintain continuity of time-critical services; minimise disruptions to clients and partners; and minimise operational, financial and reputational impact.

Compliance risks

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

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

Financial risks

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

Foreign exchange risk

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

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

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

Cash flow and fair value interest rate risk

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

Credit risk

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

Liquidity risk

The Group has an excess of current liabilities over current assets of RUB 233,557 thousand as at 31 December 2021. Due to availability of undrawn borrowing facilities, together with long-term borrowings (Note 28), the Group has the ability to meet its liabilities as they fall due and mitigate risks of adverse changes in the financial markets environment.

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

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

Contingencies

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

Future developments

The Group's strategic objective is to strengthen its position as a leading private freight rail group in Russia. The future development of the Group may be affected by the escalation of the conflict in Ukraine in the period after the balance sheet date, as described in Note 36. It is not possible for the Board of Directors to predict with any degree of certainty the impact of this uncertainty on the future operations of the Group and estimate the financial effect on the Group.

Results

The Group's results for the year are set out on pages 22 and 23. On the date of this report, the Board of Directors, having considered the profitability and liquidity position of the Group as well as all the risks and recent developments, does not recommend the payment of a final dividend and the net profit for the year is retained.

Dividends

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

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

In April 2021, the shareholders of the Company approved the payment of a dividend for the financial year ended 31 December 2020 in the amount of 28.00 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 5,004,746 thousand, including final dividend for 2020 in the amount of RUB 2,931,351 thousand or RUB 16.40 per ordinary share/GDR and a special final dividend in the amount of RUB 2,073,395 thousand or RUB 11.60 per ordinary share/GDR (US Dollar equivalent of US$ 66,190 thousand).

On 27 August 2021, the Board of Directors of the Company approved payment of total dividend in the amount of 22.50 Russian Roubles per ordinary share, amounting to a total dividend of RUB 4,021,671 thousand, including interim dividend in the amount of RUB 1,635,480 thousand or RUB 9.15 per ordinary share/GDR and a special interim dividend in the amount of RUB 2,386,191 thousand or RUB 13.35 per ordinary share/GDR (US Dollar equivalent of US$ 54,457 thousand).

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

Share capital

As at 31 December 2021 the issued share capital of the Company which remains unchanged from the prior year, comprised 178,740,916 ordinary shares with a par value of US$0.10 per share.

Treasury shares

In accordance with the decision of the Extraordinary General Meeting which took place on 12 May 2020, the Company started a GDRs buyback program. The buyback programme is for the Company's GDRs, each representing one ordinary share of the Company with a par value of US$0.10 per share, and will run till the earlier of the close of the Annual General Meeting of the Company to be held in 2020 and May 2020. The total number of purchased GDRs shall not exceed 5% of the Company's share capital (equivalent to 8,937,046 shares, with each GDR representing one ordinary share). The buyback programme allows the Company to take advantage of opportunities, if any, when its return criteria are better met by way of a GDR buyback than through investment in fleet expansion. The shareholders of the Company at the Annual General Meeting which took place on 29 April 2021 approved the prolongation of the term of the buyback program until the earlier of the close of the Annual General Meeting of the Company to be held in 2022 or 12 months from the date of the approval.

During the year 2020, the Company has purchased a total of 76,877 GDRs, which are held in treasury for a total consideration of 422 thousand US Dollars (equivalent to RUB 31,496 thousand). No further acquisitions took place within the year 2021. For details of acquisitions of treasury shares in 2022 refer to the Note 36.

In line with relevant legislation, GDRs repurchased by the Company may be held in treasury for up to two years.

Research and development activities

The Group has not undertaken any research and development activities during the year ended 31 December 2021.

Events after the balance sheet date

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

Branches

The Group operates through branches and representative offices, maintaining eight branches and eight representative offices during 2021 (eight branches and eight representative offices during 2020).

Going concern

The Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the consolidated financial statements based on the fact that, after making enquiries and following a review of the Group's budget for 2022, including cash flows and borrowing facilities, and taking into account the developments after the reporting date impacting the economic and business environment in which the Group operates, as set out in Note 36 to the consolidated financial statements, the Directors consider that the Group has adequate resources to continue in operation for the foreseeable future.

Auditors

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

Corporate governance

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

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

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

The role of the Board of Directors

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

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

Members of the Board of Directors

As at 31 December 2021 and at the date of this report, the Board comprises 15 members (2020: 15 members),11 (2020: 11 members) of whom are non-executive directors. Four (2020: four) of the non-executive directors are independent, they have no relationship with the Company, its related companies or their officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the Company, and they are able to exercise objective judgment on corporate affairs independently from management.

The members of the Board of Directors at 31 December 2021 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year 2021.

There were no significant changes in the assignment of responsibilities of the Board of Directors, with the exception of Mr. Hadjivassiliou who replaced Ms. Nicolaou as a member of the Audit Committee in January 2021 and Ms. Nicolaou and Mr. Colley who were appointed to the ESG Committee in January 2021.

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

The total gross remuneration of the members of the Board of Directors incurred by the Group in 2021 amounted to RUB 604,062 thousand (2020: RUB 433,063 thousand).

Board performance

The Board held 17 meetings in 2021. The Directors' attendance is presented in the table below.

	Eligible	Attended
Johann Franz Durrer	17	17
John Carroll Colley	17	17
George Papaioannou	17	17
Alexander Eliseev	17	17
Melina Pyrgou	17	17
Konstantin Shirokov	17	17
Alexander Storozhev	17	17
Marios Tofaros	17	17
Elia Nicolaou	17	17
Sergey Tolmachev	17	17
Sergey Maltsev (Chairman)	17	17
Andrey Gomon	17	17
Alexander Tarasov	17	17
Vasilis Hadjivassiliou	17	17
Michalakis Thomaides	17	17

The Board Committees

During 2021 the Board had four committees: the Audit Committee, the Nomination Committee, the Remuneration Committee and the ESG Committee, which was established by the Board of Directors in January 2021. A brief description of the terms of reference of the committees is set out below.

Audit Committee

The Audit Committee comprises of three Directors and meets at least four times each year. As of 31 December 2021 the members Audit Committee were independent and the Audit Committee was chaired by Mr. Colley and was also attended by Mr. Papaioannou and Mr. Hadjivassiliou. In January 2021 Mr. Hadjivassiliou became a member of the Audit Committee and Ms. Nicolaou resigned from the Audit Committee and was appointed to the ESG Committee. The Audit Committee is responsible for considering, among other matters: the integrity of the Company's financial statements, including its annual and interim accounts, and the effectiveness of the Company's internal controls and risk management systems; auditors' reports and the terms of appointment and remuneration of the auditor.

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

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

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

Nomination Committee

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

Remuneration Committee

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

ESG Committee

In January 2021 the Board of Directors established an ESG Committee to lead its thinking on ESG matters and ensure that ESG issues are integrated into the Group's long-term strategy. The ESG Committee will also monitor the development of the Group's sustainability strategy, review and recommend ESG disclosures for Board approval and approve the Group's sustainability reports. The ESG Committee is comprised of two Board members: Ms. Nicolaou, Non-executive Director, who serves as the Chair, and Mr. Colley, Independent Non-executive Director. The ESG Committee meets at least two times a year.

Board and Management Remuneration

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

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

The shareholders of the Company approved the remuneration of the members of the Board of Directors at the Annual General Meeting of shareholders held on 29 April 2021.

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

Diversity policy

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

As of the date of publication of these financial statements the Board has 2 females representing approximately 13.3% from the total number of directors. The age of the members of the Board of Directors starts from over 40 years, with the average age of directors being 53.5 years. The Board members have the following educational backgrounds: transportation and ports industry, accounting, economics and financial, banking sector and legal, engineering and mechanics, biophysics and mathematics, history, international affairs and risk management. The Board has a necessary balance of skills and expertise to run the Company and the Group.

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

Regulations with regards to the amendment of the article of association

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

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

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

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

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

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

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

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

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

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

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

Significant direct or indirect holdings (including indirect shareholding though structures or cross shareholdings)

The issued share capital of the Company consists of 178,740,916 ordinary shares with a nominal value of USD 0.10 each, a certain portion of which is held in the form of Global Depositary Receipts (GDRs). The GDRs represent one ordinary share each and are listed and traded on the Main Market of the London Stock Exchange and in the Moscow Exchange, under the ticker GLTR. The free float of Globaltrans amounts to approximately 56.9%[1] of the issued share capital. The Company's depositary bank for the GDR programme is Citibank N.A.

The shareholder structure of the Company as at 31 December 2021 was as follows:

Onyx Investments Ltd[2]	11.5%
Marigold Investments Ltd[2]	11.5%
Maple Valley Investments Ltd[2]	10.8%
Litten Investments Ltd[3]	5.1%
Goldriver Resources Ltd[4]	3.1%
Transportation Investments Management Ltd[5]	0.9%
Treasury shares	0.04%
Controlled by Directors and management of Globaltrans	0.2%
Free float[1]	56.9%

(1) For these purposes, the free float consists of the ordinary shares and GDRs held by investors not affiliated or associated with the Company.
(2) Nikita Mishin, Andrey Filatov and Konstantin Nikolaev are co-founders of the Company and beneficiaries with regard to 11.5%, 11.5% and 10.8% respectively of Globaltrans' ordinary share capital each through their respective SPVs (Onyx Investments Ltd, Marigold Investments Ltd and Maple Valley Investments Ltd).

(3) Beneficially owned by Alexander Eliseev, Non-Executive Director and co-founder of the Company.
(4) Beneficially owned by Sergey Maltsev, Chairman of the Board, Executive Director, Chief strategy officer and co-founder of the Company.
(5) Beneficially owned by Andrey Filatov, Nikita Mishin and Konstantin Nikolaev, co-founders of Globaltrans.

Directors' interests

The interests in the share capital of Globaltrans Investment PLC and its Group companies, both direct and indirect, of those who were Directors of the Company as at 31 December 2021 and 31 December 2020 are shown below:

Name	Type of holding	2021	2020
Alexander Eliseev	Indirect holding of ordinary shares and GDRs	9,065,790	9,065,790
Sergey Maltsev	Indirect holding of GDRs	5,490,149	7,099,725
Johann Franz Durrer	Holding of GDRs	160,606	160,606

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

The Company does not have any titles with special rights.

Any restrictions in exercising of voting rights of shares

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

By Order of the Board

....
Sergey Tolmachev
Director

Limassol, 25 March 2022

Directors' responsibility

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

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

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

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

Directors' confirmations

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

(a) the consolidated financial statements, which are presented on pages 22 to 81, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation take as a whole; and

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

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

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

By order of the Board

....
Sergey Tolmachev
Director

Limassol, 25 March 2022

Independent Auditor's Report

To the Members of Globaltrans Investment PLC

Report on the Audit of the Consolidated Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of Globaltrans Investment PLC (the "Company") and its subsidiaries (together the "Group") give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

What we have audited

We have audited the consolidated financial statements which are presented in pages 22 to 81 and comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the consolidated financial statements is International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

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

Independence

We are independent of the Group in accordance with the I*nternational Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

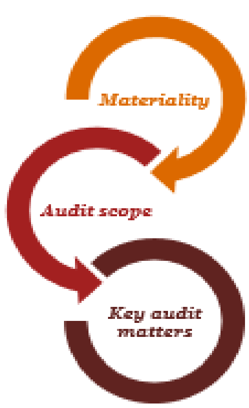
Emphasis of matter: events after the balance sheet date

We draw attention to Note 36 to the consolidated financial statements, which describes the events after the balance sheet date impacting the Group's operating environment and activities. Our opinion is not modified in respect of this matter.

Our audit approach

Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.



Overall group materiality: RUB 934,000 thousand, which represents 5% of profit before tax as adjusted for non-recurring items (rounded).

We conducted full scope audit for the parent entity, all the significant components and the group consolidation.

For the non-significant components, we performed a full scope audit or analytical procedures.

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

Materiality

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

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

Overall group materiality	RUB 934,000 thousand
How we determined it	5% of profit before tax as adjusted for non-recurring items (rounded)
Rationale for the materiality benchmark applied	We chose the adjusted profit before tax as the benchmark, because in our view, it is the benchmark against which the performance of the Group is most commonly measured by the users of the consolidated financial statements and is a generally accepted benchmark. We chose 5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above RUB 46,700 thousand as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Consolidated Management Report, including the Directors' responsibility, which we obtained prior to the date of this auditor's report, and the Company's complete Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

When we read the Company's complete Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and if not corrected, we will bring the matter to the attention of the members of the Company at the Company's Annual General Meeting and we will take such other action as may be required.

Responsibilities of the Board of Directors and those charged with governance for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal Requirements

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

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

Other Matter

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

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these consolidated financial statements form part of the European Single Electronic Format (ESEF)-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard (ESEF RTS). This independent auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

The engagement partner on the audit resulting in this independent auditor's report is Tasos Nolas.

Tasos Nolas
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

City House, 6 Karaiskakis Street,
CY-3032 Limassol, Cyprus

25 March 2022

Consolidated income statement

for the year ended 31 December 2021

	Note	**2021 RUB'000**	2020 RUB'000
Revenue	10	73,151,013	68,367,404
Cost of sales	11	(48,334,442)	(47,065,999)
Gross profit		24,816,571	21,301,405
Selling and marketing costs	11	(249,390)	(204,666)
Administrative expenses	11	(4,046,220)	(3,393,665)
Other income		310,381	1,000,232
Other gains – net	12	795,917	107,765
Operating profit		21,627,259	18,811,071
Finance income	14	326,962	263,968
Finance costs	14	(2,506,627)	(2,510,495)
Net foreign exchange transaction (losses)/gains on financing activities	14	(9,559)	147,008
Finance costs – net	14	(2,189,224)	(2,099,519)
Profit before income tax		19,438,035	16,711,552
Income tax expense	15	(4,338,476)	(4,524,705)
Profit for the year		15,099,559	12,186,847
Profit attributable to:			
Owners of the Company		12,987,020	10,586,535
Non-controlling interest		2,112,539	1,600,312
		15,099,559	12,186,847
Weighted average number of ordinary shares in issue (thousand)	32	178,664	178,705
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RUB per share)(1)	32	72.69	59.24

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

The notes on pages 28 to 81 these consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2021

	2021 RUB'000	2020 RUB'000
Profit for the year	15,099,559	12,186,847
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	(564,312)	2,050,512
Losses on cash flow hedge reserve	(86,158)	(475,042)
Reclassification to the income statement	86,158	475,042
Items that will not be reclassified to profit or loss		
Currency translation differences attributable to non-controlling interest	(311,762)	1,066,715
Other comprehensive income for the year, net of tax	(876,074)	3,117,227
Total comprehensive income for the year	14,223,485	15,304,074
Total comprehensive income for the year attributable to:		
- owners of the Company	12,422,708	12,637,047
- non-controlling interest	1,800,777	2,667,027
	14,223,485	15,304,074

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

The notes on pages 28 to 81 these consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated balance sheet

at 31 December 2021

	Note	**31 December 2021 RUB'000**	31 December 2020 RUB'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	81,101,184	84,420,941
Right-of-use assets	18	5,606,845	1,080,415
Intangible assets	19	85	1,460
Other assets	23	1,146,917	549,493
Trade receivables	22	-	236,165
Loans and other receivables	22	237,680	3,887
Total non-current assets		88,092,711	86,292,361
Current assets			
Inventories	24	680,363	691,033
Other assets	23	2,681,218	2,586,593
Loans and other receivables	22	30,358	47,483
Trade receivables	22	3,638,450	3,465,381
Current income tax assets		307,189	266,024
Cash and cash equivalents	25	12,854,707	4,978,322
		20,192,285	12,034,836
Assets classified as held for sale		-	10
Total current assets		20,192,285	12,034,846
TOTAL ASSETS		108,284,996	98,327,207
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital	26	516,957	516,957
Share premium	26	27,929,478	27,929,478
Treasury shares		(31,496)	(31,496)
Common control transaction reserve		(10,429,876)	(10,429,876)
Translation reserve		4,878,875	5,443,187
Capital contribution		2,694,851	2,694,851
Retained earnings		24,688,577	20,724,107
Total equity attributable to the owners of the Company		50,247,366	46,847,208
Non-controlling interest		6,257,857	5,926,605
Total equity		56,505,223	52,773,813
Non-current liabilities			
Borrowings	28	17,650,210	21,084,067
Other lease liabilities	29	3,928,163	720,487
Trade and other payables	31	9,225	-
Contract liabilities	10	14,019	8,710
Deferred tax liabilities	30	9,752,314	8,862,587
Total non-current liabilities		31,353,931	30,675,851
Current liabilities			
Borrowings	28	13,668,260	10,931,172
Other lease liabilities	29	1,913,410	684,109
Trade and other payables	31	2,721,027	2,197,994
Contract liabilities	10	1,371,024	964,042
Current tax liabilities		752,121	100,226
Total current liabilities		20,425,842	14,877,543
TOTAL LIABILITIES		51,779,773	45,553,394
TOTAL EQUITY AND LIABILITIES		108,284,996	98,327,207

On 25 March 2022, the Board of Directors of Globaltrans Investment PLC authorised these financial statements for issue.

By order of the Board

....

Sergey Tolmachev, Director

....

Konstantin Shirokov, Director

The notes on pages 28 to 81 these consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2021

		Attributable to the owners of the Company										
	Note	Share capital RUB'000	Share premium RUB'000	Treasury shares RUB'000	Common control transaction reserve RUB'000	Cash flow hedge reserve RUB'000	Translation reserve RUB'000	Capital contribution RUB'000	Retained earnings RUB'000	Total RUB'000	Non-controlling interest RUB'000	Total RUB'000
Balance at 1 January 2020		516,957	27,929,478	-	(10,429,876)	-	3,392,675	2,694,851	26,774,750	50,878,835	5,647,230	56,526,065
Comprehensive income												
Profit for the year		-	-	-	-	-	-	-	10,586,535	10,586,535	1,600,312	12,186,847
Other comprehensive income												
Currency translation differences		-	-	-	-	-	2,050,512	-	-	2,050,512	1,066,715	3,117,227
Losses on cash flow hedge reserve		-	-	-	-	(475,042)	-	-	-	(475,042)	-	(475,042)
Reclassification to the income statement		-	-	-	-	475,042	-	-	-	475,042	-	475,042
Total comprehensive income for 2020		-	-	-	-	-	2,050,512	-	10,586,535	12,637,047	2,667,027	15,304,074
Transactions with owners												
Dividends to owners of the Company	27	-	-	-	-	-	-	-	(16,637,178)	(16,637,178)	-	(16,637,178)
Dividends to non-controlling interest	27	-	-	-	-	-	-	-	-	-	(2,387,652)	(2,387,652)
Purchase of treasury shares	26	-	-	(31,496)	-	-	-	-		(31,496)	-	(31,496)
Total transactions with owners		-	-	(31,496)	-	-	-	-	(16,637,178)	(16,668,674)	(2,387,652)	(19,056,326)
Balance at 31 December 2020		516,957	27,929,478	(31,496)	(10,429,876)	-	5,443,187	2,694,851	20,724,107	46,847,208	5,926,605	52,773,813

Consolidated statement of changes in equity

for the year ended 31 December 2021

	Note	Share capital RUB'000	Share premium RUB'000	Treasury shares RUB'000	Common control transaction reserve RUB'000	Cash flow hedge reserve RUB'000	Translation reserve RUB'000	Capital contribution RUB'000	Retained earnings RUB'000	Total RUB'000	Non-controlling interest RUB'000	Total RUB'000
		Attributable to the owners of the Company										
Balance at 1 January 2021		516,957	27,929,478	(31,496)	(10,429,876)	-	5,443,187	2,694,851	20,724,107	46,847,208	5,926,605	52,773,813
Comprehensive income												
Profit for the year		-	-	-	-	-	-	-	12,987,020	12,987,020	2,112,539	15,099,559
Other comprehensive income												
Currency translation differences		-	-	-	-	-	(564,312)	-	-	(564,312)	(311,762)	(876,074)
Losses on cash flow hedge reserve		-	-	-	-	(86,158)	-	-	-	(86,158)	-	(86,158)
Reclassification to the income statement		-	-	-	-	86,158	-	-	-	86,158	-	86,158
Total comprehensive income for 2021		-	-	-	-	-	(564,312)	-	12,987,020	12,422,708	1,800,777	14,223,485
Disposed through disposals of subsidiaries	20	-	-	-	-	-	-	-	-	-	(251,009)	(251,009)
Transactions with owners												
Dividends to owners of the Company	27	-	-	-	-	-	-	-	(9,022,550)	(9,022,550)	-	(9,022,550)
Dividends to non-controlling interest	27	-	-	-	-	-	-	-	-	-	(1,218,516)	(1,218,516)
Total transactions with owners		-	-	-	-	-	-	-	(9,022,550)	(9,022,550)	(1,218,516)	(10,241,066)
Balance at 31 December 2021		516,957	27,929,478	(31,496)	(10,429,876)	-	4,878,875	2,694,851	24,688,577	50,247,366	6,257,857	56,505,223

The notes on pages 28 to 81 these consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated cash flow statement

for the year ended 31 December 2021

	Note	2021 RUB'000	2020 RUB'000
Cash flows from operating activities			
Profit before tax		19,438,035	16,711,552
Adjustments for:			
Depreciation of property, plant and equipment	17	6,642,505	6,968,694
Depreciation of right-of-use assets	18	1,127,459	655,070
Amortisation of intangible assets	19	675	59,856
Net (gain)/loss on sale of property, plant and equipment	17	(41,501)	316
Loss on derecognition arising on capital repairs	17	483,647	419,982
Profit on sale of subsidiaries	12	(751,487)	-
Net impairment losses on trade and other receivables	11	7,735	5,511
Interest income	14	(326,140)	(263,968)
Interest expense and other finance costs	14	2,506,627	2,510,495
Net foreign exchange transaction losses/(gains) on financing activities	14	9,559	(147,008)
Other losses		6,731	11,496
		29,103,845	26,931,996
Changes in working capital:			
Inventories		619,532	816,127
Trade receivables		(139,090)	(427,317)
Other assets		(487,942)	1,438,733
Other receivables		23,294	9,979
Trade and other payables		523,879	(208,134)
Contract liabilities		414,084	(283,141)
Cash generated from operations		30,057,602	28,278,243
Tax paid		(2,807,806)	(3,051,888)
Net cash from operating activities		27,249,796	25,226,355
Cash flows from investing activities			
Cash inflow from disposal of subsidiary undertakings - net of cash disposed of	20	1,110,051	-
Loans granted to third parties		(75,000)	-
Loans repayments received from third parties		78,803	4,301
Purchases of property, plant and equipment		(8,439,159)	(6,941,159)
Proceeds from sale of property, plant and equipment	17	77,932	66,765
Interest received		326,140	263,968
Receipts from finance lease receivable		108,327	77,870
Other		(41,418)	-
Net cash used in investing activities		(6,854,324)	(6,528,255)
Cash flows from financing activities			
Proceeds from bank borrowings	28	18,058,000	23,265,000
Repayments of borrowings	28	(15,286,973)	(19,603,415)
Repayments of Non-convertible unsecured bonds	28	(1,250,000)	-
Principal elements of lease payments for leases with financial institutions	28	-	(1,715,794)
Principal elements of lease payments for other lease liabilities	28	(1,067,922)	(672,432)
Interest paid on bank borrowings and non-convertible unsecured bonds	28	(2,238,779)	(2,314,937)
Interest paid on leases with financial institutions	28	-	(80,813)
Interest paid on other lease liabilities	28	(183,057)	(113,771)
Dividends paid to the owners of the Company	27	(9,022,550)	(16,637,178)
Dividends paid to non-controlling interests in subsidiaries	27	(1,225,275)	(2,271,815)
Purchase of treasury shares	26	-	(31,496)
Prepayment for acquisition of non-controlling interest	23	(300,000)	-
Payments to non-controlling interest	20	-	(180,281)
Net cash used in financing activities		(12,516,556)	(20,356,932)
Net increase/(decrease) in cash and cash equivalents		7,878,916	(1,658,832)
Exchange (losses)/gains on cash and cash equivalents		(2,531)	115,611
Cash and cash equivalents at beginning of year	25	4,978,322	6,521,543
Cash and cash equivalents at end of year	25	12,854,707	4,978,322

Principal non-cash investing and financing transactions

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

The notes on pages 28 to 81 these consolidated financial statements are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. General information

Country of incorporation

Globaltrans Investment Plc (“the Company”) is incorporated and domiciled in Cyprus as a limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113 and converted into a public company on 15 April 2008. The address of its registered office is 20 Omirou Street, CY-3095 Limassol, Cyprus. The Group’s principal place of business is at Nizhnyaya Krasnoselskaya st. 39, bld. 1, Moscow, Russia.

Approval of the consolidated financial statements

These consolidated financial statements were authorised for issue by the Board of Directors on 25 March 2022.

Global Depositary Receipts

Global Depositary Receipts, each representing one ordinary share of the Company, are listed on the London Stock Exchange International Main Market and on the Moscow Exchange. Furthermore, Russian Rouble denominated bonds, issued by the Company’s subsidiary New Forwarding Company, AO, for a total amount of RUB 10 billion, out of a RUB 100 billion registered program, are listed on the Moscow Exchange.

Principal activities

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

2. Basis of preparation

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

As of the date of the authorization of these financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are relevant to the Group’s operations and are effective as at 1 January 2021 have been adopted by the EU through the endorsement procedure established by the European Commission.

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

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

3. Adoption of new or revised standards and interpretations

During the current year the Group adopted all the new and amended standards that are relevant to its operations and are effective for accounting periods beginning on 1 January 2021. None of these had a significant impact on these financial statements.

4. Summary of significant accounting policies

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

Basis of consolidation

(a) Subsidiaries

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

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

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

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

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

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

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

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

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

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

(b) Transactions with non-controlling interests

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

(c) Disposal of subsidiaries

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

Segment reporting

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

Revenue recognition

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

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

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

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

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

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

(i) Operator's services

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

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

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

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

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

(ii) Freight rail transportation services using specialised tank containers

The Group provides freight rail transportation services using specialised tank containers for clients using its own, leased or engaged rolling stock (platforms).

Revenue for all of the above types of contracts is recognised over time while the Group satisfies its performance obligation by transferring control over the promised services to the customer in the accounting period in which the services are rendered. In particular, revenue is recognised in accordance with the stage of completion of the transaction, determined based on the actual trip days lapsed against the total estimated number of trip days for the entire trip, since the customer receives and consumes the benefits from the services simultaneously.

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

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

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

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

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

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

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

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

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

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

All other foreign exchange gains and losses are presented in the income statement within "Other gains – net".

(c) Group companies

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

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

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

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

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

Hedging activities

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

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

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

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

Property, plant and equipment

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

Land is not depreciated.

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

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

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

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

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

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

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

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

Rolling stock repair and maintenance costs

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

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

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

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

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

Intangible assets

(a) Customer relationships

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

(b) Computer software

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

Impairment of non-financial assets

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

Leases

(a) The Group is the lessee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sale and leaseback

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

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

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

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

(b) The Group is the lessor

<u>Finance leases</u>

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

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

Impairment of lease receivables

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

<u>Operating leases</u>

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

Revenues from operating leasing

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

Financial instruments

(a) Financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) Financial liabilities

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

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

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

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

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

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

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

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

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

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

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

Inventories

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

Cash flow statement

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

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

Share capital, share premium and treasury shares

Ordinary shares are classified as equity.

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

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

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

Capital contribution

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

Provisions and contingent liabilities

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

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

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

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

Current and deferred income tax

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

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

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

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

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

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

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

Uncertain tax positions

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

Russian Value Added Tax (VAT)

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

Employee benefits

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

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

Termination benefits

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

Share based payment transactions

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

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

Dividend distribution

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

Prepayments

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

Other income

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

5. New accounting pronouncements

Certain new standards, amendments to existing standards and interpretations have been issued that are mandatory for annual periods beginning after 1 January 2021. Items marked with * have not been endorsed by the European Union (EU). The Group will only be able to apply the new standards, amendments to existing standards or interpretations when these are endorsed by the EU.

- **Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022)*.** These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. In addition, the amendments clarify the classification requirements for debt a company might settle by converting it into equity.

- **Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023)*.** The effective date of the amendment to IAS 1 on classification of liabilities as current or non-current that was issued in January 2021 with an original effective date 1 January 2022 was deferred by one year.

- **Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2021 and effective for annual periods beginning on or after 1 January 2022).** The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The amendment to IAS 37 clarifies the meaning of "costs to fulfil a contract". IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements.

- **Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2020 and effective for annual periods beginning on or after 1 January 2023).** IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies.

- **Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2020 and effective for annual periods beginning on or after 1 January 2023).** The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

- **Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).*** The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. The amendments clarify that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

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

6. Financial risk management

Financial risks factors

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

Market risk

(a) Foreign exchange risk

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

As of 31 December 2021, 100% of the Group's long-term borrowings are denominated in Russian Rouble. Further, a large proportion of the Group's expenses and revenues are denominated and settled in Russian Roubles. Risks related to liabilities denominated in foreign currency are partly compensated by assets and income denominated in foreign currency.

As of the end of December 2021 the Russian Rouble has decreased against the US Dollar from 73.8757 as of 31 December 2020 to 74.2926 Russian Roubles (0.6% decrease) and against the Euro from 90.6824 as of 31 December 2020 to 84.0695 Russia Roubles (7.3% increase).

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

The carrying amounts of monetary assets and liabilities denominated in US Dollars as at 31 December 2021 and 31 December 2020 are as follows:

	2021 RUB'000	2020 RUB'000
Assets	410,316	922,145
Liabilities	198,078	142,777

Had US Dollar exchange rate strengthened/weakened by 20% against the Russian Rouble and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2021, would have increased/decreased by RUB 32,074 thousand (2020: 20% change, effect RUB 84,057 thousand) and equity would have increased/decreased by RUB 491,067 thousand (2020: 20% change, effect RUB 503,185 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of cash and cash equivalents and accounts payable denominated in US Dollars for the Group entities with Russian Rouble being their functional currency. The impact on equity is mainly due to foreign exchange gains and losses arising upon retranslation of intercompany loans being recognised as part of net investment in the foreign operation denominated in US Dollars for the Ukrainian subsidiary of the Group.

Had Euro exchange rate strengthened/weakened by 30% against the US Dollar and all other variables remained unchanged, the post-tax profit of the Group for the year ended 31 December 2021, would have increased /decreased by RUB 13,143 thousand (2020: 30% change, effect RUB 86,122 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of payable balances and cash and cash equivalents and accounts receivable denominated in US Dollars for the Estonian subsidiaries of the Group.

Had US Dollar exchange rate strengthened/weakened by 20% against the Ukrainian Hryvnia and all other variables remained unchanged, the post-tax profit of the Group would have remained unchanged (2020: 20% change, no effect on post-tax profit) and the equity of the Group for the year ended 31 December 2021, would have decreased/increased by RUB 491,067 thousand (2020: 20% change, effect RUB 503,185 thousand). This is mainly due to foreign exchange gains and losses arising upon retranslation of intercompany loans being recognised as part of net investment in the foreign operation denominated in US Dollars for the Ukrainian subsidiary of the Group.

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

The impact of application of hedge accounting has been to disclose in the cash flow statement "Dividends paid to the owners of the Company" net-off RUB 86,158 thousand (2020: RUB 475,042 thousand) foreign exchange losses and the "Exchange (losses)/gains on cash and cash equivalents" does not include the equivalent impact from the relevant cash deposits used for hedging. Furthermore, in the income statement the amounts included in "Finance income and costs" within "Net foreign exchange transaction (losses)/gains on cash and cash equivalents and other monetary assets" and "Net foreign exchange transaction gains/(losses) on borrowings and other liabilities" are disclosed after application of hedge accounting (i.e. excluding the foreign currency gains/losses arising for the hedging of RUB 86,158 thousand (2020: RUB 475,042 thousand)).

(b) Cash flow and fair value interest rate risk

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

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

As at 31 December 2021 and 31 December 2020, the Group did not have any credit facilities at floating interest rates, therefore any reasonably possible change in market interest rates would not have any significant impact on the post-tax profit or equity of the Group.

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

Credit risk

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

(i) Risk management

The Group has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history. Management assesses the credit quality of the Group's customers, taking into account their financial position, past experience and other factors. These policies allow the Group to reduce its credit risk. However, the Group's business is heavily dependent on a few large key customers, with the top ten customers accounting for 75.74% of the Group's trade receivables as at 31 December 2021 (2020: 70.95%).

For banks and financial institutions, the Group has established policies whereby the majority of bank balances are held with independently rated parties with a minimum rating of 'Ba2'. These policies enable the Group to reduce its credit risk significantly.

(ii) Impairment of financial assets

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

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

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

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

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

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

Especially the following indicators are incorporated:

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

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

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

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

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

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

Trade receivables and finance lease receivables

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

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

	Trade receivables RUB'000	Finance lease receivables RUB'000
As at 31 December 2021		
Current (not past due)	2,786,170	196,557
1-30 days past due	782,791	-
31-90 days past due	67,298	-
more than 90 days past due	101,146	-
Total	3,737,405	196,557

	Trade receivables RUB'000	Finance lease receivables RUB'000
As at 31 December 2020		
Current (not past due)	2,444,086	422,972
1-30 days past due	693,461	-
31-90 days past due	304,793	-
more than 90 days past due	394,330	-
Total	3,836,670	422,972

The gross carrying amounts, as per above, represent the Group's maximum exposure to credit risk on these assets as at 31 December 2021 and as at 31 December 2020 without taking into account any collateral held. The Group does not hold any collateral as security for any trade receivable balances. Finance lease receivables are effectively secured as the rights to the leased asset revert to the Group in the event of default.

The movement in the credit loss allowance for trade receivables during the years 2021 and 2020 is presented in the table below:

	Trade receivables	
	2021 RUB'000	2020 RUB'000
Opening balance as at 1 January	(135,124)	(138,915)
New assets originated or purchased	(603)	(11,643)
Net loss allowance of financial assets at the start of the year	(1,277)	(4,739)
Receivables modified during the year	-	(1,625)
Assets written off during the year as uncollectible	37,310	18,583
Recoveries	-	9,510
Other	739	(6,295)
Closing balance as at 31 December	(98,955)	(135,124)

The estimated expected credit loss allowance on finance lease receivables as at 31 December 2021 and as at 31 December 2020 was immaterial. This assessment takes into consideration the presence of the leased asset, which acts as a collateral for the finance lease receivable.

Loans and other receivables

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

The following table contains an analysis of the credit risk exposure other receivables on the basis of the Group's internal credit risk rating grades. The gross carrying amounts below represent the Group's maximum exposure to credit risk on these assets as at 31 December 2021 and 2020:

Internal credit risk rating grade	Company definition of category	2021 RUB'000	2020 RUB'000
Performing	Stage 1 - Counterparties have a low risk of default and a strong capacity to meet contractual cash flows	260,896	32,612
Under-performing	Stage 2 - Customers for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	7,122	14,872
Non-performing or Credit-impaired	Stage 3 - Interest and/or principal repayments are more than 90 days past due	14,868	20,194

The gross carrying amounts, as per above, represent the Group's maximum exposure to credit risk on these assets as at 31 December 2021 and as at 31 December 2020 without taking into account any collateral held. The Group does not hold any collateral as security for any loans receivable or other receivable balances.

The movement in the credit loss allowance for other receivables during the years 2021 and 2020 is presented in the table below:

	Non-performing	
	2021	2020
	RUB'000	RUB'000
Opening balance as at 1 January	(20,195)	(29,341)
Assets written off during the year as uncollectible	58	6,195
Other	5,269	2,951
Closing balance as at 31 December	(14,868)	(20,195)

The estimated expected credit loss allowance on loans receivable as at 31 December 2020 was immaterial.

Cash and cash equivalents

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

The following table contains an analysis of the gross carrying amount of the Group's cash at bank by reference to the credit risk ratings assigned by external credit rating agencies. The gross carrying amounts below represent the Group's maximum exposure to credit risk on these assets as at 31 December 2021 and 2020:

	Rating	2021 RUB'000	2020 RUB'000
Moody's (1)	A3 – Aa2	1,975,283	1,225,758
Moody's (1)	Baa3 – Baa1	10,677,131	2.595,738
Moody's (1)	Ba3 – Ba1	121	1,109,085
Moody's (1)	B1 – B2	84,865	16,204
Standard & Poor's (2)	BB+ – BBB-	43,378	30,831
Fitch (3)	BBB-	40,565	37
Other external non-rated banks – satisfactory credit quality (performing)		33,144	295
Total cash at bank and bank deposits (4)		12,854,487	4,977,948

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

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

The estimated expected credit loss allowance on cash and cash equivalents as at 31 December 2021 and as at 31 December 2020 based on the general approach of IFRS 9, was immaterial. All cash and cash equivalents were performing (Stage 1) as at 31 December 2021 and as at 31 December 2020.

Liquidity risk

The Group has an excess of current liabilites over current assets of RUB 233,557 thousand as at 31 December 2021 (2020: excess of current liabilities over current assets RUB 2,842,697 thousand).

The Group has predictable cash flows which allow the Group to repay its liabilities when they fall due. The Group also has successful credit and refinancing history and maintains enough flexibility ensuring the ability to attract necessary funds through committed credit facilities. Due to availability of undrawn borrowing facilities amounting to RUB 42,888,000 thousand as of 31 December 2021 (2020: RUB 29,449,091 thousand), together with long-term borrowings (Note 28) the Group has the ability to meet its liabilities as they fall due and mitigate risks of adverse changes in the financial markets environment.

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

The table below summarises the analysis of financial liabilities of the Group by maturity as of 31 December 2021 and 31 December 2020. The amounts in the table are contractual undiscounted cash flows. Trade and other payables balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than one month RUB'000	Between one month and three months RUB'000	Between three and six months RUB'000	Between 6 months and less than one year RUB'000	Between 1 and 2 years RUB'000	Between 2 and 5 years RUB'000	Over five years RUB'000	Total RUB'000
31 December 2021								
Borrowings	814,665	2,833,542	2,993,360	8,590,841	12,192,783	6,772,325	-	34,197,516
Trade and other payables	567,310	52,789	81,137	-	-	-	-	701,236
Other lease liabilities	208,682	407,189	626,712	1,255,483	2,385,022	2,172,370	24,427	7,079,885
	1,590,657	3,293,520	3,701,209	9,846,324	14,577,805	8,944,695	24,427	41,978,637
31 December 2020								
Borrowings	628,404	2,197,010	2,831,036	6,836,340	12,720,064	10,163,762	-	35,376,616
Trade and other payables	989,317	41,546	78,802	-	-	-	-	1,109,665
Other lease liabilities	71,618	116,864	186,957	376,826	508,047	248,577	-	1,508,889
	1,689,339	2,355,420	3,096,795	7,213,166	13,228,111	10,412,339	-	37,995,170

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

(a) Capital risk management

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

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

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

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

The rate of borrowings to total capitalisation as at 31 December 2021 and 31 December 2020 are as follows:

	2021 RUB'000	2020 RUB'000
Total borrowings	31,318,470	32,015,239
Total capitalisation	81,565,836	78,862,447
Total borrowings to total capitalisation ratio (percentage)	38.40%	40.60%

External requirements are imposed on the capital of the Group as defined by management in relation to long-term loans provided by financial institutions to the Company and certain subsidiaries of the Company. The Group analyses compliance with external requirements to the capital at each reporting date and when entering into new loan agreements and lease contracts. There were no instances of non-compliance with externally imposed capital requirements during 2021 and 2020. Management believes that the Group will be able to comply with its external requirements to the capital during the whole term of agreements.

Fair value estimation

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

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

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

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

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

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

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

As at 31 December 2021 and 31 December 2020 there were no fixed or floating interest rate instruments with stated maturity denominated in a currency other than the Russian Rouble.

The fair value as at 31 December 2021 and 31 December 2020 of fixed interest rate instruments with stated maturity denominated in Russian Rouble was estimated based on expected cash flows discounted using the rate of similar Russian Rouble denominated instruments entered into by the Group close to 31 December 2021 and 31 December 2020, respectively. The discount rate used was 10.5% p.a. (2020: 6.3% p.a.) (Note 28). The fair value as at 31 December 2021 and 31 December 2020 of the fixed interest rate non-convertible bonds was equal to their quoted price and the resulting fair value measurement is within level 1.

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

7. Critical accounting estimates and judgements

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

(a) Critical accounting estimates and assumptions

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

i) Tax legislation

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

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

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

Revenue recognition

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

- Identification of performance obligations

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

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

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

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

  Had OAO "Russian Railways" tariff directly attributable to such services been excluded from revenues and cost of sales for the year ended 31 December 2021 both would have decreased by RUB 12,963,846 thousand (2020: RUB 10,957,305 thousand).

8. Segmental information

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

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

Adjusted revenue for reportable segments is the measure of profit looked at by the chief operating decision-maker and this includes the revenues derived from the relating type of rolling stock used less infrastructure tariff paid for the loaded trips of the relevant rolling stock and services provided by other transportation organisations. Further, the Board receives information in respect of depreciation charges for rolling stock and right-of-use assets relating to rolling stock, amortisation charges for customer relationships, impairment charges/reversals of impairment in respect of rolling stock, right-of-use assets relating to rolling stock and customer relationships and loss on derecognition arising on capital repairs. All other information provided to the Board is measured in a manner consistent with that in the financial statements.

The Board also reviews additions to segment assets. Segment assets consist of rolling stock, right-of-assets relating to rolling stock and customer relationships. Unallocated assets comprise all the assets of the Group except for rolling stock, right-of-assets relating to rolling stock and customer relationships, as included within segment assets. Liabilities are not segmented since they are not reviewed from that perspective by the chief operating decision maker. Capital expenditure comprises additions of rolling stock to property, plant and equipment and additions of right-of-use assets relating to rolling stock.

The Group does not have transactions between different business segments.

	Gondola cars RUB'000	Rail tank cars RUB'000	Other railcars RUB'000	Total RUB'000
Year ended 31 December 2021				
Total revenue – operator's services	41,441,242	26,830,806	709,027	68,981,075
Total revenue – operating lease	25,435	1,348,619	457,630	1,831,684
Inter-segment revenue	-	-	-	-
Revenue (from external customers)	41,466,677	28,179,425	1,166,657	70,812,759
less Infrastructure and locomotive tariffs - loaded trips	(6,857,931)	(5,762,331)	(162,883)	(12,783,145)
less Services provided by other transportation organisations	(1,580,314)	(114,489)	-	(1,694,803)
Adjusted revenue for reportable segments	**33,028,432**	**22,302,605**	**1,003,774**	**56,334,811**
Depreciation and amortisation	(5,161,394)	(1,682,803)	(417,525)	(7,261,722)
Loss on derecognition arising on capital repairs	(199,187)	(284,460)	-	(483,647)
Additions to non-current assets (included in reportable segment assets)	7,945,692	3,860,288	174,063	11,980,043
Reportable segment assets	**56,346,167**	**25,650,477**	**3,569,334**	**85,565,978**

	Gondola cars RUB'000	Rail tank cars RUB'000	Other railcars RUB'000	Total RUB'000
Year ended 31 December 2020				
Total revenue – operator's services	39,043,539	24,050,218	774,017	63,867,774
Total revenue – operating lease	28,857	1,747,274	156,136	1,932,267
Inter-segment revenue	-	-	-	-
Revenue (from external customers)	39,072,396	25,797,492	930,153	65,800,041
less Infrastructure and locomotive tariffs - loaded trips	(5,757,613)	(4,789,170)	(177,087)	(10,723,870)
less Services provided by other transportation organisations	(2,460,601)	(4,373)	-	(2,464,974)
Adjusted revenue for reportable segments	**30,854,182**	**21,003,949**	**753,066**	**52,611,197**
Depreciation and amortisation	(5,114,046)	(1,644,343)	(421,989)	(7,180,378)
Loss on derecognition arising on capital repairs	(135,742)	(284,224)	(16)	(419,982)
Additions to non-current assets (included in reportable segment assets)	6,177,481	1,676,870	835,829	8,690,180
Reportable segment assets	**53,059,276**	**24,740,326**	**4,072,741**	**81,872,343**

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

	2021 RUB'000	2020 RUB'000
Adjusted revenue for reportable segments	56,334,811	52,611,197
Other adjusted revenues	2,157,553	2,322,516
Total adjusted revenue	58,492,364	54,933,713
Cost of sales (excl. Infrastructure and locomotive tariffs - loaded trips, services provided by other transportation organisations, reversal of impairment of property, plant and equipment, depreciation of property, plant and equipment and right-of-use assets, amortisation of intangible assets and loss on derecognition arising on capital repairs)	(25,659,527)	(25,756,357)
Selling, marketing and administrative expenses (excl. depreciation, amortisation and impairments)	(4,049,855)	(3,365,169)
Depreciation and amortisation	(7,770,639)	(7,683,620)
Net impairment losses on trade and other receivables	(7,735)	(5,511)
Loss on derecognition arising on capital repairs	(483,647)	(419,982)
Other income	310,381	1,000,232
Other gains – net	795,917	107,765
	21,627,259	18,811,071
Finance income	326,962	263,968
Finance costs	(2,506,627)	(2,510,495)
Net foreign exchange transaction (losses)/gains on financing activities	(9,559)	147,008
Profit before income tax	19,438,035	16,711,552

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

	2021		2020	
	Assets RUB'000	Liabilities RUB'000	Assets RUB'000	Liabilities RUB'000
Segment assets/ liabilities	85,565,978	-	81,872,343	-
Unallocated:				
Deferred tax liabilities	-	9,752,314	-	8,862,587
Current income tax assets/liabilities	307,189	752,121	266,024	100,226
Property, plant and equipment	821,924	-	3,078,585	-
Right-of-use assets	320,127	-	550,428	-
Intangible assets	85	-	1,460	-
Assets classified as held for sale	-	-	10	-
Other assets	3,828,135	-	3,136,086	-
Trade receivables	3,638,450	-	3,701,546	-
Loans and other receivables	268,038	-	51,370	-
Inventories	680,363	-	691,033	-
Cash and cash equivalents	12,854,707	-	4,978,322	-
Borrowings	-	31,318,470	-	32,015,239
Other lease liabilities	-	5,841,573	-	1,404,596
Trade and other payables	-	2,730,252	-	2,197,994
Contract liabilities	-	1,385,043	-	972,752
Total	108,284,996	51,779,773	98,327,207	45,553,394

Geographic information
Revenues from external customers

	2021 RUB'000	2020 RUB'000
Revenue		
Russia	71,666,818	66,460,662
Estonia	1,231,965	1,732,640
Ukraine	252,230	174,102
	73,151,013	68,367,404

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

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

	2021		2020	
	RUB'000	% revenue	RUB'000	% revenue
Revenue				
Customer A – rail tank cars segment	18,134,091	25	15,073,614	22
Customer B – gondola cars segment	14,040,336	19	12,582,629	18
Customer C – gondola cars segment (1)	-	-	8,730,718	13

(1) During the year 2021, only two customers contributed by more than 10% to the Group's total revenues.

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

	2021 RUB'000	2020 RUB'000
Non-current assets		
Russia	75,463,257	72,389,098
Estonia	11,398,063	12,822,936
Ukraine	527,404	530,449
Cyprus	316,724	13,311
	87,705,448	85,755,794

9. Non-IFRS financial information

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

Adjusted Revenue

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

The following table provides details of Adjusted revenue for 2021 and 2020 and its reconciliation to Total revenue.

	2021 RUB’000	2020 RUB’000
Total revenue	73,151,013	68,367,404
Minus “pass through” items		
Infrastructure and locomotive tariffs: loaded trips	(12,963,846)	(10,957,305)
Services provided by other transportation organisations	(1,694,803)	(2,476,386)
Adjusted Revenue	**58,492,364**	**54,933,713**

Total Operating Cash Costs and Non-cash Costs

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

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

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

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

	2021 RUB'000	2020 RUB'000
"Pass through" cost items	**(14,658,649)**	**(13,433,691)**
Infrastructure and locomotive tariffs: loaded trips	(12,963,846)	(10,957,305)
Services provided by other transportation organisations	(1,694,803)	(2,476,386)
Total cost of sales, selling and marketing costs and administrative expenses (adjusted for "pass through" cost items)	**(37,971,403)**	**(37,230,639)**
Total Operating Cash Costs	**(29,750,883)**	**(29,121,210)**
Infrastructure and locomotive tariffs - empty runs and other tariffs	(16,647,787)	(16,797,608)
Repairs and maintenance	(3,968,788)	(4,261,067)
Employee benefit expense	(5,491,140)	(4,153,507)
Expense relating to short-term leases – rolling stock	(274,177)	(824,487)
Fuel and spare parts – locomotives	(1,972,429)	(1,629,874)
Engagement of locomotive crews	(293,924)	(420,905)
Other Operating Cash Costs	(1,102,638)	*(1,033,762)*
Advertising and promotion	*(45,849)*	*(34,814)*
Auditors' remuneration	*(56,908)*	*(55,262)*
Communication costs	*(25,371)*	*(26,375)*
Information services	*(16,357)*	*(15,506)*
Legal, consulting and other professional fees	*(74,192)*	*(69,055)*
Expense relating to short-term leases – tank containers	*(23,271)*	*(23,572)*
Expense relating to short-term leases – office	*(98,619)*	*(109,482)*
Taxes (other than on income and value added taxes)	*(27,420)*	*(24,687)*
Other expenses	*(734,651)*	*(675,009)*
Total Operating Non-Cash Costs	**(8,220,520)**	**(8,109,429)**
Depreciation of property, plant and equipment	(6,642,505)	(6,968,694)
Depreciation of right-of-use assets	(1,127,459)	(655,070)
Amortisation of intangible assets	(675)	(59,856)
Loss on derecognition arising on capital repairs	(483,647)	(419,982)
Net impairment losses on trade and other receivables	(7,735)	(5,511)
Net gain/(loss) on sale of property, plant and equipment	41,501	(316)
Total cost of sales, selling and marketing costs and administrative expenses	**(52,630,052)**	**(50,664,330)**

Adjusted EBITDA

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

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

The following table provides details on Adjusted EBITDA for 2021 and 2020 and its reconciliation to EBITDA and Profit for the year:

	2021 RUB'000	2020 RUB'000
Profit for the year	**15,099,559**	**12,186,847**
Plus (Minus)		
Income tax expense	4,338,476	4,524,705
Finance costs – net	2,189,224	2,099,519
Net foreign exchange transaction (losses)/gains on financing activities	(9,559)	147,008
Amortisation of intangible assets	675	59,856
Depreciation of right-of-use assets	1,127,459	655,070
Depreciation of property, plant and equipment	6,642,505	6,968,694
EBITDA	**29,388,339**	**26,641,699**
Plus (Minus)		
Loss on derecognition arising on capital repairs	483,647	419,982
Net foreign exchange transaction (losses)/gains on financing activities	9,559	(147,008)
Other gains – net	(795,917)	(107,765)
Net (gain)/loss on sale of property, plant and equipment	(41,501)	316
Adjusted EBITDA	**29,044,127**	**26,807,224**

Free Cash Flow

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

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

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

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

The following table sets out details on Free Cash Flow and Attributable Free Cash Flow for 2021 and 2020, and its reconciliation to Cash generated from operations.

	2021 RUB'000	2020 RUB'000
Cash generated from operations	30,057,602	28,278,243
Tax paid	(2,807,806)	(3,051,888)
Interest paid on bank borrowings and non-convertible unsecured bonds	(2,238,779)	(2,314,937)
Interest paid on leases with financial institutions	-	(80,813)
Interest paid on other lease liabilities	(183,057)	(113,771)
Purchases of property, plant and equipment	(8,439,159)	(6,941,159)
Principal elements of other lease payments	(1,067,922)	(672,432)
Cash inflow from disposal of subsidiary undertakings - net of cash disposed of	1,110,051	-
Prepayment for acquisition of non-controlling interest	(300,000)	-
Total CAPEX	**(8,439,159)**	**6,941,159**
Free Cash Flow	**16,130,930**	**15,103,243**
Attributable Free Cash Flow	**14,018,391**	**13,502,931**

Net Debt and Net Debt to Adjusted EBITDA

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

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

The following table sets out the details on the Group's Net Debt and Net Debt to Adjusted EBITDA at 31 December 2021 and 2020, and reconciliation of Net Debt to Total Debt.

	2021 RUB'000	2020 RUB'000
Total debt	31,318,470	32,015,239
Minus		
Cash and cash equivalents	12,854,707	4,978,322
Net Debt	**18,463,763**	**27,036,917**
Net Debt to Adjusted EBITDA	**0.64x**	**1.01x**

10. Revenue

(a) Disaggregation of revenue

	2021 RUB'000	2020 RUB'000
Railway transportation – operator's services (tariff borne by the Group)	31,743,569	27,197,234
Railway transportation – operator's services (tariff borne by the client)	37,237,506	36,670,540
Revenue from specialised container transportation	1,824,121	2,167,613
Other	514,133	399,750
Total revenue from contracts with customers recognised over time	71,319,329	66,435,137
Operating lease of rolling stock	1,831,684	1,932,267
Total revenue	**73,151,013**	**68,367,404**

Note: Revenue from railway transportation – operators services (tariff borne by the Group) includes infrastructure and locomotive tariffs for loaded trips for the year ended 31 December 2021 amounting to RUB 12,963,846 thousand (for the year ended 31 December 2020: RUB 10,957,305 thousand) and the cost of engaging the fleet from third parties recharged to clients of the Group amounting to RUB 1,694,803 thousand (2020: RUB 2,476,386 thousand).

(b) Liabilities related to contracts with customers

The Group has recognised the following liabilities related to contracts with customers as of 31 December 2020 and 31 December 2021:

	31 December 2021 RUB'000	31 December 2020 RUB'000	1 January 2020 RUB'000
Current			
Contract liabilities relating to railway transportation contracts – Third parties	1,369,599	964,042	1,244,702
Contract liabilities relating to railway transportation contracts – Related parties (Note 35)	1,425	-	-
	1,371,024	964,042	1,244,702
Non-current			
Contract liabilities relating to railway transportation contracts – Third parties	9,140	8,710	11,191
Contract liabilities relating to railway transportation contracts – Related parties (Note 35)	4,879	-	-
	14,019	8,710	11,191
Total contract liabilities	**1,385,043**	**972,752**	**1,255,893**

Contract liabilities represent advances from customers for transportation services.

(c) Revenue recognised in relation to contract liabilities

The Group's revenue for the year ended 31 December 2021 includes RUB 945,900 thousand that were included in the balance of the contract liability as of 1 January 2021 (year ended 31 December 2020: RUB 1,230,616 as of 1 January 2020).

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

11. Expenses by nature

	2021 RUB'000	2020 RUB'000
Cost of sales		
Infrastructure and locomotive tariffs: loaded trips	12,963,846	10,957,305
Infrastructure and locomotive tariffs: empty run trips and other tariffs	16,647,787	16,797,608
Services provided by other transportation organisations	1,694,803	2,476,386
Expense relating to short-term leases (rolling stock)	274,177	824,487
Expense relating to short-term leases – tank containers	23,271	23,572
Employee benefit expense	2,186,776	1,517,573
Repairs and maintenance	3,968,788	4,261,067
Depreciation of property, plant and equipment	6,555,041	6,888,459
Depreciation of right-of-use assets	976,920	507,671
Loss on derecognition arising on capital repairs	483,647	419,982
Amortisation of intangible assets	658	59,839
Fuel and spare parts – locomotives	1,972,429	1,629,874
Engagement of locomotive crews	293,924	420,905
(Gain)/loss on sale of property, plant and equipment	(38,173)	6,585
Other expenses	330,548	274,686
Total cost of sales	**48,334,442**	**47,065,999**

	2021 RUB'000	2020 RUB'000
Selling, marketing and administrative expenses		
Depreciation of property, plant and equipment	87,464	80,235
Depreciation of right-of-use assets	150,539	147,399
Amortisation of intangible assets	17	17
Gain on sale of property, plant and equipment	(3,328)	(6,269)
Employee benefit expense	3,304,364	2,635,934
Net impairment losses on trade and other receivables	7,735	5,511
Expense relating to short-term leases (office)	98,619	109,482
Auditors' remuneration	56,908	55,262
Legal, consulting and other professional fees	74,192	69,055
Advertising and promotion	45,849	34,814
Communication costs	25,371	26,375
Information services	16,357	15,506
Taxes (other than income tax and value added taxes)	27,420	24,687
Other expenses	404,103	400,323
Total selling, marketing and administrative expenses	**4,295,610**	**3,598,331**

	2021 RUB’000	2020 RUB’000
Total expenses		
Depreciation of property, plant and equipment (Note 17)	6,642,505	6,968,694
Depreciation of right-of-use assets (Note 18)	1,127,459	655,070
Loss on derecognition arising on capital repairs (Note 17)	483,647	419,982
Amortisation of intangible assets (Note 19)	675	59,856
Net (gain)/loss on sale of property, plant and equipment (Note 17)	(41,501)	316
Employee benefit expense (Note 13)	5,491,140	4,153,507
Net impairment losses on trade and other receivables	7,735	5,511
Expense relating to short-term leases (rolling stock)	274,177	824,487
Expense relating to short-term leases (office)	98,619	109,482
Repairs and maintenance	3,968,788	4,261,067
Fuel and spare parts – locomotives	1,972,429	1,629,874
Engagement of locomotive crews	293,924	420,905
Infrastructure and locomotive tariffs: loaded trips	12,963,846	10,957,305
Infrastructure and locomotive tariffs: empty run trips and other tariffs	16,647,787	16,797,608
Services provided by other transportation organisations	1,694,803	2,476,386
Expense relating to short-term leases – tank containers	23,271	23,572
Auditors’ remuneration	56,908	55,262
Legal, consulting and other professional fees	74,192	69,055
Advertising and promotion	45,849	34,814
Communication costs	25,371	26,375
Information services	16,357	15,506
Taxes (other than income tax and value added taxes)	27,420	24,687
Other expenses	734,651	675,009
Total cost of sales, selling and marketing costs and administrative expenses	**52,630,052**	**50,664,330**

(1) Depreciation of property, plant and equipment for the year ended 31 December 2020 includes RUB 90,047 thousand relating to depreciation of right-of-use assets presented within property, plant and equipment (Note 17). The entire amount is recognised within ‘Cost of sales’.

Note: The auditors' remuneration stated above includes fees of RUB 17,206 thousand (2020: RUB 18,486 thousand) for statutory audit services and RUB 5,899 thousand (2020: RUB 5,139 thousand) for other assurance services charged by the Company’s statutory audit firm. The rest of the auditors’ remuneration relates to fees for audit services charged by the auditors of the subsidiaries of the Company.

Legal, consulting and other professional fees include RUB 3,811 thousand for the year 2021 (RUB 737 thousand for the year 2020) in relation to fees paid to the Company’s statutory audit firm for tax consultancy services.

12. Other gains – net

	2021 RUB’000	2020 RUB’000
Other gains	429,688	350,475
Other losses	(407,997)	(323,683)
Net foreign exchange gains (Note 16)	22,739	80,973
Gain from sale of subsidiaries (Note 20)	751,487	-
Total other gains – net	**795,917**	**107,765**

13. Employee benefit expense

	2021 RUB'000	2020 RUB'000
Wages and salaries	2,653,146	2,392,160
Termination benefits	2,449	7,238
Bonuses	1,783,574	998,505
Share based payment expense (Note 21)	123,971	28,931
Social insurance costs	928,000	726,673
Total employee benefit expense	**5,491,140**	**4,153,507**
Average number of employees during the year	1,750	1,664

14. Finance income and costs

	2021 RUB'000	2020 RUB'000
Interest expense:		
Bank borrowings	(1,483,022)	(1,482,228)
Non-convertible bonds	(772,198)	(808,258)
Interest expenses on loans	-	(5,193)
Other interest expense	-	(1,887)
Total interest expense calculated using the effective interest rate method	(2,255,220)	(2,297,566)
Leases with financial institutions	-	(74,468)
Other lease liabilities	(201,632)	(113,099)
Total interest expense	(2,456,852)	(2,485,133)
Other finance costs	(49,775)	(25,362)
Total finance costs	(2,506,627)	(2,510,495)
Interest income:		
Bank balances	208,700	189,505
Short term deposits	72,172	27,083
Loans to third parties	3,173	120
Total interest income calculated using the effective interest rate method	284,045	216,708
Finance leases – related parties (Note 35)	357	-
Finance leases – third parties	41,738	47,260
Total interest income	326,140	263,968
Other finance income	822	-
Total finance income	326,962	263,968
Net foreign exchange transaction gains/(losses) on borrowings and other liabilities	2,642	(5,509)
Net foreign exchange transaction (losses)/gains on cash and cash equivalents and other monetary assets	(12,201)	152,517
Net foreign exchange transaction (losses)/gains on financing activities (Note 16)	(9,559)	147,008
Net finance costs - net	**(2,189,224)**	**(2,099,519)**

15. Income tax expense

	2021 RUB'000	2020 RUB'000
Current tax:		
Corporation tax	3,293,525	2,185,948
Withholding tax on dividends	125,700	1,073,231
Withholding tax on interest payments	1,301	-
Defence contribution	2,043	2
Total current tax	3,422,569	3,259,181
Deferred tax (Note 30):		
Origination and reversal of temporary differences	915,907	1,265,524
Total deferred tax	915,907	1,265,524
Income tax expense	4,338,476	4,524,705

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

	2021 RUB'000	2020 RUB'000
Profit before tax	19,438,035	16,711,552
Tax calculated at domestic tax rates applicable to profits in the respective countries	4,656,083	3,599,477
Tax effects of:		
Expenses not deductible for tax purposes	102,088	63,554
Allowances and income not subject to tax	(127,081)	(120,269)
Tax effect of tax losses for which no deferred tax asset was recognised	(6,091)	(84,724)
Defence contribution	2,043	2
Withholding taxes:		
Estonian income tax arising on distribution(1)	213,377	260,929
Dividend tax provision in relation to intended dividend distribution of subsidiaries	(308,614)	805,736
Withholding tax on interest payments	1,301	-
Over provision of current and deferred tax in prior years	(194,630)	-
Tax charge	4,338,476	4,524,705

(1) Estonian tax law calls for profits to be taxed at the time of distribution and not during the year in which they arise. During the years 2021 and 2020, the Group incurred taxes on distributions from Estonian subsidiaries.

The Company is subject to income tax on taxable profits at the rate 12.5%. Brought forward losses of the Company of only five years may be utilised.

Under certain conditions, interest may be exempt from income tax and be subject only to special contribution for defence at the rate of 30%. In certain cases dividends received from abroad may be subject to special contribution for defence at the rate of 17%. Further, in certain cases dividends received by the Company from other Cyprus tax resident companies may also be subject to special contribution for defence. Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc.) are exempt from Cyprus income tax.

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

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

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

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

16. Net foreign exchange gains

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

	2021 RUB'000	2020 RUB'000
Finance income and costs (Note 14)	(9,559)	147,008
Other gains – net (Note 12)	22,739	80,973
	13,180	227,981

17. Property, plant and equipment

	Rolling stock RUB'000	Land and buildings RUB'000	Motor vehicles RUB'000	Other RUB'000	Total RUB'000
At 1 January 2020					
Cost	113,371,461	349,562	218,066	3,491,879	117,430,968
Accumulated depreciation	(36,026,434)	(102,484)	(102,153)	(667,252)	(36,898,323)
Net book amount	77,345,027	247,078	115,913	2,824,627	80,532,645
Year ended 31 December 2020					
Opening net book amount	77,345,027	247,078	115,913	2,824,627	80,532,645
Additions	8,389,050	19,375	53,531	163,834	8,625,790
Disposals	(63,288)	-	(18,927)	(916)	(83,131)
Assets classified as held for sale	40,214	-	-	-	40,214
Depreciation charge (Note 11)	(6,652,230)	(14,683)	(37,204)	(264,577)	(6,968,694)
Transfers	10,391	-	-	(10,391)	-
Transfer to inventories	(381,070)	-	(5,150)	(96)	(386,316)
Derecognition arising on capital repairs	(419,982)	-	-	-	(419,982)
Currency translation differences	3,074,244	3,484	2,070	617	3,080,415
Closing net book amount	81,342,356	255,254	110,233	2,713,098	84,420,941
At 31 December 2020					
Cost	123,222,340	374,471	207,796	3,642,951	127,447,558
Accumulated depreciation	(41,879,984)	(119,217)	(97,563)	(929,853)	(43,026,617)
Net book amount	81,342,356	255,254	110,233	2,713,098	84,420,941

	Rolling stock RUB'000	Land and buildings RUB'000	Motor vehicles RUB'000	Other RUB'000	Total RUB'000
At 1 January 2021					
Cost	123,222,340	374,471	207,796	3,642,951	127,447,558
Accumulated depreciation	(41,879,984)	(119,217)	(97,563)	(929,853)	(43,026,617)
Net book amount	81,342,356	255,254	110,233	2,713,098	84,420,941
Year ended 31 December 2021					
Opening net book amount	81,342,356	255,254	110,233	2,713,098	84,420,941
Additions	7,282,381	37,944	43,360	629,882	7,993,567
Disposals	(46,617)	-	(2,564)	(1,099)	(50,280)
Disposed through disposals of subsidiaries	-	-	-	(2,615,146)	(2,615,146)
Depreciation charge (Note 11)	(6,316,907)	(15,990)	(36,067)	(273,541)	(6,642,505)
Transfers	17,720	-	-	(17,720)	-
Transfer to inventories	(627,562)	-	(2,313)	(1,183)	(631,058)
Derecognition arising on capital repairs	(483,647)	-	-	-	(483,647)
Currency translation differences	(888,464)	(1,080)	(1,000)	(144)	(890,688)
Closing net book amount	80,279,260	276,128	111,649	434,147	81,101,184
At 31 December 2021					
Cost	125,742,564	410,314	231,770	962,979	127,347,627
Accumulated depreciation	(45,463,304)	(134,186)	(120,121)	(528,832)	(46,246,443)
Net book amount	80,279,260	276,128	111,649	434,147	81,101,184

Borrowing costs amounting to RUB 5,202 thousand were capitalised within rolling stock during the year 2021.

The net carrying amount of rolling stock as at 1 January 2020 and for the year ended 31 December 2020 includes right-of-use assets relating to rolling stock held under leases with financial institutions that include purchase options that are reasonably certain to be exercised, in accordance with the Group's accounting policy for leases, as disclosed in Note 4.

The table below shows the movement in the said right-of-use assets within the year 2020:

	2020 RUB'000
Opening net book amount	3,198,262
Transfer to owned rolling stock	(3,108,215)
Depreciation charge (Note 11)	(90,047)
Closing net book amount	-

Useful lives of rolling stock

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

Based on management's assessment, the useful economic life of the Group's rolling stock as of 31 December 2021 is considered appropriate.

Residual values of rolling stock

The Group reviews and adjusts the residual values of its rolling stock and wheel pairs as of each balance sheet date, taking into account, among others, the price of scrap metal as of the assessment date. Management has revised the residual value of the Group's rolling stock and wheel pairs as of 1 January 2021, following a significant increase in market prices of scrap metal. In making this assessment, management took into account actual scrap prices achieved by the Group near the assessment date and available market information on the level of scrap metal as at that date.

As a result of the revision of the residual values of the Group's rolling stock and wheel pairs, the depreciation charged in the income statement for the year ended 31 December 2021 is RUB 1,031,740 thousand lower than the one that would have been charged for the same period if there was no revision in residual values. A reasonable change in the inputs used by management would not result in material differences.

Based on management's assessment, the residual values of the Group's rolling stock as of 31 December 2021 are considered appropriate.

Impairment assessment of rolling stock

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

As of 31 December 2020, the management considered the deterioration of the economic environment, the weak prevailing industry conditions and the COVID-19 pandemic related uncertainties as indications of impairment of the Group's cash generating units ("CGUs") and proceeded to perform impairment assessments to determine if there is an impairment loss.

As a result of the impairment assessment, no impairment losses were noted. The impairment testing for all the CGUs, other than the Estonian rail tank cars/operating leasing CGU, indicated a significant headroom in the recoverable amount over the carrying amount of these CGUs.

Estonian rail tank cars/operating leasing CGU

The recoverable amount of the Estonian rail tank cars/operating leasing CGU amounting to RUB 12,786,087 thousand was determined based on market approach using level 2 inputs.

The fair value less cost to sell was determined based on the prices quoted in RUB by major retailers of rail cars dealing in the second hand market of the specific rolling stock held by the CGU in the Russian Federation (being the primary market for these assets), adjusted to take into account the age of each specific asset in the possession of the CGU and expenses necessary to bring the assets to the location and condition that enables their current use, assessed by management as being their highest and best use.

If the selling price of the rolling stock had been 10% lower the recoverable amount would decrease resulting into an impairment loss of RUB 259 million to be recognised in respect of the rolling stock of this CGU.

If the year end exchange rate between RUB and EUR had devalued by 20%, the recoverable amount would decrease resulting into an impairment loss of RUB 1,175 million to be recognised in respect of the rolling stock of this CGU.

Based on assessment performed by management as of 31 December 2021, no indicators of impairment of any of the Group’s CGUs were identified.

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

	2021 RUB’000	2020 RUB’000
Net book amount	50,280	83,131
Gains/(loss) on sale of property, plant and equipment (Note 11)	41,501	(316)
Consideration from sale of property, plant and equipment	91,781	82,815

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

	2021 RUB’000	2020 RUB’000
Cash consideration received within year	77,932	66,765
Amount receivable	-	1,300
Movement in advances received for sales of property, plant and equipment	13,849	14,750
	91,781	82,815

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

	2021 RUB’000	2020 RUB’000
Rolling stock	17,997,866	8,084,292
Other (tank-containers)	-	1,387,955
	17,997,866	9,472,247

Depreciation expense of RUB 6,555,041 thousand in 2021 (2020: RUB 6,888,459 thousand) has been charged to “cost of sales” and RUB 87,464 thousand in 2021 (2020: RUB 80,235 thousand) has been charged to “selling, marketing and administrative expenses”.

18. Right-of-use assets

	Rolling stock RUB’000	Land and buildings RUB’000	Other RUB’000	Total RUB’000
Year ended 31 December 2020				
Opening net book amount	826,685	517,257	66,506	1,410,448
Additions	301,130	99,050	303,152	703,332
Disposals	(30,996)	-	-	(30,996)
Disposals through subleases	-	-	(255,447)	(255,447)
Change of terms of leases	(96,587)	9,195	(7,737)	(95,129)
Depreciation charge (Note 11)	(470,245)	(148,473)	(36,352)	(655,070)
Currency translation differences	-	3,277	-	3,277
As at 31 December 2020	529,987	480,306	70,122	1,080,415

	Rolling stock RUB’000	Land and buildings RUB’000	Other RUB’000	Total RUB’000
Year ended 31 December 2021				
Opening net book amount	529,987	480,306	70,122	1,080,415
Additions	4,697,662	40,888	45,172	4,783,722
Change of terms of leases	1,275,580	(29,743)	(6,830)	1,239,007
Depreciation charge (Note 11)	(944,815)	(151,613)	(31,031)	(1,127,459)
Currency translation differences	-	(946)	-	(946)
Disposed through disposals of subsidiaries	(271,696)	(18,765)	(77,433)	(367,894)
As at 31 December 2021	5,286,718	320,127	-	5,606,845

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

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

As at 31 December 2020 and 31 December 2021, there were no right-of-use assets and associated lease liabilities arising from leases with financial institutions that were presented within property, plant and equipment and borrowings, respectively.

During the year 2020, depreciation charge of RUB 90,047 thousand on rolling stock within property, plant and equipment (Note 17) related to right-of-use assets for rolling stock in place as at 1 January 2020 that arose from leases with financial institutions that included purchase options that were reasonably certain to be exercised due to the exercise price being a nominal amount compared to the fair value of the leased asset on the exercise date.

The total cash outflow for leases in 2021 was RUB 1,501,860 thousand (2020: RUB 2,897,814 thousand).

19. Intangible assets

	Computer software RUB'000	Customer relationships RUB'000	Total RUB'000
At 1 January 2020			
Cost	11,766	4,863,734	4,875,500
Accumulated amortisation	(8,353)	(4,805,831)	(4,814,184)
Net book amount	3,413	57,903	61,316
Year ended 31 December 2020			
Opening net book amount	3,413	57,903	61,316
Amortisation charge (Note 11)	(1,953)	(57,903)	(59,856)
Closing net book amount	1,460	-	1,460
At 31 December 2020			
Cost	11,766	-	11,766
Accumulated amortisation	(10,306)	-	(10,306)
Net book amount	1,460	-	1,460
Year ended 31 December 2021			
Opening net book amount	1,460	-	1,460
Amortisation charge (Note 11)	(675)	-	(675)
Disposed through disposals of subsidiaries	(700)	-	(700)
Closing net book amount	85	-	85
At 31 December 2021			
Cost	10,934	-	10,934
Accumulated amortisation	(10,849)	-	(10,849)
Net book amount	85	-	85

Amortisation of RUB 658 thousand (2020: RUB 59,839 thousand) has been charged to "cost of sales" in the income statement and RUB 17 thousand (2020: RUB 17 thousand) to "selling, marketing and administrative expenses".

20. Principal subsidiaries

The Company had the following subsidiaries at 31 December 2021 and 31 December 2020:

Name	Place of business/ country of incorporation	Principal activities	Proportion of ordinary shares held by the Company (%)		Proportion of ordinary shares held by the Group (%)		Proportion of ordinary shares held by non- controlling interest (%)	
			2021	2020	2021	2020	2021	2020
New Forwarding Company, AO	Russia	Railway transportation	100	100	100	100	-	-
GTI Management, OOO	Russia	Railway transportation	100	100	100	100	-	-
Ural Wagonrepair Company, AO	Russia	Repair and maintenance of rolling stock	100	100	100	100	-	-
Ukrainian New Forwarding Company OOO	Ukraine	Railway transportation	100	100	100	100	-	-
BaltTransServis, OOO	Russia	Railway transportation	60	60	60	60	40	40
BTS-Locomotive Solutions OOO[1]	Russia	Support activities for locomotive traction	-	-	60	60	40	40
RemTransServis, OOO[2]	Russia	Repair and maintenance of rolling stock	-	-	60	60	40	40
SyntezRail LLC[3]	Russia	Railway transportation	-	-	-	60	-	40
SyntezRail Ltd	Cyprus	Intermediary holding company	-	60	-	60	-	40
Spacecom AS	Estonia	Operating lease of rolling stock	65.25	65.25	65.25	65.25	34.75	34.75
Ekolinja Oy[4]	Finland	Operating sub-lease of rolling stock	-	-	-	65.25	-	34.75
Spacecom Trans AS[4]	Estonia	Operating lease of rolling stock	-	-	65.25	65.25	34.75	34.75

1. BTS-Locomotive Solutions, OOO is a 100% subsidiary of BaltTransServis.
2. RemTransServis, OOO is a 100% subsidiary of BaltTransServis, OOO.
3. SyntezRail LLC was a 100% subsidiary of SyntezRail Ltd until the disposal in October 2021.
4. Ekolinja Oy and Spacecom Trans AS are 100% subsidiaries of Spacecom AS. Ekolinja Oy was dissolved within June 2021.

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

The accumulated non-controlling interest as of 31 December 2021 and 31 December 2020 comprised the following:

	2021 RUB'000	2020 RUB'000
BaltTransServis, OOO (including RemTransservis, OOO and BTS-Locomotive Solutions, OOO)	2,417,810	1,289,933
Spacecom AS (including Spacecom Trans AS and Ekolinja Oy)	3,840,047	4,422,878
SyntezRail, LLC; SyntezRail Limited	-	213,794
Total	6,257,857	5,926,605

Disposal of Spacecom Trans AS during the year 2018

During the year 2018, Spacecom AS acquired 100% of the shares of Spacecom Trans AS from the Company and the non-controlling shareholders, for a total consideration of Eur 30,100 thousand (equivalent to RUB 2,391,761 thousand), out of which RUB 837,116 thousand were attributed to the non-controlling interest. Within the year 2020, an amount of RUB 180,281 thousand was paid, which included interest accrued on the balance payable, resulting in the full settlement of the amount due.

Disposal of the 60% holding SyntezRail Limited and SyntezRail LLC during the year 2021

During the year 2021, the Company disposed its 60% shareholding in SyntezRail Ltd, which in turn owned 100% of SyntezRail LLC, for a total consideration of RUB 1,128,000 thousand realising a gain of RUB 751,477 thousand (Note 12). One of the three purchasers is an entity controlled by a director of the Company (Note 35). The cash inflow from the disposal of subsidiary undertakings, net of cash disposed of for the purposes of the consolidated cash flow statement was RUB 1,110,051 thousand.

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

On 21 December 2021, the Company entered into an agreement with the non-controlling shareholder of BaltTransServis, OOO to acquire the 40% non-controlling shareholding in the subsidiary for a total consideration of RUB 9,100,100 thousand. As of 31 December 2021, the transaction was subject to satisfaction of a number of pre-conditions, including approval by the Federal Antimonopoly Service of the Russian Federation and, as a result, the acquisition was not reflected in the financial statements for the year 2021.

By 31 December 2021, and in line with terms of the relevant agreement, the Company made a prepayment to the seller amounting to RUB 300,000 thousand classified within non-current prepayments (Note 23).

In February 2022 the Company acquired 40% non-controlling interest in BaltTransServis, OOO following receipt by the Company of the approval from the Federal Antimonopoly Service of the Russian Federation and satisfaction of the remaining pre-conditions, including settlement of the remaining RUB 8,800,000 thousand of the purchase consideration (Note 36).

Significant restrictions

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

Summarised financial information of subsidiaries with material non-controlling interests

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

Summarised balance sheet				
	BaltTransServis OOO		Spacecom AS	
	2021 RUB'000	2020 RUB'000	2021 RUB'000	2020 RUB'000
Current				
Assets	3,919,016	2,619,117	190,983	282,965
Liabilities	4,057,738	5,187,101	491,136	557,944
Total current net assets	(138,722)	(2,567,984)	(300,153)	(274,979)
Non-current				
Assets	11,738,961	8,682,673	11,345,889	13,006,551
Liabilities	5,555,714	2,889,856	47,414	60,302
Total non-current net assets	6,183,247	5,792,817	11,298,475	12,946,249
Net assets	6,044,525	3,224,833	10,998,322	12,671,270

Summarised income statement				
	BaltTransServis OOO		Spacecom AS	
	2021 RUB'000	2020 RUB'000	2021 RUB'000	2020 RUB'000
Revenue	26,932,363	23,841,123	1,231,965	1,732,640
Profit before income tax	6,024,506	4,169,195	408,092	959,753
Income tax expense	(1,014,814)	(832,568)	(198,224)	(312,459)
Post-tax profit from continuing operations	5,009,692	3,336,627	209,868	647,294
Other comprehensive income	-	-	(621,865)	3,099,987
Total comprehensive income	5,009,692	3,336,627	(411,997)	3,747,281
Total comprehensive income allocated to non-controlling interests	2,003,877	1,334,651	72,929	224,935
Dividends paid to non-controlling interest	(876,000)	(1,976,000)	(342,516)	(411,652)

Summarised cash flow statements				
	BaltTransServis OOO		Spacecom AS	
	2021 RUB'000	2020 RUB'000	2021 RUB'000	2020 RUB'000
Cash flows from operating activities				
Cash generated from operations	7,003,173	6,119,365	1,235,883	1,594,194
Income tax paid	(1,135,617)	(830,980)	(213,715)	(174,215)
Net cash generated from operating activities	5,867,556	5,288,385	1,022,168	1,419,979
Net cash generated from/(used in) investing activities	(2,512,085)	(1,085,015)	(30,889)	(539,000)
Net cash used in financing activities	(2,660,088)	(5,256,854)	(1,011,676)	(837,055)
Net increase/(decrease) in cash and cash equivalents	695,383	(1,053,484)	(20,397)	43,924
Cash and cash equivalents at beginning of year	837,867	1,891,351	94,868	38,288
Exchange differences on cash and cash equivalents	-	-	(3,402)	12,656
Cash and cash equivalents at end of year	1,533,250	837,867	71,069	94,868

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

21. Share-based payments

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

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

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

The Group recognised an employee benefit expense of RUB 123,971 thousand in this respect for the year ended 31 December 2021 (2020: RUB 28,931 thousand) and the Group's liability in respect of this amounted to RUB 123,971 thousand as of 31 December 2021 (2020: RUB 104,366 thousand).

The share-based payment liability as of 31 December 2021 was determined based on the assumption that all participants will remain with the Group and all KPIs will be met and that there will be no significant fluctuation in the value of the Company's GDRs during the vesting period. The significant inputs into the valuation were the weighted average fair value of the Company's GDRs and the weighted average USD/RUB exchange.

22. Financial assets

(a) Trade receivables

	2021 RUB'000	2020 RUB'000
Trade receivables – third parties	3,736,801	3,836,670
Trade receivables – related parties (Note 35)	604	-
Less: Provision for impairment of trade receivables	(98,955)	(135,124)
Trade receivables – net	3,638,450	3,701,546
Less non-current portion:		
Trade receivables – third parties	-	261,437
Less: Provision for impairment of trade receivables	-	(25,272)
Total non-current portion	-	236,165
Current portion	3,638,450	3,465,381

Non-current trade receivables amounting to RUB 261,437 thousand as of 31 December 2020 related to a receivable from Georgian Railways for services rendered by the Group prior to 1 April 2015. The amount receivable was under dispute and the Group initiated a claim to the Georgian Court demanding the repayment of the entire balance due. Based on assessment performed as at 31 December 2020, the Group recognised a provision for impairment of RUB 25,272 thousand in order to account for the expected time until receipt of the amount due.

In July 2021, the Group assigned its rights, obligations and demands in the Georgian law case to a party related to the non-controlling interests of Spacecom AS, being the entity involved in the claim, under an assignment agreement for consideration which substantially settled the recognised receivable and is irrevocable independently whether the result of future Court decision is negative or positive (Note 33).

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

	2021 RUB'000	2020 RUB'000
Currency:		
US Dollar	9,709	248,633
Russian Roubles	3,531,548	3,306,199
Euro	96,068	138,184
Ukrainian Hryvnia	1,125	8,530
	3,638,450	3,701,546

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

(b) Loans and other receivables

	2021 RUB'000	2020 RUB'000
Loans receivables – third parties	-	3,887
Other receivables – third parties	282,886	67,678
Other receivables – related parties (Note 35)	18	-
Less: Provision for impairment of other receivables	(14,866)	(20,195)
Loans and other receivables – net	268,038	51,370
Less non-current portion:		
Loans receivables – third parties	-	3,887
Other receivables - third parties	237,680	-
Total non-current portion	237,680	3,887
Current portion	30,358	47,483

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

	2021 RUB'000	2020 RUB'000
Currency:		
US Dollar	-	440
Russian Roubles	267,105	46,451
Ukrainian Hryvnia	922	591
Euro	11	1
Other	-	3,887
	268,038	51,370

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

23. Other assets

	2021 RUB'000	2020 RUB'000
Prepayments – third parties	3,151,716	1,760,966
Finance leases to third parties	175,400	422,972
Finance leases to related parties	21,157	-
VAT recoverable	479,862	952,148
Other assets	3,828,135	3,136,086
Less non-current portion:		
Finance leases to third parties	137,835	296,525
Finance leases to related parties (Note 35)	11,748	-
Prepayments for property, plant and equipment	997,334	252,968
Total non-current portion	1,146,917	549,493
Current portion	2,681,218	2,586,593

The Group's finance leases as at 31 December 2021 and 31 December 2020 are denominated in Russian Roubles. The finance lease receivables are scheduled as follows:

	Less than one year RUB'000	Between 1 to 5 years RUB'000	Over 5 years RUB'000	Total RUB'000
At 31 December 2021				
Minimum lease receivable	64,952	164,382	-	229,334
Less: Unearned finance income	(17,978)	(14,799)	-	(32,777)
Present value of minimum lease receivables	46,974	149,583	-	196,557
At 31 December 2020				
Minimum lease receivable	146,532	327,222	-	473,754
Less: Unearned finance income	(20,085)	(30,697)	-	(50,782)
Present value of minimum lease receivables	126,447	296,525	-	422,972

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

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

	2021 %	2020 %
Finance leases to third parties	10.42	12.61

24. Inventories

	2021 RUB'000	2020 RUB'000
Raw materials, spare parts and consumables	680,363	691,033
	680,363	691,033

All inventories are stated at cost.

25. Cash and cash equivalents

	2021 RUB'000	2020 RUB'000
Cash at bank and in hand	5,634,742	4,898,862
Short term bank deposits	7,219,965	79,460
Total cash and cash equivalents	12,854,707	4,978,322

The weighted average effective interest rate on short-term deposits was 6.74-7.25% in 2021 (2020: 2.27-4.85%) and these deposits have a maturity of 1 to 21 days (2020: 1 to 21 days).

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

	2021 RUB'000	2020 RUB'000
Cash and cash equivalents	12,854,707	4,978,322
Total cash and cash equivalents	12,854,707	4,978,322

Cash and cash equivalents are denominated in the following currencies:

	2021 RUB'000	2020 RUB'000
Russian Rouble	12,246,089	3,615,107
US Dollar	422,914	673,073
Euro	121,006	650,786
Ukrainian Hryvnia	64,698	39,356
Total cash and cash equivalents	12,854,707	4,978,322

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

26. Share capital, share premium and treasury shares

	Number of shares	Share capital USD'000	Share premium USD'000	Total USD'000
At 1 January 2020 /31 December 2020 / 1 January 2021 / 31 December 2021	178,740,916	17,875	949,471	967,346

	Number of shares	Share capital RUB'000	Share premium RUB'000	Total RUB'000
At 1 January 2020 /31 December 2020 / 1 January 2021 / 31 December 2021	178,740,916	516,957	27,929,478	28,446,435

The total authorised number of ordinary shares at 31 December 2021 was 233,918,128 shares with a par value of US$0.10 per share (31 December 2020: 233,918,128 shares with a par value of US$0.10 per share). All issued shares are fully paid.

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

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

In line with relevant legislation, GDRs repurchased by the Company may be held in treasury for up to two years.

27. Dividends

In April 2020, the shareholders of the Company approved the payment of a dividend for the financial year ended 31 December 2019 in the amount of 46.55 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,320,390 thousand, including final dividend for 2019 in the amount of RUB 1,903,591 thousand or RUB 10.65 per ordinary share/GDR and a special final dividend in the amount of RUB 6,416,799 thousand or RUB 35.90 per ordinary share/GDR (US Dollar equivalent of US$ 110,787 thousand).

In August 2020, the Board of Directors of the Company approved payment of total dividend in the amount of 46.55 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 8,320,390 thousand, including interim dividend in the amount of RUB 3,083,281 thousand or RUB 17.25 per ordinary share/GDR and a special interim dividend in the amount of RUB 5,327,109 thousand or RUB 29.30 per ordinary share/GDR (US Dollar equivalent US$ 111,293 thousand).

In April 2021, the shareholders of the Company approved the payment of a dividend for the financial year ended 31 December 2020 in the amount of 28.00 Russian Roubles per ordinary share/GDR, amounting to a total dividend of RUB 5,004,746 thousand, including final dividend for 2020 in the amount of RUB 2,931,351 thousand or RUB 16.40 per ordinary share/GDR and a special final dividend in the amount of RUB 2,073,395 thousand or RUB 11.60 per ordinary share/GDR (US Dollar equivalent of US$ 66,190 thousand).

On 27 August 2021, the Board of Directors of the Company approved payment of total dividend in the amount of 22.50 Russian Roubles per ordinary share, amounting to a total dividend of RUB 4,021,671 thousand, including interim dividend in the amount of RUB 1,635,480 thousand or RUB 9.15 per ordinary share/GDR and a special interim dividend in the amount of RUB 2,386,191 thousand or RUB 13.35 per ordinary share/GDR (US Dollar equivalent of US$ 54,457 thousand).

During the years ended 31 December 2021 and 2020, the Group declared and paid dividends in favour of the equity holders of the Company and the non-controlling interests as detailed in the table below.

	2021 RUB'000	2020 RUB'000
Dividends declared to equity holders of the Company [(1)]	9,022,550	16,637,178
Dividends paid to equity holders of the Company [(1)]	9,022,550	16,637,178
Dividends declared to non-controlling interest	1,218,516	2,387,652
Dividends paid to non-controlling interest	1,225,275	2,271,815

[(1)] Dividends declared and paid to the equity holders of the Company within the year 2021 as per the table above exclude RUB 3,867 thousand (2020: RUB 3,601 thousand) relating to dividend declared and paid on the treasury shares.

28. Borrowings

	2021 RUB'000	2020 RUB'000
Current		
Bank borrowings	9,658,062	9,388,591
Non-convertible unsecured bonds	4,010,198	1,542,581
Total current borrowings	13,668,260	10,931,172
Non-current		
Bank borrowings	12,651,536	12,339,674
Non-convertible unsecured bonds	4,998,674	8,744,393
Total non-current borrowings	17,650,210	21,084,067
Total borrowings	31,318,470	32,015,239
Maturity of non-current borrowings		
Between 1 and 2 years	11,188,564	11,554,709
Between 2 and 5 years	6,461,646	9,529,358
	17,650,210	21,084,067

Bank borrowings

Bank borrowings mature by 2025 (2020: by 2025) and bear average interest of 7.2% per annum (2020: 6.25% per annum).

There were no defaults or breaches of loan terms during the years ended 31 December 2021 and 31 December 2020.

The current and non-current bank borrowings amounting to RUB 8,099,674 thousand and RUB 11,304,448 thousand respectively (2020: RUB 4,522,381 thousand and RUB 4,916,838 thousand respectively) are secured by pledge of rolling stock and tank-containers with a total carrying net book value of RUB 17,997,866 thousand (2020: RUB 9,472,247 thousand) (Note 17).

Non-convertible bonds

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

The Company acts as the guarantor for the bond issue.

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

	2021 RUB'000	2020 RUB'000
6 months or less	5,951,833	4,983,084
6 to 12 months	7,716,428	5,948,087
1 to 5 years	17,650,209	21,084,068
	31,318,470	32,015,239

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

Movements in borrowings are analysed as follows:

	Bank borrowings and loans (excl. overdrafts) RUB'000	Lease liabilities with financial institutions RUB'000	Other lease liabilities RUB'000	Non-convertible unsecured bonds RUB'000	Total RUB'000
Year ended 31 December 2020					
Opening amount as at 1 January *2020*	18,094,062	1,722,139	1,530,883	10,279,017	31,626,101
Cash flows:					
Amounts advanced	23,265,000	-	-	-	23,265,000
Repayments of borrowings	(19,603,415)	(1,715,794)	(672,432)	-	(21,991,641)
Interest paid	(1,514,636)	(80,813)	(113,771)	(800,301)	(2,509,521)
Non-cash changes:					
Interest charged	1,487,421	74,468	113,099	808,258	2,483,246
Net foreign exchange	-	-	9,716	-	9,716
Other lease liability	-	-	668,622	-	668,622
Other	(167)	-	(131,521)	-	(131,688)
Closing amount as at 31 December 2020	21,728,265	-	1,404,596	10,286,974	33,419,835

	Bank borrowings and loans (excl. overdrafts) RUB’000	Lease liabilities with financial institutions RUB’000	Other lease liabilities RUB’000	Non-convertible unsecured bonds RUB’000	Total RUB’000
Year ended 31 December 2021					
Opening amount as at 1 January 2021	21,728,265	-	1,404,596	10,286,974	33,419,835
Cash flows:					
Amounts advanced	18,058,000	-	-	-	18,058,000
Repayments of borrowings	(15,286,973)	-	(1,067,922)	(1,250,000)	(17,604,895)
Interest paid	(1,438,479)	-	(183,057)	(800,300)	(2,421,836)
Non-cash changes:					
Interest charged	1,488,224	-	201,632	772,198	2,462,054
Net foreign exchange	-	-	(3,622)	-	(3,622)
Other lease liability	-	-	4,747,388	-	4,747,388
Disposed through disposals of subsidiaries	(2,241,636)	-	(495,043)	-	(2,736,679)
Change of terms of leases	-	-	1,239,869	-	1,239,869
Other	2,197	-	(2,268)	-	(71)
Closing amount as at 31 December 2021	22,309,598	-	5,841,573	9,008,872	37,160,043

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

	Carrying amount		Fair value	
	2021 RUB’000	2020 RUB’000	2021 RUB’000	2020 RUB’000
Bank borrowings	22,309,598	21,728,265	21,424,779	21,784,011
Non-convertible unsecured bonds	9,008,872	10,286,974	8,705,000	10,440,500
	31,318,470	32,015,239	30,129,779	32,224,511

The fair value as at 31 December 2021 and 31 December 2020 of fixed interest rate instruments with stated maturity denominated in Russian Rouble was estimated based on expected cash flows discounted using the rate of similar Russian Rouble denominated instruments entered into by the Group close to 31 December 2021 and 31 December 2020. The discount rate was 10.5% p.a. (2020: 6.3% p.a.). The fair value measurements are within level 2 of the fair value hierarchy (2020: level 2). The fair value as at 31 December 2021 and 31 December 2020 of the fixed interest rate non-convertible bonds was equal to their quoted price and the resulting fair value measurement is within level 1.

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

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

	2021 RUB’000	2020 RUB’000
Russian Rouble	31,318,470	32,015,239
	31,318,470	32,015,239

The Group has the following undrawn borrowing facilities:

	2021 RUB’000	2020 RUB’000
Fixed rate:		
Expiring within one year	7,788,000	7,609,091
Expiring beyond one year	35,100,000	21,840,000
	42,888,000	29,449,091

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

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

	2021 %	2020 %
Bank borrowings	7.2	6.3
Non-convertible unsecured bonds	8.2	8.1

29. Other lease liabilities

	2021 RUB'000	2020 RUB'000
Other lease liabilities		
Current lease liabilities	1,913,410	684,109
Non-current lease liabilities	3,928,163	720,487
Total lease liabilities	5,841,573	1,404,596

	2021 RUB'000	2020 RUB'000
Maturity of other lease liabilities		
Between 1 and 2 years	2,002,349	475,112
Between 2 and 5 years	1,898,921	239,943
Over 5 years	26,893	5,432
	3,928,163	720,487

30. Deferred income tax

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

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

	2021 RUB'000	2020 RUB'000
Beginning of year	8,862,587	7,592,182
Income statement charge (Note 15)	915,907	1,265,524
Disposed through disposals of subsidiaries	(22,592)	-
Exchange differences	(3,588)	4,881
End of year	9,876,557	8,862,587

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

Deferred tax liabilities	Property, plant and equipment RUB'000	Withholding tax provision RUB'000	Intangible assets RUB'000	Right-of-use assets RUB'000	Total RUB'000
At 1 January 2020	8,021,161	515,444	11,368	213,387	8,761,360
Charged/(credited) to:					
Income statement (Note 15)	445,194	153,433	(11,578)	(66,332)	520,717
Translation differences	-	4,881	-	-	4,881
At 31 December 2020	8,466,355	673,758	(210)	147,055	9,286,958
Charged/(credited) to:					
Income statement (Note 15)	702,541	453,254	56	724,589	1,880,440
Disposed through disposals of subsidiaries	(86,158)	-	154	(73,579)	(159,583)
Translation differences	-	(3,588)	-	-	(3,588)
At 31 December 2021	9,082,738	1,123,424	-	798,065	11,004,227

Deferred tax assets	Tax losses RUB'000	Trade and other payables RUB'000	Other lease liabilities and Borrowings RUB'000	Other assets/ liabilities RUB'000	Total RUB'000
At 1 January 2020	(59,002)	(171,099)	(849,443)	(89,634)	(1,169,178)
Charged/(credited) to:					
Income statement (Note 15)	5,586	78,609	625,487	35,125	744,807
At 31 December 2020	(53,416)	(92,490)	(223,956)	(54,509)	(424,371)
Charged/(credited) to:					
Income statement (Note 15)	1,334	(133,715)	(728,150)	(104,002)	(964,533)
Disposed through disposals of subsidiaries	52,082	(1,435)	103,517	(17,173)	136,991
At 31 December 2021	-	(227,640)	(848,589)	(175,684)	(1,251,913)

Deferred tax assets are recognised for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group has not recognised deferred tax assets in the amount of RUB 267,717 thousand (2020: RUB 272,614 thousand) for tax losses amounting to RUB 1,487,319 thousand (2020: RUB 1,543,418 thousand) available to be carried forward as it is not probable that future taxable profits will be available against which these tax losses can be utilised.

Withholding tax at the rate of 5% is applied to the dividends distributed by the Russian subsidiaries of the Group to the Company. In case the dividends are distributed by the Estonian subsidiaries the tax of 20% or, under certain conditions, 14% will be applied to gross amount of such distributions. The Group recognises provisions for such taxes based on management's estimates and intention for future dividend distribution by each respective subsidiary out of profits of subsidiaries as of 31 December 2021.

Deferred income tax liabilities of RUB 1,215,876 thousand (2020: RUB 1,446,802 thousand) have not been recognised for the withholding taxes that would be payable in case unremitted earnings of certain subsidiaries are distributed to the Company in the form of dividends as it is the current intention of the management of the Group that such amounts are reinvested. Unremitted earnings on which no deferred tax liability was recognised totalled to RUB 11,155,035 thousand as at 31 December 2021 (2020: RUB 13,093,858 thousand).

31. Trade and other payables

	2021 RUB'000	2020 RUB'000
Current		
Trade payables to third parties	529,454	843,703
Other payables to third parties	437,960	380,438
VAT payable and other taxes	614,664	534,738
Accrued expenses	95,960	79,680
Accrued key management compensation, including share-based payment (Note 35)	1,042,989	359,435
	2,721,027	2,197,994
Non-current		
Other payables to third parties	9,225	-
	9,225	-

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

32. Earnings per share

Basic and diluted

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

	2021	2020
Profit attributable to equity holders of the company (RUB thousand)	12,987,020	10,586,535
Weighted average number of ordinary shares in issue (thousand)	178,664	178,705
Basic and diluted earnings per share (expressed in RUB per share) attributable to the equity holders of the Company during the year	72.69	59.24

33. Contingencies

Operating environment

The year 2021 was marked by the continuous effects of the COVID-19 pandemic, the emergence of new variants and the associated measures implemented by various governments globally with a view to delay the spread of the disease, safeguard public health and ensure the economic survival of working people, businesses, vulnerable groups and the economy at large.

In 2021 the Russian economy demonstrated positive dynamics in recovery from the pandemic. This trend was also supported by the global economic recovery and higher prices on global commodity markets. However, higher prices on certain markets in Russia and globally also contribute to the inflation in Russia.

The future effects of the COVID-19 pandemic and of the measures taken by various governments to contain the virus on the Group’s future financial performance, cash flows and financial position are difficult to predict and management’s current expectations and estimates could differ from actual results. The Group’s management has taken and continues to take necessary measures to ensure minimum disruption to and sustainability of the Group’s operations and support the Group’s employees, customers and suppliers.

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

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. Ongoing political tension in the region and sanctions against certain Russian companies and individuals have an additional negative impact on the Russian economy.

The Russian economic environment was further negatively impacted by the escalation of the conflict between Russia and Ukraine from late February 2022, as further described in Note 36.

This economic environment has a significant impact on the Group’s operations and financial position. The management is taking necessary measures to ensure sustainability of the Group’s operations. However, the future effects of the current economic situation are difficult to predict and management’s current expectations and estimates could differ from actual results. The Group continues to monitor the situation and implement a set of measures to minimize the impact of possible risks on the Group's operations and financial position.

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

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD) but has specific characteristics. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length. Management has implemented internal controls to be in compliance with this transfer pricing legislation. Management believes that its pricing policy used in 2021 and 2020 and preceding years is arm’s length and it has implemented internal controls to be in compliance with this transfer pricing legislation.

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

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

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

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

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

Since December 2021, news surrounding potential escalation of the conflict emerged and since Febuary 2022 the circumstances have been deteriorating and the situation remains highly unstable. Depending on how the situation evolves, it could have significant effects on the Group's operations, as further described in Note 36.

Compliance with covenants

The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including claims for early repayment. The Group is in compliance with covenants as of 31 December 2021 and 31 December 2020 (Note 28).

Insurance policies

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

Environmental matters

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

Legal proceedings

During the years ended 31 December 2021 and 31 December 2020, the Company's subsidiaries were involved as a claimants and defendants in a number of court proceedings.

Georgian Railways case

In March 2016, Georgian Railways initiated a claim of approximately GEL 16,122 thousand against a subsidiary of the Company claiming compensation for storage costs incurred for wagons leased out to Georgian Railways that remained in Georgia for a period after 1 April 2015.

As explained in Note 22, as at 31 December 2020 the Group has an outstanding receivable amounting to EUR 2,883 thousand/RUB 261,437 thousand from Georgian Railways relating to invoices issued for services rendered prior to 1 April 2015. The Group also issued invoices of EUR 1,555 thousand to Georgian Railways; the revenue of which has not been recognised as it was not assessed as probable at that time that future economic benefits would flow to the Group.

The Georgian Railways dispute the tariffs applied in computing the outstanding balance and thus have not proceeded with the repayment of the amount which remains outstanding.

The Group initiated a claim to the Georgian Court demanding the repayment of the entire balance. Based on assessment performed as at 31 December 2020, management recognised a loss allowance of EUR 279 thousand/ RUB 25,272 thousand.

In March 2018, the Georgian Court ruled in favor of the Group an amount of US$10 million. Both parties appealed this decision. The Group did not recognise a receivable for the amount awarded as this might not constitute a final decision on the matter.

In July 2021, the Group assigned its rights, obligations and demands in the Georgian law case to a party related to the non-controlling interests of Spacecom AS, being the entity involved in the claim, under an assignment agreement for consideration which fully settled the recognised receivable as at the 31 December 2021.

In the opinion of management, there are no other legal proceedings or other claims outstanding, as of 31 December 2021 and 2020 which could have a material effect on the results of operations or financial position of the Group and which have not been accrued or disclosed in these financial statements.

34. Commitments

(a) Capital commitments

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

	2021 RUB'000	2020 RUB'000
Property, plant and equipment	373,492	308,173

(b) Operating lease commitments – Group as lessor

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

	2021 RUB'000	2020 RUB'000
Not later than 1 year	2,612,600	402,676
Later than 1 year not later than 5 years	1,692,999	156,395
	4,305,599	559,071

There were no contingent-based rents to be recognised in the income statement for the year ended 31 December 2021 and 31 December 2020.

35. Related party transactions

Litten Investments Ltd, controlled by a Director of the Company, has a shareholding in the Company of 5.1% as at 31 December 2021 (31 December 2020: 5.1%).

Goldriver Resources Ltd, controlled by a Director of the Company, has a shareholding in the Company of 3.1% as at 31 December 2021 (31 December 2020: 4.0%).

As at 31 December 2021, another 0.2% (2020: 0.2%) of the shares of the Company is controlled by Directors and key management of the Company.

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

The following transactions were carried out with related parties:

(a) Key management compensation

	2021 RUB'000	2020 RUB'000
Key management salaries and other short-term employee benefits	1,887,429	1,139,297
Share based compensation (Note 21)	123,971	28,931
	2,011,400	1,168,228

The key management compensation above includes directors' remuneration paid to the directors of the Company both by the Company and by subsidiaries of the Company in respect of services provided to such subsidiaries amounting to RUB 476,236 thousand (2020: RUB 433,063 thousand) and analysed as follows:

	2021 RUB'000	2020 RUB'000
Non-executive directors' fees	25,881	25,535
Emoluments in their executive capacity	561,000	406,144
Share based compensation in their executive capacity	17,181	1,384
	604,062	433,063

(b) Sale of goods and services

	2021 RUB'000	2020 RUB'000
Revenue from entity under control of member of key management:		-
Operating lease of rolling stock	134,312	-
Other	125	-
	134,437	-

(c) Other gains

	2021 RUB'000	2020 RUB'000
Other gains from entity under control of member of key management:		-
Other gains	525	-
	525	-

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

	2021 RUB'000	2020 RUB'000
Trade receivables from related parties - current (Note 22):		
Entity under control of member of key management	604	-
	604	-
Other receivables from related parties – current (Note 22):		
Entity under control of member of key management	18	-
	18	-
Key management remuneration – current (Note 31):		
Accrued salaries and other short-term employee benefits	919,018	255,069
Share based payment liability (Note 21)	123,971	104,366
	1,042,989	359,435

(e) Interest income

	2021 RUB'000	2020 RUB'000
Finance leases (Note 23):		
Entity under control of members of key management	357	-
	357	-

(f) Contract liabilities

	2021 RUB'000	2020 RUB'000
Contract liabilities relating to railway transportation contracts – current (Note 10):		
Entity under control of member of key management	1,425	-
	1,425	-
Contract liabilities relating to railway transportation contracts – non-current (Note 10):		
Entity under control of member of key management	4,879	-
	4,879	-

(g) Finance leases

	2021 RUB'000	2020 RUB'000
Finance leases to related parties – current (Note 23):		
Entity under control of member of key management	9,409	-
	9,409	-
Finance leases to related parties – non-current (Note 23):		
Entity under control of member of key management	11,748	-
	11,748	-

(h) Disposal of investment in subsidiary to member of key management

During the year 2021, the Company disposed its 60% shareholding in SyntezRail Ltd (Note 20). Out of this, 20% was sold to an entity controlled by a director of the Company for a consideration of RUB 376,000 thousand.

(i) Operating lease commitments – Group as lessor

	2021 RUB'000	2020 RUB'000
Entity under control of member of key management		
Not later than 1 year	820,549	-
Later than 1 year not later than 5 years	1,692,999	-
	2,513,547	-

36. Events after the balance sheet date

Impact of the conflict in Ukraine

Since late February 2022, the Russian economy and the Group's operating environment have been negatively impacted by the escalated military and political conflict between Russia and Ukraine and the associated international sanctions against a number of Russian institutions, companies, banks and individuals. The international sanctions imposed as a response to the conflict restrict certain Russian entities from having access to foreign financial markets, including removing access of several Russian banks to the international SWIFT system. The US, European Union, UK and a number of other countries have also imposed sanctions against the Russian Central Bank, restricting the access of the Russian state to foreign currency reserves, and introduced further asset freezes against designated individuals and entities as well as sectoral sanctions. These measures have negatively impacted the Russian economy and business activity in Russia and resulted in substantial volatility in the financial and commodity markets.

During the period from 24 February 2022 to 25 March 2022 oil prices increased to over US$123 per barrel and the Russian Rouble exchange rate reached RUB 120.37 per USD and RUB 132.96 per EUR. On 3 March 2022, the London Stock Exchange suspended trading of the Company's GDRs and since 25 February 2022 the Moscow Exchange suspended trading. It is not possible to determine how long this increased volatility will last or at what level the above financial indicators will eventually level out.

The sanctions imposed by the US, European Union and a number of other countries on some of the biggest Russian industrial groups may adversely affect the business environment and prospects of the Group and create significant new risks, which did not exist as at the balance sheet date. In addition, the restrictions on the export of certain types of Russian commodities and changes in directions of supply for Russian commodities may have a negative impact on the Group's clients, the Russian freight rail transportation industry and, in turn, the Group's business.

The Group's ability to transport cargo from Russia to the territory or through the territory of Ukraine is currently suspended, however part of this cargo may be redirected to other routes. At the date of approval of these financial statements, approximately 5% of the Group's total fleet in numbers is located in Ukraine and the Group cannot temporarily access it. The conflict has also severely impacted the Company's subsidiary Ukrainian New Forwarding Company OOO, which does not have a material impact on the Group's revenue and profitability.

The restrictions on capital movements outside the Russian Federation impact and may further impact the ability of the Company's subsidiaries to make payments to the Company or to make payments between bank accounts of the Company in Russia and abroad. Further, the weakening of Russian Rouble against the US dollar and Euro and the rising oil prices may have a negative impact on the Group's operating costs and costs of repairs.

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

The Management continues to adopt the going concern basis in preparing these consolidated financial statements because the majority of the Group's revenue is derived from routes within the Russian Federation and the Group has a successful history of redirecting routes, switching between different types of cargos and efficiently managing logistics. Further, the Group has sufficient liquidity to meet its short-term obligations and insignificant exposure to foreign currency as the majority of its revenue and expenses are denominated and settled in Russian Roubles and the majority of its financial assets and liabilities are denominated in Russian Roubles. All borrowings of the Group are at fixed rates.

Management is closely monitoring the situation and is ready to act depending on the developments.

Acquisition of non-controlling interest in BaltTransServis, OOO

In February 2022 the Company acquired 40% non-controlling interest in BaltTransServis, OOO (Note 20) following receipt by the Company of the approval from the Federal Antimonopoly Service of the Russian Federation and satisfaction of the remaining pre-conditions, including payment of the remaining RUB 8,800,000 thousand of the purchase consideration. As a result, the Company became the sole owner of BaltTransServis, OOO.

Buy-back of the Company's GDRs

In July 2020 the Company started a GDRs buyback program. The buyback programme is for the Company's Global Depositary Receipts ("GDRs") listed on the Main Market of the London Stock Exchange with the total number of purchased GDRs not to exceed 5% of the Company's share capital (equivalent to 8,937,046 shares, with each GDR representing one ordinary share). During 2020, the Company purchased a total number of 76,877 GDRs, which are held in treasury.

In April 2021 the shareholders of Company approved the extension of buyback programme of GDRs listed on London Stock Exchange and Moscow Exchange until April 2022. In 2022 the Company purchased an additional amount of 345,780 GDRs, thus as the date of signing the financial statements the total number of purchased GDRs is 422,657.

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

Independent Auditor's Report on pages 16 to 21.