Globaltrans Investment PLC

Condensed consolidated interim financial information (unaudited)

for the six months ended 30 June 2016

Contents

Condensed consolidated interim financial information (unaudited) for the six months ended 30 June 2016

Consolidated interim income statement

for the six months ended 30 June 2016

	Note	Six months ended 30 June	
		2016	As restated* 2015
		RUB'000	RUB'000
		Unaudited	Unaudited
Revenue	9	**32,724,744**	33,996,939
Cost of sales	10	**(26,566,894)**	(26,926,053)
Gross profit		**6,157,850**	7,070,886
Selling and marketing costs	10	**(80,020)**	(153,987)
Administrative expenses	10	**(1,712,237)**	(1,905,700)
Other income		**-**	188,829
Other gains – net		**77,131**	17,570
Operating profit		**4,442,724**	5,217,598
Finance income	12	**121,206**	138,499
Finance costs	12	**(1,214,127)**	(1,635,911)
Net foreign exchange transaction losses on financing activities	12	**(179,862)**	(350,314)
Finance costs – net		**(1,272,783)**	(1,847,726)
Share of loss of associate		**(64,445)**	(33,855)
Profit before income tax		**3,105,496**	3,336,017
Income tax expense	17	**(764,014)**	(640,812)
Profit for the period		**2,341,482**	2,695,205
Attributable to:			
Owners of the Company		**1,582,713**	1,421,771
Non-controlling interests		**758,769**	1,273,434
		2,341,482	2,695,205
Weighted average number of ordinary shares in issue (thousands)	18	**178,741**	178,741
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the period (expressed in RUB per share)(1)	18	**8.85**	7.95

* Refer to Note 3 for details regarding the restatement

(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 period.

The notes on pages 7 to 25 are an integral part of these interim condensed consolidated financial statements.

Consolidated interim statement of comprehensive income

for the six months ended 30 June 2016

	Six months ended 30 June	
		As restated*
	2016	2015
	RUB'000	RUB'000
	Unaudited	Unaudited
Profit for the period	**2,341,482**	2,695,205
Other comprehensive loss:		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	**(1,109,248)**	(1,027,946)
Items that may not be reclassified subsequently to profit or loss		
Currency translation differences attributable to non-controlling interest	**(503,213)**	(433,414)
Other comprehensive loss for the period, net of tax	**(1,612,461)**	(1,461,360)
Total comprehensive income for the period	**729,021**	1,233,845
Total comprehensive income attributable to:		
- owners of the Company	**473,465**	393,825
- non-controlling interests	**255,556**	840,020
	729,021	1,233,845

* Refer to Note 3 for details regarding the restatement

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 7 to 25 are an integral part of these interim condensed consolidated financial statements.

Consolidated interim balance sheet

at 30 June 2016

	Note	30-Jun-2016 RUB'000 Unaudited	As restated* 31-Dec-2015 RUB'000 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	13	**67,460,816**	70,223,776
Intangible assets	8	**1,959,634**	2,367,741
Income tax assets		**27,673**	49,207
Investment in associate		**-**	65,497
Trade and other receivables	14	**123,586**	101,264
Total non-current assets		**69,571,709**	72,807,485
Current assets			
Inventories		**722,243**	722,381
Trade and other receivables	14	**5,247,380**	5,297,072
Current income tax assets		**261,591**	139,428
Cash and cash equivalents		**3,220,072**	4,104,079
Total current assets		**9,451,286**	10,262,960
TOTAL ASSETS		**79,022,995**	83,070,445
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital	20	**516,957**	516,957
Share premium	20	**27,929,478**	27,929,478
Common control transaction reserve		**(10,429,876)**	(10,429,876)
Translation reserve		**3,460,148**	4,569,396
Capital contribution		**2,694,851**	2,694,851
Retained earnings		**20,981,551**	21,617,013
Total equity attributable to the owners of the Company		**45,153,109**	46,897,819
Non-controlling interest		**5,650,330**	7,405,558
TOTAL EQUITY		**50,803,439**	54,303,377
Non-current liabilities			
Borrowings	16	**11,165,562**	11,064,576
Trade and other payables	15	**71,061**	61,053
Deferred tax liabilities		**4,745,092**	4,642,708
Total non-current liabilities		**15,981,715**	15,768,337
Current liabilities			
Borrowings	16	**9,160,816**	9,294,484
Trade and other payables	15	**3,035,147**	3,643,694
Current tax liabilities		**41,878**	60,553
Total current liabilities		**12,237,841**	12,998,731
TOTAL LIABILITIES		**28,219,556**	28,767,068
TOTAL EQUITY AND LIABILITIES		**79,022,995**	83,070,445

*Refer to Note 3 for details regarding the restatement

By order of the Board

....
Sergey Tolmachev, Director

....
Konstantin Shirokov, Director

Limassol, 29 August 2016

The notes on pages 7 to 25 are an integral part of these interim condensed consolidated financial statements.

Consolidated interim statement of changes in equity

for the six months ended 30 June 2016

		Attributable to the owners of the Company								
	Note	Share capital RUB'000	Share premium RUB'000	Common control transaction reserve RUB'000	Translation reserve RUB'000	Capital contribution RUB'000	Retained earnings RUB'000	Total RUB'000	Non-controlling interests RUB'000	Total RUB'000
Balance at 1 January 2015 – as previously reported		**516,957**	**27,929,478**	**(10,429,876)**	**3,397,222**	**2,694,851**	**19,100,433**	**43,209,065**	**6,927,315**	**50,136,380**
Prior year adjustment	3	-	-	-	-	-	406,140	406,140	175,421	581,561
Balance at 1 January 2015 – as restated		**516,957**	**27,929,478**	**(10,429,876)**	**3,397,222**	**2,694,851**	**19,506,573**	**43,615,205**	**7,102,736**	**50,717,941**
Comprehensive income										
Profit for the period		-	-	-	-	-	1,421,771	1,421,771	1,273,434	2,695,205
Other comprehensive income										
Currency translation differences		-	-	-	(1,027,946)	-	-	(1,027,946)	(433,414)	(1,461,360)
Total comprehensive income for the period ended 30 June 2015		-	-	-	(1,027,946)	-	1,421,771	393,825	840,020	1,233,845
Transactions with owners										
Dividends to non-controlling interests	19	-	-	-	-	-	-	-	(2,144,738)	(2,144,738)
Disposal of non-controlling interests	23	-	-	-	1	-	6,807	6,808	(6,609)	199
Total transactions with owners		-	-	-	1	-	6,807	6,808	(2,151,347)	(2,144,539)
Balance at 30 June 2015 (unaudited)		**516,957**	**27,929,478**	**(10,429,876)**	**2,369,277**	**2,694,851**	**20,935,151**	**44,015,838**	**5,791,409**	**49,807,247**

The notes on pages 7 to 25 are an integral part of these interim condensed consolidated financial statements.

Consolidated interim statement of changes in equity

for the six months ended 30 June 2016

		Attributable to the owners of the Company								
	Note	Share capital RUB'000	Share premium RUB'000	Common control transaction reserve RUB'000	Translation reserve RUB'000	Capital contribution RUB'000	Retained earnings RUB'000	Total RUB'000	Non-controlling interests RUB'000	Total RUB'000
Balance at 1 January 2016 – as previously reported		**516,957**	**27,929,478**	**(10,429,876)**	**4,569,396**	**2,694,851**	**21,090,196**	**46,371,002**	**7,184,519**	**53,555,521**
Prior year adjustment	3	-	-	-	-	-	526,817	526,817	221,039	747,856
Balance at 1 January 2016 – as restated		**516,957**	**27,929,478**	**(10,429,876)**	**4,569,396**	**2,694,851**	**21,617,013**	**46,897,819**	**7,405,558**	**54,303,377**
Comprehensive income										
Profit for the period		-	-	-	-	-	1,582,713	1,582,713	758,769	2,341,482
Other comprehensive income										
Currency translation differences		-	-	-	(1,109,248)	-	-	(1,109,248)	(503,213)	(1,612,461)
Total comprehensive income for the period ended 30 June 2016		-	-	-	(1,109,248)	-	1,582,713	473,465	255,556	729,021
Transactions with owners										
Dividends to owners of the Company	19	-	-	-	-	-	(2,218,175)	(2,218,175)	-	(2,218,175)
Dividends to non-controlling interests	19	-	-	-	-	-	-	-	(2,010,784)	(2,010,784)
Total transactions with owners		-	-	-	-	-	(2,218,175)	(2,218,175)	(2,010,784)	(4,228,959)
Balance at 30 June 2016 (unaudited)		**516,957**	**27,929,478**	**(10,429,876)**	**3,460,148**	**2,694,851**	**20,981,551**	**45,153,109**	**5,650,330**	**50,803,439**

The notes on pages 7 to 25 are an integral part of these interim condensed consolidated financial statements.

Consolidated interim cash flow statement

for the six months ended 30 June 2016

	Note	Six months ended 30 June 2016 RUB'000 Unaudited	As restated* 2015 RUB'000 Unaudited
Cash flows from operating activities			
Profit before tax		**3,105,496**	3,336,017
Adjustments for:			
Depreciation of property, plant and equipment	10	**2,528,245**	2,558,064
Amortisation of intangible assets	10	**417,606**	539,261
Net (gain)/loss on sale of property, plant and equipment	10	**(43,108)**	10,406
Loss on derecognition arising on capital repairs	10	**379,197**	62,259
Write off of property, plant and equipment	10	**-**	338
Interest income	12	**(121,206)**	(138,499)
Interest expense and other finance costs	12	**1,214,127**	1,635,911
Share of losses of associate		**64,445**	33,855
Foreign exchange losses on financing activities	12	**179,862**	350,314
		7,724,664	8,387,926
Changes in working capital:			
Inventories		**109,501**	25,414
Trade and other receivables		**83,633**	1,574,883
Trade and other payables		**(698,318)**	(1,313,216)
Cash generated from operations		**7,219,480**	8,675,007
Tax paid		**(799,452)**	(673,336)
Net cash from operating activities		**6,420,028**	8,001,671
Cash flows from investing activities			
Purchases of property, plant and equipment		**(1,860,095)**	(563,826)
Purchases of intangible assets	8	**(9,499)**	-
Proceeds from disposal of property, plant and equipment		**122,302**	61,324
Loans granted to third parties		**-**	(81,398)
Loan repayments received from third parties		**7,632**	12,516
Interest received		**119,375**	139,631
Net cash used in investing activities		**(1,620,285)**	(431,753)
Cash flows from financing activities			
Proceeds from borrowings		**5,862,723**	12,654,121
Repayments of borrowings		**(5,895,358)**	(16,442,330)
Finance lease principal payments		**(46)**	(193,179)
Interest paid		**(1,199,240)**	(1,942,765)
Cash received from disposal of non-controlling interests	23	**-**	201
Dividends paid to non-controlling interests in subsidiaries	19	**(2,025,532)**	(2,000,000)
Dividends paid to owners of the Company	19	**(2,218,175)**	-
Net cash used in financing activities		**(5,475,628)**	(7,923,952)
Net decrease in cash and cash equivalents		**(675,885)**	(354,034)
Foreign exchange losses on cash and cash equivalents		**(208,122)**	(271,509)
Cash and cash equivalents at beginning of period		**4,104,079**	4,647,787
Cash and cash equivalents at end of period		**3,220,072**	4,022,244

* Refer to Note 3 for details regarding the restatement

The notes on pages 7 to 25 are an integral part of these interim condensed consolidated financial statements.

Notes to the condensed consolidated interim financial information

1. GENERAL INFORMATION

Globaltrans Investment PLC (the "Company") and its subsidiaries (together the "Group") is a freight rail transportation group operating in Russia, the CIS countries and the Baltics.

The main business of the Group is the provision of freight rail transportation services with a focus on the transportation of key industrial freight including metallurgical cargoes, oil products and oil, coal and various construction materials. The Group is also engaged in operating lease of rolling stock.

The Company is a public limited company incorporated and domiciled in Cyprus in accordance with the provisions of the Cyprus Companies Law, Cap. 113. The address of its registered office is 20 Omirou Street, Agios Nikolaos, CY-3095 Limassol, Cyprus. The Group's principal place of business is at 16/15 Spartakovskaya Sqr., Moscow, Russia.

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

This condensed consolidated interim financial information was approved by the Board of Directors of the Company on 26 August 2016, who authorized the Directors to sign on 29 August 2016.

This condensed consolidated interim financial information has been reviewed, not audited.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the Cyprus Companies Law, Cap. 113.

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2015, as described in those annual consolidated financial statements, with the exception of the following:

(a) Taxes

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected annual earnings for each tax jurisdiction and applied individually to the interim period pre-tax income of the relevant jurisdiction. Adjustments due to changes in estimates of prior year taxes are not taken into account in the calculation of the estimated average annual tax rate but are charged in full in the interim period in which it becomes probable that such adjustment is needed.

Payroll related taxes and contributions which are assessed on an annual basis are recognised in interim periods using an estimated annual effective payroll tax or contribution rate.

(b) Rolling stock repair and maintenance costs

Historically, the Group's accounting policy was to expense all repair and maintenance costs relating to periodical repairs of its rolling stock as incurred and not consider any of these repairs to constitute major periodic capital repairs that would warrant capitalisation as part of the cost of property, plant and equipment.

During the period, the Group reconsidered the nature, size and impact of each type of repair of wagon on the wagon's estimated future economic benefits and concluded that 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 they should be capitalised.

Following this assessment, the Group proceeded to change its approach to capitalise all such major repairs and has accounted for this as a change in accounting policy. The Group believes that the new accounting policy provides reliable and more relevant information, as periodical capital repairs result in enhanced economic benefits to be derived from the future use of the repaired rolling stock.

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 new periodic major capital repair costs, 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'.

Other types of repairs of rolling stock, such as current repairs and depot repairs, continue to be 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.

The change in accounting policy is effective from 1 January 2016. In accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, the change in accounting policy has been made retrospectively and the comparatives have been restated accordingly.

The tables below show the impact of the change in accounting policy on the comparative period, including the opening balance sheet as of 1 January 2015:

Consolidated Income statement For the six months ended 30 June 2015	As previously reported RUB'000	Impact of change in accounting policy RUB'000	As restated RUB'000
Cost of sales	26,969,966	(43,913)	26,926,053
Administrative expenses	1,911,398	(5,698)	1,905,700
Income tax expense	630,890	9,922	640,81
Profit attributable to:			
- owners of the Company	1,395,412	26,359	1,421,771
- non-controlling interests	1,260,104	13,330	1,273,434
Basic and diluted earnings per share (expressed in RUB per share)	7.807	0.147	7.954

Consolidated Statement of comprehensive income For the six months ended 30 June 2015	As previously reported RUB'000	Impact of change in accounting policy RUB'000	As restated RUB'000
Total comprehensive income attributable to:			
- owners of the Company	367,466	26,359	393,825
- non-controlling interests	826,690	13,330	840,020

Consolidated Balance sheet at 31 December 2015/ 1 January 2016	As previously reported RUB'000	Impact of change in accounting policy RUB'000	As restated RUB'000
Property, plant and equipment	69,288,960	934,816	70,223,776
Total assets	*82,135,629*	*934,816*	*83,070,445*
Deferred income tax liabilities	4,455,748	186,960	4,642,708
Total liabilities	*28,580,108*	*186,960*	*28,767,068*
Retained earnings	21,090,196	526,817	21,617,013
Non-controlling interests	7,184,519	221,039	7,405,558
Total equity	*53,555,521*	*747,856*	*54,303,377*

Consolidated Balance sheet at 1 January 2015	As previously reported RUB'000	Impact of change in accounting policy RUB'000	As restated RUB'000
Property, plant and equipment	71,380,758	726,948	72,107,706
Total assets	*89,118,734*	*726,948*	*89,845,682*
Deferred income tax liabilities	5,207,410	145,387	5,352,797
Total liabilities	*38,982,354*	*145,387*	*39,127,741*
Retained earnings	19,100,433	406,140	19,506,573
Non-controlling interests	6,927,315	175,421	7,102,736
Total equity	*50,136,380*	*581,561*	*50,717,941*

Consolidated Cash flow statement For the six months ended 30 June 2015	As previously reported RUB'000	Impact of change in accounting policy RUB'000	As restated RUB'000
Profit before tax	3,286,406	49,611	3,336,017
Depreciation of property, plant and equipment	2,492,215	65,849	2,558,064
Loss on derecognition arising on capital repairs	-	62,259	62,259
Net cash from operating activities	*7,823,952*	*177,719*	*8,001,671*
Purchases of property, plant and equipment	(386,107)	(177,719)	(563,826)
Net cash used in investing activities	*(254,034)*	*(177,719)*	*(431,753)*

(c) New standards, interpretations and amendments to published standards

(i) The Group has adopted the following new standards, amendments and interpretations as of 1 January 2016:

Certain new standards, interpretations and amendments to the existing standards, as disclosed in the Group's consolidated financial statements for the year ended 31 December 2015, became effective for the Group from 1 January 2016. None of them has affected this consolidated condensed interim financial information, except as explained below:

- Annual Improvements to IFRSs 2012 - The improvements consist of changes to seven standards. IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014. IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014. IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported. The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial. IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. This amendment does not have an impact on the interim condensed financial information as it is not applicable for interim condensed financial statements prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union. The amendment will result in enhanced disclosures relating to the Group's aggregated segments in the annual financial statements of the Group for the year ending 31 December 2016.

- Disclosure Initiative Amendments to IAS 1 - The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards. This amendment did not have an impact on the interim condensed financial information. The Group is currently assessing the impact of the new amendment on its annual financial statements for the year ending 31 December 2016.

(ii) Standards, amendments and interpretations that are relevant and not yet effective and have not been early adopted by the Group:

Since the Group published its last annual financial statements, certain new standards and interpretations have been issued that are mandatory for the Group's annual accounting periods beginning after 1 January 2016 and which the Group has not early adopted. These are still subject to endorsement by the European Union. These standards and interpretations are not expected to have an impact on the Group, except for the following:

- Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a license should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard. The Group is currently assessing the impact of the new amendment on its financial statements.

4. ESTIMATES AND JUDGEMENTS

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant estimates and judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015, except as detailed below.

(a) Taxes

Estimates are required in determining the provision for income and payroll related taxes and contributions (see Note 21).

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

(b) Impairment of property, plant and equipment and intangible assets

Management has assessed whether there are any impairment indicators for property, plant and equipment and contractual relationships as of 30 June 2016. As part of this assessment, management has considered market and industry developments and the Group's actual economic performance against budgeted results that had been incorporated in its impairment models for property, plant and equipment and contractual relationships as of 31 December 2015. No impairment indicators have been identified as of 30 June 2016.

(c) Revenue recognition

As discussed in the consolidated financial statements for the year ended 31 December 2015, critical judgement is involved in determining whether the Group is acting as a principal or as an agent in certain arrangements for operators services. There were no changes in the terms of these arrangements during the period. Had the infrastructure and locomotive tariffs directly attributable to such services and the cost of services provided by other transportation organisations directly attributable to such contracts been excluded from revenues and cost of sales for the six months ended 30 June 2016 both would have decreased by RUB 12,111,935 thousand (for the six months ended 30 June 2015: RUB 13,158,456).

5. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose 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 condensed interim consolidated financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements; they should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 2015. There have been no changes in the risk management policies since the year end.

Liquidity risk

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. As at 30 June 2016, Group current liabilities exceed its current assets by RUB 2,786,555 thousand. The Group generates significant operating cash flows and has in place committed undrawn credit facilities amounting to RUB 21,811,000 thousand which include RR 15 billion of unissued bonds which have been fully underwritten by a consortium of banks. In view of the positive operating cash flows of the Group, availability of committed undrawn credit facilities and the successful history of the Group to refinance its liabilities, management believes that the Group will be able to meet its liabilities as they fall due and the use of going concern as a basis for preparation of this condensed consolidated interim financial information is appropriate.

Fair value of financial assets and liabilities measured at amortised cost

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. The different levels in fair value hierarchy have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

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

	Carrying values		Fair values	
	As at 30-Jun-2016 RUB'000	As at 31-Dec-2015 RUB'000	As at 30-Jun-2016 RUB'000	As at 31-Dec-2015 RUB'000
Bank borrowings	**20,158,528**	20,334,667	**20,189,860**	20,106,213
Loans from third parties	**25,358**	24,264	**24,752**	24,264
Finance lease liabilities	**142,492**	129	**142,492**	42
	20,326,378	20,359,060	**20,357,104**	20,130,519

As at 30 June 2016 the estimated fair value of the fixed interest rate finance lease liabilities with stated maturity denominated in a currency other than the Russian Rouble was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The discount rate used was 2.2% p.a. The fair value measurement of the lease liabilities are within level 3 of the fair value hierarchy.

The fair value as at 31 December 2015 and 30 June 2016 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 the reporting dates. The discount rate used was 11.5% p.a. (2015: ranged from 12.3% p.a. to 13.15% p.a.) depending on the length of the liability. The fair value measurement of the bank borrowings, loans from third parties and lease liabilities are within level 3 of the fair value hierarchy.

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables
- Trade and other payables
- Cash and cash equivalents

6. SEGMENT INFORMATION

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

The Board considers the business from two perspectives: by type of activity and by type of rolling stock used. From a type of activity perspective, 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.

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

Prior 31 December 2015, the information regarding rolling stock reported to the Board did not include IFRS adjustments relating to component approach for wheel pairs. As a result, the wheel-pairs were included within the Group's unallocated assets. In the current period, the reporting package reviewed by the Board changed so that wheel-pairs, including associated information (such as depreciation charge for the period), are now included within the information presented to the Board.

As a result, segment assets currently consist of rolling stock and customer relationships. Unallocated assets comprise all the other assets of the Group.

The Group opted to restate the comparative information presented in these condensed interim consolidated financial information so that the comparative segmental disclosures include information about wheel-pairs in a manner consistent with current period.

The comparative information has also been restated as a result of the change in the Group's accounting policy regarding rolling stock repair and maintenance costs, as discussed in Note 3.

The effect of these restatements on the reportable segment assets as at 31 December 2015 was as follows:

Reportable segments assets at 31 December 2015	As previously reported RUB'000	Restatement RUB'000	As restated RUB'000
Gondola cars (including customer relationships)	44,878,676	2,151,198	47,029,874
Rail tank cars	21,386,056	1,080,117	22,466,173
Other railcars	1,815,166	168,859	1,984,025
Total segment assets	**68,079,898**	**3,400,174**	**71,480,072**

Capital expenditure comprises additions of rolling stock to property, plant and equipment.

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

The Group does not have transactions between different business segments.

	Gondola cars	**Rail tank cars**	**Other railcars**	**Total**
	RUB'000	RUB'000	RUB'000	RUB'000
Six months ended 30 June 2016				
Total revenue – operator's services	18,856,439	12,113,951	640,622	31,611,012
Total revenue – operating lease	31,212	641,963	105,895	779,070
Inter-segment revenue	-	-	-	-
Revenue (from external customers)	18,887,651	12,755,914	746,517	32,390,082
less Services provided by other transportation organisations	(1,512,429)	(31,980)	(29,378)	(1,573,787)
less Infrastructure and locomotive tariffs: loaded trips	(7,136,460)	(3,132,221)	(269,467)	(10,538,148)
Adjusted revenue for reportable segments	**10,238,762**	**9,591,713**	**447,672**	**20,278,147**

	Gondola cars	**Rail tank cars**	**Other railcars**	**Total**
	RUB'000	RUB'000	RUB'000	RUB'000
Six months ended 30 June 2015				
Total revenue – operator's services	15,085,586	16,418,748	920,914	32,425,248
Total revenue – operating lease	26,451	1,127,022	226,503	1,379,976
Inter-segment revenue	-	-	-	-
Revenue (from external customers)	15,112,037	17,545,770	1,147,417	33,805,224
less Services provided by other transportation organisations	(1,306,654)	(96,337)	(56,570)	(1,459,561)
less Infrastructure and locomotive tariffs: loaded trips	(5,807,026)	(5,610,351)	(281,518)	(11,698,895)
Adjusted revenue for reportable segments	**7,998,357**	**11,839,082**	**809,329**	**20,646,768**

Adjusted revenue decreased by RUB 368,621 thousands during the six month period ended as 30 June 2016 as compared to the corresponding period in 2015. The reason for the decrease was the weak performance of the rail tank car segment which was partially offset by solid results for the gondola car segment.

	Gondola cars	Rail tank cars	Other railcars	Total
	RUB'000	RUB'000	RUB'000	RUB'000
Additions to non-current assets (included in reportable segment assets)				
Six months ended 30 June 2016	1,162,398	334,767	19,570	1,516,735
Six months ended 30 June 2015 – as restated	312,763	205,510	12,782	531,055
Depreciation and amortisation				
Six months ended 30 June 2016	(2,093,599)	(677,461)	(112,008)	(2,883,068)
Six months ended 30 June 2015 – as restated	(2,251,464)	(579,994)	(209,186)	(3,040,644)
Impairment charge for property, plant and equipment				
Six months ended 30 June 2016	-	-	-	-
Six months ended 30 June 2015	(338)	-	-	(338)
Reportable segment assets				
30 June 2016	45,554,207(1)	20,591,361	1,859,258	68,004,826
31 December 2015 – as restated	47,029,874(2)	22,466,173	1,984,025	71,480,072

(1)Includes RUB 1,950,566 thousand of intangible assets representing customer relationships
(2)Includes RUB 2,367,695 thousand of intangible assets representing customer relationships

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

	Six months ended 30-Jun-2016	Six months ended 30-Jun-2015
	RUB'000	RUB'000
Adjusted revenue for reportable segments	**20,278,147**	20,646,768
Other revenues	**334,662**	191,715
Total adjusted revenue	**20,612,809**	20,838,483
Cost of sales (excl. Infrastructure and locomotive tariffs - loaded trips, services provided by other transportation organisations, impairments, write-offs of property, plant and equipment, depreciation of property, plant and equipment, amortisation of intangible assets and loss on derecognition arising on capital repairs)	**(11,157,925)**	(10,635,819)
Selling, marketing and administrative expenses (excl. depreciation and impairments)	**(1,754,608)**	(1,982,612)
Depreciation and amortisation	**(2,945,851)**	(3,097,325)
Impairment charge for receivables	**(9,635)**	(48,931)
Write-off of property, plant and equipment	**-**	(338)
Loss on derecognition arising on capital repairs	**(379,197)**	(62,259)
Other income	**-**	188,829
Other gains – net	**77,131**	17,570
Operating profit	**4,442,724**	5,217,598
Finance income	**121,206**	138,499
Finance costs	**(1,214,127)**	(1,635,911)
Net foreign exchange transaction losses on financing activities	**(179,862)**	(350,314)
Share of loss of associates	**(64,445)**	(33,855)
Profit before income tax	**3,105,496**	3,336,017

7. SHARE BASED PAYMENTS

Starting 1 January 2015, the Group has introduced a new remuneration program for some of the members of management. The new remuneration program introduces, amongst other things, a three year compensation scheme in accordance to which, key management receives cash compensation based on the weighted average market quotations of the GDRs of the Company. The scheme falls within the scope of IFRS2 "Share-based payment" and has therefore been classified as a cash-settled share based payment arrangement. The Group has recognised an employee benefit expense of RUB 26,343 thousands in this respect for the six months ended 30 June 2016 (RUB 41,426 thousands for the six months ended 30 June 2015) and share based payment liability as at 30 June 2016 RUB 90,369 thousands (31 December 2015: RUB 79,847 thousands).

8. INTANGIBLE ASSETS

Six months ended 30 June 2016	Customer relationships RUB'000	Software RUB'000	Total RUB'000
Opening amount on 1 January 2016	2,367,695	46	2,367,741
Additions	-	9,499	9,499
Amortisation charge (Note 10)	(417,129)	(477)	(417,606)
Closing amount on 30 June 2016	1,950,566	9,068	1,959,634

9. REVENUE

	Six months ended	
	30-Jun-2016 RUB'000	30-Jun-2015 RUB'000
Railway transportation – operators services (tariff borne by the Group)	**20,163,911**	23,581,926
Railway transportation – operators services (tariff borne by the client)	**11,447,101**	8,843,322
Railway transportation – freight forwarding	**17,047**	8,772
Operating leasing of rolling stock	**779,070**	1,379,976
Other	**317,615**	182,943
Total revenue	**32,724,744**	33,996,939

Note: Revenue from railway transportation – operators services (tariff borne by the Group) includes infrastructure and locomotive tariffs for loaded trips for the six months ended 30 June 2016 amounting to RUB 10,538,148 thousand (for the six months ended 30 June 2015: RUB 11,698,895 thousand) and the cost of engaging the fleet from third parties recharged to clients of the Group amounting to RUB 1,573,787 thousand (for the six months ended 30 June 2015: RUB 1,459,561 thousand).

10. EXPENSES BY NATURE

	Six months ended	
		As restated
	30-Jun-2016 RUB'000	30-Jun-2015 RUB'000
Cost of sales		
Infrastructure and locomotive tariffs: loaded trips	**10,538,148**	11,698,895
Infrastructure and locomotive tariffs: empty run trips and other tariffs	**6,784,892**	6,441,591
Services provided by other transportation organisations	**1,573,787**	1,459,561
Operating lease rentals – rolling stock	**735,437**	661,036
Rental of tank containers	**31,267**	12,475
Employee benefit expense	**438,890**	444,234
Repairs and maintenance	**2,038,630**	1,737,767
Depreciation of property, plant and equipment	**2,500,241**	2,529,991
Loss on derecognition arising on capital repairs	**379,197**	62,259
Amortisation of intangible assets	**417,596**	539,190
Fuel and spare parts – locomotives	**720,060**	784,841
Engagement of locomotive crews	**223,368**	249,809
(Gain)/Loss on sale of property, plant and equipment	**(42,003)**	11,648
Write off of property, plant and equipment	**-**	338
Other expenses	**227,384**	292,418
Total cost of sales	**26,566,894**	26,926,053

	Six months ended	
		As restated
	30-Jun-2016	30-Jun-2015
	RUB'000	RUB'000
Selling, marketing and administrative expenses		
Depreciation of property, plant and equipment	**28,004**	28,073
Amortisation of intangible assets	**10**	71
(Gain)/Loss on sale of property, plant and equipment	**(1,105)**	(1,242)
Employee benefit expense	**848,611**	1,077,218
Impairment charge for receivables	**9,635**	48,931
Operating lease rental – office	**110,058**	115,192
Auditors' remuneration	**24,900**	29,172
Legal, consulting and other professional fees	**41,211**	40,010
Advertising and promotion	**16,201**	14,709
Communication costs	**17,614**	21,987
Information services	**13,055**	13,279
Taxes (other than income tax and value added taxes)	**431,260**	462,084
Other expenses	**252,803**	210,203
Total selling, marketing and administrative expenses	**1,792,257**	2,059,687

	Six months ended	
		As restated
	30-Jun-2016	30-Jun-2015
	RUB'000	RUB'000
Total expenses		
Depreciation of property, plant and equipment (Note 13)	**2,528,245**	2,558,064
Loss on derecognition arising on capital repairs (Note 13)	**379,197**	62,259
Amortisation of intangible assets (Note 8)	**417,606**	539,261
Net (gain)/loss on sale of property, plant and equipment	**(43,108)**	10,406
Rental of tank containers	**31,267**	12,475
Employee benefit expense (Note 11)	**1,287,501**	1,521,452
Impairment charge for receivables	**9,635**	48,931
Write off of property, plant and equipment (Note 13)	**-**	338
Operating lease rentals – rolling stock	**735,437**	661,036
Operating lease rentals – office	**110,058**	115,192
Repairs and maintenance	**2,038,630**	1,737,767
Fuel and spare parts – locomotives	**720,060**	784,841
Engagement of locomotive crews	**223,368**	249,809
Infrastructure and locomotive tariffs: loaded trips	**10,538,148**	11,698,895
Infrastructure and locomotive tariffs: empty run trips, other tariffs	**6,784,892**	6,441,591
Services provided by other transportation organisations	**1,573,787**	1,459,561
Auditors' remuneration	**24,900**	29,172
Legal, consulting and other professional fees	**41,211**	40,010
Advertising and promotion	**16,201**	14,709
Communication costs	**17,614**	21,987
Information services	**13,055**	13,279
Taxes (other than income tax and value added taxes)	**431,260**	462,084
Other expenses	**480,187**	502,621
Total cost of sales, selling and marketing costs and administrative	**28,359,151**	28,985,740

Repairs and maintenance expense increased by RUB 300,863 thousands during the six month period ended 30 June 2016 as compared to the corresponding period in 2015 due to strengthened industry safety regulations coupled with cost inflation related to works and spare parts.

11. EMPLOYEE BENEFIT EXPENSE

	Six months ended	
		As restated
	30-Jun-2016	30-Jun-2015
	RUB'000	RUB'000
Wages and salaries	**870,666**	925,352
Bonus	**153,860**	280,157
Share based payment expense (Note 7)	**26,343**	41,426
Social insurance costs	**236,632**	274,517
Total employee benefit expense	**1,287,501**	1,521,452

Employee benefit expense decreased by RUB 233,951 thousands during the six month period ended 30 June 2016 as compared to the corresponding period in 2015. The decrease was the result of the decrease in the number of employees, due to internal restructuring of the Group, a change in the composition of the Group's key management personnel and lower performance related bonuses.

12. FINANCE INCOME AND COSTS

	Six months ended	
	30-Jun-2016	30-Jun-2015
	RUB'000	RUB'000
Included in finance costs:		
Bank borrowings	**(1,212,527)**	(1,401,112)
Loans from third parties	**(1,094)**	(1,052)
Finance leases	**(1)**	(1,110)
Non-convertible unsecured bonds	**-**	(192,750)
Total interest expense	**(1,213,622)**	(1,596,024)
Other finance costs	**(505)**	(39,887)
Total finance costs	**(1,214,127)**	(1,635,911)
Included in finance income:		
Bank balances	**32,413**	53,864
Short term deposits	**86,107**	83,479
Loans to third parties	**2,686**	1,156
Total interest income	**121,206**	138,499
Total finance income	**121,206**	138,499
Net foreign exchange transaction gain/(losses) on borrowings and other liabilities	**8,365**	(93,877)
Net foreign exchange transaction losses on cash and cash equivalents and other monetary assets	**(188,227)**	(256,437)
Net foreign exchange transaction losses on financing activities	**(179,862)**	(350,314)
Net finance costs	**(1,272,783)**	(1,847,726)

13. PROPERTY, PLANT AND EQUIPMENT

	Six months ended	
		As restated
	30-Jun-2016	30-Jun-2015
	RUB'000	RUB'000
Opening net book amount on 1 January 2016 / 1 January 2015	**70,223,776**	72,107,706
Additions	**1,898,202**	602,901
Disposals	**(66,329)**	(112,431)
Transfer to inventories	**(120,448)**	(66,314)
Write offs	**-**	(338)
Depreciation charge (Note 10)	**(2,528,245)**	(2,558,064)
Derecognition arising on capital repairs	**(379,197)**	(62,259)
Currency translation differences	**(1,566,943)**	(1,505,870)
Closing net book amount on 30 June 2016 / 30 June 2015	**67,460,816**	68,405,331

Additions during the period ended 30 June 2016 mainly related to purchases of gondola wagons and wheel pairs, as well as to capital repairs of rolling stock and locomotives, which were capitalised to property, plant and equipment, in accordance with the Group's new accounting policy regarding capitalisation upon periodic capital repairs.

'Loss on derecognition arising on capital repairs' represents the loss arising upon the capitalisation of periodic capital repairs of rolling stock as a result of the derecognition of the carrying amount of the rolling stock that is attributable to the previous periodic capital repair, in accordance with the Group's new accounting policy regarding capitalisation of repair costs upon periodic capital repairs.

14. TRADE AND OTHER RECEIVABLES

	As at	
	30-Jun-2016	31-Dec-2015
	RUB'000	RUB'000
Trade receivables – third parties	**2,845,521**	2,895,970
Trade receivables – related parties (Note 22)	**4,363**	7,611
Less: provision for impairment of trade receivables	**(338,958)**	(367,909)
Trade receivables – net	**2,510,926**	2,535,672
Other receivables – third parties	**161,584**	79,752
Less: provision for impairment of other receivables	**(28,760)**	(29,500)
Other receivables – net	**132,824**	50,252
Prepayments – third parties	**2,156,390**	2,226,932
Loans to third parties	**40,598**	54,021
VAT and other taxes recoverable	**530,228**	531,459
	5,370,966	5,398,336

	As at	
	30-Jun-2016	31-Dec-2015
	RUB'000	RUB'000
Less non-current portion:		
Prepayments for property, plant and equipment	**86,655**	52,177
Loans to third parties	**36,931**	49,087
Total non-current portion	**123,586**	101,264
Total current portion	**5,247,380**	5,297,072

15. TRADE AND OTHER PAYABLES

	As at	
	30-Jun-2016	31-Dec-2015
	RUB'000	RUB'000
Current		
Trade payables - third parties	**890,902**	691,211
Trade payables - related parties (Note 22)	**604**	-
Other payables - third parties	**549,906**	575,113
Accrued expenses	**165,734**	134,584
Accrued key management compensation, including share based payment (Note 22)	**223,325**	442,778
Advances from customers for transportation services	**1,165,083**	1,743,476
Dividends payable to non-controlling interests	**39,593**	56,532
	3,035,147	3,643,694

	As at	
	30-Jun-2016	31-Dec-2015
	RUB'000	RUB'000
Non-current		
Accrued key management compensation, including share based payment (Note 22)	**71,061**	61,053
	71,061	61,053

The decrease in advances from customers as at 30 June 2016 as compared to the prepayments as at 31 December 2015 mainly arose as a result of timing of advances from customers close to the year end.

16. BORROWINGS

	As at	
	30-Jun-2016	31-Dec-2015
	RUB'000	RUB'000
Current		
Bank borrowings	**9,018,324**	9,294,389
Finance lease liabilities	**142,492**	95
Total current borrowings	**9,160,816**	9,294,484
Non-current		
Bank borrowings	**11,140,204**	11,040,278
Loans from third parties	**25,358**	24,264
Finance lease liabilities	**-**	34
Total non-current borrowings	**11,165,562**	11,064,576
Total borrowings	**20,326,378**	20,359,060

Movements in borrowings are analysed as follows:

	RUB'000
Six months ended 30 June 2016	
Opening amount as at 1 January 2016	20,359,060
Proceeds from bank borrowings	5,862,723
Repayments of bank borrowings	(5,895,404)
Interest charged	1,213,622
Interest paid	(1,199,240)
Net foreign exchange difference	(14,383)
Closing amount as at 30 June 2016	20,326,378

	As at	
	30-Jun-2016	31-Dec-2015
	RUB'000	RUB'000
Maturity of non-current borrowings (excluding finance lease liabilities)		
Between 1 and 2 years	**5,106,599**	4,811,847
Between 2 and 5 years	**6,014,346**	6,252,695
Over 5 years	**44,617**	-
	11,165,562	11,064,542

	As at	
	30-Jun-2016	31-Dec-2015
	RUB'000	RUB'000
Finance lease liabilities – minimum lease payments		
Not later than 1 year	**143,641**	97
Later than 1 year and not later than 5 years	**-**	34
Gross minimum lease payments	**143,641**	131
Future finance charges of finance leases	**(1,149)**	(2)
Present value of finance lease liabilities	**142,492**	129
The present value of finance lease liabilities is as follows:		
Not later than 1 year	**142,492**	95
Later than 1 year and not later than 5 years	**-**	34
	142,492	129

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

	As at	
	30-Jun-2016	31-Dec-2015
	RUB'000	RUB'000
US Dollar	**72**	129
Russian Rouble	**20,183,886**	20,358,931
Euro	**142,420**	-
	20,326,378	20,359,060

The Group has the following undrawn borrowing facilities:

	As at	
	30-Jun-2016	31-Dec-2015
	RUB'000	RUB'000
Fixed rate:		
- expiring within one year	**4,311,000**	1,076,000
- expiring beyond one year	**16,500,000**	17,500,000
Floating rate:		
- expiring within one year	**1,000,000**	1,000,000
Total undrawn borrowing facilities	**21,811,000**	19,576,000

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

	As at	
	30-Jun-2016	31-Dec-2015
	%	%
Bank borrowings	**11.8**	12.0
Loans from third parties	**10.0**	10.0
Finance lease liabilities	**2.2**	2.5

17. INCOME TAXES

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average interim tax rate used for the six months to 30 June 2016 is 24.60% (30 June 2015: 19.20%). The change in the weighted average annual income tax rate is due to changes in the composition of the profitability of the Group by group entities operating in different tax jurisdictions as well as a result of the impact of internal group restructuring.

18. 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 period.

	Six months ended	
		As restated
	30-Jun-2016	30-Jun-2015
Profit for the period attributable to equity holders of the Company (RUB'000)	**1,582,713**	1,421,771
Weighted average number of ordinary shares in issue (thousand)	**178,741**	178,741
Earnings per share for profit attributable to the equity holders of the Company:		
- basic and diluted (expressed in RUB per share)	**8.85**	7.95

19. DIVIDENDS

Dividends to Company shareholders

During the period ended 30 June 2016, the Group declared RUB 2,218,175 thousand and paid RUB 2,218,175 thousand of dividends in favour of shareholders of the Company. No dividends were declared or paid during the period ended 30 June 2015.

Dividends to non-controlling interests

During the period ended 30 June 2016, the Group declared RUB 2,010,784 thousand and paid RUB 2,025,532 thousand (2015: declared RUB 2,144,738 thousand and paid RUB 2,000,000 thousand) of dividends in favour of non-controlling interests.

20. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Share capital RUB'000	Share premium RUB'000	Total RUB'000
At 31 December 2015 / 1 January 2016/ 30 June 2016	**178,740,916**	**516,957**	**27,929,478**	**28,446,435**

21. CONTINGENCIES AND COMMITMENTS

Operating environment

Russian Federation

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. During 2015 and the six months ended 30 June 2016, the Russian economy was negatively impacted by low oil prices, ongoing political tension in the region and continuing international sanctions against certain Russian companies and individuals, all of which contributed to the country's economic recession characterised by a decline in gross domestic product. The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Russia's credit rating was downgraded to below investment grade. This operating environment has a significant impact on the Group's operations and financial position. 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.

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

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length. Management believes that its pricing policy used in 2014 and 2015 and preceding years is arm's length and it has implemented internal controls to be in compliance with this transfer pricing legislation.

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

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group. In 2014, the Controlled Foreign Company (CFC) legislation introduced Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties). Starting from 2015, CFC income is subject to a 20% tax rate.

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

Ukraine

The recent political and economic instability in Ukraine has continued in 2015 and has led to a deterioration of State finances, volatility of financial markets, illiquidity on capital markets, higher inflation and a depreciation of the national currency against major foreign currencies.

As at 30 June 2016 the official exchange rate of Hryvnia against US Dollar was 24.85 per USD 1 as at 30 June 2016 and 24.00 per USD 1 as at 31 December 2015. To constrain further devaluation of Hryvnia the National Bank of Ukraine has imposed a number of restrictions on operations with foreign currency including: a temporary limit on payment of dividends in foreign currency; a temporary ban on early repayment of debts to non-residents; mandatory sale of 65% of revenue in foreign currency and other restrictions on cash and non-cash operations. The Central Bank of Ukraine prolonged these restrictions several times during 2015 and are still applicable until September 2016. However, recently the National Bank of Ukraine has eased a number of these restrictions.

Devaluation of the national currency created pressure on consumer price index. The official inflation rate in Ukraine for 2015 reached 43.3%.

On 11 March 2015 the IMF Executive Board approved a four-year Extended Fund Facility ("EFF") programme for Ukraine exceeding USD 17 billion. During 2015 Ukraine obtained first and second tranches in accordance with the programme in the amount of USD 5 billion and USD 1.7 billion, respectively. In October 2015, Ukraine reached an agreement with the majority of its creditors for restructuring of part of the national external debt in the amount of USD 15 billion. The restructuring pushes out maturities of restructured debt to 2019-2027, fixing annual interest rate at the level of 7.75% and includes exchange of 20% of the debt into GDP warrants at par value of USD 2.9 billion. There remains a significant portion of debt for which a restructuring has not been agreed to.

After reaching the above restructuring agreement on external debt with the majority of its creditors, the credit rating of Ukraine has improved. Further disbursements of IMF tranches depend on the implementation of Ukrainian government reforms, and other economic, legal and political factors.

The banking system is fragile due to its: weak level of capital; its weakening asset quality caused by the economic situation; currency depreciation; and other factors.

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

Legal proceedings

Georgian Railways case

As at 30 June 2016 the Group has outstanding receivables amounting to EUR 3,187 thousand (RUB 226,946) thousand from Georgian Railway relating to invoices issued prior to 1 April 2015. The Georgian Railways dispute the tariffs applied in computing the outstanding balance and thus has not proceeded with the repayment of the amount which remains outstanding. The Group has initiated a claim to the Georgian Court demanding the repayment of the entire balance of RUB 226,946 thousands as well as additional penalties and interest. Whereas the Group has not recognised any penalties or interest income on this receivable balance, management considers that the receivable amount remains recoverable as at 30 June 2016 and thus no provision has been recognised in this respect.

In February 2016, the first court hearing took place during which the facts of the claim were presented. No decisions were taken.

The Group issued additional invoices of EUR 1,555 thousand (RUB 110,732 thousand) to Georgian Railways in the intervening period during 2015 that the rail cars remained in Georgia. The revenue arising from these invoices has not been recognised as it is not probable that future economic benefits will flow to the Group. Furthermore, Georgian Railways have initiated a claim of approximately GEL 16,122 thousand (approximately RUB 445,000 thousand) claiming compensation for storage costs incurred during the period the wagons remain in Georgia plus interest. Management considers that there is no legal basis for the issuance of these invoices from Georgian Railways. Management cannot estimate with sufficient certainty what the outcome of the above cases will be since the court case is still in its early stages.

There are no other legal proceedings or other claims outstanding, as of 30 June 2016 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 this condensed consolidated interim financial information.

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 30 June 2016 and 31 December 2015.

Commitments

(a) *Capital commitments*

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

	As at	
	30-Jun-2016	31-Dec-2015
	RUB'000	RUB'000
Property, plant and equipment	**281,315**	124,739

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

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

The Group also leases various types of rolling stock under cancellable and non-cancellable operating lease agreements. The lease expenditure charged to the income statement during the years is disclosed in Note 10.

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

	As at	
	30-Jun-2016	31-Dec-2015
	RUB'000	RUB'000
Not later than 1 year	359,466	425,896
Later than 1 year and not later than 5 years	899	3,030
	360,365	428,926

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

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

	As at	
	30-Jun-2016	31-Dec-2015
	RUB'000	RUB'000
Not later than 1 year	217,789	443,403
Later than 1 year and not later than 5 years	-	51,141
	217,789	494,544

22. RELATED PARTY TRANSACTIONS

Marigold Investments, Onyx Investments and Maple Valley Investments, are the Company's shareholders with a direct shareholding as at 31 December 2015 and as at 30 June 2016 of 11.5% each.

Litten Investments Limited controlled by member of key management of the Group has a direct shareholding in the Company of 6.3% as at 31 December 2015 and as at 30 June 2016.

59% of the shares represent the free market-float and are held by external investors through the Global Depositary Receipts and ordinary shares held by investors not affiliated or associated with the Company and therefore includes ordinary shares and GDRs held by Goldriver Resources Limited. The remaining 0.2% of the shares of the Company are controlled by Directors and management of the Group.

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

The following transactions were carried out with related parties:

(a) Sales of goods and services

	Six months ended	
	30-Jun-2016	30-Jun-2015
	RUB'000	RUB'000
Sales of services:		
Other related parties		
Entities under significant influence of members of key management	**-**	350
	-	350

(b) Purchases of goods and services

	Six months ended	
	30-Jun-2016	30-Jun-2015
	RUB'000	RUB'000
Purchases of services:		
Other related parties		
Entities under significant influence of members of key management	**-**	125,893
	-	125,893

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

	Six months ended	
	30-Jun-2016	30-Jun-2015
	RUB'000	RUB'000
Additions:		
Other related parties		
Entities under significant influence of members of key management	**-**	9,539
	-	9,539
Disposals:		
Other related parties		
Entities under significant influence of members of key management	**-**	43,137
	-	43,137

(d) Key management compensation

	Six months ended	
	30-Jun-2016	30-Jun-2015
	RUB'000	RUB'000
Key management salaries and other short term employee benefits [1]	**242,259**	312,565
Share based compensation (Note 7)	**26,343**	41,426
	268,602	353,991

(1) Includes directors' remuneration paid to the directors of the Company both by the Company and subsidiaries of the Group in respect of services provided to such subsidiaries amounting to RUB 34,429 thousand for the six months ended 30 June 2016 (six months ended 30 June 2015: RUB 54,948 thousand).

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

	As at 30-Jun-2016 RUB'000	As at 31-Dec-2015 RUB'000
Trade receivables from related parties:		
Associate	**4,363**	7,611
	4,363	7,611

	As at 30-Jun-2016 RUB'000	As at 31-Dec-2015 RUB'000
Trade payables to related parties:		
Associate	**604**	-
	604	-

Accrued key management remuneration:		
Accrued salaries and other short term employee benefits	**204,017**	423,984
Share based payment liability (Note 15)	**90,369**	79,847
	294,386	503,831

23. TRANSACTIONS WITH NON-CONTROLLING INTEREST

Disposal of 40% of Syntezrail Limited

In February 2015 the Group completed the sale of 40% of Syntezrail Limited for the consideration of RUB 201 thousand. The difference between the consideration and the carrying amount of non-controlling interest in Syntezrail amounting to RUB 6,807 thousand was recognised in retained earnings.

24. SUBSEQUENT EVENTS

In July 2016 the Group entered into a number of finance lease arrangements with a third party as a lessor. In accordance to these arrangements, 235 hoppers were leased out to a third party for a period of 7 years. The net book value of the hoppers amounted to RUR 251,216 thousand as of 30 June 2016.

There were no other post balance sheet events that would have a bearing on the understanding of the condensed consolidated interim financial information.

25. SEASONALITY

The operations of the Group are not subject to seasonal fluctuations.

Report on review of interim financial information
To Globaltrans Investment Plc

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of Globaltrans Investment PLC and its subsidiaries (the 'Group') as of 30 June 2016 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union.

PricewaterhouseCoopers

PricewaterhouseCoopers Limited
Chartered Accountants

29 August 2016
Limassol
Cyprus

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