Brunswick Rail Limited and its subsidiary companies

Interim Condensed Consolidated Financial Information for the nine months ended 30 September 2015

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Interim Condensed Consolidated Income Statement for the nine and three months ended 30 September 2015

	Note	**Nine months ended 30 September 2015 US$000**	Nine months ended 30 September 2014 US$000	**Three months to 30 September 2015 US$000**	Three months to 30 September 2014 US$000
Revenue before hedging with non-derivatives effect	5	**102.445**	160.603	**30.844**	52.842
Hedging with non-derivatives effect	10	**-**	(16.174)	**-**	(4.587)
Revenue after hedging with non-derivatives effect		**102.445**	144.429	**30.844**	48.255
Cost of services	6	**(15.666)**	(20.391)	**(5.051)**	(5.038)
Property tax	8	**(6.515)**	-	**(2.021)**	-
Staff compensation, excluding share-based compensation		**(6.249)**	(6.957)	**(1.446)**	(2.099)
Other operating expenses	7	**(14.157)**	(9.714)	**(2.686)**	(6.011)
Other operating income		**427**	2.826	**238**	5
Operating profit before share-based compensation and depreciation		**60.285**	110.193	**19.878**	35.112
Share-based compensation		**(263)**	(2.033)	**-**	(548)
Depreciation and amortisation	12	**(27.407)**	(44.669)	**(8.557)**	(14.778)
Operating profit		**32.615**	63.491	**11.321**	19.786
Finance costs	9	**(51.571)**	(50.485)	**(17.086)**	(18.057)
Finance income	9	**4.159**	689	**1.625**	348
Revaluation of embedded derivatives on mezzanine		**13**	1.194	**(268)**	-
Net foreign exchange translation losses	10	**(108.899)**	(7.929)	**(115.492)**	(12.238)
Net foreign exchange differences reclassified on de-designation of hedge accounting		**-**	(70.794)	**-**	(70.794)
Loss before income tax		**(123.683)**	(63.834)	**(119.900)**	(80.955)
Income tax credit	11	**22.510**	19.151	**21.821**	24.287
Loss for the period attributable to the owners of the Company		**(101.173)**	(44.683)	**(98.079)**	(56.668)

The notes on pages 7 to 19 are an integral part of the interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income for the nine and three months ended 30 September 2015

	Note	**Nine months ended 30 September 2015 US$000**	Nine months ended 30 September 2014 US$000	**Three months to 30 September 2015 US$000**	Three months to 30 September 2014 US$000
Loss for the period		**(101.173)**	(44.683)	**(98.079)**	(56.668)
Other comprehensive (loss)/income:					
Items that may be reclassified subsequently to profit or loss					
Cash flow hedge (derivatives):					
- Cash flow losses on hedging reserve		**(414)**	-	**(6)**	-
- Transfers to income statement		**(1.097)**	-	**(151)**	-
Cash flow hedge (non-derivatives):					
- Exchange differences deferred to equity, net of tax	10, 15	**-**	(89.969)		(73.385)
- Net foreign exchange differences reclassified on de-designation of hedge accounting, net of tax		**-**	56.635		56.635
- Exchange differences recycled to income statement, net of tax	10, 15	**-**	12.939		3.669
Currency translation differences	15	**6.907**	(53.288)	**8.924**	(46.611)
Total items that may be reclassified subsequently to profit or loss		**5.396**	(73.683)	**8.767**	(59.692)
Other comprehensive income/(loss) for the period, net of tax		**5.396**	(73.683)	**8.767**	(59.692)
Total comprehensive loss for the period		**(95.777)**	(118.366)	**(89.312)**	(116.360)
Attributable to:					
Owners of the Company		**(95.777)**	(118.366)	**(89.312)**	(116.360)

Items in the statement above are disclosed net of tax.

The notes on pages 7 to 19 are an integral part of the interim condensed consolidated financial information.

Interim Condensed Consolidated Balance Sheet as at 30 September 2015

Assets	Note	30 September 2015 US$000	31 December 2014 US$000
Non-current assets			
Equipment	12	**521.487**	637.241
Finance leases receivable		**5.531**	7.064
Deferred income tax asset		**34.003**	15.826
Other non-current assets		**3.451**	-
		564.472	660.131
Current assets			
VAT recoverable		**259**	103
Advances paid for rail tariffs		**337**	389
Trade and other receivables	13	**12.512**	13.899
Finance leases receivable		**1.747**	1.524
Derivative financial instruments		**-**	1.282
Current income tax prepayment		**279**	323
Cash and cash equivalents		**79.107**	72.910
		94.241	90.430
Total assets		**658.713**	750.561
Equity deficit and liabilities			
Capital and reserves			
Share capital	14	**268.416**	265.223
Share premium	14	**120.095**	120.095
Treasury shares	14	**(12.837)**	(12.837)
Other reserves	15	**(206.061)**	(211.714)
Accumulated losses		**(287.569)**	(183.203)
Total equity deficit		**(117.956)**	(22.436)
Non-current liabilities			
Borrowings	16	**595.516**	663.629
Mezzanine	20	**83.671**	75.026
		679.187	738.655
Current liabilities			
Trade and other payables	17	**5.834**	5.566
Current income tax liabilities		**15**	118
VAT payable		**3.898**	5.089
Other taxes payable		**1.914**	18
Borrowings	16	**85.546**	23.551
Derivative financial instruments		**275**	-
		97.482	34.342
Total liabilities		**776.669**	772.997
Total equity deficit and liabilities		**658.713**	750.561

The notes on pages 7 to 19 are an integral part of the interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity for the nine months ended 30 September 2015

	Note	Share capital/ share premium/ treasury shares US$000	Other reserves US$000	(Accumulated Losses)/Retained earnings US$000	Total US$000
		Attributable to the owners of the parent			
Balance at 1 January 2014		**349.534**	**(112.617)**	**108.905**	**345.822**
Comprehensive loss:					
Loss for the period		-	-	(44.683)	(44.683)
Total other comprehensive loss		-	(73.683)	-	(73.683)
Total comprehensive loss		-	(73.683)	(44.683)	(118.366)
Transactions with owners					
Issue of preference shares		50.000	-	-	50.000
Transaction costs attributable to issue of preference shares		(2.711)	-	-	(2.711)
Share-based payment	15	-	1.838	-	1.838
Transfer of treasury shares to employees		259	(259)	-	-
Shares acquired for the CEO and Chairman plan		(25.897)	-	-	(25.897)
Transfer of share-based compensation reserve to retained earnings upon vesting		-	(246)	246	-
Dividends declared[1,2]		-	-	(15.199)	(15.199)
Total contribution from and distribution to owners of the Company		21.651	1.333	(14.953)	8.031
Balance at 30 September 2014		**371.185**	**(184.967)**	**49.269**	**235.487**
Balance at 1 January 2015		**372.481**	**(211.714)**	**(183.203)**	**(22.436)**
Comprehensive income:					
Loss for the period		-	-	(101.173)	(101.173)
Total other comprehensive income		-	5.396	-	5.396
Total comprehensive income/(loss)		-	5.396	(101.173)	(95.777)
Transactions with owners					
Issue of preference deferral share capital[3]	14	3.193	-	(3.193)	-
Share-based payment	15	-	257	-	257
Total contribution from and distribution to owners of the Company		3.193	257	(3.193)	257
Balance at 30 September 2015		**375.674**	**(206.061)**	**(287.569)**	**(117.956)**

[1] Out of the US$14 million dividend declared, an amount of approximately US$269 thousand related to a subsidiary entity which holds the LTIP shares.
[2] Includes a cumulative preferred dividend of approximately US$1.562 thousand.
[3] The cumulative dividend of approximately US$3.193 thousand in respect of outstanding Preference Shares and Deferral Shares was deferred and capitalised through an issuance of 3,192,827 Deferral Shares.

The notes on pages 7 to 19 are an integral part of the interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows for the nine months ended 30 September 2015

	Note	Nine months ended 30 September 2015 US$000	30 September 2014 US$000
Cash flows from operating activities			
Loss before income tax		**(123.683)**	(63.834)
Adjustments for:			
Depreciation and amortisation	12	**27.407**	44.669
Provision for bad debts	7	**10.589**	2.498
Profit on disposal of assets		**(367)**	(1.215)
Professional services associated with preparation to a potential IPO process		-	564
Finance income	9	**(4.159)**	(689)
Finance costs	9	**51.571**	50.485
Hedging with non-derivatives effect	10	-	16.174
Revaluation of embedded derivatives on mezzanine		**(13)**	(1.194)
Net foreign exchange translation losses		**108.899**	7.929
Net foreign exchange differences reclassified on de-designation of hedge		-	70.794
Share-based compensation		**263**	2.033
		70.507	128.214
Changes in working capital:			
Trade and other receivables		**(15.593)**	(12.244)
Finance leases receivable		**1.311**	1.166
Trade and other payables		**1.946**	(2.652)
Taxes payable other than income tax and VAT		**1.898**	(1.204)
VAT (paid)/received, net		**(593)**	18.273
Cash generated from operations		**59.476**	131.553
Income tax paid		**(474)**	(556)
Net cash generated by operating activities		**59.002**	130.997
Cash flows from investing activities			
Purchase of railcars including prepayments		-	(89.293)
Purchase of other tangible assets		**(34)**	-
Purchase of spare parts		**(2.409)**	(4.984)
VAT received from tax authorities		-	2.591
VAT paid on purchase of railcars and wheel sets		**(336)**	(16.581)
Proceeds from disposal of assets		**561**	13.572
Interest received		**2.796**	640
Net cash from/(used in) investing activities		**578**	(94.055)
Cash flows from financing activities			
Issuance of preference shares		-	50.000
Transaction costs attributable to issue of preference shares		-	(2.155)
Share buyback		-	(3.118)
Loans granted to CEO and Chairman as part of a long term incentive plan		-	(28.775)
Repayment of loans granted to CEO and Chairman		-	567
Proceeds from bank borrowings		-	151.831
Repayments of bank and other borrowings	20	**(6.350)**	(42.000)
Transaction costs paid on borrowings		-	(2.083)
Interest and commitment fees paid on borrowings		**(30.074)**	(28.336)
Finance leases liabilities – principal repayments		**(761)**	(101.976)
VAT paid on finance lease liabilities		**(229)**	(19.784)
Dividends paid		-	(15.292)
Net cash used in financing activities		**(37.414)**	(41.121)
Net increase/(decrease) in cash and cash equivalents		**22.166**	(4.179)
Cash and cash equivalents at beginning of the period		**72.910**	62.626
Exchange losses on cash and cash equivalents		**(15.969)**	(4.009)
Cash and cash equivalents at end of the period [1]		**79.107**	54.438

[1] As mentioned in Note 2, at 30 September 2015 there is an amount of RUR 4 billion which relates to restricted cash which is not available for general use by the Group in accordance with the terms of the waiver granted by the Group's syndicate banks.

The notes on pages 7 to 19 are an integral part of the interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information

1. General information

Introduction

The interim condensed consolidated financial information consolidated the financial information of Brunswick Rail Limited (the "Company") and its subsidiaries (the "Group"), for the nine and three months ended 30 September 2015.

Country of incorporation

The Company is incorporated in Bermuda as a private limited liability company in accordance with the provisions of the section 14 of the Companies Act 1981. Its registered office is at Wessex House, 2nd Floor, 45 Reid Street, Hamilton HM 12 Bermuda.

Principal activities

The Group's principal activity is to engage in the purchase and leasing of railcars in the "1520 gauge territory" (the railway territory of Russian Federation and CIS), and all ancillary activities thereto, itself or through its subsidiaries. The Group is also engaged in the shipment of iron scrap and other freights mainly within Russian Federation territory using both own and leased railcars as well as railcars provided by third party carriers.

2. Basis for preparation

(a) Statement of compliance

This interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB").

This interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures which would substantially duplicate the information contained in its audited annual consolidated financial statements for 2014 prepared in accordance with International Financial Reporting Standards ("IFRS"), such as accounting policies and details of accounts which have not changed significantly in amount or composition.

The interim condensed consolidated financial information has been prepared under the historical cost convention, except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policy below.

The preparation of financial information in conformity with IAS 34 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 information are disclosed in Note 4.

(b) Going concern

During the first nine months of 2015 there was a continued deterioration in the market environment due to the lingering effects of railcar overproduction and inadequate write-offs in recent years, as well as the impact of falling rail transportation volumes. The industry downturn is severe and is expected to last for the foreseeable future.

As a result, spot daily rates reached unprecedented lows during the reporting period. The Group's share of USD contracts has substantially decreased from 52 percent during 2014 to 33 percent in September 2015. The Group has therefore become a primarily RUB-revenue generating business and Management expects the revenues to be almost 100 percent in RUB in the next two years as USD-denominated contracts expire. In addition, clients' payment discipline continued to deteriorate during the reporting period.

The Group suffered a net loss for the nine months ended 30 September 2015 of approximately US$101.2 million compared to a loss of approximately US$44.7 million in the corresponding period in 2014. Adjusted EBITDA for the nine months ended 30 September 2015 was approximately US$60.3 million, 53 percent lower than the corresponding period in 2014, partly explained by the sharp depreciation of RUB against the USD.

2. Basis for preparation (continued)

(b) Going concern (continued)

While Management believes that it is taking appropriate measures to sustain the Group's business and long-term viability, the continuation of the weak and unstable business environment has severely impacted the Group's profitability and creates material uncertainties over its future viability.

The Group has breached a number of financial and non-financial covenants under certain of its debt obligations. Management is in active negotiations with its syndicated facility lenders to address these breaches. These negotiations are well advanced and Management believes that the outcome of the negotiations will be successful. In the event the Group is unable to address these breaches, the syndicated loan facility could be accelerated (and the security provided to it enforced), which, as a result of cross-default and cross-acceleration provisions in some of the Group's other borrowings, including its Eurobond, could result in most of the Group's other indebtedness also becoming repayable on demand. These conditions, along with the other matters discussed above, indicate the existence of a material uncertainty as to the Group's ability to continue as a going concern.

The Group has prepared a base case cash flow forecast which indicates that the Group's liquidity position allows discharging its obligations in due course during twelve months beginning on 1 October 2015. The following key assumptions were used:

- the group will successfully address the breaches of its obligations;
- RUB/USD exchange rate of 68.7 RUB/USD;
- ability of all of the Group's clients to settle its obligations in due course; and
- the contract terms with the Group's clients will not substantially change compared to the terms as of 30 September 2015 and none of the contracts will be cancelled (other than those incorporated in cash flow forecast).

The cash flow forecast has demonstrated high level of sensitivity to the above assumptions. The cash flow forecast is particularly sensitive to changes in exchange rates, liquidity of customers and management's ability to renegotiate contracts when they expire. The Group may face liquidity problems in case of significant changes of the above assumptions.

Management believes that the base case scenario represents the most probable outcome and accordingly this interim condensed consolidated financial information was prepared on a going concern basis.

3. Accounting policies

The accounting policies and methods of computation adopted in the preparation of this interim condensed consolidated financial information are consistent with those applied in preparation of annual consolidated financial statements for the year ended 31 December 2014 as described therein.

Adoption of New or Revised Standards and Interpretations

In the current period, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in in the interim condensed consolidated financial information:

- Amendments to IAS 19 - Defined Benefit Plans: Employee contributions;
- Annual Improvements to IFRSs 2010-2012 Cycle;
- Annual Improvements to IFRSs 2011-2013 Cycle;

The adoption of these new and revised standards and interpretations did not have a significant effect on the Group's interim condensed consolidated financial information.

New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- Annual Improvements to IFRSs 2012-2014 Cycle[1];
- IFRS 14 Regulatory Deferral Accounts[1];
- Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation[1];
- Amendments to IAS 27 - Equity Method in Separate Financial Statements[1];
- Amendments to IAS 16 and IAS 41 - Agriculture: Bearer Plants[1];
- Amendments to IFRS 11 - Accounting for Acquisition of Interests in Joint Operations[1];
- Amendments to IAS 1 – Disclosure initiative project[1];
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1];
- IFRS 15 Revenue from Contracts with Customers[2];
- IFRS 9 Financial Instruments[3];

[1] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

Management is currently considering the potential impact of the adoption of these Standards and amendments. However, it is not practicable to provide a reasonable estimate of their effect until a detailed review has been completed.

4. Critical accounting estimates and judgments

The preparation of interim condensed consolidated financial information requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the interim condensed consolidated financial information, the significant judgments 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 annual audited consolidated financial statements for the year ended 31 December 2014.

5. Revenue

	Nine months ended		Three months to	
	30 September 2015 US$000	30 September 2014 US$000	**30 September 2015 US$000**	30 September 2014 US$000
Full service operating leases	**66.026**	104.643	**19.023**	36.563
Triple-net operating leases	**21.757**	40.800	**6.677**	10.763
Transportation services income	**13.842**	14.173	**4.882**	5.197
Finance leases	**820**	987	**262**	319
Total external revenue pre hedging	**102.445**	160.603	**30.844**	52.842
Effect of hedging with non-derivatives (Note 10)	**-**	(16.174)	**-**	(4.587)
Total external revenue post hedging	**102.445**	144.429	**30.844**	48.255

The revenue decrease compared to the prior corresponding period was primarily driven by (i) remarketing of railcars to significantly lower spot rates at the conclusion of operating leases, (ii) the sharp decline in the value of RUB against the USD which, in response to client pressure, led to the majority of USD-denominated contracts being renegotiated and switched to RUB-denominated and (iii) remaining USD-denominated client contracts renegotiated at significantly lower USD daily rates.

6. Cost of services

	Nine months ended		Three months to	
	30 September 2015 US$000	30 September 2014 US$000	**30 September 2015 US$000**	30 September 2014 US$000
Depot repairs	**7.145**	12.921	**2.230**	2.915
Other transportation services expenses	**6.499**	4.709	**2.091**	1.613
Other railcar expenses	**1.807**	2.417	**656**	447
Railcar insurance	**206**	164	**65**	57
Transportation services subcontracted	**9**	180	**9**	6
Total cost of services	**15.666**	20.391	**5.051**	5.038

The decrease in costs of services was primarily due to lower depot repairs costs, where on average depot repair costs per railcar have decreased by 6% compared to the corresponding period last year. The increase in other transportation expenses represents rail tariffs for empty-run on the back of an on-going weak transportation market. The reduction in other railcar expenses relates primarily to one-off registration costs in the amount of US$1.1 million incurred during the corresponding period last year as a result of the simplification of the corporate structure project.

7. Other operating expenses

	Nine months ended		Three months to	
	30 September 2015 US$000	30 September 2014 S$000	**30 September 2015 US$000**	30 September 2014 S$000
Provision for bad debts (Note 13)	**10.589**	4.088	**1.543**	4.078
Directors' fees and expenses (Note 20)	**980**	1.061	**320**	312
Rent and related expenses	**816**	1.199	**244**	397
Auditor's remuneration	**327**	386	**151**	145
Legal fees	**315**	275	**173**	88
Other professional fees	**308**	384	**44**	211
Travelling, accommodation and entertainment	**267**	392	**61**	148
Other operating expenses	**194**	363	**84**	122
Advertising and marketing	**117**	266	**13**	62
Consultancy fees	**114**	514	**9**	371
Information technology costs	**86**	123	**30**	41
Communication costs	**44**	99	**14**	36
Professional services associated with preparation to a potential IPO process	**-**	564	**-**	-
Total other operating expenses	**14.157**	9.714	**2.686**	6.011

8. Property tax

In accordance with legislation enacted in 2013, movable property recognized on an entity's balance sheet from 1 January 2013 was exempted from property tax. Following the merger of all Russian operating lease entities into one entity in November 2013, the Group was exempted from property tax throughout 2014.

Following changes to Russian Tax Code that are effective from 1 January 2015, movable property acquired from 1 January 2013 is exempted from taxation, except for property which was recorded on a company's balance sheet as a result of the company's reorganization, liquidation or purchase from related parties. As a result property tax in the amount of US$6.515 thousand was charged to the income statement during the nine months ended 30 September 2015. The aforementioned changes to legislation will not have a retrospective effect.

9. Finance costs and income

	Nine months ended		Three months to	
	30 September 2015 US$000	30 September 2014 US$000	**30 September 2015 US$000**	30 September 2014 US$000
Finance costs				
Interest expenses – Eurobond	**31.804**	31.715	**10.783**	10.906
Interest expenses – syndicated bank loans	**9.146**	1.889	**2.768**	1.635
Interest expenses – mezzanine facility	**8.758**	7.582	**3.031**	2.663
Other borrowing costs	**1.283**	1.311	**331**	666
Interest expenses – finance lease payables	**535**	7.938	**158**	2.172
	51.526	50.435	**17.071**	18.042
Bank charges	**45**	50	**15**	15
	51.571	50.485	**17.086**	18.057
Finance income				
Interest income on bank balances	**(3.062)**	(689)	**(1.474)**	(348)
Fair value gains on interest rate swap - cash flow hedge, transfer from other comprehensive income	**(1.097)**	-	**(151)**	-
	(4.159)	(689)	**(1.625)**	(348)
Net finance costs	**47.412**	49.796	**15.461**	17.709

10. Hedging with non-derivatives

Due to a continuing market downturn, the on-going geopolitical instability and the US and EU sector sanctions imposed in 2014, the proportion of USD-denominated revenues designated in the hedge relationship as hedged item decreased significantly which led to a total de-designation of hedge.

Following the de-designation the USD-denominated Eurobond remained unhedged. As a result of RUB depreciation against the USD during the nine months ended 30 September 2015, net foreign exchange translation losses in the amount of US$108.899 thousand were recognized in the income statement.

The effect of applying hedge accounting with non-derivative financial instruments on both interim condensed consolidated income statement and balance sheet is presented below:

	Nine months ended	
	30 September 2015	30 September 2014
Income statement	**US$000**	US$000
Net loss for the period – pre hedging with non-derivatives	**(101.173)**	(65.078)
Net foreign exchange losses deferred to other comprehensive income	-	112.462
Net foreign exchange differences reclassified on de-designation of hedge accounting		(70.794)
Revenue – foreign exchange losses recycled from other comprehensive income	-	(16.174)
Tax charge – related deferred taxes	-	(5.099)
Net effect on loss after tax	-	20.395
Loss for the period – post hedging with non-derivatives	**(101.173)**	(44.683)
Total equity – pre hedging with non-derivatives	**(117.956)**	235.487
Hedging reserve – exchange differences deferred from income statement	-	(35.206)
Retained earnings – exchange differences deferred to hedging reserve	-	47.196
Translation reserve effect	-	(11.990)
Total effect on equity	-	-
Total equity – post hedging with non-derivatives	**(117.956)**	235.487

11. Income tax expense

Interim period income tax is accrued based on the estimated average annual effective income tax rate of 18 per cent (30 September 2014: 30 per cent). As at 30 September 2015 it is estimated that none of the Group’s subsidiaries have contingent tax liabilities arising from exposure other than remote tax risks (as at 31 December 2014: none).

12. Equipment

	Railcars US$000	Furniture, fittings & office equipment US$000	**Total US$000**
As at 1 January 2015			
Cost	803.277	667	**803.944**
Accumulated depreciation	(166.466)	(376)	**(166.842)**
Net book amount	636.811	291	**637.102**
Nine-month period ended 30 September 2015			
Opening net book amount	636.811	291	**637.102**
Additions	7.619	33	**7.652**
Disposals / retirement of assets	(4.112)	-	**(4.112)**
Depreciation charge	(27.300)	(82)	**(27.382)**
Depreciation on disposal	1.412	-	**1.412**
Exchange differences on cost	(121.241)	(104)	**(121.345)**
Exchange differences on depreciation	27.993	66	**28.059**
Closing net book amount	521.182	204	**521.386**
As at 30 September 2015			
Cost	685.543	596	**686.139**
Accumulated depreciation	(164.361)	(392)	**(164.753)**
Net book amount	521.182	204	**521.386**
As at 1 January 2014			
Cost	1.311.917	1.402	**1.313.319**
Accumulated depreciation	(231.518)	(689)	**(232.207)**
Net book amount	1.080.399	713	**1.081.112**
Nine-month period ended 30 September 2014			
Opening net book amount	1.080.399	713	**1.081.112**
Additions	101.951	33	**101.984**
Disposals / retirement of assets	(20.798)	(113)	**(20.911)**
Depreciation charge	(44.515)	(153)	**(44.668)**
Depreciation on disposal	8.736	113	**8.849**
Exchange differences on cost	(229.511)	(227)	**(229.738)**
Exchange differences on depreciation	42.611	120	**42.731**
Closing net book amount	938.873	486	**939.359**
As at 30 September 2014			
Cost	1.163.559	1.095	**1.164.654**
Accumulated depreciation	(224.686)	(609)	**(225.295)**
Net book amount	938.873	486	**939.359**

During the nine months ended 30 September 2015 the Group's fleet was increased by 183 railcars. Equipment includes 25.537 railcars (31 December 2014: 25.354 railcars) which are held by the Group's subsidiary companies. Out of the total equipment, 20.829 railcars are leased out under operating leases and short-term rentals and 4.708 are used for shipment of iron scrap and other freights. As at 30 September 2015 3.398 railcars (31 December 2014: 3.398 railcars) are pledged as collateral against the syndicated loan. The carrying value of the pledged railcars amounts to US$85.566 thousand (31 December 2014: US$106.003 thousand).

If the railcar fleet was stated at fair market value its value would be US$596.568 thousand (31 December 2014: US$697.909 thousand).

12. Equipment (continued)

Intangible assets in the amount of US$101 thousand are included within the Equipment balance sheet amount on 30 September 2015 (31 December 2014: US$139 thousand). Intangible assets amortisation in the amount of US$25 thousand is included within depreciation and amortisation in income statement for the period ended 30 September 2015 (30 September 2014: US$1 thousand).

13. Trade and other receivables

	30 September 2015 US$000	31 December 2014 US$000
Operating lease income receivables	**6.877**	6.610
Other receivables and prepayments	**3.172**	5.597
Transportation income receivables	**2.463**	1.692
	12.512	13.899

Other than the debtor balances for which a specific provision for impairment of receivables was recognized at the amount of US$19.111 thousand (31 December 2014: US$10.911 thousand), no other trade and other receivables balance is considered impaired.

The 'Other receivables and prepayments' balance includes an amount of US$981 thousand which relates to the sale of 200 railcars during 2014 (31 December 2014: US$4.367 thousand which related to the sale of 761 railcars).

14. Share capital, share premium and treasury shares

	30 September 2015 US$000	31 December 2014 US$000
Share capital	**268.416**	265.223
Share premium	**120.095**	120.095
Treasury shares	**(12.837)**	(12.837)
	375.674	372.481

Redeemable deferral shares

	Number of shares	Share capital US$000	Share premium US$000	Total US$000
At 30 September 2014	-	-	-	-
At 1 January 2015	**3.024.658**	**3.025**	-	**3.025**
Issue of share capital	3.192.827	3.193	-	3.193
At 30 September 2015	**6.217.485**	**6.218**	-	**6.218**

The cumulative dividend of US$3.193 thousand as at 30 June 2015 in respect of outstanding Preference Shares and Deferral Shares was deferred and capitalised through an issuance of 3,192,827 Deferral Shares.

15. Other reserves

	Hedging reserve US$000	Translation reserve US$000	Share-based compensation reserve US$000	Share swap reserve US$000	Total US$000
Balance at 1 January 2014	**(26.981)**	**(32.974)**	**4.766**	**(57.428)**	**(112.617)**
Cash flow hedge (non-derivatives):					
- Exchange differences deferred to equity, net of tax	(89.969)	-	-	-	(89.969)
- Net foreign exchange differences reclassified on de-designation of hedge accounting, net of tax	56.635	-	-	-	56.635
- Exchange differences recycled to income statement, net of tax	12.939	-	-	-	12.939
Currency translation differences	12.170	(65.458)	-	-	(53.288)
Transfer of treasury shares to employees	-	-	(259)	-	(259)
Transfer of share-based compensation reserve to retained earnings upon vesting	-	-	(246)	-	(246)
Share-based payment	-	-	1.838	-	1.838
Balance at 30 September 2014	**(35.206)**	**(98.432)**	**6.099**	**(57.428)**	**(184.967)**
Balance at 1 January 2015	**1.511**	**(158.556)**	**2.759**	**(57.428)**	**(211.714)**
Cash flow hedge (derivatives):					
- Cash flow losses on hedging reserve	(414)	-	-	-	(414)
- Transfers to income statement	(1.097)	-	-	-	(1.097)
Currency translation differences	-	6.907			6.907
Share-based payment	-	-	257	-	257
Balance at 30 September 2015	**-**	**(151.649)**	**3.016**	**(57.428)**	**(206.061)**

16. Borrowings

	30 September 2015 US$000	31 December 2014 US$000
Non-current borrowings		
Eurobond	**592.830**	590.654
Bank borrowings	**-**	69.103
Other borrowings (Note 20)	**-**	-
Finance lease payables	**2.686**	3.872
	595.516	663.629
Current borrowings		
Eurobond	**16.250**	6.500
Bank borrowings	**59.705**	1.232
Other borrowings (Note 20)	**8.412**	14.740
Finance lease payables	**1.179**	1.079
	85.546	23.551
Total borrowings	**681.062**	687.180

16. Borrowings (continued)

	30 September 2015 US$000	31 December 2014 US$000
Maturity of non-current borrowings (excluding finance lease liabilities)		
Later than 1 year and not later than 3 years	**592.830**	69.103
Later than 3 years and not later than 5 years	**-**	590.654
	592.830	659.757

Finance lease liabilities

	30 September 2015 US$000	31 December 2014 US$000
Maturity of non-current liabilities from finance leases		
Later than 1 year and not later than 3 years	**1.726**	2.448
Later than 3 years and not later than 5 years	**835**	870
Over 5 years	**125**	554
	2.686	3.872

17. Trade and other payables

	30 September 2015 US$000	31 December 2014 US$000
Trade payables and accrued expenses	**4.242**	3.664
Advances from customers	**1.592**	1.902
	5.834	5.566

18. Contingencies, commitments and operating risks

Operating Environment

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market, which decreased significantly during 2014 and 2015. Management is unable to reliably estimate the effects of any further price fluctuations on the Company’s financial position.

During 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. International credit agencies downgraded Russia’s long-term foreign currency sovereign rating with a negative outlook.

During 2015 the economic situation is more stable, although the above mentioned events have led to reduced access of the Russian businesses to international capital markets, increased inflation, slackening of the economic growth rates and other negative economic consequences. The impact of further political and economic developments in Russia on future operations and financial position of the Group is at this stage difficult to determine.

Compliance with covenants

The Group is required to be in compliance with certain financial and business covenants relating to the syndicated loan facility during its tenure. Non-compliance with these covenants could, in the absence of waiver or early repayment, result in negative consequences for the Group, including potential declarations of default, acceleration, enforcement of security and cross-defaults under other indebtedness.

18. Contingencies, commitments and operating risks (continued)

Compliance with covenants (continued)

The Group has breached a number of financial and non-financial covenants under certain of its debt obligations. Management is in active negotiations with its syndicated facility lenders to address these breaches.

19. Operating lease commitments

The future aggregate minimum rentals receivable under non-cancelable operating leases are as follows:

	30 September 2015 US$000	31 December 2014 US$000
Not later than 1 year	**16.907**	18.578
Later than 1 year but not later than 5 years	**11.823**	24.920
	28.730	43.498

The Group leases out all railcars under operating lease arrangements for a period of 1 – 7 years.

The future aggregate total rentals receivable under cancelable operating leases, excluding fines for early termination, are as follows:

	30 September 2015 US$000	31 December 2014 US$000
Not later than 1 year	**88.073**	105.492
Later than 1 year but not later than 5 years	**150.623**	241.795
Later than 5 years	**7.670**	22.365
	246.366	369.652

20. Related party transactions

There is no single ultimate controlling party which exercises control over the affairs of the Group.

Transactions with related parties are as follows:

Key management compensation

	Nine months ended		Three months to	
	30 September 2015 US$000	30 September 2014 US$000	**30 September 2015 US$000**	30 September 2014 US$000
Salaries and other benefits	**2.878**	2.377	**471**	706
Directors' fees and expenses	**980**	1.061	**320**	312
Share-based payment	**263**	1.587	**-**	490
Bonuses	**29**	21	**4**	12
	4.150	5.046	**795**	1.520

Shareholder loan

	30 September 2015	31 December 2014
	US$000	US$000
Balance at the beginning of period/year	**14.740**	14.740
Principal repayment	**(6.350)**	-
Interest charged	**428**	495
Interest paid	**(400)**	(484)
Currency translation differences	**(6)**	(11)
Balance at the end of period/year	**8.412**	14.740
Current portion	**8.412**	14.740
Non-current portion	**-**	-
Total shareholder loan	**8.412**	14.740

On 16 March 2015 the Group signed a novation and an amendment and restatement agreement to the original US$14.7 million loan agreement with one of its shareholders' affiliate based on which the Group repaid an amount of US$5 million on the same day. In accordance with the revised terms of the agreement, the remaining loan carries an interest rate of 3-month USD LIBOR + 600 basis points, includes an agreed payment schedule and the final maturity date of the loan is extended to 30 June 2017. The Group repaid an additional amount of US$1.35 million on 31 July 2015.

Mezzanine

	30 September 2015	31 December 2014
	US$000	US$000
Balance at the beginning of period/year	**75.026**	64.872
Interest accrued	**8.841**	10.434
Unamortised borrowing costs under the effective interest method	**(83)**	(22)
Currency translation differences	**(113)**	(258)
Balance at the end of period/year	**83.671**	75.026

21. Non-IFRS measures

The table below represents a reconciliation of the IFRS loss for the period ended 30 September 2015 and 2014 to Adjusted EBITDA which is not defined by IFRS and used by Management for decision-making purposes as part of the analysis of the Group's results:

	Nine months ended		Three months to	
	30 September 2015 US$000	30 September 2014 US$000	**30 September 2015 US$000**	30 September 2014 US$000
Loss for the period	**(101.173)**	(44.683)	**(98.079)**	(56.668)
plus/(minus):				
Income tax credit	**(22.510)**	(19.151)	**(21.821)**	(24.287)
Net foreign exchange differences reclassified on de-designation of hedge accounting	**-**	70.794	**-**	70.794
Net foreign exchange translation losses	**108.899**	7.929	**115.492**	12.238
Revaluation of embedded derivatives on mezzanine	**(13)**	(1.194)	**268**	-
Finance income	**(4.159)**	(689)	**(1.625)**	(348)
Finance costs	**51.571**	50.485	**17.086**	18.057
Depreciation and amortisation	**27.407**	44.669	**8.557**	14.778
Share-based compensation	**263**	2.033	**-**	548
Professional services associated with preparation to a potential IPO process	**-**	564	**-**	-
Railcars re-registration costs	**-**	1.064	**-**	8
Hedging with non-derivatives effect	**-**	16.174	**-**	4.587
Adjusted EBITDA	**60.285**	127.995	**19.878**	39.707

22. Events after the balance sheet date

On 29 September 2015, as a result of the investigation of the Management's practices and operations, including compliance with the Group's internal policies and ethical standards initiated by the Board of Directors, the Group announced changes in its key management. Based on the preliminary results of the investigation, the Group's CEO was dismissed, and several senior managers of the Group were suspended.

On 27 October 2015 the Group signed an Amended and Restated Loan Agreement with one of its shareholders' affiliate based on which the Amended and Restated Loan Agreement previously signed on 16 March 2015 was further amended and restated. The revised terms of the agreement amended the agreed payment schedule and extended the final repayment date to 31 December 2017.