***Held-to-maturity investments***

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

***Available-for-sale financial assets (AFS financial assets)***

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The Group holds debt securities of a related party and classifies them as AFS. Fair value of these bonds is determined using Level 3 of the fair value hierarchy with reference to quoted prices of similar instruments traded on MICEX.

***Cash and cash equivalents***

Cash and cash equivalents are carried at amortised cost and include cash on hand and bank deposits with initial maturities of three months or less. Amounts with restrictions over their availability of use are not included in the cash and cash equivalents.

***Allowance for impairment losses***

The Group accounts for impairment of financial assets not recorded at fair value when there is objective evidence of impairment of a financial asset or a group of financial assets. The impairment of financial assets represents the difference between the carrying amount of the asset and net present value of estimated future cash flows including amounts which can be received on guarantees and security discounted using an initial effective interest rate on financial assets recorded at amortised cost. If in a subsequent period the impairment amount decreases and such a decrease can be objectively associated with an event occurring after recognition of the impairment then the previously recognised impairment loss is reversed with an adjustment of the provision account.

The impairment is calculated based on the analysis of assets subject to risks and reflects the amount sufficient, in the opinion of the management, to cover relevant losses. The provisions are created as a result of an individual assessment of individually significant financial assets and on the basis of an individual or collective assessment of financial assets that are not individually significant. Specifically, trade receivables aged over 90 days after the date of settlement agreed contractually are provided for based on estimated irrecoverable amounts, determined by reference to past experience and are regularly reassessed based on the facts and circumstances existing as at each reporting date. Specific provision of 100% is charged for accounts receivable which are considered not to be recoverable.

The change in the impairment is included into profits using the provision account. Assets recorded in the statement of financial position are reduced by the amount of the impairment. The factors the Group evaluates in determining the presence of objective evidence of impairment loss include information on liquidity of the debtor or issuer, their solvency, business risks and financial risks, levels and tendencies of default on obligations on similar financial assets, national and local economic tendencies and conditions, and fair value of the security and guarantees. These and other factors individually or in the aggregate represent, to a great extent, an objective evidence of impairment loss on the financial asset or group of financial assets.

***Derivative financial instruments***

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risks, e.g. by purchasing foreign exchange forward contracts from the financial institutions. Derivative financial assets and liabilities are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

***Other financial liabilities***

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

**Charter capital and additional capital**

Contributions to charter capital are recognised at cost. Additional capital represents the amount of additional contributions received from the shareholders and entities under common control with the Company.

Costs directly attributable to the issue of new equity instruments are deducted from equity net of any related income taxes.

**Revenue recognition**

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Specifically, revenue from the sale of goods is recognised when goods are delivered and legal title is passed.

Interest income is recognised on a time proportion basis using the effective interest method. Interest income includes income earned on deposits with banks and interest earned from loans and other debt instruments. Other income is credited to income when the related transactions are completed.

All other fees, commissions and other income items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Contractual fines and penalties are recognised as income with reference to the original or modified terms of the lease agreements or based on court decisions.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Government grants**

Government grants comprise compensation of interest expense under bank loans. Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to compensation of interest expense under bank loans are credited to profit or loss over the periods of the related interest expense unless this interest was capitalised into the cost of property, plant and equipment in which case they are deducted from the cost of the respective items of property, plant and equipment as government grants and credited to the profit or loss on a straight-line basis over the expected lives of these assets.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

***Deferred tax***

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the preliminary consolidated financial information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

***Current and deferred tax for the period***

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

**Provisions**

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

**Contingencies**

Contingent liabilities are not recognised in the consolidated financial statements unless they arise as a result of a business combination. Contingences attributed to specific events are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the financial statements but are disclosed when an inflow of economic benefits is probable.

*Thousands of US Dollars*

**Adoption of new and revised Standards and Interpretations**

In the current year, the Group has adopted all new and revised standards and interpretations issued by the IASB and the IFRIC of the IASB that are mandatory for adoption in the annual periods beginning on or after 1 January 2014. Their adoption did not have any effect on the financial performance or position of the Group.

## 3. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") IN ISSUE BUT NOT YET EFFECTIVE

At the date of authorisation of these consolidated financial statements, the following Standards and Interpretations were in issue but not yet effective, and have not been early adopted.

| Standards and Interpretations | Effective for annual periods beginning on or after |
|---|---|
| Amendments to IAS 1 "Presentation of Financial Statements" – Disclosure Initiative | 1 January 2016 |
| Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" – Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| Amendments to IAS 19 "Employee benefits" (2011) – Defined benefit pension plan: contribution of employees | 1 July 2014 |
| Amendments to IAS 27 "Separate Financial Statements" (2011) – Equity Method in Separate Financial Statements | 1 January 2016 |
| IFRS 9 "Financial Instruments" | 1 January 2018 |
| Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" (2011) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | 1 January 2016 |
| Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" (2011): Investment Entities – Applying the Consolidation Exception | 1 January 2016 |
| Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations | 1 January 2016 |
| IFRS 14 "Regulatory Deferral Accounts" | 1 January 2016 |
| IFRS 15 "Revenue from Contracts with Customers" | 1 January 2018 |
| Annual Improvements 2010-2012 Cycle | 1 July 2014 |
| Annual Improvements 2011-2013 Cycle | 1 July 2014 |
| Annual Improvements 2012-2014 Cycle | 1 January 2016 |

The Group is currently assessing the impact of the new standards on its consolidated financial statements and plans to adopt these pronouncements when they become effective or earlier if early application is permitted and it enhances fair presentation of the consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's consolidated financial statements.

**Amendments to IAS 1 *"Presentation of Financial Statements" – Disclosure Initiative***

Amends IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgment in presenting their financial reports by making the following changes:

- Clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;
- Clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss;
- Additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

**Amendments to IAS 16 *"Property, Plant and Equipment"* and IAS 38 *"Intangible Assets"* – *Clarification of Acceptable Methods of Depreciation and Amortisation***

Amends IAS 16 Property, Plant and Equipment to clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. Amends IAS 38 introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where:

- The intangible asset is expressed as a measure of revenue, or when
- It can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated

Amendments are prospectively applied since the period beginning 1st January 2016. The Group uses the straight-line method of depreciation and amortisation. The management of the Group considers the straight-line method as the most relevant for consumption of economic benefits from using of the respective assets. The management of the Group does not expect the significant impact of application of amendments to IAS 16 and IAS 38 mentioned hereinbefore on the consolidated financial statements.

**Amendments to IAS 19 *"Employee benefits" (2011) – Defined benefit pension plan: contribution of employees***

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties that are linked to services to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service either using the plan's contribution formula or on a straight-line basis; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The management of the Group expect that the application of amendments to IAS 19 mentioned hereinbefore does not have significant impact on the consolidated financial statements

**IFRS 9 *"Financial Instruments"***

The completed IFRS 9 (as revised in 2014) contains the requirements for the classification and measurement of financial assets and financial liabilities. In October 2010 amendments to IFRS 9 were introduced which contains the new requirements for the classification and measurement of financial liabilities and derecognition requirements. In November 2013 the new requirements for hedge accounting were added to IFRS 9. The amended version of IFRS 9 was issued in July 2014. The main changes includes: a) the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit; b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

**Amendments to IFRS 11 *"Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations***

The amendments to IFRS 11 provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in IFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 *Impairment of Assets* regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation. A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

**IFRS 15 *"Revenue from Contracts with Customers"***

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. IFRS 15 becomes applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

**Annual Improvements 2010-2012 Cycle**

Makes amendments to the following standards:

- IFRS 2 – Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition';
- IFRS 8 – Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarifies that reconciliations of segment assets only required if segment assets are reported regularly;
- IFRS 13 – Clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only);
- IAS 16 and IAS 38 – Clarifies that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount;
- IAS 24 – Clarifies how payments to entities providing management services are to be disclosed.

**Annual Improvements 2011-2013 Cycle**

Makes amendments to the following standards:

- IFRS 1 – Clarifies which versions of IFRSs can be used on initial adoption (amends basis for conclusions only);
- IFRS 3 – Clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself;
- IFRS 13 – Clarifies the scope of the portfolio exception in paragraph 52;
- IAS 40 – Clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

**Annual Improvements 2012-2014 Cycle**

Makes amendments to the following standards:

- IFRS 5 – Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued;
- IFRS 7 – Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements;
- IAS 9 – Clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid;
- IAS 34 – Clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference.

## 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities in future periods include:

**Tax laws**

Tax and foreign currency laws of the Russian Federation allow for different interpretations and are subject to alterations made frequently (Note 26). Management's interpretation of such legislation in applying it to business transactions of the Group may be challenged by the relevant regional and federal authorities enabled by law to impose fines and penalties. It is possible that the tax treatment of transactions that have not been challenged in the past may have been challenged. Fiscal periods remain open to review by the tax authorities in respect of taxes for the three calendar years preceding the year of tax review. Under certain circumstances reviews may cover longer periods. While the Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation, the above facts may create additional financial risks for the Group (see Note 26). In management's judgement the Group has no material uncertain tax exposures that would require disclosure or recognition of additional tax provisions as at 31 December 2014.

**Related party transactions**

In the normal course of its business, the Group enters into related party transactions. Identification of related parties calls inevitably for the application of management's professional judgment.
The related party disclosures in these consolidated financial statements, in the opinion of the management, provide all information necessary to attract attention to the potential effect of the Group's transactions and outstanding mutual payment balances with related parties on its financial position and financial performance (Note 24).

IAS 39 requires initial recognition of financial instruments based on their fair values. Judgment is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgment is pricing for similar types of transactions with non-related parties and effective interest rate analyses. Terms and conditions of related party balances are disclosed in Note 24.

**Allowance for impairment of financial assets**

The Group regularly reviews its financial assets to assess for impairment. The Group's most significant exposure to credit risk relates to loans receivable and investments in debt securities of a related party. As at 31 December 2014, the carrying value of loans receivable and investments in debt securities of a related party amounted to USD 551,718 thousand (Note 11) and USD 38,835 thousand (Note 8), respectively. The Group didn't recognise any impairment in respect of these assets.

**Impairment of property, plant and equipment**

The Group reviews at each reporting date the carrying amounts of its property, plant and equipment to determine whether there is any indication that assets are impaired. This process involves judgment in evaluating the cause for any possible reduction in value, including a number of factors such as changes in current competitive conditions, expectations of growth in the industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate impairment may exist.

Whenever such indications exist management makes an estimate of the asset's recoverable amount to ensure that it is not less than its carrying value. If the asset's fair value is not readily determinable or is less than asset's carrying value plus costs to sell, management necessarily applies its judgment in determining the appropriate cash generating unit to be evaluated, estimating the appropriate discount rate and the timing and value of the relevant cash flows for the value-in-use calculation.

The Group carried out a review of recoverable amount of its property, plant and equipment at the reporting date. For this purpose, the recoverable amount of railway cars was determined based on value in use calculations. Value in use calculation uses cash flow projections based on actual operating results and business plan approved by management and corresponding discount rate which reflects time value of money and risks associated with the Group's operations. Key assumptions management used in their value in use calculation are as follows:

- The Group estimated its future cash flows for the period from 2015 to 2019, after which it assumed a constant amount of cash flow in real terms for the remaining average useful life of the existing assets;
- Cash inflow projections are based on the average daily contractual revenue, which is calculated by management as average daily leasing rate for leased rail cars;
- Prices for rail car repairs are expected to remain at a level of prices effective in 2014 in real terms;
- The pre-tax discount rate used in the calculations was equal to 7.4% in real terms. It has been determined with reference to the estimated weighted average cost of capital of the Group.

Values assigned to key assumptions and estimates used to measure the unit's recoverable amount are consistent with external sources of information and historic data for each cash-generating unit. Management believes that the values assigned to the key assumptions and estimates represent the most realistic assessment of future trends.

No impairment was recognised and the management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause any impairment.

*Thousands of US Dollars*

## 5. PROPERTY AND EQUIPMENT

Movements in the carrying amounts of property and equipment were as follows:

| | Railcars (leased) | Railcars (not leased) | Other fixed assets | Total |
|---|---|---|---|---|
| **COST** | | | | |
| **Balance at 1 January 2013** | **366,147** | 50 | **48** | **366,245** |
| Additions | 217,698 | 10,269 | 26 | 227,993 |
| Disposals | (63) | (24) | (12) | (99) |
| Translation to presentation currency | (31,782) | (279) | (2) | (32,063) |
| **Balance at 31 December 2013** | **552,000** | **10,016** | **60** | **562,076** |
| Additions | 587,836 | 8,215 | - | 596,051 |
| Transfers between groups | 3,672 | (3,672) | - | - |
| Transfer to goods for sale | (198,514) | - | - | (198,514) |
| Translation to presentation currency | (387,688) | (5,631) | (40) | (393,359) |
| **Balance at 31 December 2014** | **557,306** | **8,928** | **20** | **566,254** |
| **ACCUMULATED DEPRECIATION** | | | | |
| **Balance at 1 January 2013** | **19,422** | - | **28** | **19,450** |
| Depreciation expense | 26,807 | 54 | - | 26,861 |
| Disposals | (4) | - | - | (4) |
| Translation to presentation currency | (2,120) | (2) | (2) | (2,124) |
| **Balance at 31 December 2013** | **44,105** | **52** | **26** | **44,183** |
| Depreciation expense | 39,895 | 351 | 7 | 40,253 |
| Transfers between groups | 16 | (16) | - | - |
| Transfer to goods for sale | (2,469) | - | - | (2,469) |
| Translation to presentation currency | (30,719) | (127) | (13) | (30,859) |
| **Balance at 31 December 2014** | **50,828** | **260** | **20** | **51,108** |
| **NET BOOK VALUE** | | | | |
| **1 January 2013** | **346,725** | **50** | **20** | **346,795** |
| **31 December 2013** | **507,895** | **9,964** | **34** | **517,893** |
| **31 December 2014** | **506,478** | **8,668** | **-** | **515,146** |

As at 31 December 2014 property and equipment with the net book values of USD 461,991 thousand was pledged as collateral for the Group's borrowings (31 December 2013 – USD 483,517 thousand).

## 6. PREPAYMENTS FOR PROPERTY AND EQUIPMENT

Prepayments for property and equipment included the following:

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Prepayments made – CJSC "TVSZ" | 29,991 | 42,945 |
| Prepayments made – TH UWC | 818 | - |
| Prepayments made – Titran-Express | 65 | 111 |
| Prepayments made – third parties | 578 | 1,871 |
| **Total prepayments for property and equipment** | **31,452** | **44,927** |

*Thousands of US Dollars*

## 7. INVESTMENT IN A JOINT VENTURE

During 2012 the Company entered into a joint venture agreement with Mitsui Corporation and acquired a 50% share in IMRCR Limited (Cyprus). The joint venture started its operation in 2013. The joint venture's primary business is operating lease of railcars to transportation and manufacturing companies within Russia.

Summarised financial information in respect of the Group's joint venture and its reconciliation to the carrying amount of the interest in the joint venture are set out below. The summarised financial information below represents amounts shown in the joint venture's consolidated financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Cash and cash equivalents | 3,838 | 2,683 |
| Other current assets | 308 | 6,608 |
| Non-current assets | 27,028 | 39,784 |
| Short-term borrowings | (25,014) | (27,146) |
| Other current liabilities | (513) | (3,074) |
| Non-current liabilities | - | (1) |
| **Net assets of the joint venture** | **5,647** | **18,854** |
| Proportion of the Group's ownership interest in the joint venture | 50% | 50% |
| **Carrying amount of the Group's interest in the joint venture** | **2,823** | **9,427** |

| | 2014 | 2013 |
|---|---|---|
| Revenue | 7,118 | 1,908 |
| Net loss for the year | (7,756) | (40) |
| Other comprehensive income for the year | (5,451) | (1,105) |
| Total comprehensive loss for the year | (13,207) | (1,145) |

The above loss for the year includes the following:

| | 2014 | 2013 |
|---|---|---|
| Depreciation and amortisation | (2,673) | (882) |
| Interest income | 13 | 47 |
| Interest expense | (2,014) | (319) |
| Income tax (expense) / benefit | 1,830 | (45) |