CONSOLIDATED ANNUAL REPORT

(translation of the Estonian original)

Beginning of financial year:	01.01.2015
End of financial year:	31.12.2015
Business name:	AS Spacecom
Commercial Registry no.:	10940566
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Table of contents

Management report

AS Spacecom was founded and registered in Estonia in 2003.

The parent of AS Spacecom is Globaltrans Investments Holding PLC (Cyprus). As at 31.12.2015, AS Spacecom Group (hereinafter "the Group") includes the subsidiary Ekolinja OY (100%). AS Spacecom also has a 25.27% ownership interest in the associate A/S Daugavpils Lokomotivju Remonta Rupnica (Latvia).

The core activity of the Group is leasing of railway rolling stock. As at 31.12.2015, the Group had 4,969 railway tanks (as at 31.12.2014: 4,969 railway tanks). All railway tanks are leased out mainly for a term of 1-3 years.

The Group's Management Board has two members and their remuneration with accompanying taxes amounted to EUR 400 thousand in 2015 (2014: EUR 392 thousand). No remuneration was paid to the members of the Supervisory Board in 2015 and 2014. The average number of employees in the reporting period was 19 (2014: 18 people) and the number of employees at the year-end was 19 (31.12.2014: 17). In 2015, staff costs including taxes amounted to EUR 1,869 thousand (2014: EUR 2,371 thousand).

The overall development of environment where the Group was operating during 2015, as well as political pressures, has had negative impact on the Group's operating results. Political and economic situation in the world and in Russia harmed financial and economic environment of the Group's customers, which in turn affected their paying capacity.

Expenses on planned repair of railway cars decreased comparing to the previous year. In 2015 the Group's Management continued to improve the customer base and where necessary, redirected the main operations from one market to another. In 2016 the Group's Management will also continue to monitor the composition of the lessee base as well as changes therein in response to market demand.

Key ratios characterizing the performance of the Group are as follows:

	2015	2014
Return on assets	-1.53%	6.72%
Return on equity	-1.56%	7.29%
Debt to assets ratio	2.95%	1.93%

Return on assets = net profit / average assets
Return on equity = net profit / average equity
Debt to assets ratio = liabilities / assets

Financial statements

Consolidated balance sheet

(in thousands of euros)

	31.12.2015	31.12.2014	Note
Assets			
Current assets			
Cash	1,098	530	2
Receivables and prepayments	5,726	7,235	3, 4
Inventories	425	418	5
Total current assets	**7,249**	**8,183**	
Non-current assets			
Investments into subsidiaries and associates	822	1,612	7,23
Receivables and prepayments	4,492	4,053	3
Property, plant and equipment	128,899	135,002	8
Total non-current assets	**134,213**	**140,667**	
Total assets	**141,462**	**148,850**	
Liabilities and equity			
Liabilities			
Current liabilities			
Borrowings	0	1	
Payables and prepayments	4,171	2,867	10
Total current liabilities	**4,171**	**2,868**	
Total liabilities	**4,171**	**2,868**	
Equity			
Equity attributable to shareholders of parent company			
Share capital at nominal value	80	80	11
Statutory reserve capital	8	8	
Retained earnings (accumulated losses)	139,417	135,624	11
Profit (loss) for financial year	-2,214	10,270	
Total equity attributable to shareholders of parent company	**137,291**	**145,982**	
Total equity	**137,291**	**145,982**	
Total liabilities and equity	**141,462**	**148,850**	

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Consolidated income statement

(in thousands of euros)

	2015	2014	Note
Revenue	23,695	40,568	12
Other income	277	425	13
Other operating expenses	-17,786	-23,602	14
Depreciation and impairment charges	-6,585	-6,603	8
Other expenses	-6	-19	
Total operating profit (loss)	**-405**	**10,769**	
Profit (loss) from subsidiaries and associates	-790	-239	7
Interest expenses	0	-189	16
Other finance income and expenses	600	-71	17
Profit (loss) before income tax	**-595**	**10,270**	
Corporate income tax	-1,619	0	11
Net profit (loss) for the financial year	**-2,214**	**10,270**	
Incl. net profit (loss) attributable to the shareholder of the parent company	-2,214	10,270	

Consolidated statement of cash flows

(in thousands of euros)

	2015	2014	Note
Cash flows from operating activities			
Operating profit (loss)	-405	10,769	
Adjustments:			
Depreciation and impairment charges	6,585	6,603	8
Profit (loss) on disposal of property, plant and equipment	0	-391	8, 13
Total adjustments	**6,585**	**6,212**	
Change in receivables and prepayments related to operating activities	2,044	3,929	3, 4, 6
Change in inventories	-7	557	5
Change in payables and prepayments related to operating activities	-1,373	-2,296	6, 10
Interest paid	0	-202	16
Net cash generated from operating activities	**6,844**	**18,969**	
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	-482	-878	
Proceeds from sale of property, plant and equipment and intangible assets	0	1,040	
Loans granted	-2,560	-3,521	18
Repayments of loans granted	2,125	0	18
Net cash used in investing activities	**-917**	**-3,359**	
Cash flows from financing activities			
Repayments of loans received	-1	-2,193	
Repayments of finance lease principal	0	-13,856	
Dividends paid	-4,335	0	11
Corporate income tax paid	-1,084	-398	11
Net cash used in financing activities	**-5,420**	**-16,447**	
Total cash flows	**507**	**-837**	
Cash and cash equivalents at the beginning of the year	530	1,213	2
Net increase in cash and cash equivalents	**507**	**-837**	
Effect of exchange rate changes	61	154	
Cash and cash equivalents at the end of the year	1,098	530	2

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Consolidated statement of comprehensive income

(in thousands of euros)

	2015	**2014**
Net profit (loss) for the financial year	-2,214	10,270
Total comprehensive profit (loss) for the financial year	**-2,214**	**10,270**
Incl. total comprehensive profit (loss) attributable to the shareholder of the parent company	-2,214	10,270

Consolidated statement of changes in equity

(in thousands of euros)

	Equity attributable to shareholders of parent company			Total
	Share capital	Statutory reserve capital	Retained earnings (accumulated losses)	
Balance as of 31.12.2013	80	8	135,624	135,712
Net profit (loss) for the financial year	0	0	10,270	10,270
Balance as of 31.12.2014	80	8	145,894	145,892
Net profit (loss) for the financial year	0	0	-2,214	-2,214
Dividends paid	0	0	-6,477	-6,477
Balance as of 31.12.2015	80	8	137,203	137,291

Additional information on share capital and changes in equity is provided in Note 11.

Notes to the financial statements

Note 1 Accounting policies used in the preparation of the financial statements

General information

AS Spacecom (hereinafter the "parent") is a company incorporated under the legislation of the Republic of Estonia (Register no. 10940566; address Mõisa 4, Tallinn), with its main area of activity of the leasing of railway rolling stock.

Consolidated financial statements 2015 include the financial results of the parent company and its subsidiary (Ekolinja OY, Finland, ownership: 100%) (hereinafter the „Group") and the Group's ownership in the associate (A/S Daugavpils Lokomotivju Remonta Rupnica, Latvia, ownership: 25.27%).

The parent company of the Group is Globaltrans Investment Plc. which until July 2012 was owned by Transportation Investments Holding Limited (TIHL), the ultimate controlling party of which was Mirbay International Inc. From July 2012, the ownership interest of TIHL in GTI decreased (as at 31.12.2012: 34.5%), that was finally disposed in March 2013, from July 2012 the legal entity with the highest level of control over the Company is its parent company Globaltrans Investment Plc.

The information in the financial statements is presented in thousands of euros.

The Management Board of AS Spacecom approved and signed this consolidated annual report at March 31 2016. Pursuant to the Commercial Code of the Republic of Estonia, the annual report shall be approved by the Supervisory Board and the general meeting of shareholders of the parent.

The key accounting policies used in the preparation of the Group's consolidated financial statements are presented below. The accounting policies have been consistently applied to all the years presented. Group entities use uniform accounting policies.

Changes in accounting policies

The consolidated financial statements of the Group for 2015 have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union (IFRS).

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies, and management makes estimates and assumptions regarding the future. Accounting estimates may not coincide with subsequent actual events related to them. Estimates and judgments are continually evaluated and they are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgement or complexity, or the areas where assumptions and estimates are significant to the financial statements are presented in Note 27 to these financial statements.

Adoption of new or revised standards and interpretations:

New or revised standards and interpretations effective from 1 January 2015 have no significant impact to the Group.

New or revised standards and interpretations:

The following new or revised standards and interpretations became effective for the Group from 1 January 2016 and which the Group has not adopted ahead of schedule:

Disclosure Initiative – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2016). The amendments clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The Group is currently assessing the impact of the amendments on its financial statements.

IFRS 15, Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018; not yet adopted by the EU).The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group is currently assessing the impact of the amendments on its financial statements.

IFRS 16 "Leases"(effective for annual periods beginning on or after 1 January 2019; not yet adopted by the EU). The new standard specifies how an IFRS reporter will recognise, measure, present and disclosure leases. The standard provides a single lessee accounting model requiring lessees to recognise assets and liabilities for all leases unless lease term is 12 months or less or the underlying asset has a low value and (b) recognise depreciation from leased assets and interest expense from lease liabilities in the income statement. Lessors continue to classify leases as operating or finance, with IFRS 16`s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The Group is currently assessing the impact of the standard on its financial statements.

IFRS 9 “Financial Instruments” – Classification and measurement (effective for annual periods beginning on or after 1 January 2018; not yet adopted by the European Union).

The main rules of the new standard are as follows:

- Financial assets must be classified in one of the three measurement criteria – assets measured at amortised cost, assets measured at fair value through other comprehensive income, and assets measured at fair value with all changes recorded through profit or loss.

- Classification of a debt instrument depends on the Group's business model for managing financial assets and whether the asset's contractual cash flows represent solely payments of principal and interest (“SPPI”). If a debt instrument is being held only to collect and the SPPI condition is met, the instrument can be recognised at amortised cost. Debt instruments that meet the SPPI condition and that are being held in a portfolio where the Group holds assets both to collect and sell, can be recognised at fair value through comprehensive income. Financial assets that do not contain cash flows that are SPPI must be measured at fair value through profit and loss (e.g. derivatives). Embedded derivatives are no longer separated from financial assets, but are involved in assessing whether the SPPI condition is met.

- Equity instruments must always be measured at fair value. At the same time, the management has the ability to make an irrevocable election on initial recognition to present changes at fair value in other comprehensive income on the condition that the instrument is not held for trading. If an equity instrument is held for trading, its changes at fair value must be recognised through profit or loss.

- Most requirements provided in IAS 39 for classification and measurement of financial liabilities have been taken over without changes in IFRS 9. The main change was that in case of financial liabilities that are to be recognised at fair value through profit and loss, the Group must present changes at fair value related to changes in Group's own credit risk in other comprehensive income.

- IFRS 9 establishes a new model for recognising impairment losses – model of expected credit loss. This is a three-tier approach, the basis of which is change of the credit quality of financial assets after initial recognition. In practice, new rules mean that in recognising financial assets for which are no indications of impairment, the Group must recognise initially a loss that is equal to the 12-month expected credit loss (in case of trade receivables the expected credit loss of their whole lifetime). If the credit risk has increased significantly, the impairment must be measured by using the expected credit loss during the lifetime, not the expected 12-month credit loss. The model contains simplifications with regard to lease receivables and trade receivables.

- Requirements of risk hedging accounting were changed in order to improve the link between accounting and risk management. In accordance with the standard, the Group can choose as its accounting policy whether to apply IFRS 9 hedge accounting or to continue applying IAS 39 hedge accounting since at present the standard does not apply on macro hedging.

The Group assesses the impact of the new standard on financial statements.

Preparation of consolidated financial statements

Principles of consolidation

Subsidiaries

Subsidiaries are entities controlled by the parent. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When the Group acquired or transferred control over the subsidiary during the period, the respective subsidiary is consolidated from the date of its acquisition until the date of its disposal.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Under the purchase method, all separately identifiable assets and liabilities of the acquired subsidiary are reported at their fair values as at the date of acquisition irrespective of the extent of any minority interest, and the cost exceeding the fair value of the net assets of the acquisition is reported as goodwill. If the cost is less than the fair value of the net assets of the acquired subsidiary, the difference is immediately recognised as revenue in the income statement.

Goodwill is the excess of the cost of the business combination over the fair value of the net assets acquired, reflecting that portion of cost which was paid for such assets of the entity which cannot be separated and recognised separately. Goodwill which arose in the acquisition of subsidiaries is reported as an intangible asset in a separate balance sheet line. Goodwill which arose in a business combination is not amortised, but instead, an impairment test is performed annually. During the impairment test, the carrying amount is compared with the recoverable amount. For the purpose of an impairment test, goodwill is allocated to the cash-generating units and the present value of the expected future cash flows of the cash-generating unit is calculated to determine the recoverable amount. Goodwill is written down in the amount by which its recoverable amount is below the carrying amount. Impairment losses of goodwill are not reversed.

Negative goodwill is the amount by which the fair value of the acquired net assets exceeds the cost of a business combination. Negative goodwill is immediately recognised as income in profit or loss statement.

The financial information of all subsidiaries under the control of the parent is combined on a line-by-line basis in the consolidated financial statements. Intergroup transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of asset. Net profit and equity attributable to minority interest is included within equity in the consolidated balance sheet separately from equity attributable to majority shareholders and in a separate line in the income statement.

Associates

An associate is an entity over which the Group has significant influence, but not control. Generally significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of the investee.

Investments in associates are accounted for using the equity method under which the investment is initially recognised at cost and thereafter adjusted for post-acquisition changes in the investor's share of the investee's equity (changes both in the profit/ loss of the associate as well as other equity items); depreciation or elimination of differences in carrying amounts and fair values (as determined in a purchase analysis) of investee's assets, liabilities and contingent liabilities. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of assets.

At each balance sheet date, it is assessed whether there is any indication that the recoverable amount of the investment has decreased below its carrying amount. If any such indications exist, an impairment test is performed.

Separate financial statements of the parent

The separate primary financial statements of the consolidating entity (parent) are disclosed in the notes to the consolidated financial statements. The accounting policies applied for the preparation of the separate financial statements of the parent are the same as those which have been used for the preparation of the consolidated

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financial statements. In the separate financial statements of the parent, investments in subsidiaries and associates are recognised at cost (less any impairment losses) (see Notes 19-23).

Financial assets

Depending on the purpose for which the financial assets were acquired and management's intentions, financial assets are classified at initial recognition in the following categories:
- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments; and
- available-for-sale financial assets.

As at 31 December 2015 (as well as at 31 December 2014), the Group's financial assets are classified as loans and receivables (see Note 3).

Purchases and sales of financial assets are recognised at the trade date at which the Group assumes the obligation to purchase or sell the asset. Financial assets are derecognised when the rights to the cash flows derived from investments expire and all risks and rewards incidental to ownership are transferred to the buyer.

Management makes a decision regarding classification of financial assets upon their purchase.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recognised at fair value plus transaction costs. After initial recognition, loans and receivables are carried at amortised cost less a provision for impairment using the effective interest rate method. This method is used in subsequent periods to calculate interest income on receivables.

Receivables are generally included within current assets when their due date is within 12 months after the balance sheet date. Receivables the due date of which is later than 12 months after the balance sheet date are classified as non-current assets.

Cash

In the cash flow statement, cash and cash equivalents include cash, bank account balances (except for overdraft), and term deposits with original maturities of three months or less. Cash with a limited use has been eliminated from cash and cash equivalents (as at 31.12.2015 and 31.12.2014, there was no cash with a limited use).

Foreign currency transactions and financial assets and liabilities denominated in foreign currency

Functional and presentation currency

Items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements have been prepared in euros (EUR), which is the functional and presentation currency of the parent.

Foreign currency transactions

All currencies other than the functional currency are considered to be foreign currencies. Foreign currency transactions are recorded based on the foreign currency exchange rates of the European Central Bank prevailing at the transaction date. Monetary assets and liabilities (cash-settled receivables and loans) denominated in a foreign currency are translated into the functional currency based on the foreign currency exchange rates of the European Central Bank prevailing at the balance sheet date. Foreign exchange gains and losses resulting from translation are recorded in the income statement of the reporting period.

Non-monetary assets and liabilities denominated in foreign currency that are not measured at fair value (e.g. prepayments, inventories accounted for using the cost method; property, plant and equipment as well as intangible assets) are not revalued at the balance sheet date but are accounted for using the official exchange rate of the European Central Bank prevailing at the date of the transaction.

Receivables and prepayments

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less a provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered as indicators that the trade receivable is impaired. The estimated collectability of trade receivables is assessed individually, if individual assessment is applicable. The amount of the provision is the difference between the asset's carrying amount and the recoverable amount which is the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of receivables is reduced by the amount of the impairment loss of doubtful receivables and the impairment loss is recognised in profit or loss within operating expenses (see Note 14). If a receivable is deemed irrecoverable, the receivable and the impairment loss are taken off the balance sheet. The collection of the receivables that have previously been written down is accounted for as a reversal of the allowance for doubtful receivables.

Long-term trade receivables (incl. loans granted) are reported at the present value of probable collection. The difference between the nominal amount and the present value of collectible receivables is recognised as interest income during the time remaining until the collection of the receivables.

Inventories

Inventories are recorded in the balance sheet at cost, consisting of the purchase costs and other costs incurred in bringing the inventories to their present location and condition. Purchase costs include the purchase price, other non-refundable taxes and direct transportation expenses related to the purchase, less discounts and subsidies.

Inventories are expensed using the FIFO method.

Inventories are measured in the balance sheet at the lower of acquisition cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

In the context of these financial statements, inventories consist of spare parts that are being used in repair of the railway tanks and that do not meet property, plant and equipment recognition criterion.

Property, plant and equipment and intangible assets

Property, plant and equipment are assets that are used in the operations of the Group with a useful life of over 1 year. Spare parts that are used for more than one financial year are also classified as property, plant and equipment.

Property, plant and equipment is initially recorded at cost, including purchase price and other expenses directly associated with the acquisition of those assets, which are necessary for bringing the asset to its operating condition and location. Property, plant and equipment are stated at historical cost less any accumulated depreciation and any impairment losses.

Subsequent expenditure relating to an item of property, plant and equipment is added to the carrying amount of the asset when it is probable that future economic benefits will flow to the Group. Other maintenance and repair costs are expensed when incurred.

For assets with significant residual value, only the excess of the residual value over cost is depreciated over the useful life of the asset. When the residual value exceeds its carrying amount, depreciation is ceased.

Depreciation is calculated on the straight-line method to write off the cost of each asset to their residual value over their estimated useful lives as follow:

- Buildings	30 years
- Means of transport/ rolling stock	15- 25 years
- Shock absorbers	25 years
- Other property, plant and equipment	3- 7 years

Land is not depreciated.

If an item of property, plant and equipment consists of separately identifiable components with different useful lives, these components are accounted for as separate assets and depreciated in accordance with their useful lives.

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The expected useful lives of non-current assets are reviewed at each balance sheet date, when recognising subsequent expenditure and in case of significant changes in the Group's development plans. When the estimate of the useful life of the asset differs significantly from the previous estimate, the remaining useful life of the asset is revalued and as a result, the depreciation charge calculated for the asset changes in subsequent periods.

At each balance sheet date, management estimates whether there is any known indication of impairment of the asset. If there is such indication of impairment, management determines the recoverable amount (i.e. higher of the asset's fair value less cost to sell and its value in use). If the asset's recoverable amount is less than its carrying amount, the items of property, plant and equipment are written down to their recoverable amount. When the circumstances of assessing the recoverable amount of the asset have changed, the previous impairment loss is reversed up to the carrying amount.

Items of property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of items of property, plant and equipment are included either within other income or other expenses in the income statement.

Items of property, plant and equipment that are expected to be sold within the next 12 months are reclassified as held for sale.

Leases

Finance and operating leases

A lease is classified as a finance lease, when all substantial risks and returns related to the ownership of the asset are transferred to the lessee. Other lease agreements are classified as operating leases.

The Group is the lessee

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges (interest) so as to achieve a constant rate on the finance balance outstanding. Finance costs are charged to the income statement over the lease period so as to achieve a constant periodic rate of interest on the remaining balance of the liability. The assets leased under finance leases are depreciated similarly to acquired non-current assets, whereby the depreciation period is the lower of the asset's estimated useful life and the lease term.

Payments made under operating leases are charged to the income statement on a straight-line basis over the lease period.

The Group is the lessor

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Lease revenue is recognised on a straight-line basis over the lease term.

Financial liabilities

As at 31 December 2015 (and as at 31 December 2014), the Group's financial liabilities are in the category of other financial liabilities carried at amortised cost.

All financial liabilities (trade payables, accrued expenses and other short and long-term borrowings) are initially recorded at their fair value and are subsequently stated at amortised cost, using the effective interest rate method. The amortised cost of current financial liabilities normally equals their nominal value; therefore current financial liabilities are stated in the balance sheet at their redemption value. For calculating the amortised cost of non-current financial liabilities, they are initially recognised at the fair value of the proceeds received (net of transaction costs incurred) and an interest cost is calculated on the liability in subsequent periods using the effective interest rate method.

Financial liabilities are classified as current when they are due to be settled within twelve months after the balance sheet date; or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Borrowings that are due within 12 months after the balance sheet date, but which are refinanced after the balance sheet date as long-term, are presented as short-term. Also, borrowings are classified as short-term if at the balance sheet date, the lender had a contractual right to demand immediate repayment of the borrowing as a consequence of a breach of contractual terms.

Provisions and contingent liabilities

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of past events and it is probable that the meeting of this obligation leads to lower resources embodying economic benefits and the amount of the liability can be measured reliably. The provisions are recognised based on management's estimates regarding the amount and timing of the expected outflows. The amount recognised as a provision is management's best estimate of the expenditure required to settle the present obligation at the balance sheet date or to transfer it to a third party at that time.

Provisions are only used to cover those expenses which they had been set up for.

Other possible or present obligations that arise from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability, are disclosed in the notes to the financial statements as contingent liabilities.

Statutory reserve capital

Statutory reserve capital is formed to comply with the requirements of the Commercial Code. Reserve capital is formed from annual net profit allocations. During each financial year, at least one-twentieth of the net profit shall be entered in reserve capital, until reserve capital reaches one-tenth of share capital. Reserve capital may be used to cover a loss, or to increase share capital. Payments shall not be made to shareholders from reserve capital.

Revenue

Revenue from the sale of goods and services is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates granted. Revenue excludes value added tax, refunds, discounts and intragroup sales transactions. Revenue is recognised when all significant risks and rewards of ownership have been transferred to the buyer and the transaction cost can be determined reliably. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group's estimates are based on historical experience considering the type of each customer and transaction, as well as special terms and conditions. Revenue from rendering of services is recognised after the rendering of the service or if a service is performed over a longer period of time, based on the stage of completion.

The Group's revenue does not include gross amounts that are collected from activities where the Group is not responsible for the provision of the service to the customer, does not set the price of the service or bears the credit risk. As revenue, only margins earned in the course of such transactions are recognised as revenue.

Interest income, royalties and income from dividends are recognised when it is highly probable that benefits will flow to the Group and the amount of income can be measured reliably. Interest income is recognised using the effective interest method. Dividend income is recognised when the right to receive payment is established.

Taxation

Corporate income tax

According to the Income Tax Act, the annual profit earned by entities is not taxed in Estonia. Corporate income tax is paid on dividends, fringe benefits, gifts, donations, costs of entertaining guests, non-business related disbursements and adjustments of the transfer price. From 1 January 2015, the tax rate on the net dividends paid out of retained earnings is 20/80 (until 1.01.2015 21/79). In certain circumstances, it is possible to distribute dividends without any additional income tax expense. The corporate income tax paid on dividends is recognised as a liability and an income tax expense in the period in which dividends are declared, regardless of the period for which the dividends are paid or the actual payment date. An income tax liability is due at the 10th day of the month following the payment of dividends.

According to the Corporate Income Tax Law of Latvia, the net profits of entities located in Latvia, adjusted for the permanent and temporary differences as stipulated by law, are subject to corporate income tax (the income tax rate is 15% in Latvia). According to the tax legislation of Finland, the net profits of entities are subject to 20% income tax.

The Group's costs are impacted by the following taxes:

Social tax	33% on the payroll and fringe benefits paid to the employees
Unemployment insurance premium	1.4% of the payroll paid to the employees
Fringe benefit income tax	20/80 on fringe benefits paid to the employees (until 1.01.2015 21/79)
Income tax on expenses not related to business activities	20/80 on expenses not related to business activities (until 1.01.2015 21/79)

Related parties

In preparation of consolidated financial statements, the following parties are considered as related parties: owners of the Group; other entities in the same consolidation group of the parent, members of the Management and the Supervisory Board; entities under the control of the members of the Management Board and the Supervisory Board; individuals with opportunity to exert significant influence over the business decisions of the Group.

Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) which fall due within twelve months after the end of the period in which the employees render the related services. Short-term employee benefits include items such as wages, salaries and social security contributions; benefits related to temporary suspension of the employment contract (such as paid annual leave).

Termination benefits

Termination benefits are employee benefits payable as a result of either the Group's decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits. The Group recognises termination benefits as a liability and an expense if, and only if, the Group is demonstrably committed to either terminating the employment of an employee or a group of employees before the normal retirement date; or providing termination benefits as a result of an offer made in order to encourage voluntary redundancy.

Note 2 Cash

(in thousands of euros)

	31.12.2015	31.12.2014
Bank accounts	1,098	530
Total cash	**1,098**	**530**

According to the credit ratings of the international rating agency Moody's, the Group's monetary funds have been deposited in financial institutions as follows:

Cash and cash equivalents (EUR thousand)	**31.12.2015**	**31.12.2014**
Aa3	1,097	11
A1	0	506
B1	1	0
B2	0	14

Note 3 Receivables and prepayments

(in thousands of euros)

	31.12.2015	due in 12 months	Due in period from 1 to 5 years	Note
Trade receivables	4,934	4,934	0	
Accounts receivable	6,545	6,545	0	4
Allowance for doubtful receivables	-1,611	-1,611	0	4
Prepaid and deferred taxes	2	2	0	6
Other receivables	4,630	138	4,492	
Loan receivables	4,492	0	4,492	18
Interest receivables	138	138	0	18
Prepayments	28	28	0	
Other prepayments	28	28	0	
Prepayments to suppliers	624	624	0	
Total receivables and prepayments	**10,218**	**5,726**	**4,492**	

	31.12.2014	due in 12 months	Due in period from 1 to 5 years	Note
Trade receivables	6,292	6,292	0	
Accounts receivable	7,260	7,260	0	4
Allowance for doubtful receivables	-968	-968	0	4
Prepaid and deferred taxes	0	0	0	6
Other receivables	3,656	15	3,641	
Loan receivables	3,641	0	3,641	18
Interest receivables	15	15	0	18
Prepayments	28	28	0	
Other prepayments	28	28	0	
Prepayments to suppliers	1,312	900	412	
Total receivables and prepayments	**11,288**	**7,235**	**4,053**	

As at 31.12.2015 the Group has a loan granted to the related party – this is classified as "not overdue" (no provision made) and loan repayment proceeds in accordance with the agreed schedule. See additional information in Notes 18 and 26.

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Kuupäev/date 01.04.2016
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Note 4 Trade receivables

(in thousands of euros)

	31.12.2015	31.12.2014	Note
Accounts receivable	**6,545**	**7,260**	3
Receivables from non-related parties	6,545	7,260	
Allowance for doubtful receivables	-1,611	-968	
Total trade receivables	**4,934**	**6,292**	
Allowance for doubtful receivables			
Allowance for doubtful receivables at the beginning of the period	-968	-396	
Receivables deemed doubtful during the period	-817	-1,126	14
Receivables written-off	174	544	
Allowance for doubtful receivables at the end of the period	**-1,611**	**-968**	

Breakdown of receivables by overdue period as at 31.12.2015 and 31.12.2014:

	31.12.2015	31.12.2014
a) Not overdue (no provision made)	1,441	4,026
b) Overdue (no provision made)		
Overdue up to 1 month	58	740
Overdue by 1 - 3 months	14	881
Overdue by 3 - 6 months	62	273
Overdue up to 1 year	2,879	35
Overdue more than 1 year	481	337
c) Provision made		
Overdue by 1 - 3 months	0	355
Overdue by 3 - 6 months	0	354
Overdue up to 1 year	643	24
Overdue more than 1 year	968	235

The Group's management has adopted necessary timely measures to guarantee the collection of overdue receivables recognised as at the year-end. By the date of preparation of the annual report, part of these receivables have been collected. In the management opinion, doubtful receivables of the Group amount to EUR 1,611 thousand as at 31.12.2015 (2014: EUR 968 thousand). More information about overdue receivables is provided in Note 27.

Trade receivables also include receivables that are settled with customer prepayment at the expiration of contracts.

Note 5 Inventories

(in thousands of euros)

	31.12.2015	31.12.2014
Spare parts	425	418
Total inventories	**425**	**418**

There were no inventory write-offs during the accounting period, as well as during 2014.

Note 6 Prepaid taxes and tax liabilities

(in thousands of euros)

	31.12.2015		31.12.2014	
	Prepayment	**Liability**	**Prepayment**	**Liability**
Corporate income tax	0	2	0	2
VAT	0	-97	0	0
Personal income tax	0	34	0	33
Social security taxes	2	63	0	59
Mandatory funded pension	0	3	0	3
Unemployment insurance	0	3	0	3
Total prepaid taxes and tax liabilities	**2**	**8**	**0**	**100**

Additional information is disclosed in Notes 3 (receivables) and 10 (liabilities).
Potential liabilities arising from the tax audit are disclosed in Note 28.

Note 7 Shares of associates

(in thousands of euros)

Shares of associates, general information					
Commercial Registry no	**Name**	**Domicile**	**Area of activity**	**Holding (%)**	
				31.12.2015	**31.12.2014**
40003030219	Daugavpils Lokomotivu Remonta Rupnica (DLRR)	Latvia	Repair of railway cars and locomotives	25.27	25.27

Shares of associates, detailed information			
Name	**31.12.2014**	**Profit/loss under the equity method**	**31.12.2015**
Daugavpils Lokomotivu Remonta Rupnica (DLRR)	1,612	-790	822
Total	1,612	-790	822

Additional information is disclosed in Note 25.

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Kuupäev/date 01.04.2016
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Note 8 Property, plant and equipment

(in thousands of euros)

	Land	Buildings	Means of transportation	Other machinery and equipment	Machinery and equipment	Other property, plant and equipment	Total
31.12.2013							
Cost	163	289	179,670	305	179,975	1,866	182,293
Accumulated depreciation		-272	-39,846	-195	-40,041	-195	-40,508
Net book amount	163	17	139,824	110	139,934	1,671	141,785
Additions and improvements	0	0	0	198	198	268	466
Depreciation charge	0	-11	-6,437	-40	-6,477	-115	-6,603
Sales	0	0	0	-45	-45	0	-45
Reclassifications	0	0	332	0	332	-334	-2
Other movements	0	0	-599	0	-599	0	-599
31.12.2014							
Cost	163	290	179,403	458	179,861	1,800	182,114
Accumulated depreciation		-284	-46,283	-235	46,518	310	-47,112
Net book amount	163	6	133,120	223	133,343	1,490	135,002
Additions and improvements	0	0	0	59	59	423	482
Depreciation charge	0	0	-6,439	-54	-6,493	-92	-6,585
Reclassifications	0	0	46	0	46	-46	0
31.12.2015							
Cost	163	290	179,449	517	179,966	2,177	182,596
Accumulated depreciation	0	-284	-52,722	-289	-53,011	-402	-53,697
Net book amount	163	6	126,727	228	126,955	1,775	128,899

Other movements in 2014 include residual value of the railway tanks injured in a crash. As a result of receiving insurance damages in the amount of 990 thousand euros, net profit on railway tanks write-off amounts to 391 thousand of euros (Note 13).

As at 31.12.2015, the carrying amount of assets pledged as collateral amounted to EUR 6,284 thousand (31.12.2014: EUR 6,569 thousand). Assets pledged as collateral are railway tanks whose financial lease contracts have expired and that have not been registered to the Group's name. If bank financing becomes necessary, it will simplify the financing process and hedge related auxiliary costs.

In connection with the decrease of rent prices of rolling stock in 2015, the Group management has conducted an impairment test of property, plant and equipment for determining its recoverable amount as at the balance sheet date, see Note 27.

Note 9 Operating lease

(in thousands of euros)

Accounting entity as lessor

	2015	2014	Note
Lease income from operating leases	22,695	39,436	12

Future minimum lease expense under non-cancellable operating leases

	31.12.2015	31.12.2014	Note
in 12 months	5,012	10,994	
between 1-5 years	148	0	

Carrying amount of assets leased out

Machinery and equipment	126,727	133,120	
Total	126,727	133,120	

As at 31.12.2015 the Group is leasing out 7,237 railway tanks under operating lease terms (31.12.2014: 7,686 railway tanks).

As at 31.12.2015, the acquisition cost of leased assets amounted to EUR 179,449 thousand (31.12.2014: EUR 179, 403 thousand), accumulated depreciation was EUR 52,722 thousand (31.12.2014: EUR 46,283 thousand), depreciation cost in the financial year was EUR 6,439 thousand (2014: EUR 6,437 thousand), see Note 8.

Accounting entity as lessee

	2015	2014	Note
Operating lease expense	8,696	10,558	
Operating lease costs of future periods from the non-cancellable agreements			
	2015	2014	Note
During 12 months	2,009	2,254	

As of 31.12.2015 the Group has taken 2,268 railway tanks under operating lease (as at 31.12.2014: 2,769 railway tanks). In addition, the Group has leased cars and office premises under operating lease terms.

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Initsiaalid/initials L.M.
Kuupäev/date 01.04.2016
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Note 10 Payables and prepayments

(in thousands of euros)

	31.12.2015	due in 12 months	Note
Trade payables	1,254	1,254	18
Payables to employees	50	50	
Tax liabilities	8	8	6
Other payables	2,324	2,324	
Dividend payable	2,141	2,141	11
Other accrued expenses	183	183	
Income tax on dividends	535	535	11
Total payables and prepayments	**4,171**	**4,171**	

	31.12.2014	due in 12 months	Note
Trade payables	2,478	2,478	18
Payables to employees	48	48	
Tax liabilities	100	100	6
Other payables	189	189	
Dividend payable	0	0	
Other accrued expenses	189	189	
Customer prepayments	52	52	
Total payables and prepayments	**2,867**	**2,867**	

Balances with related parties are disclosed in Note 18.

Note 11 Share capital

(in thousands of euros)

	31.12.2015	31.12.2014
Share capital	80	80
Number of shares	40,000	40,000
Nominal value of shares	2	2

The Group's retained earnings as at 31 December 2015 amounted to EUR 137,203 thousand (2014: EUR 145,894 thousand). From 01.01.2015 the payment of dividends to the shareholder involves is followed by paying income tax 20/80 (until 1.01.2015: 21/79) from the net amount of dividends. So as at the balance sheet date, it is possible to pay out dividends to the shareholders in the amount of EUR 109,762 thousand (2014: EUR 116,715 thousand) and the corresponding income tax would amount to EUR 27,441 thousand (2014: EUR 29,179 thousand).

In 2015 the Group announced dividend payments in the amount of EUR 6,477 thousand from which the owners received EUR 4,335 thousand in net dividend during 2015. Announced dividends accompany income tax in the amount of EUR 1,619 thousand euros. As at 31.12.2015 the Group has dividend liability in the amount of EUR 2,141 thousand (31.12.2014: 0 thousand) and income tax liability in the amount of EUR 535 thousand (31.12.2014: 0 thousand). Additional information is disclosed in Note 10.

Note 12 Revenue

(in thousands of euros)

	2015	2014	Note
Revenue by geographic location			
Revenue from EU countries			
Estonia	981	2,961	
Belgium	219	576	
Finland	95	86	
Other EU countries	0	4	
Total revenue from EU countries	**1,295**	**3,618**	
Revenue from non-EU countries			
Russia	16,077	23,074	
Kazakhstan	4,504	8,938	
British Virgin Islands	0	170	
Georgia	1,540	4,768	
Other non-EU countries	279	0	
Total revenue from non-EU countries	**22,400**	**36,950**	
Total revenue	**23,695**	**40,568**	
Revenue by areas of activity			
Lease of rolling stock	22,695	39,436	9
Other revenue	1,000	1,132	
Total revenue	**23,695**	**40,568**	

Other revenue includes profit from forwarding services in the amount of 498 thousand euros (2014: 787 thousand euros), management and software exploitation fees in the amount of 392 thousand euros (2014: 329 thousand euros) and other revenues in the amount of 110 thousand euros (2014: 16 thousand euros).

Note 13 Other income

(in thousands of euros)

	2015	2014	Note
Profit on currency exchange	277	34	
Profit on disposal of property, plant and equipment	0	391	8
Total other income	**277**	**425**	

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Note 14 Other operating expenses (in thousands of euros)

	2015	2014	Note
Expenses related to lease and maintenance of rolling stock	11,264	15,095	
Staff costs	1,870	2,371	15
Other operating expenses	2,608	2,801	
Administration costs	1,227	1,080	
Impairment charge for receivables	817	1,125	
Other	0	1,130	
Total other operating expenses	**17,786**	**23,602**	

In 2014, a sublease agreement entered into with a Related party was subject for an additional agreement, according to which the Group beard to some extent the credit losses arisen from the initial agreement. Expenses in the amount of 1,130 thousand euros were recognized in 2014. In 2015 such expenditures did not occur.
Other operating expenses include custom clearance charges, downtime costs, agent fees and other costs.

Note 15 Staff costs

(in thousands of euros)

	2015	2014
Wages and salaries	1,360	1,743
Social security tax	468	592
Vacation payables	42	36
Total staff costs	**1,870**	**2,371**
Average number of employees in full-time equivalent units	19	18

Note 16 Interest expenses

(in thousands of euros)

	2015	2014
Interest expenses from loans	0	25
Interest expenses from finance lease	0	164
Total interest expenses	**0**	**189**

Note 17 Other finance income and expenses

(in thousands of euros)

	2015	2014	Note
Foreign exchange gains (losses)	480	-86	
Interest income from loans granted	120	15	18
Total interest expenses	**600**	**-71**	

Note 18 Related parties

(in thousands of euros)

Parent company of the accounting entity	Globaltrans Investment Holdings PLC
Country of registration of the parent company of the accounting entity	Cyprus
The Group which the Parent is part of	Globaltrans Investment Holdings PLC
Country of registration of the Group's ultimate parent company	Cyprus

Balances with related parties by groups

	31.12.2015		31.12.2014	
	Receivables	Receivables	Receivables	Payables
Trade receivables (group entities)	127		1,062	
Trade receivables (other related entities)	53		63	
Other receivables (other related entities)	119		644	
Trade payables (group entities)		436		1,526
Trade payables (other related entities)		475		379
Loan receivables (group entities)	4,492		3,641	
Interest receivables (group entities)	138		15	
Interest payables (group entities)		0		13

Remuneration and other significant benefits paid to the members of the Management and Supervisory Board		
	2015	2014
Remuneration	400	392

Upon expiration or premature termination of an employment contract, the members of the Management Board are not paid any compensation. No impairment loss from receivables from related parties was recognized in the reporting period or in the comparative period.

In the financial year, sale transactions made with related parties totalled EUR 1,384 thousand (2014: EUR 8,795 thousand), incl.:

EUR thousand	**2015**	**2014**
Lease of rolling stock (group entities)	461	8,464
Other services (group entities)	673	152
Other services (other related entities)	130	163
Interest income (group entities)	120	15

In the financial year, purchase transactions made with related parties totalled EUR 10,388 thousand (2014: EUR 11,754 thousand), incl.:

EUR thousand	**2015**	**2014**
Lease of rolling stock (group entities)	3,870	4,436
Lease of rolling stock (other related entities)	4,752	4,971
Maintenance of rolling stock (group entities)	37	695
Maintenance of rolling stock (other related entities)	841	1 422
Other services (group entities)	377	96
Other services (other related entities)	511	109
Interest expense (group entities)	0	25

Loan transactions made with Group entities during the financial year:

EUR thousand	**2015**	**2014**
Loans granted	2,560	3,641
Interest received	120	15
Repayments of loans granted	2,125	0
Change in foreign currency	419	0
Repayments of loans received	0	2,221
Paid interest	0	13

Interest rate of the loan granted to the related party is 2.28%, underlying currency is USD and due date is 2017.

Note 19 Unconsolidated balance sheet

(in thousands of euros)

	31.12.2015	31.12.2014
Assets		
Current assets		
Cash	992	483
Receivables and prepayments	4,905	6,423
Inventories	425	418
Total current assets	**6,322**	**7,324**
Non-current assets		
Investments into subsidiaries and associates	686	686
Receivables and prepayments	4,492	4,051
Property, plant and equipment	128,899	135,002
Total non-current assets	**134,077**	**139,329**
Total assets	**140,399**	**147,063**
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	0	1
Payables and prepayments	3,409	2,085
Total current liabilities	**3,409**	**2,086**
Total liabilities	**3,409**	**2,086**
Equity		
Share capital at nominal value	80	80
Statutory reserve capital	8	8
Retained earnings (accumulated losses)	138,413	134,338
Profit (loss) for financial year	-1,511	10,551
Total equity	**136,990**	**144,977**
Total liabilities and equity	**140,399**	**147,063**

Note 20 Unconsolidated income statement

(in thousands of euros)

	2015	2014
Revenue	16,398	34,587
Other income	396	373
Other operating expenses	-10,703	-15,359
Depreciation and impairment of non-current assets	-6,585	-6,603
Other expenses	-6	-2,264
Total operating profit (loss)	**-500**	**10,734**
Other finance income and expenses	608	-183
Profit (loss) before income tax	**108**	**10,551**
Corporate income tax	-1,619	0
Net profit (loss) for the financial year	**-1,511**	**10,551**

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Kuupäev/date 01.04.2016
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Note 21 Unconsolidated statement of cash flows

(in thousands of euros)

	2015	2014
Cash flows from operating activities		
Operating profit (loss)	-500	10,734
Adjustments:		
Depreciation and impairment charges	6,585	6,603
Profit (loss) on disposal of property, plant and equipment	0	-391
Total adjustments	**6,585**	**6,212**
Change in receivables and prepayments related to operating activities	2,051	1,557
Change in inventories	-7	557
Change in payables and prepayments related to operating activities	-1,353	3
Interest paid	0	-202
Net cash generated from operating activities	**6,776**	**18,861**
Cash flows from investing activities		
Purchase of property, plant and equipment	-482	-878
Proceeds from sale of property, plant and equipment	0	1,040
Loans granted	-2,560	-3,521
Repayments of loans granted	2,125	0
Net cash used in investing activities	**-917**	**-3,359**
Cash flows from financing activities		
Repayments of loans received	-1	-2,193
Repayments of finance lease principal	0	-13,856
Dividends paid	-4,335	0
Corporate income tax paid	-1,084	-398
Net cash used in financing activities	**-5,420**	**-16,447**
Total cash flows	**439**	**-945**
Cash and cash equivalents at the beginning of the year	483	1,170
Net increase in cash and cash equivalents	**439**	**-945**
Effect of exchange rate changes	70	258
Cash and cash equivalents at the end of the year	992	483

Note 22 Unconsolidated statement of comprehensive income

(in thousands of euros)

	2015	2014
Net profit (loss) for the financial year	-1,511	10,551
Total comprehensive profit (loss) for the financial year	**-1,511**	**10,551**

Note 23 Unconsolidated statement of changes in equity

(in thousands of euros)

	Share capital	Statutory reserve capital	Retained earnings (accumulated losses)	Total
Balance as of 31.12.2013	80	8	134,338	134,426
Net profit (loss) for the financial year			10,551	10,551
Balance as of 31.12.2014	80	8	144,889	144,977
Carrying amount of investments under control and significant influence				-686
Value of investments under control and significant influence under the equity method				1,691
Adjusted unconsolidated equity as of 31.12.2014				145,982
Adjusted balance as of 31.12.2014	80	8	144,889	144,977
Net profit (loss) for the financial year			-1,511	-1,511
Dividends paid			-6,476	-6,476
Balance as of 31.12.2015	80	8	136,902	136,990
Carrying amount of investments under control and significant influence				-686
Value of investments under control and significant influence under the equity method				987
Adjusted unconsolidated equity as of 31.12.2015				**137,291**

Note 24 Events after the balance sheet date

As at the date of approving the annual report, the Group has a pending court dispute initiated by the Group with a customer against which the Group has a receivable (see Note 27) and who also submitted receivables against the Group (see Note 28). As of the date of confirming these financial statements, a preliminary hearing took place and, in the opinion of the law firm that represents the Group in court, it is highly probable that the Group will win the case.

Note 25 Investments in associated company

Non-audited financial information of the associated company for financial year 2015 are presented below. In preparing the annual report 2014, non-audited financial data published in the stock exchange information system has also been used and further adjustments recognised on the line item "Other adjustments" are made on the basis of audited data. Financial information of the associated company has been adjusted, taking into account the Group's accounting policies.

Shares of associated company, general information		**31.12.2015**	**31.12.2014**
Associated company's registration number	nr 40003030219		
Associated company's name	Daugavpils Lokomotivu Remonta Rupnica (DLRR)		
Country of location	Latvia		
Main activity	Repair of railway cars and locomotives		
% of ownership		25.27	25.27
Value of investment, based on the stock exchange prices	NASDAQ OMX	316	633

Shares traded at the stock exchange make only 12% of the company's share capital and total volume of transactions that took place during the financial year is too small in order to state that the value of investment calculated based on the stock exchange prices reflects the actual fair value of the investment. The Management estimates that the fair value of this investment does not differ materially from the carrying amount presented in the Group's consolidated balance sheet.

Summarised balance sheet	**31.12.2015**	**31.12.2014**
Current assets	16,923	11,388
Current liabilities	19,579	10,918
Non-current assets	11,946	13,629
Non-current liabilities	6,038	7,780
Net assets	**3,252**	**6,318**

Summarised income statement	**2015**	**2014**
Revenue	14,771	20,151
Profit before tax	-2,623	-1,081
Profit (loss) from continuing operations	-2,623	-1,081
Total consolidated profit (loss) for financial year	-2,623	-1,081

Reconciliation of summarised financial information	2015	2014
Net assets as at 01.01.	6,379	7,325
Total consolidated profit (loss) for financial year	-2,623	-1,081
Other adjustments	-504	136
Net assets as at 31.12.	3,252	6,379
% of ownership	25,27	25.27
Interest in associated company	822	1,612
Carrying value (Note 7)	822	1,612

Note 26 Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (includes currency risk, interest rate risk), credit risk and liquidity risk. The Group's overall risk management focuses on unforeseen changes in the financial markets and attempts to alleviate potential unfavourable effects on the Group's financial activities. The goal of the management of financial risks is to mitigate financial risks and lower the volatility of financial performance.

Market risks

The Group is exposed to currency risk and interest rate risk. The Group is not exposed to price risk, because it does not hold any securities traded in the open market.

Currency risk

The Group's functional currency is the euro (EUR). The Group's financial instruments affected by the market risk include cash, trade receivables (invoices issued in USD and in RUB) and loans.

An overview of the financial assets and financial liabilities denominated in foreign currencies is presented below. The tables present the amounts in thousands of euros by underlying currencies of the respective monetary assets and liabilities.

31.12.2015	USD	EUR	RUB	Total
Cash (Note 2)	995	35	68	1,098
Trade receivables (Note 4)	3,726	102	1,106	4,934
Other receivables	4,630	0	0	4,630
Borrowings	0	0	0	0
Trade payables (Note 10)	415	154	685	1,254
Dividend liability (note 10)	2,141	0	0	2,141
Total net position	6,795	-17	489	7,267

31.12.2014	USD	EUR	RUB	Total
Cash (Note 2)	502	2	27	530
Trade receivables (Note 4)	4,663	48	1,582	6,293
Other receivables	3,656	0	0	3,656
Borrowings	1	0	0	1
Trade payables (Note 10)	1,728	62	687	2,478
Total net position	7,091	-13	922	8,000

For financial assets and liabilities that are denominated in a foreign currency, the Group maintains exposure to exchange rate fluctuations on an accepted level, depending on the current situation. To achieve this, the Group, if necessary, buys and sells foreign currency at current prices with a view of mitigating negative effects of short-term fluctuations of exchange rates. The currency risk is managed by holding amounts of USD or RUB on settlement accounts that are sufficient for at least meeting short-term liabilities for respective suppliers/creditors. The Group does not use derivative instruments for hedging currency risks.

The following table presents the effects of currency and interest rate risks on the Group's operations.

				Currency risk		
	31.12.2015 Carrying amount	**USD appreciates 10%** Effect on net profit	**USD depreciates 10%** Effect on net profit	**31.12.2015** Carrying amount	**RUB appreciates 10%** Effect on net profit	**RUB depreciates 10%** Effect on net profit
Financial assets	9,351			1,174		
Total effect from financial assets		935	-935		235	-235
Financial liabilities	2,556			685		
Total effect from financial liabilities		-256	256		-137	137
Total effect on net profit		**679**	**-679**		**98**	**-98**

		Currency risk	
	31.12.2014	**USD appreciates 10%**	**USD depreciates 10%**
	Carrying amount	Effect on net profit	Effect on net profit
Financial assets	8,820		
Total effect from financial assets		**882**	**-882**
Financial liabilities	1,729		
Total effect from financial liabilities		**-173**	**-173**
Total effect on net profit		**709**	**-709**

Interest rate risk

As at 31.12.2015, the Group is not exposed to interest rate risk since the Group had no borrowing, the loan liability balance is below EUR 1 thousand and a loan granted to a related party has a fixed interest rate. No financial instruments have been used for hedging the interest rate risk in the reporting period or in the previous financial year.

Credit risk

Credit risk is the risk that the Group's customers and counterparties fail to fulfil their obligations. The following financial instruments are exposed to credit risk: cash in bank, trade receivables and granted loans.

Cash is deposited in commercial banks with a high credit rating, bank ratings are presented in Note 2.

The Group has limited number of customers; consequently, concentration of credit risk may me high. Monitoring credit risk is an important task of the Management and related estimates are disclosed in Note 27. However, the Group's sales transactions are concluded with business partners that the Group has long-term collaboration experience with and whose solvency has been tested, and management has not deemed it necessary to assign credit limits to them. Two-week payment terms are valid for the buyers, providing fast feedback to the Group in case of payment difficulties and enabling the Group to apply measures on time to collect the accounts receivable according to the original terms of receivables (Analysis of receivables is disclosed in Note 4).

In 2015, the Group had 9 customers that accounted for more than 10% of Group sales revenue: EUR 11,040 thousand (Russia), EUR 4,458 thousand (Kazakhstan), EUR 2,457 thousand (Russia), EUR 1,857 thousand (Russia), EUR 1,540 thousand (Georgia), EUR 881 thousand (Estonia), EUR 488 thousand (Russia), EUR 300 thousand (Estonia), EUR 234 thousand (Russia), EUR 219 thousand (Belgium). In 2014, the Group had 10 customers that accounted for more than 10% of Group sales revenue: EUR 12,068 thousand (Russia), EUR

8,432 thousand (Kazakhstan), EUR 4,758 thousand (Russia), EUR 4,550 thousand (Estonia), EUR 3,797 thousand (Russia), EUR 3,143 thousand (Georgia), EUR 1,594 thousand (Russia), EUR 1,387 thousand (Russia), EUR 567 thousand (UK), EUR 498 thousand (Estonia).

The Group has issued a financial guarantee against the loan taken by the entity belonging to the Group of the ultimate parent (Spacecom Trans AS): the fulfilment of the obligations of Spacecom Trans AS arisen from the loan contract is secured by on demand guarantee in the amount of 33,750 thousand USD. The maximum credit risk arising from the financial guarantee amounts to EUR 1 thousand EUR as at 31 December 2015 (1 thousand EUR as at 31 December 2014).

Liquidity risk

For the Group, liquidity risk is its inability to settle the liabilities it has assumed in time. For managing liquidity risk, the Group has assumed loans using assets as collateral from commercial banks and overdraft. In its daily activities, management attempts to maintain adequate liquid assets to meet its financial obligations, continuously monitoring cash flow forecasts for the following three months.

The following table shows the liquidity analysis of the Group's financial liabilities according to the terms of the contracts. All amounts provided in the table are non-discounted cash flows that are equal to their carrying amounts since all financial liabilities are due for payment within 12 months from the balance sheet date.

	Up to 3 months	Between 4 months and 1 year	Between 1 and 5 years	Total undiscounted cash flows	Carrying amount
As at 31.12.2015					
Financial guarantees	1	0	0	1	0
Dividend liability	0	2,141	0	2,141	2,141
Trade payables (Note 10)	1,254	0	0	1,254	1,254
Total cash flows related to financial obligations	**1,255**	**2,141**	**0**	**3,396**	**3,395**

	Up to 3 months	Between 4 months and 1 year	Between 1 and 5 years	Total undiscounted cash flows	Carrying amount
As at 31.12.2014					
Financial guarantees	1	0	0	1	0
Borrowings	0	1	0	1	1
Trade payables (Note 10)	1,250	1,228	0	2,478	2,478
Total cash flows related to financial obligations	**1,251**	**1,229**	**0**	**2,480**	**2,479**

Capital risk management

The goal of the Group's capital risk management is to continue as a going concern in order to generate returns for the owners and maintain the optimal capital structure, in order to lower the cost of capital.

For the Group, capital includes loans and equity.

	31.12.2015	31.12.2014
Total borrowings	0	1
Less: cash and cash equivalents	-1,098	-530
Net debt	**-1,098**	**-529**
Total equity	137,291	145,982
Total capital	136,193	145,453
Financial leverage	**-0.81%**	**-0.36%**

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PricewaterhouseCoopers, Tallinn

In the estimation of the Group management, the capital structure as at 31.12.2015 and as at 31.12.2014 was at optimal level and reflected the current market situation.

Fair value

The Group estimates that the fair values of assets and liabilities reported at amortised cost do not materially differ from the carrying amounts reported in the Group's consolidated balance sheet as at 31.12.2015 and 31.12.2014. Trade receivables and the residual value of unpaid invoices less any impairment losses equal their estimated fair value.

The fair value of financial liabilities is determined for disclosure purposes by discounting the future contractual cash flows with the market interest rate which is available for similar financial instruments of the Group. The respective analysis is presented in Note 10.

Long-term receivables (loan receivables, see Note 3) are recognised at the present value of the probable collection. Since the Company's estimation criteria (see Note 27) do not refer to an impairment of the receivable and the impact of currency exchange rate, as a result of revaluation, the fair value of long-term receivables does not significantly differ from the carrying amount recognised in the balance sheet.

Note 27 Management estimates

According to International Financial Reporting Standards, management needs to make certain decisions and pass judgement which may impact the assets and liabilities reported in the financial statements in the next financial year. Management estimates and judgements have been reviewed on an ongoing basis and they are based on historical experience and other factors considered reasonable under current circumstances. In addition to estimates, management exercises its judgement regarding the application of accounting policies. The areas which require more significant management decisions and which have the most significant impact on the amounts recognised in the financial statements and estimates which may lead to major adjustments to the carrying amount of assets and liabilities in the next financial year include: Valuation of doubtful receivables (Note 3,4), Evaluation of useful lives of property, plant and equipment (Note 8), Impairment of property, plant and equipment (Note 8) and Provisions and contingent liabilities (Note 27).

Valuation of doubtful receivables

The impairment of the receivables that are individually significant is assessed individually for each receivable. Evidence of potential impairment includes the bankruptcy or major financial difficulties of the debtor and non-adherence to payment dates. The amount of doubtful receivables is adjusted as at each balance sheet date, using information based on prior experience in respect of how many of the receivables deemed as doubtful will be collected in subsequent periods and how many of them will be not. As at 31 December 2015, the Group has recognised EUR 1,611 thousand receivables as doubtful (31 December 2014: EUR 968 thousand) (Note 4).

The Group's management has taken timely measures to ensure that overdue receivables recognised as at the end of the year are collected. At the date of preparing these financial statements, receivables from one particular customer in the amount of 3,231 thousand euros have still not been repaid (partially recognised as "Not overdue" as at 31 December 2015). Non-repaying the invoices by the Group's customer was initially related to negotiation process of potential sales tender; clarity regarding the tender was obtained by the end of April 2015. The Group did not continue its cooperation with the customer and all the issued invoices are subject for repayment. The reason why the receivables have not been repaid yet is the dispute regarding the tariffs for the provided services.

The Group has initiated the court process and this is in progress as at 31 December 2015. The Group's management does not see any indications that the receivable needs to be impaired: this is a going concern customer with good financial results; the agreement concluded between the parties has been properly fulfilled by the Group and therefore there are no doubts regarding the Group's legal right towards getting the money from the customer. Part of the current invoices was repaid by the customer in 2015, i.e. in the course of the dispute - in the total amount of EUR 1,028 thousand. In the opinion of the law firm that is representing the Group in court, the Group has high probability to win the court case. Considering the above circumstances, the Group management estimates that the collection of the receivable is virtually certain.

Evaluation of useful lives of property, plant and equipment

Management has evaluated the useful lives of items of property, plant and equipment while considering business conditions and volumes, historical experience in this area and potential future use. The depreciation charge of the Group in the reporting period totalled EUR 6,585 thousand (2014: EUR 6,603 thousand). If the depreciation rates are increased/reduced by 10%, the annual depreciation charge will increase/decrease by approximately EUR 659 thousand (2014: depreciation would increase/decrease by about EUR 660 thousand).

Depreciation rates are provided below in the section of accounting principles of property, plant and equipment.

Possible impairment of property, plant and equipment

If indications of impairment of property, plant and equipment exist as at the balance sheet date, the Group's management has to assess whether the recoverable amount of property, plant and equipment assets has fallen below their carrying amount. Circumstances that indicate possible impairment of assets include, among others:

- decrease of market value of similar assets;

- deterioration in the general economic environment and in the market situation that increases the probability that the revenue generated from the assets will decrease;

- increase of market interest rates;

- sharp deterioration in physical condition of assets;

- smaller than planned revenue earned from assets.

In connection with the decrease in rent prices of rolling stock in 2015, the Group management carried out an impairment test to determine its recoverable amount as at the balance sheet date. The recoverable amount of property, plant and equipment was determined on the basis of its carrying amount less possible costs to sell. Fair value of property, plant and equipment was determined by using the cost method (Level 3). In the management opinion, it was not possible to apply the income approach because of high uncertainty in forecasting cash flows at the current market situation. It was also not possible to apply the market approach because there was no information on comparable market transactions as at the balance sheet date – to the management's best knowledge, transactions are not being concluded due to the low price of oil and low lease tariffs, as market participants are postponing transactions until there are clear signs in which direction the market is developing.

In accounting of fair value, the management has taken into account the following significant inputs:

- sale price of new rolling stock on the basis of price lists of Ukrainian and Russian manufacturers;

- one-off customs duties for operating rolling stock in the Eurasian Customs Union in accordance with the legislation of the Eurasian Customs Union and the transport costs based on official tariffs of Russian Railways in connection with the registration of rolling stock in Estonia, that were added to the sales price. These are the item-specific costs that are necessary for operating the property in the Eurasian Customs Union;

- adjustment made according to the management assessment with regard to the remaining lifetime and economic wear of the rolling stock, based on depreciation rates approved by the order of the Russian Machine Building Ministry.

Carrying amount of property, plant and equipment as at 31.12.2015 (Note 8): EUR 126,727 thousand.

Recoverable amount of property, plant and equipment as at 31.12.2015: EUR 130,467 thousand.

Since the recoverable amount of property, plant and equipment is larger than its carrying amount, there is no need to recognise impairment of property, plant and equipment as at 31.12.2015. If sales prices of rolling stock manufacturers change 10%, the recoverable amount of property, plant and equipment will change by EUR 12,212 thousand.

Business environment impacts

During 2015 the Russian economy was negatively impacted by a decline in oil prices and ongoing political tension in the region and international sanctions against certain Russian companies and individuals. This adversely affects the debtors of the Company, which could in turn impact their ability to repay the amounts owed. Deteriorating operating and economic conditions for customers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in its impairment assessments; however management is unable to reliably estimate the effects on the Company's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and development of the Company's business in the current circumstances.

Contingent liabilities

In estimating the probability of realisation of contingent liabilities, the management considers historical experience, general information about the economic and social environment, and the assumptions and conditions of possible future events based on the best knowledge of the situation (see Note 28).

Note 28 Contingent liabilities

Potential liabilities arising from the tax audit

The tax authorities have the right to verify the Group's tax records up to 5 years from the time of submitting the tax declaration and upon finding errors, impose additional taxes, interest and fines.

In 2015, the tax authorities verified the Group's financial reporting in connection with transactions made with a specific party, as a result of which the Group has occurred a tax liability in an insignificant amount. Transactions with the given party have been terminated since January 2015.

The Group's management estimates that there are not any circumstances which may lead the tax authorities to impose additional significant taxes on the Group.

Financial guarantees issued

As at 31 December 2015, the Group has issued a guarantee in the amount of USD 33,750 thousand to cover the lease liabilities of the group entity AS Spacecom Trans. The Group's management estimates that no costs are likely to be incurred in relation to the lease liability of AS Spacecom Trans that is secured by the Group, because AS Spacecom Trans is able to meet its obligations. The maximum credit risk arising from the financial guarantee is disclosed in Note 26.

Contingent liabilities

The Group had the Group-initiated court process in progress as at 31 December 2015 (see Note 27). The Group's customer has not returned the rented railway tanks at expiration of the agreement in March 2015 and issued demurrage fee invoices for the period from April 2015 to December 2015 – total in the amount of EUR 5,669 thousand. The Group does not agree with the issued invoices, as the customer did not fulfil all the obligations related to termination of the agreement and was not returning the railcar tanks during the 9 months period after expiration. As at the date of confirming these financial statements, the customer has not prosecuted a counterclaim in relation to the Group-initiated court process.

In the opinion of the law firm that is representing the Group in court, the Group has high probability to win the court case and therefore the management estimates the probability of realisation of the described liability as less than 50%.

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INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)*

To the Shareholders of AS Spacecom

We have audited the accompanying consolidated financial statements of AS Spacecom and its subsidiary, which comprise the consolidated balance sheet as of 31 December 2015 and the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management Board's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of AS Spacecom and its subsidiary as of 31 December 2015, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

AS PricewaterhouseCoopers

/signed/

Tiit Raimla
Auditor's Certificate No. 287

/signed/

Jüri Koltsov
Auditor's Certificate No. 623

1 April 2016

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* *This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

Signatures of the Management to the 2015 Annual Report

Signing of AS SPACECOM 2015 Annual Report on 31 March 2016:

/signed/	/signed/
Member of the Management Board Oleg Ossinovski	Member of the Management Board Siarhei Psiola