Companhia dos Caminhos de Ferro da Beira, SA

FINANCIAL STATEMENTS

For the year ended on 31st December, 2014

SCA CONSULTORES

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STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The directors are responsible for the preparation, integrity and fair presentation of the financial statements of Companhia dos Caminhos de Ferro da Beira, SA.

The financial statements have been audited by the independent audit and accounting firm, SCA Lda which was given unrestricted access to all financial records and related data, including minutes of meetings of shareholders, the Board of Directors and Committees of the Board. The Directors believe that all representations made to the independent auditors during their audit were valid and appropriate. The report of the independent auditors is presented on pages 3 and 4.

The financial statements for the year ended 31 December 2014 presented on pages 5 to 33 have been prepared in accordance with PGC-NIRF. They are based on appropriate accounting policies which have been consistently applied, and which are supported by reasonable and prudent judgements and estimates.

The Government of Mozambique has terminated the Beira Rail Concession Agreement vide letter no. 142/GM/MTC/11 dated 09-11-2011 and taken over the Beira Rail System on 08.12.2011. Therefore, CCFB is no longer a going concern and is existing only for the purpose of fighting its case in arbitration, settlement of dues/receivables and closure of books. The financial statements have therefore been prepared considering that CCFB is no longer a going concern.

The directors are also responsible for the company's system of internal controls. These are designed to provide reasonable but not absolute assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets. These controls are monitored throughout the company by management and employees with the necessary segregation of authority and duties. Processes are in place to monitor internal controls, to identify material breakdowns and implement timely corrective action.

The financial statements were approved by the Board of Directors and are signed on its behalf:

Rajeev Mehrotra Director	Shailesh Kumar Sinha Chief Executive Officer
Date:	Date:

Financial statements confirmed by:

Rajeev Sethi
Director Finance

Sociedade de Consultoria Auditoria & Serviços, Lda

SCA CONSULTORES

REPORT OF THE INDEPENDENT AUDITORS
TO THE SHAREHOLDERS OF COMPANHIA DOS CAMINHOS DE FERRO DA BEIRA, SA

We have audited the accompanying financial statements of Companhia dos Caminhos de Ferro da Beira, SA which comprise the statement of financial position as at 31st December 2014, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 33.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PGC-NIRF. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board, except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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We planned our audit so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Going concern

The Government of Mozambique has terminated Beira Rail Concession agreement and has assumed liabilities of IDA and EIB, and has taken over major fixed assets from the company as per note 30 of these financial statements. Hence the company has ceased to operate as a going concern, as from 08 December 2011.

Opinion

Except for the effect of going concern, the financial statements present fairly, in all other material respects, the financial position of Companhia dos Caminhos de Ferro da Beira, SA as of 31st December 2014 and of its financial performance and its cash flows for the year then ended in accordance with PGC-NIRF.

SCA Lda

Beira

SCA - Sociedade de Consultoria Auditoria e Serviços Lda BEIRA

March 2015

COMPANHIA DOS CAMINHOS DE FERRO DA BEIRA, SA

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014
(Amounts expressed in Meticais)

	Notes	31-12-2014 MT	31-12-2013 MT
ASSETS			
Non-current assets			
Property, plant and equipment	9	130,377	191,508
		130,377	191,508
Current assets			
Other financial assets	10	2,734,782,057	2,382,023,753
Other current assets	11	18,077	6,000
Cash and cash equivalents	12	29,108,463	43,122,245
		2,763,908,597	2,425,151,998
TOTAL ASSETS		**2,764,038,974**	**2,425,343,506**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	120,000,000	120,000,000
Retained earnings		(6,183,818)	78,326,538
		113,816,182	198,326,538
Current liabilities			
Short Term Borrowings	14	2,079,233,810	1,710,691,048
Other financial liabilities	15	544,824,724	493,606,388
Other current liabilities	16	26,164,259	22,719,532
		2,650,222,792	2,227,016,968
TOTAL EQUITY AND LIABILITIES		**2,764,038,974**	**2,425,343,506**

Rajeev CK.

COMPANHIA DOS CAMINHOS DE FERRO DA BEIRA, SA

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014
(Amounts expressed in Meticais)

	Notes	31-12-2014 MT	31-12-2013 MT
Supplementary income	3	3,078	434,110
Personnel expenses		(2,325)	(912,163)
Services and suppliers	4	(98,967,192)	(57,397,973)
Taxes		(1,025,246)	(9,057,629)
Depreciation and amortisation expense		(59,508)	(102,856)
Other expenses	5	-	(20,000)
(Loss) / profit		(100,051,193)	(67,056,511)
Finance income	6	30,818,213	11,162,502
Finance costs	7	(15,277,375)	(21,607,264)
(Loss)/Profit for the year		(84,510,354)	(77,501,274)
Tax expense			
(Loss)/Profit for the year		**(84,510,354)**	**(77,501,274)**
Other comprehensive income for the year		-	-
Total comprehensive (Loss)/Profit for the year		**(84,510,354)**	**(77,501,274)**

COMPANHIA DOS CAMINHOS DE FERRO DA BEIRA, SA

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014
(Amounts expressed in Meticais)

	Share capital	Retained Earnings	Total
	MT	MT	MT
Balance at 1 January 2013	120,000,000	141,504,790	261,504,790
Total comprehensive income for the year	-	(77,501,274)	(77,501,274)
Adjustment of exchange variation	-	14,323,020	14,323,020
Balance at 1 January 2014	120,000,000	78,326,536	198,326,536
Total comprehensive income for the year	-	(84,510,354)	(84,510,354)
Balance at 31 December 2014	**120,000,000**	**(6,183,818)**	**113,816,182**

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014
(Amounts expressed in Meticais)

	31-12-2014	31-12-2013
	MT	MT
Cash from Operating activities		
Profit before tax	(84,510,354)	(77,501,272)
Depreciation and amortisation	59,508	102,856
Intangible assets, write off	-	
Tangible assets, write off	1,623	37,437
Interest income	(4,131,038)	(2,314,593)
Cash generated before working capital changes	(88,580,262)	(79,675,572)
Change in inventories	-	
Change in trade and other receivables	(352,770,381)	(120,592,859)
Change in trade and other payables	51,218,334	12,330,061
Change in long term borrowings	368,542,762	71,867,948
Change in provisions	-	
Change in other current liabilities	3,444,727	21,462,909
Cash generated from operations	(18,144,820)	(94,607,514)
Interest received	4,131,038	2,314,593
Cash flows from operating activities	(14,013,781)	(92,292,921)
Investing activities		
Purchase of property, plant and equipment	-	
Cash flows from investing activities	-	-
Financing activities	-	-
Cash flows from financing activities	-	-
Movement in cash and cash equivalents	(14,013,781)	(92,292,921)
Cash and cash equivalents at the beginning of the year	43,122,245	135,415,166
Cash and cash equivalents at the end of the year	**29,108,464**	**43,122,245**

1. Basis of preparation

In accordance with Decree 70/2009 dated 22.12.2009 the financial statements are prepared based on International Financial Reporting Standards (PGC-NIRF). The company which was constituted in terms of the Concession Agreement with the Govt. of Mozambique for rehabilitation, maintenance and operation of Machipanda and Sena Lines is no longer a going concern due to termination of the concession and taking over of the operations by the Govt. of Mozambique from 08.12.2011. Preparation of financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

2. Foreign currency translation

The financial statements are presented in Meticais, which is CCFB's functional and presentation currency.

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date.

All differences are taken to the income statement, except if related to borrowing costs to be capitalized on an eligible asset. (NCRF Clause 23)

Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

3. Property, plant and equipment (NCRF Clause 13)

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement cost when the life & performance of the asset increases. When a replacement occurs, the carrying amount of the replaced part is derecognized. All other repair and maintenance costs, including the day-to-day servicing, are recognized in profit or loss as incurred.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

3. Property, plant and equipment (NCRF Clause 13) (CONT'D)

Asset	Life	Annual Rate	Life	Annual Rate
Buildings (rehabilitated)	20 years	4.75%	20 years	4.75%
Locomotives (rehabilitated)	25 years	3.80%	25 years	3.80%
Vehicles	6 years	15.83%	6 years	15.83%
Computer/Printer/UPS	4 years	23.75%	4 years	23.75%
Software costing USD 1000 or above	3 years	33.33%	3 years	33.33%
Office Equipment	6 years	15.83%	6 years	15.83%
Survey Instrument	4 years	23.75%	4 years	23.75%
Furniture	4 years	23.75%	4 years	23.75%
Furnishing	4 years	23.75%	4 years	23.75%
Tools and Plant	10 years	9.50%	10 years	9.50%
Workshop Machinery	15 years	6.33%	15 years	6.33%

Assets having purchase cost up to equivalent to USD 500 (in case of software USD 1 000) or less are charged to Income Statement in the year of purchase.

Rehabilitation / major overhaul of conceded assets are depreciated over the life indicated above or over the remaining period of the concession whichever is lower. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

CCFB assesses periodically whether there are indicators that an element of property, plant and equipment may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, CCFB estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

4. Intangible assets (NCRF Clause 14)

Intangible assets are stated at cost less accumulated depreciation and accumulated impairment losses.
Entry fees are capitalized and amortized over the concession period. Start-up and sundry expenses related to the initial phase of the operations are expensed as incurred.

5. Impairment of non financial assets (NCRF Clause 18)

CCFB assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, CCFB estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognized in equity up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, CCFB makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

6. Leases (NCRF Clause 17)

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases, which transfer to CCFB substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in profit or loss.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that CCFB will obtain ownership by the end of the lease term.

Operating lease payments are recognized as an expense in profit or loss on a straight line basis over the lease term.

7. Inventories (NCRF Clause 9)

Inventories are valued at the lower of cost and net realizable value. Cost includes acquisition price and all disbursements necessary to bring the assets to its final location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Eventual impairment losses or adjustments required to bring down the inventories' value to net realizable value are assessed on an annual basis and recognized in the income statement.

8. Investments & Other financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

CCFB determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Cash and cash equivalents comprise cash balances and call deposits. Company overdrafts that are repayable on demand and form an integral part of CCFB's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

All regular purchases and sales of financial assets are recognized on the trade date, which is the date that CCFB commits to purchase the asset. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through the income statement.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Gains or losses on investments held for trading are recognized in the Income Statement.

CCFB assesses whether embedded derivatives are required to be separated from host contracts when CCFB first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when CCFB has the positive intention and ability to hold to maturity. After initial measurement held-to-maturity investments are measured at amortized cost using the effective interest method. Gains and losses are recognized in the Income Statement when the investments are derecognized or impaired, as well as through the amortization process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Available-for-sale financial investments

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealized gains or losses recognized directly in equity until the investment is derecognized or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognized in the income statement.

Fair value

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis or other valuation models.

Amortized cost

Held-to-maturity investments and loans and receivables are measured at amortized cost. This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

9. Financial Liabilities

Loans and borrowings

All loans and borrowings are initially recognized at fair value less directly attributable transaction costs, and have not been designated as at fair value through the Income Statement.
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.
Gains and losses are recognized in the Income Statement when the liabilities are derecognized as well as through the amortization process.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through the Income Statement includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through the Income Statement.
Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.
Gains or losses on liabilities held for trading are recognized the Income Statement.

10. Provisions (NCRF Clause 24)

Provisions are recognized when CCFB has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where CCFB expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

11. Revenue Recognition (NCRF Clause 28)

Revenue is recognized by the accrual basis of accounting and to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Revenue from the transportation of freight is recognized on the preparation of:

i. Local Traffic – sales invoice/consignment note
ii. International Traffic (Ascendant) –consignment note on loading of goods to train.
iii. International Traffic (Descendant) –advice note on loading of goods to train.

Revenue from the transportation of passengers is recognized on collection.
Interest is recognized by the accrual basis on the net carrying amount of the financial asset.
Rental Income is recognized when there is certainty of its realization by the accrual basis.
Other income is accounted for on the accrual basis except supplementary counter claims/awards in favor of the Company which are accounted for on final settlement/realization.

12. Employee Benefits (NCRF Clause 19)

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Defined contributions for pension are made to Ministry of Finance/INSS, which are charged to the Income Statement.

13. Borrowing Costs (NCRF Clause 27)

Borrowing costs in the ordinary course of business are recognized as an expense in the period in which they are incurred.
Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset is capitalized as part of the cost of the asset.

14. Earnings Per Share (NCRF Clause 3)

In determining earnings per share, the company considers the net profit or loss after tax for the period attributable to the ordinary shareholders. The number of shares used in computing basic earnings per share is weighted average number of shares outstanding during the period.

15. Cash Flow Statement (NCRF Clause 2)

The cash flow statement is prepared by using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non cash nature and any deferrals or accruals of part or future cash receipts or payments. The cash flows from operating activities, financing and investing activities of the company are segregated.

16. Contingent Liabilities and Contingent Assets

(a) Contingent liabilities are disclosed in either of the following cases:-

  (i) A present obligation arising from a past event , when it is not probable that an outflow of resources will be required to settle the obligation; or

  (ii) A reliable estimate of the present obligation cannot be made; or

  (iii) A possible obligation, unless if the probability of outflow of resource is remote.

(b) Contingent Assets are neither recognized, nor disclosed.

(c) Contingent Liability and Provisions needed against Contingent Liability and Contingent Assets are reviewed at each balance sheet date.

(d) Contingent Liability is net of estimated provisions considering possible outflow on settlement.

17. Income Tax (NCRF Clause 12)

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity.

Deferred income tax

Deferred income tax is computed using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- Respecting to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- Respecting to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.
Deferred income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Taxes

There exists the possibility of the fiscal authorities reviewing the tax situation of Companhia dos Caminhos de Beira, SA for a period of up to ten years, which may result in adjustments due to different interpretations and/or non-compliance with applicable legislation namely in relation to Corporate Tax (IRPC), Employee Tax (IRPS) and VAT giving rise to adjustments which amount is not possible to determine.

However the company hopes that they have complied adequately with all its fiscal obligations, such as the eventual corrections to the tax calculation basis of company tax, as the result of those revisions, will not have a significant impact on the attached financial statements.

1. Constitution and activity

The company was incorporated by Notary Deed dated 29 July 2004 with a Share Capital fully subscribed amounting to MZN 120,000,000, equivalent to USD 5,000,000 corresponding to 5,000 thousand shares with nominal value of MZN 24 for each share.

The Company has its Head Office in Beira. The operations started on 10 December 2004 and it has the following objectives: operation, management, rehabilitation, maintenance and development of the Beira Rail System (including infrastructure) as well as rendering of any other services related to this activity, including the import and export of goods and equipment. The Sena line commenced operations and transportation of coal also started during June, 2011. Although the company was constituted for an indeterminate period, the Government of Mozambique has terminated the Concession Agreement vide letter no. 142/GM/MTC/11 dated 09-11-2011 and taken over the Beira Rail System on 08.12.2011.

2. Fiscal and customs benefits

In accordance with the fiscal and investment contract entered into between the State of Mozambique and CCFB in October 2004, the company benefits from the following fiscal and customs incentives:

a) Exemption of payment of import duties and other related fiscal impositions over goods of the "K" and "I" classes in the customs duties list including amongst others, machines, tools, components and spares, apparatus, railway components, construction material and accessories, earmarked exclusively for the implementation of the Project;

b) Temporary import of equipment, apparatus, tools, tools and machines including special vehicles destined exclusively for the implementation of the Project;

c) Investment tax credit for the investments realized during 10 fiscal years for the railway lines of Sena and Machipanda, counting from the initial term of the Concession Contract, based on 20% of the total investment realised, deductible from Corporate Income Tax (IRPC), due by the company, up to the amount of tax payable.

d) Deductible expenditure for the purpose of calculation of Corporate Income Tax (IRPC), up to the maximum limit of 15% of the taxable income, of amount invested in specialized equipment considered to be of high technology, by the competent authority, destined for the Project during the first 10 years counted from the initial term of the Concession Contract;

e) Deductible expenditure for the purpose of calculation of Corporate Income Tax (IRPC), of amount corresponding to 150% of the actual expenses on the construction and rehabilitation of infrastructure considered to be of public interest by the competent authorities and approved by the Tax Authorities, during 10 fiscal years, counting from the initial term of the Concession Contract, as long as these infra-structures do not constitute the principal objective of the Project;

2. Fiscal and customs benefits (cont'd)

f) Deductible expenditure for purpose of calculation of Corporate Income Tax (IRPC) up to the limit of 5% of the taxable income, of expenses incurred on training of Mozambican employees;

g) Reduction of 50% of SISA tax in the acquisition of immovable assets destined for the project as long as that acquisition is made within the period of 5 years, counting from the date of effective initial term of the Concession Contract;

h) Exemption on the Stamp Tax on the alterations of the Company's share capital and articles of association, during the first 25 years, counting from the effective initial term of the Concession Contract;

i) Accelerated depreciation allowed for new and/or rehabilitated immovable assets used for the development of its activities, such as machineries and equipments for the project, at double of the normal rates set out by law for the calculation of the depreciation and amortization that are treated as deductions for the purposes of determining the taxable income for the Corporate Income Tax (IRPC).

j) Deferment, at an exceptional title, of the payment of VAT supported and payable related to:
   i. Import of equipments and materials made by the Concessionaire, destined exclusively for the implementation of the investment project in the Beira Railway System;

   ii. Acquisition of sleepers, ballast, stone and cement at the supplier specially contracted for the production and supply of these materials destined exclusively specially the implementation of the investment project in the Beira Railway System. For the implementation of what is mentioned above, the tax authorities will enter into agreements with the respective suppliers of goods referred to above.

The fiscal benefits were allowed based on the presumption that a minimum investment amounting to USD 152,460,000 will be made during a period of 5 years in construction and rehabilitation. From the amount above:

a) The amount equivalent to USD 10,070,000 constitutes direct foreign investment to be made and totally used in the Project through contributions of the initial foreign investor to the implementing company's share capital or shareholders´ loans;

b) The amount equivalent to USD 9,670,000 constitutes direct national investment to be made and totally used in the Project through contributions of the initial national investor to the implementing company's share capital or shareholders´ loans.

c) The amount equivalent to USD 25,440 will be realised and used in the Project through borrowings obtained from third parties;

2 Fiscal and customs benefits (cont'd)

d) The amount equivalent to USD 104,500,000 will be realised and used in the project as indirect national investment, through a loan resulting from a retrocession agreement to the implementing company of a credit granted by the Word Bank (IDA) to the State of Mozambique and destined specially for the implementation of the Project;

e) The remaining amount, corresponding to USD 2,780,000 will be realised and used in the project through cash flows generated from the operation of the Railway Line of Machipanda by the implementing company.

The implementing company should register the Project at the Bank of Mozambique, as well as direct and indirect investments relative to each effective import of funds.

The proof of the effective realisation and application of the foreign and national investment will be produced by the investors or by the implementing company through the respective supporting documentation issued or duly approved, in the Republic of Mozambique, by the competent authority for such effect.

	31-12-2014 MT	31-12-2013 MT
3. Supplementary income		
Others	3,078	434,110
	3,078	**434,110**

		31-12-2014	31-12-2013
		MT	MT
4.	**Services and supplies**		
	Electricity & Water	2,593	4,164
	Vehicle Running & Maintenance	27,310	125,682
	Damaged Wagons	8,260,666	-
	Wagon Hire Charges	7,385,004	-
	Security Expenses	168,829	157,904
	Office Rent	475,500	914,905
	House Rent	-	-
	Communication	100,873	119,015
	Travel & Accommodation	98,855	1,435,100
	Management Fees	3,794,976	3,679,854
	Office & Station Maintenance	-	11,400
	Director's Travel & Accommodation	2,194,945	673,076
	Insurance	20,200	49,616
	Bad Debts	-	-
	Provision for debts	-	-
	Audit Fees & Expenses	75,000	230,157
	Consultancy Fees:-		
	Accounts	235,313	324,760
	Taxation	-	1,428,000
	Staff Uniform	-	-
	Stationery	17,941	15,376
	Legal Expenses relating to arbitration	76,080,979	45,152,199
	Vat Written off	-	-
	Other Expenses	28,208	3,076,764
		98,967,192	**57,397,973**
5.	**Other expenses**	-	20,000
		-	**20,000**

		31-12-2014 MT	31-12-2013 MT
6.	**Finance income**		
	Foreign exchange gains	26,687,175	8,847,909
	Interest income	4,131,038	2,314,593
	Prior year expenses written back	-	-
		30,818,213	**11,162,502**
7.	**Finance costs**		
	Foreign exchange losses	14,127,069	20,628,682
	Bank charges	1,150,306	978,582
		15,277,375	**21,607,264**
8.	**Tax rate reconciliation**		
	(Loss)/Profit before tax	(84,510,354)	(77,501,274)
	32% income tax thereon	-	-
	Effect of non-deductible expenses		-
	Effect of non-taxable income	-	
	Effect of capital allowances,provisions		-
	Effect of assessed losses		
	Actual tax (income)/expense	-	-
	Tax (income)/expense comprises of:		
	Current tax expense		-
	Deferred tax (income)/expense		
		-	-

9. Property, plant and equipment

	Cost	Accumulated Depreciation	Net carrying amount
31-12-2014	**MT**	**MT**	**MT**
Vehicles	3,275,028	(3,183,913)	91,115
Machinery, office equipment, furniture and other assets	1,697,571	(1,658,309)	39,262
	4,972,599	**(4,842,222)**	**130,377**
31-12-2013			
Vehicles	3,275,028	(3,183,913)	91,115
Machinery, office equipment, furniture and other assets	1,730,011	(1,629,618)	100,393
	5,005,039	**(4,813,531)**	**191,508**

9. Property, plant and equipment (cont'd)

	Vehicles	Machinery, office equipment, furniture and other assets	Total
31-12-2014	**MT**	**MT**	**MT**
Opening balance	91,115	100,393	191,508
Depreciation - expensed	-	(59,508)	(59,508)
Disposal(WDV)	-	(1,623)	(1,623)
Closing balance	**91,115**	**39,262**	**130,377**
31-12-2013			
Opening balance	128,452	203,349	331,801
Depreciation - expensed	-	(102,856)	(102,856)
Disposals at book value	(37,337)	(100)	(37,437)
Compulsory acquisition by Government	-	-	-
Closing balance	**91,115**	**100,393**	**191,508**

10. Other financial assets

Value added tax	10,287,000	5,142,373
Staff debtors	19,178	19,178
Income tax	2,379,502	2,379,502
Government of Mozambique	2,615,002,706	2,258,728,983
CFM	107,093,670	115,753,717
	2,734,782,057	**2,382,023,753**

During the year 2014, MZN 379 861 480 has been debited to Government of Mozambique on account of Interest on shareholder's loan, Exchange variation on assets created out of loan for the period from 1 Jan 2014 to 31 December 2014.
MZN 42 619 770 has been debited to CFM on account of exchange variation on sale of locos, wagons etc. & payables to CFM
Dues payable to RICON amounting to USD 13.386 million are being shown as recoverable from Govt. of Mozambique. Accordingly, the exchange rate variation on translation of this amount has also been added to amount recoverable from Govt. of Mozambique.

11. Other current assets

Sundry advances, accrued interest, & prepaid exp	18,077	6,000
	18,077	**6,000**

12. Cash and cash equivalents

Petty cash in Meticais (MZN)	38,692	87,732
Bank balance in USD	15,230,494	15,639,583
Bank balances in Meticais	13,839,277	27,394,930
	29,108,463	**43,122,245**

An amount of MZN 8 036 076 is under lien with BIM against issue of Bank Guarantee in favor of MOF for court case

13. Share capital

Shareholders	Number of shares	Shareholding %	31-12-2014 MT	31-12-2013 MT
Rites	1,300,000	26	31,200,000	31,200,000
Ircon	1,250,000	25	30,000,000	30,000,000
CFM, E.P.	2,450,000	49	58,800,000	58,800,000
	5,000,000	100	120,000,000	120,000,000

13.1. Classification of shares

The company share capital is fully subscribed and paid and is equivalent to USD 5 000 000. The nominal value of each share is MZN 24.

The Shares are divided into A, B and C classes of shares as follows:

a) "A" class shares, paid in kind, representing 33% of the issued share capital, corresponding to MZN 39 600 000 equivalent to USD 1 650 000 are held by Portos e Caminhos de Ferro de Moçambique, E.P. also called CFM, or its legal successors and/or subsidiaries.

b) "B" Class Shares, paid in cash, subdivided as follows:
   i. RITES Limited, holder of B shares representing 26% of the issued share capital, corresponding to MZN 31 200 000 of Meticais equivalent to USD 1 300 000;
   ii. IRCON International Limited, holder of B Shares representing 25% of issued share capital, corresponding to MZN 30 000 000 of Meticais equivalent to USD 1 250 000.

   "C" Class Shares, paid in kind representing 16% of the issued share capital, correspondent to MZN 19 200 000 equivalent to USD 800 000 are on temporary basis by CFM until such time as the C Class Share are sold, allotted or transferred at the sole discretion of the Government of Mozambique.

14. Interest bearing debt - shareholders' loan

31-12-2014	Principal	Interest	Total	Meticais equivalent
	USD	USD	USD	MT
Ircon International Ltd	5,858,722	150,522	6,009,244	202,271,151
Rites Ltd	6,104,667	156,840	6,261,508	210,762,348
CFM	11,581,347	297,546	11,878,893	399,843,555
Ircon International Ltd	17,201,942	386,594	17,588,535	592,030,103
Rites Ltd	17,096,531	384,231	17,480,762	588,402,461
Ircon International Ltd	1,167,554	57,032	1,224,586	41,219,562
Rites Ltd	1,264,592	63,531	1,328,123	44,704,630
Short term portion	**60,275,356**	**1,496,296**	**61,771,652**	**2,079,233,810**

31-12-2013				
Ircon International Ltd	5,585,757	133,944	5,719,701	172,963,758
Rites Ltd	5,820,243	139,567	5,959,810	180,224,654
CFM	11,041,757	264,776	11,306,533	341,909,558
Ircon International Ltd	16,497,980	345,847	16,843,827	509,357,274
Rites Ltd	16,396,868	343,734	16,740,602	506,235,804
Short term portion	**55,342,605**	**1,227,868**	**56,570,473**	**1,710,691,048**

14 INTEREST BEARING DEBT - SHAREHOLDERS' LOAN (CONT'D)

14.1 The first loan is unsecured and repayable on a bi-annual basis over 8 years in 16 equal instalments, being the first instalment of principal and interest payable on 1 July 2011 and the last instalment payable on 1 January 2019. The loan bears interest at Libor (6 months) plus a spread of 3%. Simple interest shall be accumulated until 31 December 2010. Interest for the period starting from 1 January 2011 onwards shall be paid on due dates which are 1 January and 1 July.
However, due to termination of concession agreement, all outstanding payments including interest have become due for payment.

14.2. The second loan shall have pari passu charge on revenue and all assets of CCFB in which CCFB has ownership and other beneficiary rights and is repayable on a bi-annual basis over 9 years in 18 equal instalments, being the first instalment payable on 1 July 2012. The loan bears interest at Libor (6 months) plus a spread of 3%. Interest is payable each 1 January and each 1 July, being 1 July 2012 the first interest due date.
However, due to termination of concession agreement, all outstanding payments including interest have become due for payment.

14.3. On termination of the Concession Agreement, CFM as direct beneficiary of the running of rail concession after termination distanced itself from the arbitration action. Therefore, board resolution to initiate legal action, as provided in the concession agreement was passed by majority. Since CCFB has no source of income and balance available with CCFB is kept to meet legal local costs of arbitration, CCFB requested all shareholders for funding the ongoing expenses in connection with arbitration but no response was received from CFM. As such, other shareholders i.e. RITES LTD and IRCON International Limited were requested for financial assistance by way of loan to meet arbitration cost, who has agreed to extend USD 4.22 million as loan to CCFB on same terms and conditions as for earlier two loans. Loan agreement has been approved by circulation by CCFB Board. The loan bears interest at Libor (6 months) plus a spread of 3%. Interest is payable each 1 January and each 1 July. Unpaid interest on due dates shall be converted into loan.

	31-12-2014 MT	31-12-2013 MT
15. Other financial liabilities		
Creditors	22,336,519	2,778,936
BOD fees	535,676	576,072
RITES	-	15,359,545
IRCON	-	14,492,884
RICON - shareholder	521,952,528	460,398,951
	544,824,724	**493,606,388**

	31-12-2014 MT	31-12-2013 MT
16. Other current liabilities		
Provision for IVA	1,256,623	1,256,623
Provision for Withholding Tax	24,907,636	21,462,909
	26,164,259	**22,719,532**

17 Related party transactions and balances

	Type of relationship	31-12-2014 MT	31-12-2013 MT
STATEMENT OF FINANCIAL POSITION			
Accounts receivable			
CFM	Shareholder	107,093,670	115,753,717
Total amount receivable from related parties		**107,093,670**	**115,753,717**
Accounts payable			
Ircon International Ltd	Shareholder	835,520,816	696,680,016
Rites Ltd	Shareholder	843,869,439	701,680,747
CFM	Shareholder	399,843,555	341,909,558
RICON	Majority Shareholders' Joint Venture	521,952,528	460,398,951
Total amount payable to related parties		**2,601,186,338**	**2,200,669,272**
STATEMENT OF COMPREHENSIVE INCOME			
Expenses			
RICON - management fees and locomotive hire	Majority Shareholders' Joint Venture	3,794,976	3,679,854
CFM - consultancy fees, wagon hire and official rental	Shareholder	15,645,670	-
Directors' remuneration	Directors	-	645,755
Total related party expenses		**19,440,646**	**4,325,609**

18. Contingent liabilities

18.1. Withholding tax and the respective fine under dispute with the tax authorities

A tax inspection was carried out in August 2007. The tax authorities claimed that there was withholding tax due on transactions with the National Railways of Zimbabwe for 2005 and 2006 amounting to MZN 10 672 152 and in addition a fine was levied of MZN 10 672 152. The company formally opposed the matter in writing and on 26 February 2008 the authorities notified the company indicating that the amount of the withholding tax due was reduced from MZN 10 672 152 to MZN 5 336 076 and that the corresponding fine was reduced from MZN 10 672 152 to MZN 2 500 000. The total contingent liability is now MZN 8 036 076.

The company has submitted an appeal to the Administrative Court on 6 March 2008 for the complete abolition of the tax and the corresponding fine and is awaiting response.

18.2. Tax contingencies

The tax authorities have the right to review the company fiscal obligations during a period of 10 years. Based on their reviews, the tax authorities could reassess taxes due to different interpretations and/or non compliance with the fiscal legislation, namely Corporate Income Tax (IRPC), Individual Income Tax (IRPS) and VAT, which are not possible to estimate.

18.3. Claims against the company amounting to USD 315,530.65 have not been acknowledged as debt.

18.4 Mediterranean Shipping Company has lodged a claim against CCFB amounting to MZN 1 391 225.12 in Court. Since CCFB has contested their claim, no liability has been provided in books of accounts on this account.

19. Trade receivables

	31-12-2014 MT	31-12-2013 MT
Gross		
Less:-Provision for doubtful debts		
Net Trade Receivables	-	-

Provision for doubtful debts		
Opening balance		-
Additions		
Reversals		-
Closing balance	-	-

20. Pensions and other employee obligations

Amount of defined contributions of CCFB for pension to Ministry of Finance / INSS which are charged to Income Statement is MT NIL (2013: MT NIL).

21. Foreign currency sensitivity

The Company does not enter into forward exchange contracts to mitigate exposure to foreign currency risk.
To mitigate Company's exposure to foreign currency risks, non meticais cash flows are monitored. Generally Company's risk management procedures distinguish short term foreign currency cash flows (due within 6 months) from long term foreign currency cash flows (due after 6 months).
Foreign Currency denominated financial assets and liabilities are as follows:-

Financial Assets as on 31-12-2014	**Short Term**	**Long Term**
Bank Balance in USD	461 530	
Financial Liabilities as on 31-12-2014	**Short Term**	**Long Term**
Shareholders Loan in USD	61 771 652	-
Trade & Other Payables	16 915 848	-

22. Interest rate sensitivity

Borrowings from shareholders are fixed at Libor rate + 3%.
The Company is not exposed to changes in market interest rates through bank borrowings at variable interest rates.

23. Credit risk analysis

Company management considers that all financial assets that are not impaired or past due for each of reporting dates under review are of good credit quality.

24. Liquidity risk analysis

Liquidity needs are monitored in various time bands, on day to day & week to week basis. Company obligation is to maintain cash to meet its liquidity requirements for 30 days period at a minimum.
Cash flows from trade and other receivables are contractually due after credit period of 30 days.

25. Capital management policies and procedures

Company's capital management policies are:-
To provide an adequate return to shareholders by pricing products & services commensurately with level of risk.
However, this is not applicable due to termination of the Concession w.e.f 8th Dec 2011.

26. Other expenses

Operating expenses are recognised in profit or loss upon utilisation of service or at the date of origin.

27. Cash and cash equivalents

Cash & Cash equivalents comprise cash on hand, short term highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

28. Equity and reserves

Share capital represents the nominal value of shares that have been issued. Retained earnings include all current and prior period retained profits.

29. Estimation uncertainty

When preparing the financial statements management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.
The actual results are likely to differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.
Information about the significant judgements, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is provided below:-

Useful lives of depreciable assets: - Management reviews the useful lives of depreciable assets at each reporting date. Based on the expected utility of the assets to the Company. The carrying amounts are analyzed in Note 9. Actual results, however, may vary due to technical obsolescence, particularly for software and IT equipment.

Inventories: - Inventories are measured at lower of cost and net realisable value. In estimating net realisable values management takes into account the most reliable evidence available at times the estimates are made.

Provisions: - The Company is currently defending certain lawsuits where actual outcome may vary from amount recognized in financial statements. None of the provisions will be discussed here in further detail so as not to seriously prejudice the Company's position in the related disputes.

30. Concession Agreement

Consequent upon termination of the Concession Agreement by the Government of Mozambique vide letter no. 142/GM/MTC/11 dated 09-11-2011, the conceding Authority has taken over the Beira Rail System along with major assets and has assumed liabilities of IDA and EIB . The CCFB holds the termination as unlawful and has given a notice for arbitration vide letter no 2011/CEO/CCFB/29 dated 11th Nov, 2011. The arbitration proceedings have been initiated by filing RFA in May 2013. Pending result of the arbitration, the amount of assets at book value and other assets & liabilities including interest on unpaid loans of CCFB transferred to CFM on behalf of the conceding authority, has been shown as recoverable from Govt. of Mozambique (Conceding Authority) net of the amount of loan from IDA and EIB along with outstanding interest. Since the termination of concession is a matter of dispute, the amount is not confirmed. Although a period of three years & three months has lapsed since takeover of Beira Rail System including its assets & company assets and company's liabilities are growing, no amount whatsoever has been paid by Government of Mozambique.