FAR-EASTERN SHIPPING COMPANY PLC
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2006

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STATEMENT OF MANAGEMENT RESPONSIBILITIES

Management has prepared and is responsible for the financial statements and related notes of Far-Eastern Shipping Company PLC and its subsidiaries ("the Group"). They have been prepared in accordance with International Financial Reporting Standards and necessarily include amounts based on judgements and estimates by management.

The Group maintains internal accounting control systems and related policies and procedures designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with management's authorisation and properly recorded, and that accounting records may be relied upon for the preparation of financial statements and other financial information. The system contains self-monitoring mechanisms that allow management to be reasonably confident that controls, as well as the Group's administrative procedures and internal reporting requirements operate effectively. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error or the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation.

E.N. Ambrosov, President

Y. B. Gilts, Senior Vice President

14 April 2007

Report of the Independent Auditors
to the Members of
Far-Eastern Shipping Company PLC

We have audited the accompanying consolidated balance sheet of Far-Eastern Shipping Company PLC and its subsidiaries (the "Group") as at 31 December 2006 and the related consolidated statements of income, cash flows and changes in equity for the year then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. 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.

Auditors' 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 of 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.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2006 and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Moore Stephens CIS Ltd

MOORE STEPHENS CIS LIMITED

St.Paul's House, Warwick Lane
London EC4M 7BP

14 April 2007

Far-Eastern Shipp ing Company PLC
and its subsidiaries

Consolidated Balance Sheet – 31 December 2006
(Expressed in USD'000s)

	Note	31 December 2006		31 December 2005	
Non-Current Assets					
Intangible Assets					
Goodwill	4		239,702		-
Other intangible assets	5		13,420		-
Tangible Assets					
Fleet	6	760,131		539,262	
Other fixed assets	7	282,257		75,854	
Vessels under construction	8	39,909		57,160	
			1,082,297		672,276
Long Term Investments	9		8,223		2,224
Other Non-current Assets	10		69,762		-
Current Assets					
Inventories	11	8,546		10,385	
Voyages in progress		478		230	
Accounts receivable	12	202,705		76,310	
Loans and promissory notes receivable	13	5,793		479	
Bank and cash balances	14	53,589		69,856	
		271,111		157,260	
Less: Current Liabilities					
Accounts payable	15	102,936		84,876	
Loans and other obligations	16	384,654		38,029	
		487,590		122,905	
Net Current (Liabilities)/Assets			(216,479)		34,355
Deferred tax	18		(69,263)		(36,650)
			1,127,662		672,205
Financed by:					
Share capital	19		4,130		4,130
Treasury shares	19		(279)		-
Retained earnings			548,454		466,499
Other reserves	20		116,564		83,267
			668,869		553,896
Minority interest			54		552
Total equity			668,923		554,448
Long term loans and other obligations	16		458,739		117,757
			1,127,662		672,205

E.N. Ambrosov, President ____________ Y.B. Gilts, Senior Vice President ____________

Date: 14 April 2007

The attached notes on pages 8 to 42 form an integral part of these financial statements

Far-Eastern Shipping Company PLC
and its subsidiaries

Consolidated Income Statement
For the year ended 31 December 2006

(Expressed in USD'000s)

Continuing operations	Note	31 December 2006		31 December 2005	
Turnover			457,468		322,837
Operating expenses			(299,366)		(218,349)
Gross profit	21		158,102		104,488
Depreciation					
Fleet	6	(37,274)		(46,408)	
Other fixed assets	7	(11,267)		(5,646)	
			(48,541)		(52,054)
Other Income and Expenses					
Other income	22		11,468		14,055
Interest receivable			3,507		2,360
Result of investment activity			1,222		391
Negative goodwill	31		1,577		665
Administrative expenses			(46,055)		(30,718)
Non- profit based taxes	23		(6,309)		(1,476)
Bad debt (charge)/release	12		(7,335)		1,754
Finance charges			(36,247)		(8,025)
Exchange gain/(loss)			1,504		(4,660)
			(76,668)		(25,654)
Profit before taxation and assets disposals and revaluations			**32,893**		**26,780**
Profit/(loss) on disposal of fixed assets and investments	24		24,558		(61)
Profit on disposal of subsidiaries	33		2,338		-
Fair value and impairment adjustments	26		(9,297)		(4,822)
Group share of results of associated companies	34		1,022		589
Profit before Taxation			**51,514**		**22,486**
Taxation	23		(19,496)		(1,775)
Net profit for the year from continuing operations			**32,018**		**20,711**
Discontinuing operations					
Profit/(loss) for the year from discontinuing operations	21		**36,871**		**(9,462)**
Net profit for the year			**68,889**		**11,249**
Attributable to:					
Equity holders of the parent			**68,888**		**11,132**
Minority interest			**1**		**117**
Profit per share:					
Continuing operations	27		USD 0.019		USD 0.013
Discontinuing operation	27		USD 0.022		USD (0.006)

The attached notes on pages 8 to 42 form an integral part of these financial statements

Far-Eastern Shipping Company PLC
and its subsidiaries

Consolidated Statement of Changes in Equity
For the year ended 31 December 2006

(Expressed in USD'000s)

	Attributable to equity holders of the parent						
	Share Capital (Note19)	Own Shares (Note19)	Retained Earnings	Other Reserves (Note 20)	Total	Minority Interest	Total Equity
Balance at 1 January 2005	**4,130**	**-**	**429,251**	**132,779**	**566,160**	**281**	**566,441**
Deferred tax arising on revaluation of fleet	-	-	-	2,936	2,936	-	2,936
Translation difference	-	-	-	24	24	-	24
Revaluation of fleet	-	-	-	(26,356)	(26,356)	-	(26,356)
Release from revaluation reserve – annual	-	-	22,841	(22,841)	-	-	-
Release from revaluation reserve – on disposal	-	-	3,275	(3,275)	-	-	-
Net profit recognised directly in equity	-	-	26,116	(49,512)	(23,396)	-	(23,396)
Profit for the year	-	-	11,132	-	11,132	117	11,249
Total recognised income for the year	-	-	37,248	(49,512)	(12,264)	117	(12,147)
Minority interest on acquisition	-	-	-	-	-	154	154
Balance at 31 December 2005	**4,130**	**-**	**466,499**	**83,267**	**553,896**	**552**	**554,448**
Deferred tax arising on revaluation of fleet	-	-	-	(14,793)	(14,793)	-	(14,793)
Translation difference	-	-	-	3,149	3,149	-	3,149
Revaluation of fleet	-	-	-	63,208	63,208		63,208
Release from revaluation reserve – annual	-	-	12,770	(12,770)	-	-	-
Release from revaluation reserve – on disposal	-	-	297	(5,497)	(5,200)	-	(5,200)
Net profit recognised directly in equity	-	-	13,067	33,297	46,364	-	46,364
Profit for the year	-	-	68,888	-	68,888	1	68,889
Total recognised income for the year	-	-	81,955	33,297	115,252	1	115,253
Movements in own shares	-	(279)	-	-	(279)	-	(279)
Minority interest on disposed subsidiaries	-	-	-	-	-	(410)	(410)
Purchase of shares from minority shareholders	-	-	-	-	-	(143)	(143)
Minority interest on acquisition	-	-	-	-	-	54	54
Balance at 31 December 2006	**4,130**	**(279)**	**548,454**	**116,564**	**668,869**	**54**	**668,923**

The availability of the Company's retained earnings for distribution to shareholders is determined by the Company's Articles of Association and by Russian legal and fiscal regulations and does not correspond with the figures shown above. The Company's reserves under Russian Accounting Standards as at 31 December 2006 were USD 28.0 million (2005: USD 60.0 million).

The attached notes on pages 8 to 42 form an integral part of these financial statements

Far-Eastern Shipping Company PLC
and its subsidiaries

Consolidated Cash Flow Statement
For the year ended 31 December 2006

(Expressed in USD'000s)

	Note	31 December 2006		31 December 2005	
		Continuing Activities	Discontinuing Activities	Continuing Activities	Discontinuing Activities
Cash Flow from Operating Activities					
Payments to customers		435,643	132,474	310,003	223,262
Payments to suppliers		(349,080)	(106,238)	(208,824)	(211,066)
Other cash receipts		11,468	103	15,757	-
Other cash payments		(77,647)	(28,056)	(19,145)	(13,285)
Operating cash flows		20,384	(1,717)	97,791	(1,089)
Taxation		(18,533)	(3,843)	(7,596)	(580)
Net operating cash flows	28	1,851	(5,560)	90,195	(1,669)
Cash Flow from Investing Activities					
Vessels under construction		(224,949)	-	(37,741)	-
Vessels acquired	6	(7,400)	-	(60,526)	-
Expenditure on other fixed assets	7	(43,674)	-	(37,415)	(1,420)
Expenditure on non-current assets		(2,511)	-	-	-
Proceeds on disposal of fleet		63,478	-	16,622	-
Proceeds on disposal of other fixed assets		3,137	6,205	2,048	153
Subsidiaries acquired	32	(367,759)	-	(1,466)	-
Associates acquired	34	(1,778)	-	-	-
Proceeds on sale of investments		-	-	1,436	-
Short term investments acquired		(2,260)	-	-	-
Proceeds on sale of business	25	-	53,266	-	-
Proceeds on sale of subsidiaries	33	6,540	-	-	-
Cash on sale of subsidiaries	33	(207)	-	-	-
Cash assets of subsidiaries not consolidated in prior periods	31	335	-	295	-
Cash on acquisition of subsidiaries	32	7,145	-	-	-
Short-term loans issued		(5,177)	-	-	-
Interest and investment income		4,767	90	2,586	165
Net cash used in investing activities		(570,313)	59,561	(114,161)	(1,102)
Cash Flow from Financing Activities					
Purchase of own shares		(279)	-	-	-
Loan repayments		(312,121)	-	(85,531)	-
Movement on restricted cash	14	(1,968)	-	-	-
Finance charges		(36,286)	-	(8,025)	-
Loans drawn down		842,121	-	152,732	-
Net cash generated by financing activities		491,467	-	59,176	-
Exchange Differences		4,756	3	(1,748)	(1,746)
Net (Decrease)/increase in Cash		(72,239)	54,004	33,462	(4,517)
		(18,235)		28,945	
Cash and Cash Equivalents at 1 January		69,856		40,911	
Cash and Cash Equivalents at 31 December	14	51,621		69,856	

The attached notes on pages 8 to 42 form an integral part of these financial statements

1. Organisation and Trading Activities

Far-Eastern Shipping Company PLC (FESCO) was privatised and became a joint stock company governed by the laws of the Russian Federation on 3 December 1992. The Company's registered office and principal place of business is: 15 Aleutskaya Street, Vladivostok 690990, Russia.

The Company's immediate parent entity is S.V.G. Holding, Luxemburg and Mr Sergey Generalov is considered to be the Company's ultimate controlling party.

The principal activity of FESCO and its subsidiaries (the Group) has traditionally been shipping (ship owning, ship management, chartering out and line operating) including cabotage, import-export and international cross trade operations. In recent years these activities were expanded to include intermodal operations and railway transportation services. During 2006 the Group's transformation to an integrated transport company focused on Russia was accelerated by the sale of its international cross-trade lines (see note 25), the acquisition of a group of companies providing intermodal services (see note 32), and the acquisition of interests in joint ventures one of which is involved in railway transportation services and one of which is involved in maritime container terminal development and operation (see note 32).

2. Basis of Accounts Preparation

(a) Basis of accounting

These financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS"). IFRS comprise standards and interpretations approved by the International Accounting Standards Board and those International Accounting Standards ("IAS") and Standing Interpretations Committee interpretations ("SIC") approved by the International Accounting Standards Committee that remain in effect.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of selecting and applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where estimates are significant to the financial statements are disclosed in Note 2c.

The significant accounting policies adopted by the Group are as set out in Note 3. The historical costs convention has been used throughout except in respect of those items where a different valuation basis is explicitly stated. With the exception of a change in respect of the accounting policy for joint ventures (as more fully explained in note 2b) the stated policies have been consistently applied with those of the prior year.

(b) Basis of consolidation

These financial statements include the accounts of FFESCO and its subsidiaries. The principal subsidiaries and joint ventures of the Group are as follows:

Name	Country of Incorporation	Percentage Holding	Activity
Roselau Shipping Company Ltd	Cyprus	100%	Holding company of shipowning group
Tryfield Shipping Co. Ltd	Cyprus	100%	Holding company of shipowning group
OOO Firma Transgarant	Russia	50%	Holding company for transportation services group
NCC Group Limited	Russia	50%	Container Terminals (including cargo handling, cargo storage and production of containers)
OOO Russkaya Troyka	Russia	50%	Intermodal Container Operations
TIS (BVI) Ltd	British Virgin Islands	100%	Holding company for transport and forwarding services group

2. Basis of Accounts Preparation (Continued)

(b) Basis of consolidation (continued)

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. The interest of minority shareholders is initially stated at the minority's proportion of the fair values of the assets and liabilities recognised. It is subsequently restated to recognise the minority's interest in subsequent profits or losses.

The consolidated financial statements include the Group's share of joint ventures on a proportional consolidation basis. The accounting policy in respect of joint ventures was changed in 2006 as it was considered that proportional consolidation would better reflect the operations of joint venture interests acquired during the year. The comparatives for the year ended 31 December 2005 have been amended to proportionally consolidated Russkaya Troyka (see Note 31). The Group's share of total recognised gains and losses of significant associates are included in the consolidated financial statements on an equity accounting basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases.

Certain subsidiaries, associate companies and joint ventures that are neither individually nor in aggregate material to the results, cash flows or financial position of the Group are not consolidated. These investments are recorded at fair value as estimated by management. Where it is not possible to accurately estimate fair values they are recorded at historical cost.

Fesco Lines China Co Ltd has been consolidated for the first time in 2006 (see Note 31).

(c) Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the financial period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The most significant areas in which estimates are applied include the following:

§ ***Fair value of net assets acquired on business combinations***

As required under IFRS3, the Group has adjusted assets and liabilities acquired on business combinations to their fair values. In estimating fair values, the Group applies market prices where these are readily available. Where they are not readily available it uses a variety of evaluation techniques. For major acquisitions fair values of net assets are determined with the assistance of specially commissioned reports from independent valuation experts.

§ ***Valuation of fleet***

The Group reviews the carrying value of fleet on an annual basis. In determining an appropriate carrying value the Company relies on the opinion of expert third party valuers and also uses discounted cash flow techniques.

§ ***Depreciation***

The Group charges depreciation on the basis of the estimated useful lives of fixed assets. These estimates are based on management's knowledge of the assets and the use to which they are put. Estimates of useful lives are reviewed on an annual basis.

§ ***Impairment losses on receivables***

The Group reviews all its receivables to assess impairment on an annual basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from an asset. Management uses estimates to determine both the amount and timing of future cash flows.

2. Basis of Accounts Preparation (Continued)

(c) Critical accounting estimates and judgements in applying accounting policies (continued)

§ ***Impairment losses on goodwill***

The Group reviews the carrying value of acquired goodwill to assess impairment on an annual basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements to identify individual cash generating units and in selecting the most appropriate discount rates to apply. Management uses estimates to determine both the amount and timing of future cash flows.

§ ***Fair value techniques***

For assets and liabilities carried at fair value the Group applies market prices where these are readily available. Where they are not readily available it uses a variety of evaluation techniques.

§ ***Related party transactions***

In the normal course of business the Group enters into transactions with its related parties. These transactions are priced predominantly at market rates. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses.

(d) Amendments to standards, new standards and new interpretations

The following Standards, Interpretations and Amendments became mandatory for the Company during the current accounting period:

International Financial Reporting Standards

IFRS 6	*Exploration for and Evaluation of Mineral Resources*

International Financial Reporting Interpretations Committee (IFRIC) Interpretations

IFRIC 4	*Determining whether an Arrangement contains a Lease*
IFRIC 5	*Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
IFRIC 6	*Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*

Amendments to existing standards

IAS 19	*Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures*
IAS 21	*The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation*
IAS 39	*Financial Instruments: Recognition and Measurement - Cash flow hedge accounting of forecast intra-group transactions*

The Fair Value Option

IAS 39	*Financial Instruments: Recognition and Measurement*
IFRS 4	*Insurance Contracts*
IFRS 1	*First-time Adoption of International Financial Reporting Standards*
IFRS 6	*Exploration for and Evaluation of Mineral Resources*

Management believe that the adoption of these Standards and Interpretation has had no material impact on the financial statements of the Group.

2. Basis of Accounts Preparation (Continued)

(d) At the date of approval of these financial statements, the following Standards, Interpretations and Amendments were in issue but not mandatory for accounting periods starting before the date indicated:

International Financial Reporting Standards

IFRS 7	*Financial Instruments: Disclosures*	1 January 2007
IFRS 8	*Operating Segments*	1 January 2009

International Financial Reporting Interpretations Committee (IFRIC) Interpretations

IFRIC 7	*Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*	1 March 2006
IFRIC 8	*Scope of IFRS 2*	1 May 2006
IFRIC 9	*Reassessment of Embedded Derivatives*	1 June 2006
IFRIC 10	*Interim Financial Reporting and Impairment*	1 November 2006
IFRIC 11	*IFRS 2—Group and Treasury Share Transactions*	1 March 2007
IFRIC 12	*Service Concession Arrangements*	1 January 2008

Amendments to existing standards

Presentation of Financial Statements - Capital Disclosures	1 January 2007

Management has decided not to early adopt any of the standards, interpretations or amendments.

Management does not anticipate that the future adoption of the standards, interpretations and amendments listed above will have a material impact on the financial statements other than the additional matters noted as follows:

1. IAS 1: Additional disclosure requirements in connection with the Group's objectives, policies and processes for managing capital and quantitative data about what the Group regards as capital.

2. IFRS 7: Additional disclosure requirements to enable users of the financial statements to evaluate the significance of financial instruments and their impact on the Group's financial position and performance. IFRS 7 requires more disclosures in relation to all risks arising from financial instruments, including credit risk and liquidity risk. The standard also requires a sensitivity analysis of market risks and how changes for each type of market risk would have impacted profit or loss in the period.

(e) Segmental Reporting

The Group considers that it has four primary segments; shipping, which operates on a global basis, intermodal services, railway transportation services and container terminals which operate in Russia and other countries of the former Soviet Union. A segmental analysis has been included at Note 21. Since each primary segment operates in a single geographic segment, additional geographical analysis is not given.

3. Accounting Policies

(a) Functional and Presentation Currency

The national currency of the Russian Federation is the Russian rouble ("RUR"). The functional and presentation currency used in the preparation of these financial statements is the U.S. Dollar ("USD"). Management has determined the USD to be the functional currency of the Company as they consider that the USD best reflects the economic substance of the underlying events and circumstances of the Company. In making this assessment, management has considered the following matters:

A significant portion of the Company's revenues are invoiced and collected in USD;
The Company's fixed assets are primarily acquired, settled and financed in USD;
A significant portion of the Company's expenses are denominated and settled in USD;
A significant portion of the Company's cash balances are retained in USD.

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in USD. In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The results and financial position of each Group entity (functional currency of none of which is a currency of a hyperinflationary economy) are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
(iii) all resulting exchange differences are recognised as a separate component of equity.

All financial information presented in USD has been rounded to the nearest thousand. The Russian rouble is not a fully convertible currency outside the Russian Federation and, accordingly, any conversion of Russian rouble amounts to U.S. Dollars should not be construed as a representation that Russian rouble amounts have been, could be, or will be in the future, convertible into U.S. Dollars at the exchange rate shown, or at any other exchange rate.

At 31 December 2006, the official rate of exchange, as determined by the Central Bank of the Russian Federation, was US dollar (USD) 1 = RR 26.33 (31 December 2005 USD 1 = RR 27.78).

3. Accounting Policies (Continued)

(b) Fixed assets and depreciation

Fleet
The fleet is stated on an individual vessel basis at market value as assessed by management and supported by independent professional valuations and calculations of value in use. Other fixed assets are stated at the lower of cost and recoverable amount (where appropriate recoverable amounts are estimated by management) less accumulated depreciation.

Fleet depreciation
Depreciation has been provided on a straight-line basis on book value less an estimated scrap value, based on anticipated useful lives of 25 years from date of building.

Other fixed assets depreciation
Other fixed assets are depreciated on a straight line basis to their residual values at the following rates:

Buildings	3 – 10% per annum
Rolling stock	4 – 20% per annum
Machinery, equipment and other fixed assets	5 - 33% per annum

Residual values
The residual value of an asset is the estimated amount that the Group would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

Impairment
The carrying amounts of the Group's fixed assets are reviewed at each balance sheet date to determine whether there is any indication of material impairment. Where appropriate, recoverable amounts are estimated by management.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The impairment loss is charged to the income statement account unless it reverses a previous revaluation in which case it will be charged to equity.

(c) Fleet revaluation reserve

Increases over historical cost book values arising from the revaluation of the fleet are transferred to a revaluation reserve. In case of downward revaluations decreases are charged to the revaluation reserve until they exceed historical cost book values when they are charged to the Income Statement.

The balance of the reserve is released on an individual vessel basis to retained earnings in equal annual instalments over the remaining anticipated useful lives of the vessels or on disposal, if earlier.

(d) Dry-docking and special surveys

Dry-docking and special survey costs are expensed as incurred.

3. Accounting Policies (Continued)

(e) Inventories

Inventories are stated at the lower of cost, calculated on a weighted average basis, and net realisable value and comprise bunkers, victualling stocks, stores, spares and materials for construction. Net realisable value is the estimated selling price in the ordinary course of business less cost of completion and selling expenses.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and on deposit with banks.

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less at the time of purchase. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date are included in other non-current assets.

(g) Revenue recognition

The Group recognises trading income on an accruals basis at the fair value of the consideration received or receivable.

Freight and hire
Freight and hire is recognised on the percentage of completion basis. Credit is taken for the appropriate share of profits on voyage charters in progress at the balance sheet date, calculated under the percentage of completion method. Full provision is made for any losses on voyages in progress at the balance sheet date. The results of time charters in progress at the balance sheet date are apportioned into the relevant accounting period.

Rail transportation services (operator's business)
The Group acts as an operator in organising rail transportation services for clients and providing similar services using its own or leased wagons. For this type of activity all proceeds, net of VAT, are included in revenues.

Agency fees
The Group acts as a legal intermediary between clients and transportation organisations. In the capacity of agent it and pays fees and certain other costs on behalf of its clients. These costs, which are reimbursed by the Group's clients, are not included in sales. Consequently, only the Group's fees for intermediary activities are recognised as sales. Debtors and liabilities that occur in accordance with these activities are recognised as accounts receivable and accounts payable.

Revenues from operating lease of rolling stock
Revenue earned by the Group from wagons leased out under operating leases is recognised on a straight line basis over the term of operating rent agreements.

Revenue from stevedoring services (cargo handling and storage)
Revenue from stevedoring services are recognised in the accounting period in which the services are rendered.

3. Accounting Policies (Continued)

(g) Revenue recognition (continued)

Revenue from sales of containers and resale of goods
Revenue from sales containers and resale of goods is recognised at the point of transfer of risks and rewards of ownership.

Sales are shown net of VAT and discounts.

Interest income is recognised on a time-proportion basis using the effective interest method.

(h) Investments and investment income

Investments acquired principally for the purpose of short term holding gains are classified as investments at fair value through profit or loss and are generally shown within current assets. Non-derivative investments with fixed or determinable payments and fixed maturity that the Group intends to hold to maturity are designated as held-to-maturity investments. All other investments are classified as available for sale investments and are included in long term assets.

Investments at fair value through profit or loss are initially recognised at cost and subsequently remeasured to fair value. The resultant profit or loss is recognised in the income statement. Available for sale investments are initially recognised at cost and subsequently remeasured to fair value. Gains or loss are recognised through the statement of changes in equity until the investment is derecognised. Held-to-maturity investments are initially recognised at cost and are subsequently shown at amortised cost with the associated revenue shown in the income statement. Impairment losses on all categories of investment are taken directly to the income statement.

For quoted investments trading in an active market fair value is determined by reference to the latest bid price. Where no active market exists management uses valuation techniques to determine fair value. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably measured are stated at historical cost less impairment provisions where appropriate. Investment income is credited when received.

(i) Deferred taxation

Provision is made for deferred taxation on all temporary differences which arise because the carrying amount of an asset or liability in the balance sheet differs from its tax base. Movements in deferred taxation are charged or credited to the Income Statement except for movements attributable to fleet revaluation surpluses which are dealt with through the revaluation reserve.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

3. Accounting Policies (Continued)

(j) Leases

Operating leases

Where the Group is a lessee
Where a Group company is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments, including those on expected termination, are charged to profit or loss on a straight-line basis over the period of the lease.

Where the Group company is a lessor
Assets leased to third parties under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

Finance lease liabilities

Where the Group is a lessee
Where a Group company is a lessee in a lease which transfers substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to the income statement over the lease period using the effective interest method.

Assets acquired under finance leases are depreciated over the shorter of useful life and the lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

For leases that carry a variable rate of interest, minimum leases payments are recognised based on the interest rate applicable at the date of inception of the lease and future changes in interest rates are recognised in the income statement as they arise.

(k) Pension scheme

Certain Group companies have established pension and other retirement schemes in accordance with local practices in the countries in which they operate. Full provision is made for the associated liabilities.

(l) Fair Value

In the opinion of management the carrying amounts of the Group's financial assets and liabilities do not differ significantly from their fair values at the balance sheet date.

(m) Derivative financial instruments

Forward foreign exchange contracts

Forward foreign exchange contracts are occasionally used to hedge the Group's exposure to foreign currency risks. Forward foreign exchange contracts are valued at their current market rates and the movement is adjusted against reserves. When the contracts are realised, hedging used to cover exchange rate fluctuations on capital contracts will be released to the cost of the asset being acquired. Hedging to cover Group expenditure is released to the income statement.

3. Accounting Policies (Continued)

(n) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, are recognised at their fair values at the acquisition date, except for non-current assets that are classified as held for sale in accordance with IFRS 5 "*Non-current Assets Held for Sale and Discontinued Operations*", which are recognised and measured at fair value less costs to sell.

(o) Goodwill on consolidation

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is tested annually for impairment and carried at cost less accumulated impairment losses.

Negative goodwill (excess of assets acquired over consideration) is accounted for when the fair value of net assets acquired on the purchase of a business exceeds the purchase price. Negative goodwill is taken directly to the income statement.

An annual impairment review is carried out in respect of the goodwill attributable to each individual cash generating unit (CGU). This is generally carried out using cash flow projections for 10 to 20 years and an appropriate discount rate selected based on management estimates of the cost of capital employed.

(p) Other intangible assets

Other intangible assets principally represent contractual arrangements acquired by the Group for the provision of services, recognised at fair value. Amortisation is charged on a straight line basis over two years, representing management's estimate of the minimum period during which the Group is expected to benefit from these arrangements.

(q) Borrowing costs

Interest payable and other borrowing costs are expensed as incurred.

(r) Dividends

Dividends are accounted for in the period in which they are approved by the shareholders.

4. Goodwill

Goodwill arising on consolidation relates to the following acquisitions:

	31 December 2006	31 December 2005
	USD'000s	
TIS (BVI) Ltd	4,093	-
NCC Group Limited	210,975	-
Neteller Holding Limited	24,634	-
	239,702	-

Details of acquisitions in the period are disclosed in Note 32.

Goodwill has been allocated to groups of cash generating units (CGU's) which represent the lowest level within the Group at which goodwill is monitored by management for internal reporting purposes. The goodwill in NCC Group Limited is attributed to two significant CGU's; ZAO First Container Terminal (FCT) and OAO Baltic Container Terminal (BCT). Goodwill in respect of TIS (BVI) Ltd is attributable to a single CGU (TIS). Goodwill in respect of Neteller Holding Limited is attributable to a single CGU (Transgarant).

The carrying amount of goodwill allocated to each CGU is as follows:

	USD '000s
TIS	4,093
Transgarant	24,634
FCT	23,763
BCT	187,212
	239,702

For the purpose of impairment test the estimated recoverable amount of each CGU's has been estimated based on value in use calculations using cash flow projections for 10-20 years and discount rates of 10-12%.

Further key assumptions used in impairment testing were as follows:

a) BCT will commence operations in December 2007 and will operate at full capacity in 2011.
b) FCT will experience compound growth rates for years two and three of 26%.
c) For FCT and BCT margins will remain at the levels currently being achieved by FCT.
d) Transgarant and TIS will continue to experience current levels of profitability.

Management does not believe that any reasonably possible changes in the key assumptions would cause any of the CGU's to become impaired.

5. Other Intangible Assets

	31 December 2006	31 December 2005
	USD'000s	
Contractual arrangements acquired by T.O. Services Ltd	5,272	-
Less: Amortisation for period	(263)	-
Transgarant Trade Mark	960	-
Transgarant contractual arrangements	7,300	-
Licences	1	-
Software	150	-
	13,420	-

The acquisition contractual arrangements from T.O. Services Ltd was settled by a cash payment of USD 1.5 million and net liabilities assumed of USD 3.772 million.

6. Fleet

	Valuation	Depreciation	Net Book Value
		USD'000s	
At 1 January 2005	550,760	-	550,760
Newbuildings acquired during the year	85,892	-	85,892
Depreciation charge for the year	-	(46,408)	(46,408)
Disposals	(17,900)	428	(17,472)
Revaluation	(79,490)	45,980	(33,510)
At 31 December 2005	539,262	-	539,262
Newbuildings acquired during the year	242,200	-	242,200
Vessel acquired during the year	7,400	-	7,400
Depreciation charge for the year	-	(37,274)	(37,274)
Disposals	(46,646)	2,964	(43,682)
Revaluation	17,915	34,310	52,225
At 31 December 2006	760,131	-	760,131
Total deadweight tonnage			1,006,000

The mv "Fesco Uelen", with gross registered tonnage of 2,938 tonnes was acquired from a third party in April 2006.

During the year the following vessels were transferred from the shipyard (see Note 8):

Vessel	**Type**	**Date**
mv "Fesco Askold"	1100 TEU Container vessel	April 2006
mv "Fesco Aleut"	1100 TEU Container vessel	September 2006
mv "Fesco Ayon"	1100 TEU Container vessel	October 2006
mv "Capt. Blanche"	2,732 TEU Container vessel	July 2006
mv "Capt. Vilano"	2,741 TEU Container vessel	August 2006
mv "Capt. Pasado"	2,741 TEU Container vessel	September 2006

At 1 January 2006, the estimated scrap value of the Group's fleet was increased to USD 390 (2005: USD 330) per LWT. This change in accounting estimate was made in reaction to the increase in international steel prices. Had this change in accounting estimate not been adopted the depreciation charge for the year ended 31 December 2006 would have been USD 2.7 million higher than shown in these financial statements.

Fleet includes 18 vessels fully depreciated with an aggregate book value of USD 21 million at 31 December 2006 (15 vessels with NBV USD 12 million at 31 December 2005).

The fleet was revalued by the Group's management as at 31 December 2006 supported by independent professional valuations carried out in January 2007 and calculations of value in use. The resulting increase of USD 52 million has been dealt through the Revaluation Reserve (USD 63 million increase) and the Income Statement (USD 11 million decrease).

Value in use has been calculated based on the estimated future net earnings of each vessel to the end of its useful economic life discounted at a rate of 8%.

At 31 December 2006, 19 vessels in the Group's fleet with a net book value of USD 527 million were insured for hull and machinery risks with western underwriters. A further 46 vessels with a net book value of USD 233 million were insured with Russian underwriters. The total insured value amounted to USD 747 million.

Depreciated historical cost of the Group's fleet at 31 December 2006 was USD 620 million (2005 – USD 437 million).

28 vessels with a net book value of USD 588 million are pledged as a security to guarantee the Group's obligations under ING Bank N.V., HSH Nordbank and Vneshtorgbank loans (Note 16).

7. Other Fixed Assets

	Buildings and Infrastructure	Rolling stock	Plant, Machinery and Other	Assets under construction	Total
			USD'000s		
Cost					
At 1 January 2005	48,664	-	51,588	1,589	101,841
Additions in the year	1,370		33,110	1,239	35,719
Subsidiaries not consolidated in prior years	-	-	1,798	-	1,798
Disposals during the year	(3,046)	-	(1,367)	(828)	(5,241)
Transferred as contribution to share capital	(4,644)	-	-	-	(4,644)
Impairment adjustment	-	-	(800)	-	(800)
Changes in accounting policy (Note 31)	-	-	6,544	1,099	7,643
Translation difference	(6)	-	(16)	-	(22)
At 31 December 2005	42,338	-	90,857	3,099	136,294
Additions in the year	683	18,520	9,497	14,974	43,674
Subsidiary not consolidated in prior periods (Note 31)	-	-	54	-	54
Additions on acquisition of subsidiary (Note 32)	31,214	125,955	28,628	7,899	193,696
Disposals during the year	(6,126)	-	(6,488)	(2,759)	(15,373)
Disposal on sale of business (Note 25)	(274)	-	(6,637)	-	(6,911)
Disposals on sale of Subsidiary (Note 33)	(1,347)	-	(2,444)	(51)	(3,842)
Translation difference	48	-	(796)	-	(748)
At 31 December 2006	66,536	144,475	112,671	23,162	346,844
Depreciation				-	
At 1 January 2005	27,352	-	31,533		58,885
Charge for the year	3,148	-	5,465	-	8,613
Eliminated on disposal	(2,908)	-	(1,018)	-	(3,926)
Transferred as contribution to share capital	(3,270)	-	-	-	(3,270)
Changes in accounting policy (Note 31)	-	-	150	-	150
Translation difference	-	-	(12)	-	(12)
At 31 December 2005	24,322	-	36,118	-	60,440
Charge for the year	2,903	2,378	8,157	-	13,438
Eliminated on disposal	(5,116)	(268)	(2,361)	-	(7,745)
Eliminated on disposal of subsidiary	(429)	-	(786)	-	(1,215)
Impairment of fixed assets	-	-	173	-	173
Translation difference	1	-	(505)	-	(504)
At 31 December 2006	21,681	2,110	40,796	-	64,587
Net Book Value					
At 31 December 2006	44,855	142,365	71,875	23,162	282,257
At 31 December 2005	18,016	-	54,739	3,099	75,854

8. Vessels Under Construction

Movements during the year on vessels under construction were:

	31 December 2006	31 December 2005
	USD'000s	
At 1 January 2006	57,160	44,785
Expenditure during the year	224,949	98,267
Transferred to fleet during the year (Note 6)	(242,200)	(85,892)
At 31 December 2006	39,909	57,160

Details of the Group's commitments in respect of vessels under construction are given in Note 35. The amount transferred to fleet during the period represents prepayments previously made in respect of the construction of the Fesco Askold, Fesco Aleut, Fesco Ayon, Capt. Blanche, Capt. Vilano and Capt. Pasado.

9. Long Term Investments

	31 December 2006	31 December 2005
	USD'000s	
Subsidiary companies (not consolidated)	1,925	584
Associates	5,017	963
Trade loans and other investments available for sale	1,281	677
	8,223	2,224

Subsidiaries comprise: -

	31 December 2006	31 December 2005
	USD'000s	
Fesco Lines China	-	500
Fesco Logistic LLC	865	10
National Paromna	1	1
TIS subsidiaries not consolidated	11	-
Transfes subsidiaries not consolidated	1,011	70
Other	37	3
	1,925	584

Fesco Lines China has been consolidated for the year ended 31 December 2006 (see Note 31).

Details of associates are disclosed in Note 34.

10. Other Non-current Assets

	31 December 2006	31 December 2005
	USD'000s	
Loan to NCC Group Ltd	68,750	
Long term loan to a related party	566	-
Long term portion of restricted deposit	446	-
	69,762	-

The loan to NCC Group Ltd bears interest of USD LIBOR + 5.5%. FESCO has agreed to convert the loan into shares of the company by 1 July 2007.

The long term loan to a related party comprises advances made by ZAO First Container Terminal to ZAO Logistika Terminal. The loan is unsecured, interest free and has no fixed repayment date. The loan was fair valued at acquisition.

11. Inventories

	31 December 2006	31 December 2005
	USD'000s	
Bunkers	5,757	7,446
Stores and spares	337	513
Victualling	491	487
Other stocks and raw materials	1,961	1,939
	8,546	10,385

12. Accounts Receivable

	31 December 2006	31 December 2005
	USD'000s	
Trade debtors	109,527	55,570
Due from non-consolidated subsidiaries	2,927	3,579
Due from associates	9,012	8,346
VAT receivable	44,829	14,847
Other debtors and prepayments	63,788	14,011
Allowance for impairment	(27,378)	(20,043)
	202,705	76,310

Included in other debtors is USD 30,058 paid to National Container Inland Terminal Holding Limited to acquire 100% of ZAO Logistika Terminal. Although the amount was paid by 31 December 2006, as this transaction was conditional on governmental consents being obtained which were not received until January 2007, this acquisition was not effective at 31 December 2006.

A currency analysis is detailed in Note 37.

13. Loans and Promissory Notes Receivable

	31 December 2006	31 December 2005
	USD'000s	
Loans issued to related parties	441	-
Loans and promissory notes issued to third parties	5,352	479
	5,793	479

Loans and promissory notes issued to third parties represent investments that present the Company with opportunity for return through interest, dividend income and holding gains. The fair value of these items approximates to their carrying value.

14. Bank and Cash Balances

	31 December 2006	31 December 2005
	USD'000s	
Bank accounts and cash in hand	51,621	69,856
Restricted deposits	1,968	-
	53,589	69,856

Included in restricted deposits is USD 0.668 million paid as a guarantee to the Charterer of the m/v Yenisey to perform ship owner's contractual obligations and USD 1.3 million represents security under loan agreements.

A currency analysis is detailed in Note 37.

15. Accounts Payable

	31 December 2006	31 December 2005
	USD'000s	
Trade creditors	57,927	50,552
Profit taxes payable	9,590	2,377
Non-profit taxes payable	841	688
Other creditors and accruals	34,578	31,117
Dividends payable	-	142
	102,936	84,876

A currency analysis is detailed in Note 37.

Included in other creditors and accruals is a USD 6.0 million deposit in respect of the sale of m/v "Russ". The total consideration for the vessel is USD 7.7 million and under the contract, the buyer is required to make regular deposits to the Group. The buyer has the right to recoup the deposit up until the date of delivery in 2007.

16. Loans Payable and Other Obligations

	31 December 2006	31 December 2005
	USD'000s	
Loans and other obligations comprise:		
Loans from ING Bank N.V .	442,600	117,184
Loans from HSH Nordbank	147,888	36,313
Loans from Vneshtorgbank	24,017	-
Loans from Raiffeisenbank	31,094	-
Other bank loans	103,347	108
Loans from other entities	71,889	2,181
Obligations under finance leases (Note 17)	22,558	-
	843,393	155,786
Repayable within the next twelve months	384,654	38,029
Long term balance	458,739	117,757
	843,393	155,786

For currency analysis of loans and other obligations see note 37.

Of the above total USD 76.25 million is unsecured.

Of the above loans USD 204.49 million is at fixed interest rates with a weighted average interest rate of 6.87% . The remaining USD 616.345 million is at float ratings ranging from 0.925% to 5.5% above LIBOR / MosPrime. Security provided includes mortgages over fleet with a carrying value of USD 588 million (note 6) and rolling stock of USD 104 million.

17. Obligations under Finance Leases

The Group partially finances the purchase of wagons through leasing and sale-leaseback transactions with leasing companies. All the lease agreements provide for ownership transfer of assets to the Group at the end of the lease term for nominal consideration. In 2006 the Group entered into leasing contracts with OOO "Hansa Leasing", OOO "LK MMB", OOO "BSGV Leasing", ZAO "Gazprombank Leasing", OOO "Leasing Prom Hold", ZAO "TD "Rosukrvagon" and OOO "Sevtechnotrans" financing the purchase of railway wagons. The average effective interest rate on lease liabilities is 14.2% (2005: 14.12% Minimum lease payments and the future interest element are estimated based on the rates applicable to each individual lease contract.

Lease payments as at 31 December 2006 are scheduled as follows:

	Minimum lease payments	**Present value of minimum lease payments**
	USD'000s	
Within one year	13,380	8,899
Two to five years	12,659	9,461
Over five years	3,112	4,198
	29,151	22,558
Less: future finance charges	(6,593)	
Present value of lease obligations	22,558	
Less amount due for settlement within 12 months		(8,899)
Amount due for settlement after 12 months		13,659

18. Deferred Taxation

Deferred taxation is provided for in full on all temporary timing differences between the carrying values of assets and liabilities reported for tax purposes and for accounting purposes. The provision is based on the Company's anticipated effective profit tax rate of 24% (2005 – 24%).

Movement in temporary differences during the year:

	Balance 31 December 2005	On acquisition of subsidiaries in the year	(Charge) / release to income for the year	Charge to equity for the year	Balance 31 December 2006
			USD'000s		
Vessels	(43,695)	-	5,560	(14,793)	(52,928)
Other fixed assets	(2,821)	(24,124)	(3,064)	-	(30,009)
Assets under construction	(8,303)	-	1,529	-	(6,774)
Investments	3,888	(136)	(4,112)	-	(360)
Inventories	682	(95)	(274)	-	313
Accounts receivable	18,642	393	(5,594)	-	13,441
Accounts payable	(6,349)	(66)	5,845	-	(570)
Provisions, accruals and deferred income	510	36	(25)	-	521
Lease liabilities	-	4,007	2,494	-	6,501
Foreign deferred tax	796	-	(194)	-	602
	(36,650)	(19,985)	2,165	(14,793)	(69,263)

19. Share Capital

	31 December 2006	31 December 2005
	USD'000s	
Authorised number of shares (1 Rouble per share)	2,000,000,000	2,000,000,000
Issued number of shares	1,643,593,000	1,643,593,000
Share capital (USD'000)	4,130	4,130

During the year the Group acquired 985,872 of its own shares for USD 279 thousand, being approximately 0.06% of the shares in issue.

20. Other Reserves

	Fleet Revaluation Reserve	Translation reserve	Total
		USD'000s	
Balance 1 January 2005	130,987	1,792	132,779
Deferred tax release arising on revaluation of fleet	2,936	-	2,936
Revaluation of fleet	(26,356)	-	(26,356)
Release from revaluation reserve – annual release	(22,841)	-	(22,841)
Release from revaluation reserve – on disposal	(3,275)	-	(3,275)
	-		
Translation difference	-	24	24
Balance 31 December 2005	81,451	1,816	83,267
Deferred tax charge arising on revaluation of fleet	(14,793)	-	(14,793)
Revaluation of fleet	63,208	-	63,208
Release from revaluation reserve – annual release	(12,770)	-	(12,770)
Release from revaluation reserve – on disposal	(5,497)	-	(5,497)
Translation difference		3,149	3,149
Balance 31 December 2006	111,599	4,965	116,564

21. Business Segmental Analysis

For management purposes, the Group is organised into four major operating divisions – shipping, intermodal, railway services and container terminals. These divisions are the basis on which the Group reports its primary segment information. The services provided by each of these divisions are as follows:

Shipping	The shipping division is involved in ship ownership, ship management, chartering out, line operation and the provision of agency services. These activities are carried out on cabotage, import-export and cross trade basis. During the year the Group disposed of all its cross-trade lines (note 25) . The vessels operated by the shipping division are largely container vessels and bulk carriers.
Intermodal	The intermodal division provides freight forwarding services both for containers and break-bulk cargoes.
Railway Services	The railway services division provides services both as an operator and an agent. When acting as an operator it renders services for containerised and bulk cargoes using locomotives, railway wagons, hoppers, steel-pellet wagons and tank wagons owned by the division or leased by it under finance leases. In addition it uses rolling stock hired on short term operating leases.
Container Terminals	The container terminals division owns and operates container terminals in Russia and Ukraine and provides cargo handling, stevedoring, container storage and rental and related port services and facilities.

21. Business Segmental Analysis (continue)

Segmental revenue

	External sales		Inter-segment		Total	
	2006	2005	2006	2005	2006	2005
			USD'000s			
Shipping	455,352	507,174	22,709	7,882	478,060	515,056
Intemodal	78,569	35,093	-	-	78,569	35,093
Railway services	25,589	-	-	-	25,589	-
Container terminals	17,942	-	-	-	17,942	-
Total of all segments					600,160	550,149
Eliminations					(22,709)	(7,882)
Consolidated revenue					577,451	542,267

Segmental result

	2006	2005
	USD'000s	
Continuing operations		
Shipping (without cross trade lines)	89,546	68,068
Intemodal	7,597	1,783
Railway services	4,895	-
Container terminals	11,132	-
Other	-	-
	113,170	69,851
Elimination	-	-
Unallocated expenses	(61,656)	(47,365)
Profit before tax	51,514	22,486
Income tax expenses	(19,496)	(1,775)
Profit for the year from continuing operation	32,018	20,711
Discontinued operations		
Cross trade lines	(4,442)	(8,882)
Elimination	-	-
Unallocated expenses	-	-
Gain on disposal	45,156	-
Profit/(loss) before tax	40,714	(8,882)
Income tax expenses	(3,843)	(580)
Profit for the year from discontinued operation	36,871	(9,462)

21. Business Segmental Analysis (continued)

Segmental assets and liabilities

	Assets		Liabilities	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005
	USD'000s			
Shipping	1,404,796	831,760	819,616	277,312
Intemodal	34,404	-	17,224	-
Railway services	158,051	-	122,221	-
Container terminals	228,983	-	198,250	-
Total of all segments	1,826,234	831,760	1,157,311	277,312
Eliminations	(141,719)	-	(141,719)	-
Unallocated	-	-	-	-
Consolidated	1,684,515	831,760	1,015,592	277,312

Other segmental information

	Acquisition of segment assets		Depreciation and amortization of segment assets	
	2006	2005	2006	2005
	USD'000s			
Shipping	301,064	172,718	37,274	46,408
Intemodal	6,457	-	160	-
Railway services	95,810	-	3,030	-
Container terminal	40,151	-	791	-

22. Other Income

	31 December 2006	31 December 2005
	USD`000s	
Hotel services	553	935
Securities trading	184	68
Revenue from coastal branches	331	153
Ship repair	329	3,362
Asset leasing (containers and office building)	4,198	3,298
Insurance reimbursement	752	1,494
Sale of other assets	1,806	1,581
Penalties received	1,862	-
Other related services	1,453	3,164
	11,468	14,055

23. Taxation

Profit tax is calculated at an average rate of 24% (2005 –24%), based on profit as computed under Russian accounting regulations and adjusted for fiscal purposes.

	31 December 2006	31 December 2005
	USD`000s	
Charge for the year	21,455	7,665
Overseas taxation	4,049	764
Deferred taxation	(2,165)	(6,074)
	23,339	2,355
Continuing activities	19,496	1,775
Discontinuing activities	3,843	580
	23,339	2,355

The Group's accounting profit can be reconciled to taxable profit as follows:

	31 December 2006	31 December 2005
	USD`000s	
Accounting profit	68,889	11,408
Adjustment for foreign subsidiaries not subject to Russian tax	(49,503)	(21,214)
Adjustments to comply with IFRS	74,949	47,454
Accounting profit in accordance with Russian standards	94,335	37,648
Adjustment for allowable deductions	(4,943)	(5,710)
Taxable profit	89,392	31,938

Other significant domestic taxes borne by the Group include:

	31 December 2006	31 December 2005
	USD`000s	
Property tax	751	1,280
Others	5,558	196
	6,309	1,476

Property tax is calculated at a rate of 2.2 % (2005 – 2.2%) on the value of assets as computed under Russian accounting regulations.

24. Profit/(Loss) on Disposal of Fixed Assets and Investments

	31 December 2006	31 December 2005
	USD`000s	
Profit(/loss) on sale of vessels	24,996	(850)
Profit on disposal of other fixed assets	1,098	789
Loss on disposal of other investments	(1,536)	-
	24,558	(61)

25. Discontinuing Operations (cross trade sale)

Following a strategic review management concluded that the Group's container cross trade lines (FESCO Australia North America Line, FESCO Australia Line and FESCO New Zealand Express Line), the associated assets and agency businesses did not fit with the Group's plans for future development and decided to seek a buyer for those assets. Hamburg Sudamerikaische Dampfschiffahrts-Gesellschaft KG ("Hamburg Sud") was identified as a potential purchaser and on 8 March 2006 the Group entered into agreement with Hamburg Sud to sell the container cross trade lines and to transfer to Hamburg Sud certain of the employees that had previously been working for agency companies owned by the Group. In addition certain containers and container spare parts were also included in the sale.

The sale was completed on 30 June 2006. Purchase consideration was USD 53.266 million broken down as follows:

	USD '000s
Sale proceeds	53,266
Less: costs of sale	(8,110)
Profit on sale of cross trade business	45,156

The sale of containers has been accounted for in sales of other fixed assets (Note 24).

As a result of the sale FESCO's agency businesses in Australia and New Zealand will be closed while those in Hong Kong and North America will be subject to a substantial reduction in scale.

As part of the agreement to sell the business, Fesco will continue to time charter 11 vessels to Hamburg SUD for use on the lines as set out below:

(i) Khudoznik Zhukov and Khudoznik Ioganson, for a term of 6 months,
(ii) Kapitan Byankin, Yuri Ostrovskiy, Kapitan Konev, and Mekhanik Moldovanov, for a term of 12 months
(iii) Kapitan Afanasiev, Kapitan Maslov and Vladivostok, for a term of 12 months
(iv) Capt. Blanche, Capt. Vilano and Capt. Pasado, for a term of 24 months.

On sale of five of the vessels in 2007 (see Note 36), the charters in respect of these vessels were terminated.

The discontinuing activities for the period are disclosed in Note 21. Income from discontinuing activities comprises liner income and agencies fees from the above lines.

The largest component of expenditure is time charter costs from FESCO vessel owning companies. The corresponding income from these time charters has been shown in continuing activities and is not eliminated on consolidation. This treatment has been adopted to reflect the fact that the vessels will continue to be time chartered.

26. Fair Value and Impairment Adjustments

	31 December 2006	31 December 2005
	USD '000s	
Revaluation of fleet (Note 6)	(10,983)	(7,153)
Investments fair value adjustments	1,859	3,130
Fixed assets fair value adjustments	(173)	(799)
	(9,297)	(4,822)

27. Earnings per Share

	31 December 2006	31 December 2005
	USD	
Profit/(loss) for the year		
Continuing operations	32,018,000	20,711,000
Discontinuing operations	36,871,000	(9,462,000)
	68,889,000	11,249,000
Weighted average number of shares (note 19)	1,643,346,159	1,643,289,629
Profit/(loss) per share	USD	
Continuing operations	0.019	0.0013
Discontinuing operations	0.022	(0.006)
	0.041	0.007

28. Reconciliation of Operating Profit to Operating Cash Flows

	31 December 2006		31 December 2005	
	USD'000s			
	Continuing Activities	Discontinuing Activities	Continuing Activities	Discontinuing Activities
Net profit for the year	32,019	36,780	20,870	(9,462)
Adjusted for:				
(Profit)/loss on disposal of fixed assets and investments	(24,558)	-	61	-
Profit on disposal of subsidiaries	(2,338)			
Share of results of joint ventures and associated companies	(1,022)	-	(749)	-
Fair values and impairment adjustments	9,297	-	4,822	-
Deferred taxation	(2,165)	-	(5,987)	-
Finance charges	36,286	-	8,025	-
Interest received and investment income	(4,858)	-	(2,750)	-
Negative goodwill	(1,577)	-	(665)	-
Gain on business disposal	-	(45,156)		
Depreciation	48,541	2,171	52,055	3,117
Exchange differences	(1,504)	-	4,659	-
Movements in working capital:				
Increase in accounts receivable	(59,888)	12,612	(49,275)	6,278
Increase in inventories	(695)	2,192	(4,862)	(710)
Increase in accounts payable	(25,439)	(14,159)	63,046	(892)
Decrease in voyages in progress	(248)	-	945	-
Net cash (used in)/generated from	1,851	(5,560)	90,195	(1,669)

operating activities

29. Related Party Transactions

For the purposes of these financial statements, parties are considered to be related if both parties are under common control or one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. A holding of 5% or more by one party in another is considered by management to be one of the possible indicators that the parties are related. Holding a key position in management is another indicator of significant influence. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The remuneration of the Group's key management and directors during the period was as follows:

	31 December 2006	31 December 2005
	USD '000s	
Salaries	1,200	1,477
Bonuses	234	409
	1,434	1,886

Balance sheet	31 December 2006	31 December 2005	Nature of transactions
	USD'000s		
Non consolidated subsidiaries	2,940	2,857	Trade debt
Joint Venture company	57	-	Agency services
Associates	7,906	8,332	Agency and other service
Related through common shareholder	9	104	Advances
Income Statement			
Non consolidated subsidiary	(20,851)	(14,964)	Agency Services in respect of railway service
Associates purchases	(689)	(239)	Security and rent
Associates sales	3,019	11,381	Agency services
Related through common shareholder	201	640	Interest on promissory notes

30. Joint Venture Companies

The following amounts represent the Group's share in the assets and liabilities, and sales and results of the joint ventures. The amounts are included in the income statement and balance sheet.

	2006				2005
	Russkaya Troyka Group	NCC Group	Transgarant Group USD'000s	Fesco Wallem	Russkaya Troyka Group
Current assets	8,710	55,323	34,876	6	2,847
Long-term assets	11,385	173,488	97,119	17	7,493
Current liabilities	(2,164)	(18,907)	(42,192)	(5)	(2,757)
Long-term liabilities	(8,500)	(179,172)	(63,585)	-	-
Net assets	9,431	30,732	26,218	18	7,583
Income	5,537	18,527	25,510	270	1,136
Expenses	(3,692)	(16,073)	(23,668)	(245)	(1,752)
Net result	1,845	2,454	1,842	25	(616)

The Group's share of commitments of joint venture operations are as follows:

Capital Commitments

NCC Group
The Group entered into a number of contracts in connection with the construction of a container terminal and the expansion of existing facilities during the year. Outstanding commitments in respect of these contracts amounted to USD 2.17 million at 31 December 2006.

Operating leases

NCC Group

Total minimum lease payments under non-cancellable operating leases:

	Land and Buildings	Other	Total
	USD'000s		
2007	30	137	167
2008 – 2012	151	-	151
2013 and after	1,058	-	1,058
Total	1,239	137	1,376

Transgarant Group

	Other	Total
	USD'000s	
2007	7,788	7,788
2008 – 2011	8,527	8,527
Total	16,315	16,315

31. Subsidiary Not Consolidated in Prior Years

Fesco Lines China Co. Ltd was not included in consolidated accounts in prior years as it was not material for the Group. Details of net assets included on consolidation for the year ended 31 December 2006 are:

	USD'000s
Carrying value of investments	500
Subsidiaries' net assets	(500)
Net effect on Group financial statements	-

The assets and liabilities arising from consolidation of Fesco Lines China Co.Ltd are:

	USD'000s
Cash	335
Property, plant and equipment	54
Accounts receivable	111
Net assets	500

Negative goodwill included in the income statement relates to the adjustment of the net book value of Slavyansky Shipbuilding Yard PLC on consolidation for the first time in 2004. During the period the fixed assets of the company were reviewed and it was determined that they had been previously understated. The adjustment has resulted in a revision to the net assets of the company of USD 1.577 million which has been posted as a current period adjustment because it is not material to the Group in either the prior periods or current period.

Joint venture company previously equity accounted for:

In 2005 Russian Troyka was included in the Group consolidated financial statements on an equity basis. In 2006 management decided to change its accounting policy in respect of joint venture companies to account for them using the proportional consolidation method. The following amendments have been made to the comparative figures:

	USD'000s
Balance sheet	
Cash	777
Property, plant and equipment	6,394
Assets under construction	1,099
Accounts receivable	2,070
Accounts payable	(2,757)
Reduction in long term investments	7,583
Income Statement	
Gross profit	(133)
Depreciation	(150)
Other income and expenses	(333)
Group share of results in joint venture	(616)

32. Acquisitions

TIS (BVI) Ltd
TIS (BVI) Ltd and its subsidiaries (TIS Group), which are involved in Intermodal operations, were acquired on 28 February 2006 for consideration of USD 8 million.

The assets and liabilities of the TIS Group on the date of acquisition were as follows:

	USD'000s
Cash	2,510
Property, plant and equipment	116
Investments in associates	232
Accounts receivable	11,282
Accounts payable	(1,219)
Credit facility (AOIL)	(9,000)
Net assets	3,921
Less: Minority interests	(14)
Net assets attributable to the Group	3,907
Cash consideration:	8,000
Goodwill arising on acquisition	4,093

At the date of acquisition, the fair value of the assets approximated book value.

Versailles
On 27 June 2006 the remaining shares in Versailles were acquired by the Group for USD 143 thousand, which was equivalent to the value of the minority interest at that date.

NCC Group Limited (formerly First Quantum Holding Limited)
A 50% shareholding in NCC Group Limited (NCC), the parent company of a container terminal operations group, was acquired in September 2006 for consideration of USD 275 million.

The assets and liabilities of NCC on the date of acquisition were as follows:

	Net Book Value	Adjustment to fair value	Fair value	50% share
	USD'000s			
Property, plant and equipment	44,922	53,914	98,836	49,418
Assets under construction	13,557	2,241	15,798	7,899
Current assets	51,514	-	51,514	25,757
Cash	5,870	-	5,870	2,935
Current liabilities	(17,392)	-	(17,392)	(8,696)
Deferred tax	(3,813)	(13,477)	(17,290)	(8,645)
Long term loans and obligations	(9,286)	-	(9,286)	(4,643)
Net assets	85,372	42,678	128,050	64,025
Cash consideration:				275,000
Goodwill arising on acquisition				210,975

32. Acquisitions (Continued)

Neteller Holding Limited
A 50% shareholding in Neteller Holding Limited, the parent company of a group whose principal activity is acting as a railway operator (the Transgarant Group), was acquired in September 2006 for consideration of USD 84 million.

The assets and liabilities of Neteller Holding Ltd on the date of acquisition were as follows:

	Net Book Value	Adjustment to fair value	Fair value	50% share
		USD'000s		
Cash	3,400	-	3,400	1,700
Property, plant and equipment	194,844	77,682	272,526	136,263
Intangible assets	-	16,824	16,824	8,412
Investment in associate	2,044	-	2,044	1,022
Inventories	3,482	-	3,482	1,741
Accounts receivable	74,340	-	74,340	37,170
Accounts payable	(79,463)	-	(79,463)	(39,732)
Deferred tax	-	(22,681)	(22,681)	(11,340)
Credit facility	(150,428)	-	(150,428)	(75,214)
Net assets	48,219	71,825	120,044	60,022
Less: Minority interests				(40)
Net assets attributable to the Group				59,982
Cash consideration:				84,000
Add: costs of acquisition				616
				84,616
Goodwill arising on acquisition				24,634

At the year end FESCO had an option to acquire the remaining 50% of the Transgarant Group. This option has not been recognised as a financial asset in these financial statements on the grounds that the valuation parameters are too uncertain.

33. Disposals

Profit on disposals in year

	USD'000s
Versailles	1,564
Slavyansky Shipbuilding Yard PLC	774
	2,338

Versailles

On 16 October 2006 the Group disposed of its 100% shareholding in Versailles. The assets and liabilities disposed of and disposal consideration are as follows:

	USD'000s
Cash	171
Property, plant and equipment	399
Inventory	48
Accounts receivable	123
Accounts payable	(430)
Total carrying amount of net assets disposed	311
Total Cash consideration received:	1,875
Profit on disposal of subsidiary	1,564

33. Disposals (Continued)

Slavyansky Shipbuilding Yard PLC
On 28 November 2006 the Group disposed of its 86.81% shareholding in Slavyansky Shipbuilding Yard PLC. The assets and liabilities disposed of and disposal consideration are as follows:

	USD'000s
Cash	36
Property, plant and equipment	2,228
Inventory	2,042
Accounts receivable	3,143
Accounts payable	(3,148)
Total carrying amount of net assets disposed	4,301
Less: Disposal of minority interest	(410)
	3,891
Total Cash consideration received:	4,665
Profit on disposal of subsidiary	774

34. Associates

The principal associates of Far-Eastern Shipping Company PLC are:

Name	Country of Incorporation	Percentage Holding	Activity
International Paint (East Russia) Limited	Hong Kong	49%	Ship Paint Production
JV Shoshtrans Uzbekistan	Uzbekistan	25%	Forwarding services
Transorient Shipping Company Limited	South Korea	49%	Maritime general agency
United Orient Shipping Agency Company Limited	Japan	25%	Shipping agency
Far Eastern Container Terminal	Russia	50%	Container cargo transportation
Butler Group Limited	BVI	40%	Parent company for railway operating and forwarding group.
OOO "Transgarant – Vostok"	Russia	40%	Transportation services

The balances at year end were as follows:

	31 December 2006	31 December 2005
	USD'000s	
International Paint (East Russia) Ltd	1,222	600
United Orient Shipping Agency Company Ltd	258	21
Transorient Shipping Company Ltd	277	342
JV Shoshtrans Uzbekistan	284	-
Security agency Skat	5	-
Butler Group Limited	1,760	-
OOO Transgarant - Vostok	1,211	-
	5,017	963

34. Associates (Continued)

Movements in associated companies consolidated on equity basis are as follows:

	31 December 2006	31 December 2005
	USD'000s	
Balance as at 1 January	963	2,334
Share of results of associated companies	1,022	589
Additions	1,778	-
Additions on acquisition of subsidiary	1,254	-
Disposals	-	(1,616)
Dividends	-	(344)
Balance as at 31 December	5,017	963

On acquisition of Butler Group Ltd, goodwill of USD 1.684 million arose.

The Group's share of net asset s and results from its principal associates is as follows:

	Assets	Liabilities	Net Assets	Revenue	Profit /(loss) for the year
			USD'000s		
OOO Transgarant - Vostok	5,832	4,621	1,211	3,975	189
International Paint	2,279	1,057	1,222	3,262	623
United Orient Shipping Agency Company Ltd	1,214	956	258	341	237
Transorient Shipping Company Ltd	6,925	6,648	277	1,085	(66)
JV Shoshtrans Uzbekistan	816	532	284	233	52
Securiity Agency Skat	33	28	5	259	(13)
Butler Group Limited	1,327	1,251	76	2,908	-
Total	18,426	15,093	3,333	12,063	1,022

35. Contingencies and Commitments

Capital commitments

During the year the Group entered into the following new contracts:

In January and September 2006 the Group entered into shipbuilding contracts for the construction of two 2,785 TEU containership in Poland at a purchase price of USD 52 million each. The vessels are scheduled for delivery not later than 30 April and 31 August 2009 respectively. A 5% instalment was payable on signing the contract. A second instalment of 15% is to be paid 12 months prior to the delivery date. Two instalments of 10% each are due after the first section is completed and on launching respectively. The remaining 60% will be due on delivery.

In May 2006 the Group entered into a shipbuilding contract for the construction of two 1,100 TEU containerships in China at a purchase price of USD 22.3 million each. The vessels are scheduled for delivery not later than 30 December 2007 and 30 January 2008. The first instalment of 20% was paid in June 2006. Three instalments of 20% each are due upon steel cutting, block erection and launching respectively. The remaining 20% will be due on delivery.

35. Contingencies and Commitments (Continued)

The Group's commitments in respect of new buildings fall due as follows:

	31 December 2006	31 December 2005
	USD'000s	
In one year	88,986	226,546
In two to five years	232,629	163,001
Total outstanding commitment	321,615	389,547

At the year end the Group was committed to the purchase of ZAO Logisitika Terminal (note 12).

Operating lease commitments – where a Group company is the lessee

At 31 December 2006, the Group had the following outstanding commitments under non-cancellable operating leases.

	31 December 2006	31 December 2005
	USD'000s	
Within one year	1,458	4,021
In two to five years	776	4,952
After more than five years	-	577
	2,234	9,550

Operating lease commitments – where a Group company is the lessor

Operating lease payments to be received by the Group under a non-cancellable operating lease contract for the supply of the Fesco Sakhalin are as follows:

	31 December 2006	31 December 2005
	USD'000s	
Within one year	16,454	16,454
In two to five years	43,775	58,920
Total minimum lease payments	60,229	75,374

36. Post balance sheet events

Fesco Altay, a 1,100 TEU Container vessel, was delivered on 10 January 2007 to Perouna Shipping Company Ltd.

In January and February 2007 m/v Komsomolets Primorya, Khudozhnik Ioganson and Khudozhnik Zhukov were sold to third parties for a total of USD 13 million.

In January 2007 the Group disposed of its 100% shareholding in Concert agency Fesco Hall. Total cash consideration received was USD 4.5 million.

In January 2007 the purchase of ZAO Logistika Terminal was completed (note 12).

36. Post Balance Sheet Events (Continued)

In January 2007 container vessels Capt. Blanche, Capt. Pasado and Capt. Vilano were sold to third parties for a total of USD 156 million. Money received from sale of these container vessels were used to repay a loan from HSH Nordbank for USD 148 million.

On 12 March 2007 the Group filed an official report with the FSFR (Russian Securities Commission) notifying them of an intention make a 25% additional share issue. All 410,898,000 new common shares offered to existing shareholders and other investors at RUR 13.6 per share, were subscribed. The Company was able to raise a total of over USD 213 million. Issue proceeds were used to complete the acquisition of the remaining 50% stake in the Transgarant Group (note 32) and to acquire indirect holdings in Novorossyisk and Ilishev container terminals.

37. Financial Risk Management Objectives and Policies

The Group's activities expose it to a variety of financial risks, including the effects of changes in interest rate, foreign exchange risk, credit risk and liquidity risk arising in the normal course of the Group's business. The Group's management seeks to minimise the potential adverse effects of these exposures.

(a) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's interest risk mainly arises from its debt obligations in particular non-current borrowings. Borrowing at variable rates expose the Group to cash flow interest rate risk. Lending at fixed rates or the purchase of debt instruments at fixed rates expose the Group to fair value interest rate risk.

The Group constantly reviews its debt portfolio and monitors the changes in the interest rate environment to ensure that interest payments are within acceptable levels. Information relating to interest rates on the Group's borrowings are disclosed in Note 16.

As the Group has an excess of floating rate liabilities over floating rate assets it is vulnerable to rises in interest rates.

The Group's surplus funds are placed with reputable banks as fixed deposits which generate interest income for the Group. The Group's policy is to obtain the most favourable interest rates available.

(b) Credit risk

The Group's primary exposure to credit risk arises through its trade receivables. It is the Group's policy to enter into transactions with creditworthy customers to mitigate any significant credit risk. The Group has procedures in place to control credit risk and exposure to such risk is monitored on an ongoing basis. The Group has made allowances for potential losses on receivables.

Other financial assets of the Group with exposure to credit risk include cash. Cash is placed with reputable banks. As such, management does not expect any counterparty to fail to meet their commitments.

The Group's maximum exposure to credit risk in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the balance sheet. At the end of the financial period, there was no significant concentration of credit risk to the Group.

37. Financial Risk Management Objectives and Policies (Continued)

(c) Foreign currency risk

The Group incurs foreign currency risk on contracts entered into in a number of foreign currencies. Where appropriate foreign currency forward contracts are used by the Group to manage the foreign currency exposure arising from newbuilding obligations denominated in foreign currencies. It is not the Group's policy to trade in derivative contracts.

At 31 December 2006, the Group had the following positions in USD and other currencies:

	USD	RUR	Other currencies
		USD 000's	
Assets			
Other non-current assets	68,750	1,012	-
Inventories	1,330	7,694	-
Accounts receivable	87,346	114,997	362
Investments and loan issued	664	13,352	-
Bank and cash balances	24,289	26,076	3,224
	182,379	163,131	3,586
Liabilities			
Accounts payable	21,713	79,364	1,859
Loans and other obligations	708,846	134,547	-
	730,559	213,911	1,859
	(548,180)	(50,780)	1,727

At 31 December 2005, the Group had the following positions in USD and other currencies:

	USD	RUR	Other currencies
		USD 000's	
Assets			
Inventories	388	7,995	2,232
Accounts receivable	7,118	55,000	14,192
Investments	600	1,761	342
Bank and cash balances	58,231	3,757	7,868
	66,337	68,513	24,634
Liabilities			
Accounts payable	32,208	32,000	20,668
Loans and other obligations	155,786	-	-
	187,994	32,000	20,688
	(121,657)	36,513	3,966

The Group's primary currency exposure is to the RUR. The Group has net monetary liabilities equivalent to USD 50.78 milion making it vulnerable to a strengthening of the RUR against the USD.

(d) Liquidity risk

Liquidity risk is defined as the risk that the Group is unable to meet its obligations as they fall due. The Group's major liquidity risk is associated with current loan liabilities. These amounted to USD 385 million at the balance sheet date (note 16).

The Group monitors and maintains a level of cash and bank balances deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Longer term cash needs are managed by negotiating and or renegotiating bank lending.

Far-Eastern Shipping Company PLC
and its subsidiaries
Consolidated schedule of Fleet at 31 December 2006

	Year of Building	Deadweight Tonnage	Book Value USD'000s	Insured Value USD'000s
Bulk				
Botsman Moshkov	1977	14,220	2,175	1,900
Kapitan Shevchenko	1977	14,220	2,175	1,900
Kapitan Lyubchenko	1977	14,220	2,175	1,900
Khudozhnik Kustodiyev	1978	24,285	3,001	1,900
Ivan Makarin	1982	19,252	3,154	2,000
Kapitan Tsirul	1982	19,252	3,143	2,700
Cherkassy	1984	23,242	7,000	6,500
Cheremkhovo	1984	23,242	7,000	6,500
Chelyabinsk	1984	23,242	7,000	6,500
Khudozhnik Kraynev	1986	24,105	7,000	4,500
Grigoriy Aleksandrov	1986	24,105	7,000	4,500
Angara	1985	37,155	15,000	9,000
Yenisei	1985	37,178	15,000	9,500
Ob	1986	36,690	15,000	10,000
Amur	1997	5,295	8,000	6,000
Ussuri	2002	5,437	10,000	6,500
Fesco Marina	2004	33,773	36,000	28,000
		378,913	149,823	109,800
Container				
Aleksandr Tvardovskiy	1974	6,554	1,636	1,200
Khudozhnik Ioganson	1976	14,490	3,558	2,100
Khudozhnik Zhukov	1977	14,490	3,740	2,100
Maksim Mikhaylov	1979	14,520	3,559	2,750
Kapitan Krems	1980	5,720	1,644	2,000
Kapitan Gnezdilov	1980	5,720	1,644	2,000
Kapitan Sergiyevskiy	1981	5,629	1,644	1,900
Kapitan Artyukh	1986	9,141	3,500	3,000
Krasnogvardeyets	1986	9,141	3,500	3,000
Kapitan Lyashenko	1987	8,717	3,700	3,000
Khudozhnik N. Rerikh	1989	8,579	4,000	3,500
Gamzat Tsadasa	1968	14,141	2,761	1,500
Kapitan Byankin	1994	12,578	14,000	17,000
Yuriy Ostrovskiy	1994	12,578	14,000	17,000
Kapitan Konev	1995	12,578	15,000	18,000
Mekhanik Kalyuzhny	1990	14,140	13,000	16,000
Mekhanik Moldovanov	1991	14,140	13,500	16,000
Kapitan Afanasyev	1998	23,380	24,500	27,000
Kapitan Maslov	1998	23,380	24,500	27,000
Vladivostok	1998	23,380	24,500	27,000
Fesco Trader	1997	15,231	16,500	20,500
Fesco Voyager	1998	15,231	17,250	21,500
Fesco Ascold	2006	13,760	24,000	20,000
Fesco Aleut	2006	13,760	24,000	20,000
Fesco Ayon	2006	13,760	24,000	20,000
Capt. Blanche	2006	34,790	51,860	60,000
Capt. Vilano	2006	34,790	51,860	60,000
Capt. Pasado	2006	34,790	51,860	60,000
		429,108	439,216	475,050

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Consolidated schedule of Fleet at 31 December 2006 (continued)

	Year of Building	Deadweight Tonnage	Book Value USD'000s	Insured Value USD'000s
Refrigerated Cargo				
Komsomolets Primorya	1985	9,360	5,500	3,500
		9,360	5,500	3,500
General Cargo				
Pioner Slavyanki	1975	6,763	1,541	900
Pioner Chukotki	1975	6,780	1,533	900
Pioner Kirgizii	1978	6,780	1,585	900
Abakan	1990	9,500	5,500	5,750
Yelena Shatrova	1990	7,365	5,500	5,750
Igor Ilyinskiy	1990	7,365	5,500	5,750
Sinegorsk	1991	7,365	5,750	6,000
Vysokogorsk	1991	7,365	5,750	6,000
Vasiliy Golovnin	1988	10,700	7,000	4,500
		69,983	39,659	36,450
Ro-Ro				
Igarka	1983	19,943	5,500	4,250
Amderma	1983	19,943	5,500	4,250
Anatoliy Kolesnichenko	1985	19,728	6,000	4,500
Kapitan Man	1985	19,763	6,000	4,500
Vasiliy Burkhanov	1986	19,724	6,250	4,500
Gavriil Kirdishchev	1976	4,600	2,184	2,000
Nikolay Przhevalskiy	1984	5,500	3,500	3,000
Fesco Uelen	2006	3,023	7,000	7,400
		112,224	41,934	34,400
Ice-Breaking Supply Vessel				
Fesco Sakhalin	2005	4,298	80,000	80,000
		4,298	80,000	80,000
Passenger/Ferry				
Russ	1986	1,621	4,000	7,625
		1,621	4,000	7,625
Total		**1,005,507**	**760,131**	**746,825**

**Far-Eastern Shipping Company PLC
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List of Subsidiary Companies at 31 December 2006

Name	Country of Incorporation	Percentage Holding	Activity
FESCO Agencies (UK) Ltd	United Kingdom	100%	Ceased trading
FESCO Lines Australia Pty Ltd (Group)	Australia	100%	Holding Company
Subsidiaries:			
FESCO Lines New Zealand Ltd	New Zealand	100%	Dormant
FESCO Australia Pty Ltd	Australia	100%	Dormant
Maritime and Intermodal Logistic Systems Pty Ltd	Australia	100%	Dormant
FESCO Lines Hong Kong Ltd	China	100%	Shipping agency
Subsidiaries:			
FESCO Shipmanagement Ltd	China	100%	Holding company
FESCO Agency Lines Hong Kong Ltd	Hong Kong	100%	Shipping agency
Subsidiaries:			
Arctic Ocean International Ltd	British Virgin Islands	100%	Holding company
Subsidiaries:			
Wayndale Limited	British Virgin Islands	100%	Dormant
Butwale Limited	British Virgin Islands	100%	Dormant
Akaler Group Limited	British Virgin Islands	100%	Dormant
Fesco Lines Management	Hong Kong	100%	Financial management
TIS (BVI) Ltd	British Virgin Islands	100%	Holding company
TIS Holding International Ltd.	British Virgin Islands	100%	Transport and forwarding services
Subsidiaries:			
TIS LLC	Russia	100%	Transport and forwarding services
Subsidiaries:			
TIS Region LLC	Russia	100%	Transport and forwarding services
* TIS Vostochniy LLC	Russia	100%	Transport and forwarding services
* Interbridge Logistic LLC	Russia	75%	Transport and forwarding services
TIS Intertrans Kazakhstan	Kazakhstan	75%	Transport and forwarding services
TIS Logistics Gmbh	Germany	70%	Transport and forwarding services
Tryreefer Shipping Co.Ltd	Cyprus	100%	Fleet management
Subsidiaries:			
Fesco Container Services Co., Ltd	Cyprus	100%	Line operator
FESCO Ocean Management Ltd	Cyprus	100%	Shipping operations
Maritime and Intermodal Logistic Systems Inc.	USA	100%	NVOCC
Remono Shipping Company Ltd	Cyprus	100%	Freight forwarder
Pacific Ro-Ro Services Limited	Cyprus	100%	Dormant
Pacific Forwarding Company Limited	Cyprus	100%	Dormant

Far-Eastern Shipping Company PLC
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List of Subsidiary Companies at 31 December 2006 (continued)

Orlouna Holdings Ltd	Cyprus	100%	Holding company
Subsidiaries:			
Pacific Crest Shipping Ltd	Cyprus	100%	Leasing of platforms
Crest Island Shipping Ltd	Cyprus	100%	Dormant
Roselau Shipping Company Ltd (Group)	Cyprus	100%	Holding company
Subsidiaries:			
Pacific Conlease Company Limited	Cyprus	100%	Owner of containers
Roselaust Container Ships Ltd	Cyprus	100%	Holding company
Subsidiaries:			
Bodyguard Shipping Company Ltd	Cyprus	100%	Ship owning
Diataxis Shipping Company Ltd	Cyprus	100%	Ship owning
Roselana Container Ships Ltd	Cyprus	100%	Holding company
Subsidiaries:			
Bonver Shipping Company Ltd	Cyprus	100%	Ship owning
Padova Shipping Company Ltd	Cyprus	100%	Ship owning
Fentil Shipping Company Ltd	Cyprus	100%	Ship owning
Roseleast Container Ships Ltd	Cyprus	100%	Holding company
Subsidiaries:			
Yerakas Shipping Company Ltd	Cyprus	100%	Ship owning
Roselvale Container Ships Ltd	Cyprus	100%	Holding company
Subsidiaries:			
Antilalos Shipping Company Ltd	Cyprus	100%	Ship owning
Carmina Maritime Ltd	Marshall Islands	100%	Future Ship owning
Tryfield Shipping Co. Ltd (Group)	Cyprus	100%	Holding company
Subsidiaries:			
Fandax Shipping Company Ltd	Cyprus	100%	Ship owning
Goldsmith Shipping Company Ltd	Cyprus	100%	Ship owning
Seamine Shipping Company Ltd	Cyprus	100%	Ship owning
Festiver Shipping Company Ltd	Cyprus	100%	Ship owning
Phantex Shipping Company Ltd	Cyprus	100%	Ship owning
Marline Shipping Company Ltd	Cyprus	100%	Ship owning
Marview Shipping Company Ltd	Cyprus	100%	Ship owning
FESCO Marine Company Ltd	Malta	100%	Ship owning
Roulio Shipping Company Ltd	Cyprus	100%	Dormant
Delmio Shipping Company Ltd	Cyprus	100%	Dormant
Amenio Shipping Company Ltd	Cyprus	100%	Dormant
FESCO Agencies NA Inc. (Group)	USA	100%	Shipping agency
FESCO Supply Shipping Company	Cyprus	100%	Holding company
Subsidiaries:			
Talgona Shipping Company Ltd	Cyprus	100%	Ship owning
Pacific Containers Ships Ltd	Cyprus	100%	Holding company
Subsidiaries:			
Astro-Moon Shipping Co.Ltd	Cyprus	100%	Ship owning
Natouka Shipping Co.Ltd	Cyprus	100%	Ship owning
Saxina Shipping Co.Ltd	Cyprus	100%	Ship owning
Perouna Shipping Co.Ltd	Cyprus	100%	Ship owning

Far-Eastern Shipping Company PLC
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List of Subsidiary Companies at 31 December 2006 (continued)

Pacific Conline Ltd	Cyprus	100%	Holding company
Subsidiaries:			
Mar Space Shipping Company Ltd	Cyprus	100%	Dormant
Lighview Shipping Company Ltd	Cyprus	100%	Dormant
Star Warm Shipping Company Ltd	Cyprus	100%	Dormant
Anouko Shipping Company Ltd	Cyprus	100%	Dormant
Vertio Shipholding Company Ltd	Cyprus	100%	Holding company
Subsidiaries:			
Astro-sky Shipping Company Ltd	Cyprus	100%	Dormant
Helabi Shipping Company Ltd	Cyprus	100%	Dormant
Melouna Shipping Company Ltd	Cyprus	100%	Dormant
FESCO Lines China Company Ltd	China	100%	Shipping agency
Sand View Shipholding Company Limited	Cyprus	100%	Holding company
Subsidiaries:			
Loversun Shipping Company Ltd	Cyprus	100%	Dormant
Lovermoon Shipping Company Ltd	Cyprus	100%	Dormant
Blade Holdings Limited	Cyprus	100%	Dormant
Massino Holdings Limited	Cyprus	100%	Dormant
Halimeda International Limited	British Virgin Islands	100%	Holding company
Eustacia Finance Limited	British Virgin Islands	100%	Holding company
Transfes Maritime Agency LLC	Russia	100%	Shipping agency and operations
Subsidiaries:			
* Transfes Magadan	Russia	90%	Shipping agency and operations
* Container Monitoring Centre	Russia	90%	Container operations
* Orista	Russia	70%	Shipping agency
* MAC Transfes Sakhalin	Russia	84%	Shipping agency
* Transfes Kamchatka	Russia	56%	Shipping agency
* Boiler Complex Egersheld	Russia	51%	Utilities services
* Trade House Transfes	Russia	90%	Auto services
* TransVanino Marine	Russia	51%	Agency services
* MAC Transfes Vanino	Russia	100%	Agency Services
* Transfes Chukotka	Russia	60%	Shipping agency
*FESCO Hall	Russia	100%	Concert agency
Fes – Invest	Russia	100%	Investment company
* FESCO Logistic LLC	Russia	100%	Shipping agency
Dalreftrans	Russia	100%	Shipping agency
* National Paromnaya Services	Russia	100%	Dormant
* FESCO Technical Service	Russia	100%	Vessel repair

* Not consolidated

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List of Joint Ventures at 31 December 2006

Name	Country of Incorporation	Percentage Holding	Activity
Russkaya Troyka	Russia	50%	Intermodal Container Operations
FESCO Wallem Shipmanagement Ltd	Hong Kong	50%	Technical, crewing and safety management services provider
NCC Group Limited (formerly First Quantum Holding Limited)	Russia	50%	Container Terminals (including cargo handling, cargo storage and production of containers
Subsidiaries			
NCC Baltic Enterprises Limited	Cyprus	50%	Holding company
T.O. Services Limited	British Virgin Islands	50%	Stevedoring services
NCC Finance Limited	Cyprus	50%	Dormant
NCC South Investments Limited	Cyprus	50%	Dormant
Railfleet Investments Limited	Cyprus	50%	Holding company
OAO Baltic Container Terminal	Russia	50%	Container terminal under construction
ZAO First Container Terminal	Russia	50%	Container terminal under construction
OOO Central Fruit Terminal	Russia	50%	Rent of premises
OOO Container Guard	Russia	50%	Security services
OOO Firma Transgarant	Russia	50%	Holding company for transportation services group
Subsidiaries			
OAO KMAzheldrortrans	Russia	49.5%	Rolling stock transportation and repair services
DP Transgarant-Ukraine	Ukraine	50%	Transportation services
OOO Remontnaya Transport Company	Russia	50%	Rolling stock repair services
OAO Stroyopttorg	Russia	37.5%	Trading of construction materials
OOO ”Transdeka”	Russia	25%	Transportation services
OOO “F-Trans”	Russia	25%	Transportation services
TOO TransEuroAsia	Kazakhstan	25.5%	Transportation services
ZAO UniversaTransGroup	Russia	25%	Transportation services