OAO FAR-EASTERN SHIPPING COMPANY
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008

CONTENTS

OAO Far-Eastern Shipping Company
and its subsidiaries

Consolidated Financial Statements

Statement of Management Responsibilities

Management has prepared and is responsible for the financial statements and related notes of OAO Far-Eastern Shipping Company 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.

S.V. Generalov, President

Y. B. Gilts, Vice President and CFO

1 July 2009

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

We have audited the accompanying consolidated balance sheet of OAO Far-Eastern Shipping Company and its subsidiaries (the "Group") as at 31 December 2008 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 judgement, 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 2008 and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

OOO Moore Stephens

OOO Moore Stephens

1 July 2009

38 Stremyanny Pereulok
Moscow
113093

OAO Far-Eastern Shipping Company
and its subsidiaries

Consolidated Balance Sheet – 31 December 2008

(Expressed in USD'000s)

	Note	31 December 2008		31 December 2007	
Non-Current Assets					
Intangible Assets					
Goodwill	4		264,229		405,138
Other intangible assets	5		10,856		17,450
Tangible Assets					
Fleet	6	723,572		776,004	
Rolling stock	7	463,038		346,022	
Other fixed assets	8	204,340		324,230	
			1,390,950		1,446,256
Equity accounted investments	9		4,361		20,385
Long term investments	10		617,096		8,652
Investment property	11		25,017		33,571
Other non-current assets	12		12,875		22,584
Current Assets					
Inventories	13	10,919		14,519	
Accounts receivable	14	246,084		230,588	
Profit tax receivable		9,163		13,360	
Other current assets	15	5,928		4,722	
Bank and cash balances	16	218,683		113,839	
		490,777		377,028	
Less: Current Liabilities					
Accounts payable	17	100,005		124,005	
Profit tax payable		5,295		4,574	
Loans and other obligations	18,19	547,408		169,135	
		652,708		297,714	
Net Current (Liabilities) / Assets			(161,931)		79,314
			2,163,453		2,033,350
Financed by:					
Share capital	21		57,230		32,044
Share premium	21		999,494		392,965
Treasury shares	21		(336,104)		(59,125)
Retained earnings			771,536		724,667
Other reserves	22		12,165		179,572
			1,504,321		1,270,123
Minority interest			17,031		18,895
Total equity			1,521,352		1,289,018
Long term loans and other obligations	18,19		573,824		640,873
Deferred tax liability	20		59,745		93,024
Share – based payments	23		8,532		10,435
			2,163,453		2,033,350

S.V. Generalov, President__________ Y.B. Gilts, Vice President and CFO__________
Date: 1 July 2009

The attached notes on pages 10 to 61 form an integral part of these financial statements.

OAO Far-Eastern Shipping Company
and its subsidiaries

Consolidated Income Statement
For the year ended 31 December 2008

(Expressed in USD'000s)

	Note	2008		2007	
Revenue			1,246,551		872,296
Operating expenses			(807,449)		(515,338)
Gross Profit	24		439,102		357,958
Depreciation and amortisation					
Fleet	6	(111,621)		(52,532)	
Rolling stock	7	(26,667)		(17,312)	
Other fixed assets	8	(20,939)		(16,185)	
Intangible assets	5	(2,516)		(2,767)	
			(161,743)		(88,796)
Other Income and Expenses					
Other income	25		9,229		6,449
Interest receivable			9,479		3,957
Result of investment activity			20,024		1,100
Group share of results of associated companies	9		7,689		3,911
Excess of net assets acquired over consideration	34		16,746		3,939
Goodwill not recognised	34a		(1,781)		-
Administrative expenses			(114,320)		(92,620)
Non-profit based taxes	26		(10,550)		(8,133)
Bad debt release / (charge)	14		21,501		(8,232)
Interest payable and finance charges			(73,888)		(66,991)
Exchange (loss)/gain			(67,304)		15,413
			(183,175)		(141,207)
Profit before Taxation, Asset Disposals and Fair Value Adjustments			94,184		127,955
Profit on disposal of fixed assets and investments	27		1,716		2,014
Loss on disposal of interest in group companies	35		(3,556)		(9,680)
Fair value and impairment adjustments	28		(36,041)		10,913
Profit before Taxation			56,303		131,202
Taxation	26		(36,162)		(27,404)
Net Profit for the Year			20,141		103,798
Attributable to:					
Equity holders of the parent			11,971		101,927
Minority interest			8,170		1,871
Profit per share	29		USD 0.01		USD 0.05

The attached notes on pages 10 to 61 form an integral part of these financial statements.

OAO Far-Eastern Shipping Company
and its subsidiaries

Consolidated Statement of Changes in Equity
For the year ended 31 December 2008

(Expressed in USD'000s)

	Attributable to equity holders of the parent							
	Share Capital (Note 21)	Share premium (Note 21)	Own Shares (Note 21)	Retained Earnings	Other Reserves (Note 22)	Total	Minority Interest	Total Equity
Balance at 1 January 2007	4,130	-	(279)	564,142	109,449	677,442	54	677,496
Translation difference	-	-	-	-	15,886	15,886	-	15,886
Revaluation of fleet	-	-	-	-	97,939	97,939	-	97,939
Deferred tax liability arising on revaluation of fleet	-	-	-	-	(6,584)	(6,584)	-	(6,584)
Release from revaluation reserve – annual	-	-	-	30,029	(30,029)	-	-	-
Release from revaluation reserve – on disposal	-	-	-	5,254	(5,254)	-	-	-
Increase in minority interest on disposal of share in subsidiary of a JV	-	-	-	-	-	-	16,281	16,281
Net gains recognised directly in equity	-	-	-	35,283	71,958	107,241	16,281	123,522
Profit for the year	-	-	-	101,927	-	101,927	1,871	103,798
Total recognised income for the year	-	-	-	137,210	71,958	209,168	18,152	227,320
Movements in own shares	-	-	(58,846)	-	-	(58,846)	-	(58,846)
Issue of share capital	27,914	392,965	-	-	-	420,879	-	420,879
Cash flow hedge reserve (Note 33)	-	-	-	-	(1,835)	(1,835)	-	(1,835)
Equity reserve	-	-	-	23,315	-	23,315	-	23,315
Minority interest on acquisition	-	-	-	-	-	-	689	689
Balance at 31 December 2007 carried forward to the next page	32,044	392,965	(59,125)	724,667	179,572	1,270,123	18,895	1,289,018

The attached notes on pages 10 to 61 form an integral part of these financial statements.

OAO Far-Eastern Shipping Company
and its subsidiaries

Consolidated Statement of Changes in Equity For the year ended 31 December 2008 (continued)

(Expressed in USD'000s)

	Attributable to equity holders of the parent							
	Share Capital (Note 21)	Share premium (Note 21)	Own Shares (Note 21)	Retained Earnings	Other Reserves (Note 22)	Total	Minority Interest	Total Equity
Balance at 31 December 2007 brought forward from the previous page	32,044	392,965	(59,125)	724,667	179,572	1,270,123	18,895	1,289,018
Effect of change in profit tax rate	-	-	-	-	2,693	2,693	-	2,693
Translation difference	-	-	-	-	(50,495)	(50,495)	-	(50,495)
Revaluation of fleet	-	-	-	-	(82,828)	(82,828)	-	(82,828)
Deferred tax liability arising on revaluation of fleet	-	-	-	-	(1,295)	(1,295)	-	(1,295)
Release from revaluation reserve – annual	-	-	-	34,898	(34,898)	-	-	-
Decrease in minority interest due to increase of shareholding	-	-	-	-	-	-	(168)	(168)
Decrease in minority interest due to transfer to investment available for sale (Note 38)	-	-	-	-	-	-	(17,216)	(17,216)
Net gains/(losses) recognised directly in equity	-	-	-	34,898	(166,823)	(131,925)	(17,384)	(149,309)
Profit for the period	-	-	-	11,971	-	11,971	8,170	20,141
Total recognised income for the period	-	-	-	46,869	(166,823)	(105,554)	(9,214)	(129,168)
Movements in own shares	-	-	(276,979)	-	-	(276,979)	-	(276,979)
Issue of share capital	25,186	606,529	-	-	-	631,715	-	631,715
Cash flow hedge reserve (Note 33)	-	-	-	-	(584)	(584)	-	(584)
Dividends declared	-	-	-	-	-	-	(1,771)	(1,771)
Minority interest on acquisition (Note 34)	-	-	-	-	-	-	9,121	9,121
Balance at 31 December 2008	57,230	999,494	(336,104)	771,536	12,165	1,504,321	17,031	1,521,352

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 2008 were USD181 million (as at 31 December 2007: USD 135 million).

OAO Far-Eastern Shipping Company
and its subsidiaries

Consolidated Cash Flow Statement
For the period ended 31 December 2008

(Expressed in USD'000s)

	Note	2008	2007
Cash Flow from Operating Activities			
Receipts from customers		1,279,422	903,212
Payments to suppliers		(880,363)	(512,369)
Other cash receipts		9,229	6,725
Other cash payments		(91,531)	(106,859)
Operating cash flows		316,757	290,709
Taxation		(78,425)	(58,420)
Net operating cash flows	31	238,332	232,289
Cash Flow from Investing Activities			
Vessels under construction	6	(212,587)	(83,563)
Vessels acquired	6	(7,100)	-
Expenditure on other fixed assets	8	(150,835)	(130,060)
Expenditure on investment property		(156)	(5,030)
Expenditure on intangible assets	5	(4,877)	(5,878)
Expenditure on drydocking	6	(11,279)	(10,275)
Proceeds on disposal of fleet		7,873	180,472
Proceeds on disposal of other fixed assets		7,551	11,358
Proceeds on disposal of investment properties		2,654	-
Subsidiaries acquired	34	(260,287)	(338,194)
Cash on acquisition of subsidiaries	34	4,749	7,318
Associates acquired		(8)	(3,242)
Other investments acquired		(6,354)	(3,121)
Proceeds on sale of subsidiaries/business	35	9,316	7,341
Cash on sale of subsidiaries	35	(807)	(277)
Cash transferred to investments available for sale	38	(28,069)	-
Proceeds on sale of investments		3,414	924
Dividends received		26,246	-
Short-term loans received		625	7,130
Finance lease receipt		249	-
Interest and investment income		10,932	4,781
Net cash used in investing activities		(608,750)	(360,316)

The attached notes on pages 10 to 61 form an integral part of these financial statements.

OAO Far-Eastern Shipping Company
and its subsidiaries

Consolidated Cash Flow Statement
For the period ended 31 December 2008
(continued)

(Expressed in USD'000s)

	Note	2008	2007
Cash Flow from Financing Activities			
Issue of own shares		631,715	362,033
Purchase of own shares		(276,979)	-
Loans drawn down		1,287,860	549,985
Loan repayments		(1,008,295)	(669,490)
Finance charges		(77,595)	(66,991)
Movement on restricted cash	16	(600)	1,300
Decrease in overdraft		(938)	2,879
Dividends paid		(1,771)	-
Net cash generated by financing activities		553,397	179,716
Exchange Differences		(78,735)	9,861
Net increase in Cash		104,244	61,550
Cash and Cash equivalents at 1 January		113,171	51,621
Cash and Cash equivalents at 31 December	16	217,415	113,171

The attached notes on pages 10 to 61 form an integral part of these financial statements.

1. Organisation and Trading Activities

OAO Far-Eastern Shipping Company (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). In recent years FESCO has been transformed into an intermodal logistics Group focused on Russia, offering a full range of logistical solutions through a combination of shipping, rail, trucking and port services.

2. Basis of Accounts Preparation

(a) Basis of preparation

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 have been consistently applied with those of the prior period and are as set out in Note 3. The historical cost convention has been used throughout except in respect of those items where a different valuation basis is explicitly stated.

(b) Basis of consolidation

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

Name	Country of Incorporation	Percentage Holding	Activity
Roselau Shipping Co.Ltd	Cyprus	100%	Sub-holding company for shipowning sub-group
Tryfield Shipping Co. Ltd	Cyprus	100%	Sub-holding company of shipowning sub-group
OOO Firma Transgarant	Russia	100%	Sub-holding company for transportation services sub-group
Fesco Lines Vladivostok LLC	Russia	100%	Transport and forwarding services
TIS (BVI) Ltd	BVI	100%	Sub-holding company for transport forwarding services sub-group
ZAO Russkaya Troyka	Russia	50%	Intermodal Container Operations
M-Port, Ltd	Russia	50%	Sub-holding company for Commercial Port of Vladivostok
OOO National container company	Russia	50%	Sub-holding company for Vladivostok Container Terminal

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 over which it exercises joint control on a proportional consolidation basis.

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.

(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 disclosed in Note 34, during the current period the Group has continued to grow through acquisitions. The net assets of acquired entities have been included in these consolidated financial statements at fair value as estimated by management. The same estimates of fair value have been used to determine goodwill arising on the transactions. In arriving at these estimates management has used the best information available. The fair value of assets acquired as a result of the purchase of Butler Group Limited and OOO Transgarant-Vostok has been the subject of a report from independent professional valuation experts. Because it is inherently more difficult for management to make estimates in respect of newly acquired entities than it is in respect of an existing business management considers the estimates of fair value included in these financial statements in connection with all business acquisitions to be provisional and recognises that it may be necessary to revise certain estimates in the next accounting period.

- ***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. The Group uses discounted cash flow techniques to arrive at net present values where appropriate.

2. Basis of Accounts Preparation (Continued)

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

- ***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. The valuers determine by reference to recent sales of similar vessels the amount a vessel could be sold for, assuming that the vessel is in a reasonable condition. Management critically reviews the valuation arrived at by the valuers and also produces calculations of value in use based on discounted anticipated future cash flows. Generally the valuers' estimates are accepted without further adjustments except as stated below.

  The valuation basis utilised implicitly includes the value of dry docking in the overall valuation. Management therefore deduct the net book value of capitalised dry dock from the valuation, in determining the 'cost' of the vessel in the financial statements each year. The treatment for vessels at various stages of their life cycle is as follows:

	Value of vessel	Capitalised dry docking	Total value of vessel in financial statement
Vessel at scrap value	Scrap value	Amortised dry docking cost	Scrap value plus net book value of dry docking
Vessel newly acquired/newbuilding on delivery	Cost of vessel less estimated cost of average dry dock	Estimated cost of average dry docking for that type of vessel	Cost of vessel
Vessel approaching scrap value (less than 5 years' depreciation left)	Higher of scrap value and valuation less net book value of capitalised dry dock	Amortised dry docking cost	Higher of scrap value plus net book value of d/docking and valuation
Vessel not near scrap value (more than 5 year's depreciation left)	Valuation less net book value of capitalised dry dock	Amortised dry docking cost	Valuation

- ***Depreciation***
  The Group charges depreciation on the basis of the estimated useful lives and estimated residual value 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 and residual values are reviewed on an annual basis.

- ***Impairment losses on receivables***
  The Group reviews all its receivables to assess impairment on a semi-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. The Group uses discounted cash flow techniques to arrive at net present values where appropriate.

- ***Impairment losses on fixed assets carried at cost less accumulated depreciation***
  The Group reviews its fixed assets carried at cost 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. The Group uses discounted cash flow techniques to arrive at net present values where appropriate.

2. Basis of Accounts Preparation (Continued)

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

- ***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.

- ***Share options valuation***
  The fair value of options granted under the Group's share option scheme were calculated at the period end using a Black-Scholes pricing model with the following assumptions:

	2008	2007
Stock price	0.79	1.095
Strike price	0.33-1.08	0.33-0.70
Risk – free rate	0.57%-1.14%	3.07%
Volatility	113.65%-117.58%	54.23%
Time to expiration	1.5-3.5 years	4-6 years

The stock price was obtained from RTS data on the balance sheet date. The risk – free rate is based on an estimate of returns on US two-four year Treasury bonds. Expected volatility was based on the historical volatility of the Company's share price over the three years prior to 31 December 2008.

The variables set out above resulted in a value per option of 54.47 cents. This value is sensitive to changes in volatility. An increase in the assumed volatility to 130% will result in an increase in price to 57.79 cents. A decrease to 100% volatility will result in a price of 51.01 cents.

An increase in the risk-free rate to 2% will result in an increase in the option value to 54.82 cents. A reduction in the risk-free rate to 0.1% will result in a decrease in value to 54.29 cents.

- ***Accounting for joint ventures***
  Management makes judgements when determining the appropriate accounting policy to apply to the Group's interests in joint ventures. It does so based on the substance and economic reality of each arrangement, rather than the joint venture's particular structure or form.

  Management may also have to make judgements about the date on which it starts or ceases to share control over a jointly controlled entity.

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

The Group has not been affected by new Interpretations becoming effective for the year ending 31 December 2008, as their application only affects disclosure requirements, and there is no impact on the Group's results of operations, financial position or cash flow.

2. Basis of Accounts Preparation (Continued)

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

At the balance sheet date, the following Standards, Interpretations and Amendments were in issue but not mandatory for accounting periods starting before the date indicated:

New International Financial Reporting Standards

*IFRS 8**	*Operating Segments*	*1 January 2009*

New International Financial Reporting Interpretations Committee (IFRIC) Interpretations

*IFRIC 13**	*Customer Loyalty Programmes*	*1 July 2008*
*IFRIC 15**	*Agreements for the construction of real estate*	*1 January 2009*
*IFRIC 16**	*Hedges of a Net Investment in a Foreign Operation*	*1 October 2008*
*IFRIC 17**	*Distributions of Non-cash Assets to Owners*	*1 July 2009*

Revised standards

IAS1	*IAS 1 (revised) Presentation of Financial Statements*	*1 January 2009*
IAS 23	*Borrowing Costs*	*1 January 2009*
IAS 27	*Consolidated and Separate Financial Statements*	*1 January 2009*
IAS 31	*Interests in Joint Ventures* - Consequential amendments arising from amendments to IFRS 3	*1 July 2009*
IAS 32	*Financial Instruments: Presentation* - Amendments relating to instruments and obligations arising on liquidation	*1 January 2009*
IFRS 3	*Business Combinations* - Comprehensive revision on applying the acquisition method	*1 July 2009*

There are also a number of amendments to IFRSs as a result of 2007 annual improvement project which was finalised in 2008. The Group considers that its the reporting practice could be affected by the following of these amendments:

IFRS 2	*Share-based Payment* - Amendment relating to vesting conditions and cancellations	*1 January 2009*
IAS 39	*Financial Instruments: Recognition and Measurement* - Amendments relating to reclassification of financial instruments	*1 January 2009*

2. Basis of Accounts Preparation (Continued)

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

Management has decided not to adopt early 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 an impact on the financial statements other than the additional matters noted as follows:

1. IFRS 8: This standard requires entities to present information on the economic development of segments of the business in a manner similar to that used by management for internal analysis. The standard replaces IAS 14.

2. IAS 1 has been revised to require information in financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. The revised standard gives preparers the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with sub totals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The revision also includes changes in the titles of some of the financial statements to reflect their function more clearly (e.g. the balance sheet is renamed a statement of financial position). The new titles will be used in accounting standards, but are not mandatory for use in financial statements.

3. IAS 23: The amendment to IAS 23 means that an entity is required to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately recognising these borrowing costs as an expense has been removed. Inventories that are routinely manufactured or otherwise produced in large quantities on a repetitive basis are excluded from the scope of IAS 23 for cost-benefit reasons. The scope of IAS 23 does exclude assets measured at fair value although it is noted that entities are free to disclose information about borrowing costs that would have been capitalised if those assets had been measured at historical cost. The major item within the Group's financial statements to which IAS 23 is applicable is vessels under construction. No change in the Group's accounting policy is anticipated as a result of changes to IAS 23.

4. IFRS 3 and IAS 27: Changes in IFRS 3 and IAS 27 have been introduced to eliminate difference between US GAAP and IFRS and to correct differences in the existing standards. The changes to IFRS 3 include simplified method measurement of goodwill in a step acquisition, treating acquisition costs as expenses and recognising contingent consideration at the acquisition date. Changes to IAS 27 result in acquisitions or disposals of non-controlling interest being treated as equity transactions. It is likely that these changes will be relevant to the Group since it is frequently involved in acquisitions and disposals. However, it will not be possible to determine the consequences more precisely without a detailed examination of particular future acquisitions and disposals.

2. Basis of Accounts Preparation (Continued)

(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 ports which operate in Russia and other countries of the former Soviet Union. A segmental analysis has been included at Note 24. 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 presentation currency used in the preparation of these financial statements is the U.S. Dollar ("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 RUR amounts to USD should not be construed as a representation that RUR amounts have been, could be, or will be in the future, convertible into USD at the exchange rate shown, or at any other exchange rate.

At 31 December 2008, the official rate of exchange, as determined by the Central Bank of the Russian Federation, was USD 1 = RUR 29.38 (31 December 2007 USD 1 = RUR 24.55).

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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 is 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 capitalised and written off evenly over five years. Any unamortised amounts are written off in full when the next dry dock / special survey occurs or on disposal of the vessel to which the costs relate.

3. Accounting Policies (Continued)

(e) Investment property

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are stated at fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment properties are included in the profit or loss for the period in which they arise.

(f) 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 amount an item could be sold for less any costs required to effect the sale.

(g) 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 which can not be used to settle a liability for at least twelve months after the balance sheet date are included in other non-current assets.

(h) Revenue recognition

The Group recognises trading income on an accruals basis at the fair value of the consideration received or receivable. Revenue is shown net of VAT and discounts.

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. Revenues are recognised when services have been rendered for concluded contracts, the price is fixed or determinable and collectibility reasonably assured. The revenues from transportation services are recognised in the period in which the services are provided net of VAT.

Agency fees
The Group acts as a legal intermediary between clients and transportation organisations. In the capacity of agent it 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.

Revenue 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 lease agreements.

3. Accounting Policies (Continued)

(h) Revenue recognition (continued)

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

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

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

(i) Classification of financial assets.

Financial assets are classified into the following categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity" investments, "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term.

Initial recognition of financial instruments.

Except where explicitly stated otherwise, all of the Group's financial assets and liabilities are initially recorded at fair value adjusted for transaction costs where applicable. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of the Group's financial instruments are recognised on the settlement date with the change in value between the commitment date and settlement date not recognised for assets carried at cost or amortised cost.

Derecognition of financial assets.

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

3. Accounting Policies (Continued)

(j) 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.

(k) Derivative financial instruments

The Group's activities expose it to the financial risks arising from changes in foreign currency exchange rates and interest rates. The Group uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures when deemed appropriate. The Group does not use derivative financial instruments for speculative purposes. All derivative financial instruments are initially valued at their current market rates. When the contracts are realised, hedging used to cover exchange rate fluctuations on capital contracts is released to the cost of the asset being acquired.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion of designated cash flow hedge, changes in the fair value of designated fair value hedges and changes in the fair value of derivatives which do not meet the criteria for hedge accounting is recognised immediately in profit or loss, and is included in the "other gains and losses" line of the income statement. Amounts deferred in equity are recycled in profit or loss in the period in which the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item.

3. Accounting Policies (Continued)

(l) Financial liabilities and equity instruments issued by the Company.

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Financial liabilities are classified as either financial liabilities at Fair Value Through Profit or Loss or "other financial liabilities".

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Fair value is obtained through discounting future cash flows at the current market interest rate applied to financial instruments with similar terms. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. Realised and unrealised gains and losses arising from changes in the fair value are included in the financial income or expenses in the income statement in the period in which they arise.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Loans are classified as long-term liabilities if they are expected to be realised in more than 12 months of the balance sheet date. Trade payables are not interest bearing and are recognised and carried at original invoice amount. As payables are generally settled within 12 months after the balance sheet date, the carrying amount of payables approximates their fair value.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

(m) 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.

3. Accounting Policies (Continued)

(n) Finance leases

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.

(o) Pension scheme

Certain Group companies have established pension and other retirement schemes in accordance with local practices in the countries in which they operate, none are defined benefit schemes. Full provision is made for the associated liabilities.

(p) 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.

(q) 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.

(r) 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.

3. Accounting Policies (Continued)

(s) 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. Alternatively, the review is based on assessment of fair value carried out by independent experts.

(t) Other intangible assets

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

(u) Borrowing costs

Interest payable and other borrowing costs that are not attributable to any specific assets are expensed in the period to which they relate.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset are capitalised as part of cost of that asset.

(v) Dividends

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

(w) Share –based payments

The Group has a share option scheme to incentivise certain key members of management (see Note 23 for a fuller description of the scheme).

Due to the cash settlement option, the scheme is treated as creating a liability rather than an equity obligation. The fair value of the options outstanding is estimated by the Group at each balance sheet date using the Black-Scholes pricing model.

For each option granted an accrual based on the expired proportion of the time from granting of the options to the vesting date is included on the balances sheet as a long term or a short term liability as appropriate with a corresponding charge to the income statement to account for the movement since the last balance sheet date.

(x) Value added tax (VAT)

Input VAT is generally reclaimable against sales VAT upon delivery of materials, assets or services. The tax authorities permit the settlement of VAT on a net basis.

Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT. The related VAT deferred liability is maintained until the debtor is written off for tax purposes.

4. Goodwill

	Gross amount	Accumulated impairment loss	Carrying amount
		USD'000s	
At 1 January 2007	239,702	-	239,702
Additions	165,436	-	165,436
At 31 December 2007	405,138	-	405,138
Additions	185,832	-	185,832
Impairment	-	(43,699)	(43,699)
Transferred to available for sale group (Note 38)	(283,042)	-	(283,042)
At 31 December 2008	307,928	(43,699)	264,229

Goodwill arising on consolidation relates to the following acquisitions:

	31 December 2008	31 December 2007
	USD'000s	
TIS (BVI) Ltd	4,093	4,093
NCC Group Limited	-	210,975
Neteller Holding Limited	45,633	89,332
Ealingwood Limited	-	72,067
M-Port, Ltd	21,845	21,845
Fesco ESF Limited	6,826	6,826
OOO National Container Company	185,832	-
	264,229	405,138

During the year the Group reclassified its investments in NCC Group Limited and Ealingwood Limited from jointly controlled entities to assets available for sale. For further details see Note 38.

Details of acquisitions in the period are disclosed in Note 34.

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. 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). Goodwill in respect of M-Port, Ltd is attributable to a single CGU (Commercial Port of Vladivostok). Goodwill in respect of Fesco ESF, Ltd is attributable to a single CGU (Fesco ESF Limited). Goodwill in respect of OOO National Container Company is attributable to a single CGU (Vladivostok Container Terminal).

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

	31 December 2008	31 December 2007
	USD'000s	
TIS	4,093	4,093
Transgarant	45,633	89,332
FCT	-	126,585
BCT	-	84,390
Ealingwood	-	72,067
Commercial Port of Vladivostok	21,845	21,845
Fesco ESF Limited	6,826	6,826
Vladivostok Container Terminal	185,832	-
	264,229	405,138

4. Goodwill (continued)

Recoverable amounts for each CGU were calculated by management based on a value in use calculation using cash flow projections for eight years. A discount rate within the range 12.6% to 14% was then applied to these projections. The discount rate reflects management's estimate of the gross cost of capital employed. Cash flows beyond the eight year period have been extrapolated using a steady growth rate within the range from 3.5% to 10.3%. The key assumptions used in the impairment testing, discount and growth rates for each CGU were as follows:

	Discount rate	Growth rate	Key assumtions
TIS	20-24%	10%	Revenue growth: increase from 2% in 2010 to 10% in 2016
Transgarant	14%	5.5%	Number of railcars in operation: increase from 11,900 in 2009 to 16,500 in 2016
Commercial Port of Vladivostok	12%	10.3%	Revenue growth: irregular pattern with annual growth rates ranging from 9% to 37%
Fesco ESF Limited	17-20%	5.4%	Container volume: increase from 102,000 TEU in 2009 to 173,000 TEU in 2016
Vladivostok Container Terminal	12.6%	3.5%	Container volume: increase from 205,000 TEU in 2009 to 417,000 TEU in 2014, constant volume thereafter

An impairment of USD 44 million was recognised in respect of Transgarant. Recoverable amount for other CGU's exceed carrying values and therefore no impairment was recognised.

Management believes that any reasonably possible change in the key assumptions on which estimates CGUs' the recoverable amounts are based would not cause CGUs' carrying amount to exceed the recoverable amount.

5. Other Intangible Assets

	Cost	Amortisation	Net Book Value
		USD'000s	
At 1 January 2007	13,683	(263)	13,420
Additions	6,797	-	6,727
Charge for the year	-	(2,767)	(2,767)
At 31 December 2007	20,480	(3,030)	17,450
Additions	4,877	-	4,877
Disposals	(6)	-	(6)
Transferred to available for sale group (Note 38)	(10,945)	1,996	(8,949)
Charge for the year	-	(2,516)	(2,516)
At 31 December 2008	14,406	(3,550)	10,856

Other intangible assets are mainly computer software and amounts, which represent the excess of consideration paid when acquiring contract rights from third parties. These are amortised over their expected useful lives, which are 5 years.

6. Fleet

	Carrying value		Depreciation	
	31 December 2008	31 December 2007	2008	2007
	USD'000s		USD'000s	
(a) Fleet	505,197	673,021	101,968	43,227
(b) Deferred dry docking expenses	24,386	22,305	9,653	9,305
(c) Vessels under construction	193,989	80,678	-	
	723,572	776,00	111,621	52,532

(a) Fleet

	Valuation	Depreciation	Net Book Value
		USD'000s	
At 1 January 2007	744,222	-	744,222
Newbuildings acquired during the year	42,394	-	42,394
Depreciation charge for the year	-	(43,227)	(43,227)
Disposals	(176,228)	771	(175,457)
Revaluation	62,633	42,456	105,089
At 31 December 2007	673,021	-	673,021
Newbuildings acquired during the year	101,974	-	101,974
Vessels acquired during the year	7,100	-	7,100
Depreciation charge for the year	-	(101,968)	(101,968)
Disposals	(8,751)	-	(8,751)
Revaluation	(268,147)	101,968	(166,179)
At 31 December 2008	505,197	-	505,197
Total deadweight tonnage			865,771

(a) Fleet (continued)

During the year the following vessels were transferred from the shipyard (see 6(c)):

mv "Fesco Argun"	1100 TEU Container vessel	April 2008
mv "Fesco Vitim"	1730 TEU Container vessel	September 2008
mv "Fesco Voronezh"	1730 TEU Container vessel	December 2008

At 31 December 2008, the estimated scrap value of the Group's fleet was calculated based on an estimate of USD 250 per LWT (2007: USD 430). This change in accounting estimate was made in reaction to the decrease in international steel prices. Had this change in accounting estimate not been adopted the depreciation charge for the period ended 31 December 2008 would have been USD 23.8 million lower than shown in these financial statements.

The fleet includes 14 vessels fully depreciated with an aggregate book value of USD 22 million at 31 December 2008 (14 vessels with NBV of USD 34 million at 31 December 2007). Depreciated historical cost of the Group's fleet at 31 December 2008 was USD 455 million (2007 – USD 526 million).

The fleet was revalued by the Group's management as at 31 December 2008 supported by independent professional valuations carried out in December 2008 and calculations of value in use. The resulting decrease of USD 166 million has been dealt with through the revaluation reserve (USD 83 million decrease) and the income statement (USD 83 million decrease).

At 31 December 2008, 28 vessels in the Group's fleet with a net book value of USD 399 million were insured for hull and machinery risks with western underwriters. A further 31 vessels with a net book value of USD 107 million were insured with Russian underwriters. The total insured value amounted to 892 million.

6. Fleet (continued)

52 vessels with a net book value of USD 488 million are pledged as a security to guarantee the Group's obligations under ING Bank N.V., Calyon Bank, Citibank International plc and Vneshtorgbank loans (Note 18).

(b) Deferred dry docking expenses

Movements during the period on deferred dry docking expenses were:

	Cost	Amortisation	Net Book Value
		USD'000s	
At 1 January 2007	41,276	(18,794)	22,482
Additions	10,275	-	10,275
On acquisition of newbuildings	400	-	400
Charge for the year	-	(9,305)	(9,305)
Amortised dry dock write off	(5,922)	5,922	-
Release on disposal of fleet	(4,075)	2,528	(1,547)
At 31 December 2007	41,954	(19,649)	22,305
Additions	11,279	-	11,279
On acquisition of newbuildings	1,040	-	1,040
Charge for the year	-	(9,653)	(9,653)
Amortised dry dock write off	(2,538)	2,538	-
Release on disposal of fleet	(4,181)	3,596	(585)
At 31 December 2008	47,554	(23,168)	24,386

(c) Vessels under construction

Movements during the period on vessels under construction were:

	31 December 2008	31 December 2007
	USD'000s	
At 1 January 2008	80,678	39,909
Expenditure during the year	219,294	83,563
Capitalised borrowing costs	4,031	-
Transferred to fleet during the year	(103,014)	(42,794)
Revaluation	(7,000)	-
At 31 December 2008	193,989	80,678

Details of the Group's commitments in respect of vessels under construction are given in Note 36a. The amount transferred to fleet during the period represents prepayments previously made in respect of the construction of the Fesco Argun, Fesco Vitim and Fesco Voronezh.

7. Rolling Stock

	Cost	Depreciation	Net Book Value
		USD'000s	
At 1 January 2007	158,525	(3,901)	154,624
Additions in the year	66,030	-	66,030
Additions on acquisition of subsidiary	136,755	-	136,755
Depreciation charge for the year	-	(17,312)	(17,312)
Disposals	(8,772)	1,061	(7,711)
Disposals on sale of subsidiary	(182)	90	(92)
Translation difference	13,673	55	13,728
At 31 December 2007	366,029	(20,007)	346,022
Additions in the year	102,930	-	102,930
Additions on acquisition of subsidiary (Note 34)	147,845	(6,326)	141,519
Depreciation charge for the year	-	(26,667)	(26,667)
Disposals	(4,646)	595	(4,051)
Disposal on sale of subsidiary (Note 35)	(42,700)	1,888	(40,812)
Translation difference	(46,235)	(9,668)	(55,903)
At 31 December 2008	523,223	(60,185)	463,038

Rolling stock includes assets held under finance leases with a net book value of USD 149 million (at 31 December 2007 – USD 95 million).

As at 31 December 2008 rolling stock with a net book value of USD 222 million was insured with Russian insurance companies. The total insured value is USD 320 million (at 31 December 2007 – USD 245 million with a net book value of USD 187 million).

8. Other Fixed Assets

	Buildings and Infrastructure	Plant, Machinery and Other	Assets under construction	Total
	USD'000s			
Cost				
At 1 January 2007	66,536	98,621	23,162	188,319
Additions in the year	1,561	32,804	63,524	97,889
Additions on acquisition of subsidiary	74,797	37,219	7,509	119,525
Transfer	20,193	13,772	(33,965)	-
Disposals during the year	(15,619)	(5,061)	(508)	(21,188)
Disposals on sale of subsidiary	(792)	(175)	-	(967)
Transferred as contribution to share capital	(42)	(308)	-	(350)
Translation difference	2,506	6,088	2,339	10,933
At 31 December 2007	149,140	182,960	62,061	394,161
Additions in the year	6,254	33,688	74,293	114,235
Additions on acquisition of subsidiary (Note34)	23,565	14,962	366	38,893
Previously accounted as associates	5,385	13,158	-	18,543
Transfer from investment property	2,666	-	-	2,666
Transfer	3,476	1,436	(4,912)	-
Transfer to available for sale (Note 38)	(104,820)	(62,377)	(104,009)	(271,206)
Disposals during the year	(132)	(2,727)	-	(2,859)
Disposals on sale of subsidiary	-	(242)	(318)	(560)
Valuation adjustment	2,029	-	-	2,029
Translation difference	(356)	(12,715)	(1,370)	(14,441)
At 31 December 2008	87,207	168,143	26,111	281,461
Depreciation				
At 1 January 2007	21,682	39,005	-	60,687
Depreciation charge for the year	3,585	12,600	-	16,185
Additions on acquisition of subsidiary	87	1,392	-	1,479
Eliminated on disposal	(7,436)	(3,402)	-	(10,838)
Eliminated on disposal of subsidiary	(120)	(51)	-	(171)
Transferred as contribution to share capital	(36)	(292)	-	(328)
Translation difference	93	2,824	-	2,917
At 31 December 2007	17,855	52,076	-	69,931
Depreciation charge for the year	3,528	17,411	-	20,939
Additions on acquisition of subsidiary (Note34)	323	2,253	-	2,576
Previously accounted as associates	313	1,944	-	2,257
Transfer to available for sale (Note 38)	(3,455)	(8,159)	-	(11,614)
Eliminated on disposal	(89)	(2,217)	-	(2,306)
Eliminated on disposal of subsidiary	-	(38)	-	(38)
Translation difference	(45)	(4,579)	-	(4,624)
At 31 December 2008	18,430	58,691	-	77,121
Net Book Value				
At 31 December 2008	68,777	109,452	26,111	204,340
At 31 December 2007	131,285	130,884	62,061	324,230

Other fixed assets held under finance leases include containers with a net book value of USD 28 million (at 31 December 2007 – USD 15 million).

9. Equity Accounted Investments

Equity accounted investments represent investments in 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
Security Agency Skat	Russia	25%	Security services
Angeny Holdings Ltd	Cyprus	25%	Transportation services

The balances at the year end were as follows:

	31 December 2008	31 December 2007
	USD'000s	
International Paint (East Russia) Ltd	306	613
United Orient Shipping Agency Company Ltd	-	294
Transorient Shipping Company Ltd	809	452
JV Shoshtrans Uzbekistan	540	479
Butler Group Limited	-	1,070
OOO Transgarant - Vostok	-	3,419
Vladivostok Container Terminal	-	10,816
Angeny Holdings Ltd	2,706	3,242
	4,361	20,385

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

	31 December 2008	31 December 2007
	USD'000s	
Balance as at 1 January	20,385	5,017
Share of results of associated companies	7,689	3,911
Additions	8	3,242
Written off	(294)	-
Additions on acquisition of subsidiary	-	8,952
Transferred to subsidiaries (Note 34)	(15,463)	-
Dividends	(7,675)	(737)
Translation differences	(289)	-
Balance as at 31 December	4,361	20,385

On acquisition of Angeny Holdings Ltd in 2007, goodwill of USD 1.5 million arose. In January 2008 the Group entered into an agreement in respect of the disposal of its interest in Angeny Holdings Ltd. The sales price was set so as to equal the carrying value of the investment.

9. Equity Accounted Investments (continued)

Summarised financial information of the Group's principal associates is as follows:

	Assets	Liabilities	Net Assets/ (liabilities)	Revenue	Profit /(loss) for the year
			USD'000s		
International Paint	1,778	1,153	625	1,694	822
Transorient Shipping Company Ltd	9,986	8,335	1,651	2,966	863
JV Shoshtrans Uzbekistan	4,501	2,340	2,161	1,550	444
Security Agency Skat	152	152	-	-	-
OOO Transgarant Vostok	-	-	-	32,296	18,060
Vladivostok Container Terminal	-	-	-	11,360	5,646
Angeny Holdings Ltd	9,901	5,077	4,824	11,158	(1,214)
Total	26,318	17,057	9,261	61,024	24,621

10. Long Term Investments

	31 December 2008	31 December 2007
	USD'000s	
Subsidiary companies (not consolidated)	3,288	3,565
Trade loans and other investments available for sale	308	5,087
Investments available for sale (Note 38)	613,500	-
	617,096	8,652

Subsidiaries not consolidated on the ground of materiality comprise: -

	31 December 2008	31 December 2007
	USD'000s	
Fesco Logistic LLC	1,605	1,844
Transfes' subsidiaries not consolidated	1,147	1,260
Fesco Service	499	413
Other	37	48
	3,288	3,565

11. Investment Property

	Cost	Fair Value Adjustment	Net Book Value
		USD'000s	
At 1 January 2007	-	-	-
On acquisition of JV	27,910	-	27,910
Additions	5,030	-	5,030
Fair value adjustment	-	631	631
At 31 December 2007	32,940	631	33,571
Translation difference	(4,764)	-	(4,764)
Additions	156	-	156
Disposals	(2,422)	-	(2,422)
Fair value adjustment	-	1,142	1,142
Reclassified to other fixed assets	(2,666)	-	(2,666)
At 31 December 2008	23,244	1,773	25,017

The Group accounts for warehouses and other buildings that it holds for rental purposes as investment properties. The fair value of the Group's investment property at 31 December 2008 has been arrived at on the basis of a valuation carried out by an independent valuer. The valuation was arrived at by reference to the replacement values of properties as market evidence of transaction prices for similar properties was not available.

Investment properties with a total value of USD 5.9 million (31 December 2007 USD 5.5 million) are pledged as security to guarantee the Group's obligations under loans (Note 18).

As at 31 December 2008 certain investment properties of the Group were insured for a value of USD 11.8 million (31 December 2007: USD0.6 million)

Operating lease payments to be received by the Group under non-cancellable operating lease contracts are as follows:

	31 December 2008	31 December 2007
	USD'000s	
Within one year	1,517	950
In two to five years	3,245	2,737
After more than five years	2,681	2,403
Total lease receipts	7,443	6,090

12. Other Non-current Assets

	31 December 2008	31 December 2007
	USD'000s	
Long term portion of restricted deposit	-	323
Long term bank deposit	630	894
Prepayments for fixed assets	1,331	15,915
Long term finance lease assets	4,732	5,452
Prepayments for investment	6,182	-
	12,875	22,584

Prepayments for fixed assets represent prepayments for equipment.

Prepayments for investments represent deposits made in connection with transaction for the acquisition of subsidiary companies that had not been completed at the date of signing of these financial statements.

12. Other Non-current Assets (continued)

The Group leases railroad platforms to one of its joint ventures. The lease agreement provides for ownership transfer of assets to the lessee at the end of the lease term for nominal consideration. The average effective interest rate on the platforms leased is 9%.(2007 – 9%).

Lease receivables as at 31 December are scheduled as follows:

	31 December 2008		31 December 2007	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	USD'000s		USD'000s	
Within one year	1,407	720	1,407	249
Two to five years	5,630	4,062	5,630	3,953
Over five years	699	671	1,925	1,499
	7,736	5,453	8,962	5,701
Less: future finance charges	(2,283)		(3,261)	
Present value of lease obligations	5,453		5,701	

13. Inventories

	31 December 2008	31 December 2007
	USD'000s	
Bunkers	5,969	7,173
Stores and spares	1,020	2,630
Victualling	404	560
Other stocks and raw materials	3,526	4,156
	10,919	14,519

14. Accounts Receivable

	31 December 2008	31 December 2007
	USD'000s	
Trade debtors	97,227	132,891
Due from non-consolidated subsidiaries	3,193	2,448
Due from associates	4,584	6,774
VAT receivable	69,329	63,308
Voyages in progress	2,427	307
Other debtors and prepayments	58,675	60,470
Amount in dispute with the taxation authorities (Note 40)	24,758	-
Allowance for impairment	(14,109)	(35,610)
	246,084	230,588

Prepayments of USD 22 million (31 December 2007 – USD 24 million) were made to OAO "Russian Railways".

A currency and maturity analysis is detailed in Note 37.

15. Other Current Assets

	31 December 2008	31 December 2007
	USD'000s	
Loans issued to related parties	-	4,086
Loans and promissory notes issued to third parties	1,115	1,065
Allowance for uncollectible loan issued to third parties	-	(678)
Short term finance lease receivable	720	249
Short term portion of interest rate swap	4,093	-
	5,928	4,722

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

A currency and maturity analysis is detailed in Note 37.

16. Bank and Cash Balances

	31 December 2008	31 December 2007
	USD'000s	
Bank accounts and cash in hand	217,415	113,171
Restricted deposits	1,268	668
	218,683	113,839

A currency analysis is detailed in Note 37.

Included in restricted deposits is USD 1,268 thousand paid as a performance guarantee to the Charterer of the m/v Yenisey (at 31 December 2007 - USD 668 thousand).

17. Accounts Payable

	31 December 2008	31 December 2007
	USD'000s	
Trade creditors	65,713	86,274
Non-profit taxes payable	5,177	5,441
Due to non-consolidated subsidiaries	-	688
Due to associates	1,043	3,098
Share – based payments (Note 23)	6,879	-
Other creditors and accruals	21,193	28,504
	100,005	124,005

A currency and maturity analysis is detailed in Note 37.

18. Loans Payable and Other Obligations

	31 December 2008	31 December 2007
	USD'000s	
Loans and other obligations comprise:		
Secured loans		
Loans from ING Bank N.V.	294,538	329,504
Loans from Raiffeisenbank	53,197	54,328
Loans from Vneshtorgbank	158,260	122,307
Loans from Citibank	170,914	15,544
Loans from SMBC	57,000	-
Other bank loans	152,972	179,151
Loans from other entities	47,404	4,284
	934,285	705,118
Unsecured loans		
Loans from Vneshtorgbank	5,500	-
Loans from Svedbank	15,556	11,978
Loans from other entities	2,688	10,359
Overdraft	2,644	3,582
	26,388	25,919
Other obligations		
Obligations under finance leases (Note 19)	112,652	71,173
Interest payable	6,919	5,963
Fair value of currency hedge (Note 33)	11,000	-
Fair value of interest rate swap contracts (Note 33)	29,988	1,835
	160,559	78,971
	1,121,232	810,008
Repayable within the next twelve months	547,408	169,135
Long term balance	573,824	640,873
	1,121,232	810,008

For currency and maturity analysis of loans and other obligations see Note 37.Of the above loans USD 397 million (31 December 2007– USD 117 million) is at fixed interest rates with a weighted average interest rate of 10.03% (31 December 2007 – 9.49%). USD 564 million (31 December 2007 – USD 611 million) is at floating ratings ranging from 0.925% to 6.00% (31 December 2007 – from 0.925% to 3.8%) above LIBOR / EURIBOR / MOSPRIME. Security provided includes mortgages over fleet with a carrying value of USD 488 million (note 6) (31 December 2007 – USD 620 million), rolling stock of USD 50 million (31 December 2007 – USD 115 million) and treasury shares (Note 21).
Some of the Group's borrowings are subject to covenant clauses, whereby the Group is required to meet certain key performance indicators. As at the year end the Group was not able to meet some of the covenants:

1) The debt to value ratio as set out in several loan agreements, with a combined total outstanding principal amount of USD 213 million. As a result, according to the terms of the relevant loan agreements the Group was required to make prepayment sufficient to restore the covenanted ratio. Consequently USD 18 million became payable on demand and was reclassified as a current liability as at 31 December 2008 and repaid during January 2009.

2) The ratio of current assets to current liabilities as set out in loan agreements with a combined total outstanding principal amount of USD 556 million. Under the terms of the relevant loans the Group is required to carry out tests of current assets to current liabilities on receipt of audited six month and annual financial statements. In November 2008, on receipt of audited financial statements for the six month period to 30 June 2008, it became apparent that the Group was in breach. The Company applied for waivers on the relevant loans and these were subsequently granted. Management believes that the Group will also fail to meet the test required on receipt of these financial statements since the ratio of current assets to current liabilities as at 31 December 2008 was below that required by the terms of the loan. Management has made the relevant banks aware of the anticipated breach that will occur when the test is performed. Management is confident that it will be able to negotiate a further waiver to cover the anticipated breach.

18. Loans payable and other obligations (continued)

3) As at the period end the Group had breached covenants requiring it to meet particular financial ratios contained in two loan agreements with an aggregate total of USD 40 million. According to the terms of these agreements the total amount became payable on demand of the lenders as a result of the breach therefore the amount was classified as short term in these financial statements. However after the balance sheet date the Group has managed to arrange waivers or renegotiate terms for these loans, no early repayment was requested.

19. Obligations under Finance Leases

The Group partially finances the purchase of wagons and containers 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 terms for nominal consideration. In 2008 the Group had leasing contracts with OOO "Hansa Leasing", OOO "LC MMB", OOO " Sevtechnotrans", OOO " BSGV Leasing", OOO "Brunswick Rail Leasing", OOO "Intergroup", OOO "Alpha Leasing", TAL International Container Corporation and Triton Container International Limited for financing of the purchase of containers and railroad platforms.

The average effective interest rate on the wagon lease liability is 14.35% (2007: 15.05%) and on the container lease liability it is 6% (2007: 6%). Minimum lease payments and future interest element are estimated based on the rates applicable to each individual lease contract.

Lease payments as at 31 December are scheduled as follows:

	31 December 2008		31 December 2007	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	USD'000s		USD'000s	
Within one year	29,732	15,936	22,513	14,072
Two to five years	88,428	50,642	49,816	34,331
Over five years	56,005	46,074	30,899	22,770
	174,165	112,652	103,228	71,173
Less: future finance charges	(61,513)		(32,055)	
Present value of lease obligations	112,652		71,173	
Less amount due for settlement within 12 months		(15,936)		(14,072)
Amount due for settlement after 12 months		96,716		57,101

20. Deferred Taxation

The whole of the Group's deferred tax liability arises in entities incorporated in Russia as the effect of deferred taxation in other jurisdictions is not material.

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 20% (2007– 24%).

Movement in temporary differences during the year:

	Balance 31 December 2007	On acquisition of subsidiaries in the year	(Charge) / release to income for the year	Transferred to available for sale investments (Note 37)	Charge to equity for the year	Balance 31 December 2008
Vessels	(36,656)	-	15,341	-	1,398	(19,917)
Other fixed assets	(82,081)	(32,082)	29,997	24,314	-	(59,852)
Assets under construction	527	-	(246)	(300)	-	(19)
Investments	(2,902)	205	359	(20)	-	(2,358)
Inventories	1,083	4	399	-	-	1,486
Accounts receivable	15,321	(3,398)	(11,778)	(225)	-	(80)
Accounts payable	(6,609)	(432)	(8,492)	(440)	-	(15,973)
Provisions, accruals and deferred income	679	-	718	(1,203)	-	194
Lease liabilities	17,101	19,991	(690)	-	-	36,402
Foreign deferred tax	513	-	(141)	-	-	372
	(93,024)	(15,712)	25,467	22,126	1,398	(59,745)

21. Share Capital

	31 December 2008	31 December 2007
	USD'000s	
Authorised number of shares (1 Rouble per share)	3,643,593,000	3,643,593,000
Issued number of shares	2,951,250,000	2,361,000,000
Share capital (USD'000)	57,230	32,044

On 8 July 2008, the Company issued 590,250,000 common shares of RUR1 each at a premium of USD 607 million. The issue proceeds were used to finance the Group's ongoing investment programme.

As at 31 December 2008 the Group held 393,692,807 of its own shares which were purchased for USD 336 million, being approximately 11% of the shares in issue (at 31 December 2007 – 84,606,462 shares for USD 59 million, being 4% of the shares in issue).

	31 December 2008	31 December 2007
	Number of shares	
Treasury shares held by:		
FESCO	-	393,198
FES Invest	41,783	33,624
Shonstar Limited	124,401,921	82,179,640
Neteller Holdings Limited	269,249,103	2,000,000
	393,692,807	84,606,462

The shares held by Shonstar Limited are largely held in order to fund the Group's obligations under the share option scheme more fully described in note 23. As at 31 December 2008 the Group has pledged 164 million of treasure shares which comprise 5.5% of issued share capital as a security for a short term loan provided by a related party (Note 39) (31 December 2007 – nil).

22. Other Reserves

	Fleet Revaluation Reserve	Translation reserve	Cash flow hedge	Total
	USD'000s			
Balance at 1 January 2007	104,484	4,965	-	109,449
Revaluation of fleet	97,939	-	-	97,939
Deferred tax release arising on revaluation of fleet	(6,584)	-	-	(6,584)
Release from revaluation reserve – annual release	(30,029)	-	-	(30,029)
Release from revaluation reserve – on disposal	(5,254)	-	-	(5,254)
Decrease in hedge fair value	-	-	(1,835)	(1,835)
Translation difference	-	15,886	-	15,886
Balance at 31 December 2007	160,556	20,851	(1,835)	179,572
Effect of change in tax rate	2,693	-	-	2,693
Revaluation of fleet	(82,828)	-	-	(82,828)
Deferred tax release arising on revaluation of fleet	(1,295)	-	-	(1,295)
Release from revaluation reserve – annual release	(34,898)	-	-	(34,898)
Decrease in hedge fair value (Note 33)	-	-	(584)	(584)
Translation difference	-	(50,495)	-	(50,495)
Balance at 31 December 2008	44,228	(29,644)	(2,419)	12,165

23. Share – based Payments

In order to provide an incentive to key members of management the Group introduced a share option scheme during 2007.

Selected employees of the Group were granted options to acquire a specified number of shares at a price ranging from USD 0.33 to USD 1.08 per share at the expiry of two to four years.

The Group's obligation may be settled in shares or in cash at the choice of the employee. Vesting of the options is subject to the individuals concerned remaining employees at the end of the specified period, although leavers may have a pro-rata entitlement. The employees are not required to achieve any other non-market or market based performance conditions.

At 31 December 2008 the Group has recognised USD 4.9 million in respect of grants under this share option scheme (31 December 2007 - USD 10.4 million). The accumulated liability from recognised grants amounts to USD 15.3 million (31 December 2007 – USD 10.4 million), of which USD 7mln are included within short term liabilities (Note 17) (31 December 2007 – nil). For further details see note 2c.

The movement in options to subscribe for shares under the Group's share option scheme is shown in the table below.

	2008		2007	
	Number of share option	Weighted average exercise price, USD	Number of share option, Million	Weighted average exercise price, USD'000
Outstanding at 1 January	82,179,640	0.4513	-	-
Granted during the year	4,930,779	1.08	82,179,640	0.4513
Forfeited during the year	16,435,930	-	-	-
Exercised during the year	42,733,413	0.9281	-	-
Expired during the year	-	-	-	-
Outstanding at 31 December	27,941,076	0.5385	82,179,640	0.4513
Exercisable at 31 December	-	-	-	-

Options granted to six directors and senior executives were outstanding at 31 December 2008. The scheme is funded by shares held by a Group company (note 21).

24. Business Segmental Analysis

For management purposes, the Group is organised into four major operating divisions – shipping, liner and logistics, railway services and ports. The Group also includes certain companies that can not be allocated to a specific division, these include investing and managing companies. These divisions are the basis on which the Group reports its operating 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 and the provision of agency services. These activities are carried out on cabotage, cross trade and import-export basis. The vessels operated by the shipping division are largely container vessels and bulk carriers.
Liner and Logistics	The Liner and logistics division operates liner services and 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.
Ports	The ports division owns and operates port facilities and container terminals in Russia and provides cargo handling, stevedoring, container storage and rental and related port services and facilities.

24. Business Segmental Analysis (continued)

Segmental revenue

	External sales		Inter-segment		Total	
	2008	2007	2008	2007	2008	2007
			USD'000s			
Shipping	197,662	194,498	111,451	75,618	309,113	270,116
Liner and logistics	629,853	361,155	-	2,832	629,853	363,987
Railway services	263,935	174,813	45,531	2,515	309,466	177,328
Ports	155,101	141,830	12,416	4,219	167,517	146,049
Total for all segments					1,415,949	957,480
Eliminations					(169,398)	(85,184)
Consolidated revenue					1,246,551	872,296

Segmental result

	2008	2007
	USD'000	
Shipping	133,517	130,605
Liner and logistics	66,009	68,836
Railway services	145,695	72,363
Ports	93,881	86,154
	439,102	357,958
Depreciation	(161,743)	(88,796)
Interest and other investment income	29,439	3,957
Interest expense	(73,888)	(66,991)
Administrative expenses	(114,320)	(92,621)
Share of profits of associates	7,689	3,911
Excess of net assets acquired over consideration	16,746	3,939
Other income and expenses, including revaluation and translation differences	(84,941)	9,845
Goodwill not recognised	(1,781)	-
Profit before tax	56,303	131,202
Income tax expenses	(36,162)	(27,404)
Profit for the year	20,141	103,798

Impairment of segmental assets

	Recognised in profit and loss		Recognised directly in equity	
	2008	2007	2008	2007
		USD'000s		
Shipping	92,354	9,825	82,828	35,283
Liner and logistics	370	89	-	-
Railway services	43,699	790	-	-
Ports	-	-	-	-
	141,423	10,704	82,828	35,283

24. Business Segmental Analysis (continued)

Segmental assets and liabilities

	Assets		Liabilities	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
	USD'000s			
Shipping	942,482	918,429	539,549	352,218
Liner and logistics	192,834	135,964	45,464	65,997
Railway services	628,537	488,505	392,168	302,682
Ports	267,142	364,504	41,373	121,403
Total of all segments	2,030,995	1,907,402	1,018,554	842,300
Goodwill	264,229	405,138	-	-
Other items not attributable to a specific segment	802,937	18,524	276,255	199,746
Consolidated	3,098,161	2,331,064	1,294,809	1,042,046

Other segmental information

	Acquisition of segment assets		Depreciation and amortisation of segment assets	
	2008	2007	2008	2007
	USD'000s			
Shipping	257,271	94,816	120,403	58,148
Liner and logistics	6,161	4,211	2,249	2,439
Railway services	263,431	215,692	28,860	18,889
Ports	100,398	177,772	9,890	8,651
	627,261	492,491	161,402	88,127

25. Other Income

	2008	2007
	USD'000s	
Revenue from coastal branches	867	716
Asset leasing (containers and office buildings)	2,657	2,632
Insurance reimbursement	161	987
Sale of other assets	1,232	1,224
Penalties received	1,457	366
Other related services	2,855	524
	9,229	6,449

26. Taxation

Companies within the Group are subject to taxation in different jurisdictions. The most significant of these is the Russian Federation. In 2008, the Russian government enacted a change in the national profit tax rate from 24% to 20% with the effect from 1 January 2009. Profit tax is calculated at an average rate of 24% (2007 – 24%), based on profit as computed under Russian accounting regulations and adjusted for fiscal purposes.

	2008	2008	2007	2007
	USD'000s			
Charge for the year		58,325		43,892
Overseas taxation		3,304		2,005
Impact on change in profit tax from 24% to 20%	(4,245)		-	
Deferred tax release	(21,222)		(18,493)	
Deferred tax release (Note 20)		(25,467)		(18,493)
		36,162		27,404

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

	2008	2007
	USD'000s	
Accounting profit before tax	56,303	131,202
Adjustment for foreign subsidiaries not subject to Russian tax	152,298	(15,514)
Adjustments to comply with IFRS	26,119	97,943
Accounting profit in accordance with Russian standards	234,720	213,631
Adjustment for amounts disallowed/(allowable deductions)	8,301	(30,748)
Taxable profit	243,021	182,883

Other significant domestic taxes borne by the Group include:

	2008	2007
	USD'000s	
Property tax	8,041	5,582
Others	2,509	2,551
	10,550	8,133

Property tax is calculated at a rate of 2.2 % (2007 – 2.2%) on the value of assets as computed under Russian accounting regulations.

27. Profit on Disposal of Fixed Assets and Investments

	2008	2007
	USD'000s	
(Loss) / profit on sale of vessels	(1,463)	3,468
Profit / (loss) on disposal of other fixed assets	2,947	(1,004)
Profit / (loss) on disposal of investment property	232	(450)
	1,716	2,014

28. Fair Value and Impairment Adjustments

	2008	2007
	USD'000s	
Fleet (impairment) / impairment reversal (Note 6)	(83,351)	7,150
Impairment of vessels under construction to fair value (Note 6)	(7,000)	-
Goodwill impairment	(43,699)	
Investments fair value adjustments	(2,374)	3,132
Investment property fair value adjustments (Note 11)	1,142	631
Changes in fair value of financial instruments (Note 33)	(35,108)	-
Gain on initial recognition NCC and Ealingwood as available for sale investment (Note 38)	1,232,027	
Impairment loss on investments available for sale (Note 38)	(1,097,678)	-
	(36,041)	10,913

29. Earnings per Share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held by Group Companies (including the Share Option Scheme - Note 23). For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive ordinary shares. These represent share options granted to management where the exercise price is less than the average market price of the Company's ordinary shares during the year. Share options issued do not result in a dilution as a result no diluted earning per share figure is presented.

	31 December 2008	31 December 2007
	USD	
Profit for the year	20,141,000	103,798,000
Weighted average number of shares in issue (note 21)	2,526,945,693	2,089,466,423
Basic earnings per share	0.01	0.05

30. Employee Benefit Expenses

Benefits paid to the employees are included in operating and administrative expenses as follows:

	2008	2007
	USD'000s	
Employee benefit expenses included within operating expenses	101,830	85,033
Employee benefit expenses included within administrative expenses	51,343	49,421
	153,173	134,454

All benefits are short term.

31. Reconciliation of Operating Profit to Operating Cash Flows

	2008	2007
	USD'000s	
Profit for the year before taxation	56,303	131,202
Adjusted for:		
Depreciation and amortisation	161,743	88,796
Finance charges	73,888	66,991
Fair values and impairment	36,041	(10,913)
Interest received and investment income	(29,503)	(4,781)
Profit on disposal of fixed assets and investments	(1,716)	(2,014)
Share of results of joint ventures and associated companies	(7,689)	(3,911)
Goodwill not recognised	1,781	-
Excess of net assets acquired over consideration	(16,746)	(3,939)
Loss on disposal of share in group companies	3,556	9,680
Exchange differences	67,304	(15,413)
	344,962	255,698
Movements in working capital:		
(Increase) in accounts receivable	8,765	(46,466)
Decrease/(increase) in inventories	3,600	(5,974)
(Decrease)/increase in accounts payable	(32,721)	41,260
(Increase)/decrease in voyages in progress	(2,120)	171
	(22,476)	(11,009)
Movements in working capital attributable to acquisition of subsidiaries	7,969	46,020
Movements in working capital attributable to JVs transferred to investments available for sale	(13,698)	-
Profit tax paid	(78,425)	(58,420)
Net cash generated from operating activities	238,332	232,289

32. Joint Venture Companies

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

	2008	6 months to 30 June 2008	6 months to 30 June 2008	2008	2008	2008
	Russkaya Troyka	NCC Group	Ealingwood Group	Fesco Wallem	M-Port, Ltd	Trans Russia Agency
				USD'000s		
Current assets	11,569	-	-	744	5,767	1,843
Long-term assets	28,626	-	-	104	82,941	392
Current liabilities	(2,440)	-	-	(69)	(10,008)	(1,186)
Long-term liabilities	(10,461)	-	-	(25)	(13,405)	-
Net assets	27,294	-	-	754	65,295	1,049
Income	12,001	71,829	20,396	1,437	51,941	1,121
Expenses	(11,637)	(53,328)	(15,237)	(1,382)	(41,676)	(1,081)
Net result	364	18,501	5,159	55	10,265	40

			2007			
	Russkaya Troyka	NCC Group	Ealingwood Group	Fesco Wallem	M-Port, Ltd	Universal TransGroup
			USD'000s			
Current assets	25,059	33,722	13,700	784	10,688	5,307
Long-term assets	22,327	269,745	42,983	47	92,178	44,200
Current liabilities	(3,278)	(24,506)	(3,802)	(82)	(9,514)	(14,091)
Long-term liabilities	(15,240)	(63,825)	(3,242)	-	(16,514)	(26,186)
Net assets	28,868	215,136	49,639	749	76,838	9,230
Income	11,402	105,194	25,596	9	21,405	20,623
Expenses	(8,633)	(53,098)	(17,675)	(1,223)	(17,359)	(16,086)
Net result	2,769	52,096	7,921	(1,214)	4,046	4,537

33. Financial Instruments

To manage its exposure to variability in cash flows arising from interest rate and exchange rate fluctuations the Group has used a number of financial instruments:

An interest rate swap was entered to fix the future cash outflows of interest payable on a secured loan so as to avoid fluctuations arising from LIBOR rate movements. The swap is valid for the period from 30 November 2007 to 31 May 2012. The agreement effectively fixes the interest rate at 4.77% in place of a rate based on USD three month LIBOR.

A cross currency interest rate swap was entered to convert interest payments on floating rate loans at a rate MOSPRIME + in RUR to a floating rate obligation at a rate LIBOR + in USD, in order to avoid both currency and interest rate risks. The agreement is valid for the period from 20 June 2008 to 5 September 2012.

- Interest rate collar was entered to limit adverse LIBOR fluctuations. If LIBOR movement will fall within the range between 3% and 5.95% then floating rate will be paid. If LIBOR will be below then 3% limit then fixed rate 4.77% will be paid. The agreement is valid for the period from 25 September 2008 to 30 September 2022.

In September 2008, an exchange rate collar was entered to limit exposure to strengthening RUR, limiting the RUR to USD exchange rate to the range between RUR 24.1 and RUR 26.62 per USD 1.

For the year ended 31 December 2008, the Group recognised a loss of USD 584 thousand (31 December 2007 – USD 1.8 million) in equity as effective fair value changes on financial instruments under cash flow hedge accounting.

The fair value of interest swaps is equal to their carrying value at 31 December 2008. For maturity analysis of cash flows hedges see Note 37.

The fair value of the interest swap is as follows:

	31 December 2008	31 December 2007
	USD'000s	
Fair value liability at 1 January	1,835	-
Increase in the year for contracts held at period end	28,153	1,835
Fair value liability at 31 December (Note 18)	29,988	1,835
Current liability	6,559	1,167
Non current liability	23,429	668
	29,988	1,835

34. Acquisitions

Cash flows on acquisition of subsidiaries arise as follows:

	Cash consideration	Cash in acquired subsidiaries	Excess of net assets acquired over consideration
		USD'000s	
a) Butler Group Limited	3,120	691	-
b) OOO National Container Company	204,075	974	-
c) OOO Transgarant Vostok	34,998	3,084	14,717
d) OOO TG Terminal	18,094	-	2,029
	260,287	4,749	16,746

a) Butler Group Limited

The Group increased its holding in Butler Group Limited, an entity which in turn owns 100% of OOO Incotec Trans Service from 40% to 100% through an acquisition in January 2008 for cash consideration of USD 3 million. Cash paid for the previous acquisition of 40% of Butler Group Limited in 2006 was USD 1.8 million.

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

	Net Book Value	Adjustment to fair value	Fair value
		USD'000s	
Cash	691	-	691
Property, plant and equipment	23,940	4,596	28,536
Accounts receivable	2,235	-	2,235
Accounts payable	(1,841)	-	(1,841)
Deferred tax	118	(1,103)	(985)
Credit facility	(4,988)	-	(4,988)
Finance lease obligations	(21,239)	-	(21,239)
Net assets	(1,084)	3,493	2,409
Adjustment for losses attributable to the Group when investment was equity accounted			690
Net assets attributable to the Group			3,099
Cash consideration:			4,880
Goodwill arising on acquisition (not recognised)			1,781

The profit of Butler Group Limited included on consolidation amounts to USD 1.6 million

34. Acquisitions (continued)

b) OOO National Container Company

On 16 July 2008 the Group acquired 100% of the issued share capital of OOO National Container Company, an entity which in turn owns 50% of OOO Vladivostok Container Terminal, for cash consideration of USD 204 million.

The assets and liabilities of OOO National Container Company on the date of acquisition were as follows:

	Net Book Value
	USD'000s
Cash	974
Property, plant and equipment	16,533
Inventories	137
Investments	21
Accounts receivable	10,722
Accounts payable	(2,267)
Deferred tax	(1,498)
Credit facility	(6,379)
Net assets	18,243
Net assets attributable to the Group	18,243
Cash consideration:	204,075
Goodwill arising on acquisition	185,832

The profit of OOO National Container Company included on consolidation amounts to USD 16.5 million

c) OOO Transgarant Vostok

The Group increased its holding in OOO Transgarant Vostok from 45% to 100% through an acquisition in August 2008 for cash consideration of USD 35 million.

The assets and liabilities of OOO Transgarant Vostok on the date of acquisition were as follows:

	Net Book Value	Adjustment to fair value	Fair value
		USD'000s	
Cash	3,084	-	3,084
Property, plant and equipment	64,883	49,790	114,673
Investments	3,059	-	3,059
Accounts receivable	25,152	-	25,152
Accounts payable	(14,747)	-	(14,747)
Deferred tax	(1,075)	(12,154)	(13,229)
Credit facility	(17,737)	-	(17,737)
Finance lease obligations	(44,363)	-	(44,363)
Net assets	18,256	37,636	55,892
Result attributable to the Group when investment was equity accounted			(6,177)
Net assets attributable to the Group			49,715
Cash consideration:			34,998
Excess of consideration over the net assets acquired			(14,717)

34. Acquisitions (continued)

The loss of OOO Transgarant Vostok included on consolidation amounts to USD 1.2 million

d) OOO TG Terminal

On 30 October 2008 the Group acquired 100% of the issued share capital of OOO TG Terminal for cash consideration of USD 18 million. OOO TG Terminal's only asset is a plot of land, where the Group plans to construct a container terminal.

	Net Book Value	Adjustment to fair value	Fair value
		USD'000s	
Land	18,094	2,029	20,123
Net assets attributable to the Group			20,123
Cash consideration:			18,094
Excess of consideration over the net assets acquired			(2,029)

Had all these entities been members of the Group throughout the year revenue would have been USD 40.2 million.

35. Disposals

Result on disposals in the year and associated cash flows are as follows:

	Profit (loss) on disposal	Cash consideration received	Cash of disposed subsidiaries
		USD'000s	
a) ZAO UniversalTransGroup	(3,562)	9,315	807
b) OOO Central Fruit Terminal	6	1	-
	(3,556)	9,316	807

a) ZAO UniversalTransGroup

On 7 March 2008 the Group disposed of its 50% shareholding in ZAO UniversalTransGroup to a related party. The assets and liabilities disposed of and disposal consideration is as follows:

	USD'000s
Cash	807
Property, plant and equipment	41,334
Inventory	419
Loans issued	1,611
Accounts receivable	4,823
Accounts payable	(2,685)
Loans received	(33,432)
Total carrying amount of net assets disposed	12,877
Total cash consideration received:	9,315
Loss on disposal of joint venture	(3,562)

35. Disposals (continued)

b) OOO Central Fruit Terminal

On 23 June 2008 the Group disposed of its 50% shareholding in OOO Central Fruit Terminal.

The assets and liabilities disposed of and disposal consideration is as follows:

	USD'000s
Accounts receivable	1
Borrowings	(1,850)
Tax payable	(8)
Total carrying amount of net assets disposed	(1,857)
Total cash consideration received:	1
Allowance for doubtful loan issued by the Group to OOO Central Fruit Terminal	1,850
Profit on disposal of Joint Venture	6

36. Contingencies and Commitments

a) Capital commitments

The Group's commitments which mainly relate to new buildings fall due as follows:

	31 December 2008	31 December 2007
	USD'000s	
In one year	196,507	167,411
In two to five years	43,725	227,848
Total outstanding commitment	240,232	395,259

Changes to capital commitments after the year end are disclosed in note 40.

b) Operating lease commitments – where a Group company is the lessee

The Group leases rolling stock and office premises under non-cancellable lease agreements from a number of third parties. As at the year end all non-cancellable operating lease agreements are for a period of less than 12 months with renewal options.

At 31 December 2008, the Group had the following outstanding commitments under non-cancellable operating leases.

	31 December 2008	31 December 2007
	USD'000s	
Within one year	9,486	26,142
In two to five years	274	25,135
	9,760	51,277

Operating lease expenses included in operating expenses are USD 49 million (2007 – USD 37 million).

36. Contingencies and Commitments (continued)

c) 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 2008	31 December 2007
	USD'000s	
Within one year	30,452	16,499
In two to five years	14,761	27,320
After more than five years	236	-
Total minimum lease payments	45,449	43,819

d) Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, different interpretations exist amongst numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are able by law to impose severe fines, penalties and interest charges. These facts may create tax risks in Russia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effect of these could be significant.

e) Operating environment of the company.

The Group is significantly exposed of the economic environment of the Russian Federation which continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of currency that is not freely convertible in most countries outside of the Russian Federation and restrictive currency control. The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations, and changes, which can occur frequently.

In recent months a number of major economies around the world have experienced volatile capital and credit markets. A number of major global financial institutions have been placed into bankruptcy, taken over by other financial institutions and/or supported by government funding. As a consequence of recent market turmoil in capital and credit markets both globally and in Russia, notwithstanding any potential economic stabilisation measures that are been put in place by the Russian Government, there existed as at the date these financial statements were authorised for issue economic uncertainties surrounding the continuing availability, and cost, of credit both for the Group and its counterparties, the potential for economic uncertainties to continue in the foreseeable future and, as a consequence, the potential that assets may not be recovered at their carrying amount in the ordinary course of business, and a corresponding impact on the Group's profitability.

37. Financial Risk Management Objectives and Policies

Capital Risk Management

The Group manages its capital to ensure that the entities within in it can continue to operate and expand their operations while at the same time maximising returns to shareholders through the optimisation of the debt-equity balance. This strategy remains unchanged from 2007.

The Group is financed by a combination of borrowing and equity attributable to shareholders. Borrowing comprises long and short term loans (as disclosed in notes 18 and 19) and is monitored net of bank and cash balances. Equity attributable to shareholders comprises issued share capital, share premium, retained earnings and other reserves less treasury shares held (as disclosed in notes 21 and 22).

37. Financial Risk Management Objectives and Policies (continued)

The Group is not subject to externally imposed capital requirements other than those included, from time to time, in the financial covenants associated with bank borrowing.

The Board of Directors monitors the capital structure of the Group on an informal basis taking into account the costs and risks associated with each category of capital. The Group's net debt to equity ratio is the primary tool used in the monitoring process. No formal targets have been set but the Board intends to maintain a net debt to equity ratio of less than 70% in the period to 31 December 2009.

The Group's net debt to equity ratio at the year end was as follows: -

	31 December 2008	31 December 2007
	USD'000s	
Net Debt		
Long term borrowing	573,824	640,873
Short term borrowing	547,408	169,135
Less bank and cash balances	(218,683)	(113,839)
	902,549	696,169
Equity	1,504,321	1,270,123
Net debt to equity ratio	60%	55%

Major categories of financial instruments.

The Group's principle financial liabilities comprise borrowings, finance leases, trade payables and other payables, provisions and accruals. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and other receivables, loans given, cash and cash equivalents.

The main risks arising from the Group's financial instruments are market risk which includes foreign currency and interest rate risk, credit and liquidity risks.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group Audit Committee is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(a) Credit risk

Credit risk is the risk that a customer may default or not meet its obligations to the Group on a timely basis, leading to financial losses to the Group.

37. Financial Risk Management Objectives and Policies (continued)

(a) Credit risk (continued)

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which the customer operates, has less of an influence on credit risk.

Each company within the Group establishes its own credit policy taking into account the specifics of the sector and the company's customer base.

The majority of the Group's customers have been transacting with Group companies for many years and losses arising from this category of customer are infrequent.

Policies established by Group companies for new customers will generally involve some form of credit check based on the available information. Where a customer is not deemed creditworthy the company will generally only offer services on a prepayment basis.

The Group has provided fully for all receivables over one year because historical experience is such that receivables that are past due beyond one year are generally not recoverable. Other receivables are provided for based on individual assessment of significant balances.

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 balance sheet date, there was no significant concentration of credit risk to the Group. The ageing profile of trade receivables was:

	31 December 2008		31 December 2007	
	USD'000			
	Total book value	Allowance for impairment	Total book value	Allowance for impairment
Current	55,303	-	76,139	-
Overdue 90 days	19,506	207	31,838	-
Overdue 91 days to one year	16,894	693	5,416	1,035
Overdue more than one year	5,524	5,524	19,498	19,498
	97,227	6,424	132,891	20,533

During the year, the Group had the following movement on allowance for trade receivables:

	31 December 2008	31 December 2007
	USD'000	
Balance as at 1 January	20,533	13,697
Uncollectible receivables written off during the year	(16,059)	-
Bad debt charge	1,950	6,836
Balance as at 31 December	6,424	20,533

When the actions taken to collect the receivables for which allowance has been created show that the balances are not recoverable, the amounts charged to the allowance account are written off against the carrying amount of impaired financial assets

In view of past experience the Group considered that there was no need for an impairment allowance on current trade receivables. About 80% of these trade receivables are attributable to customers who have previously proved reliable.

The remaining impairment allowance is mainly attributable to VAT receivable from tax authorities. Historically, it has not always been possible to obtain the supporting documents required to recover these amounts.

37. Financial Risk Management Objectives and Policies (continued)

(a) Credit risk (continued)

Other financial assets of the Group with exposure to credit risk include cash and advances to suppliers. Cash is placed with reputable banks. Advances to suppliers mainly include prepayments to shipyards in respect of newbuildings, which are covered by a refund guarantee, and prepayments to Russian Railway. As such, management does not expect any counterparty to fail to meet their commitments.

(b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Currency risk

The Group is exposed to currency risk on sales, purchases, finance leases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the RUR.

Interest on borrowings is generally denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily USD, this providing an economic hedge.

Where appropriate foreign currency forward contracts are used by the Group to manage the foreign currency exposure arising from newbuilding and loan obligations denominated in foreign currencies. The Group is not currently involved in any currency forward contracts. It is not the Group's policy to trade in derivative contracts.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

At 31 December 2008, the Group had the following positions in USD, RUR and other currencies:

	USD	RUR	Other currencies
		USD 000's	
Assets			
Equity accounted and long term investments	4,669	3,289	-
Investments available for sale	895,500	-	-
Other non-current assets	-	12,875	-
Accounts receivable	79,725	154,491	21,031
Loans issued	4,093	1,835	-
Bank and cash balances	125,951	83,897	8,835
	1,109,938	256,387	29,866
Liabilities			
Accounts payable	48,353	40,318	16,629
Loans and other obligations	1,045,845	80,339	3,580
	1,094,198	120,657	20,209
	(15,740)	135,730	9,657

37. Financial Risk Management Objectives and Policies (continued)

(b) Market risk (continued)

At 31 December 2007, the Group had the following positions in USD, RUR and other currencies:

	USD	RUR	Other currencies
		USD 000's	
Assets			
Equity accounted and long term investments	3,242	25,795	-
Other non-current assets	5,452	17,132	-
Accounts receivable	112,900	113,565	17,483
Loans issued	1,313	3,409	-
Bank and cash balances	58,558	44,041	11,240
	181,465	203,942	28,723
Liabilities			
Accounts payable	58,517	57,207	12,855
Loans and other obligations	684,104	107,788	28,551
	742,621	164,995	41,406
	(561,156)	38,947	(12,683)

The Group's primary currency exposure is to the RUR. The Group has net monetary assets denominated in RUR equivalent to USD 136 million (2007 - USD 39 million of net assets) making it vulnerable at the period end to a strengthening of the USD against the RUR (2007 – strengthening).

The Group has entered into a number of currency options as a part of managing its exposure to foreign currency risks. The option contracts are stated at their current market value with the movements in fair value recognised in the income statement. During the year ended 31 December 2008 the Group has recognised USD 11.8 million of liability in respect of these contracts (31 December 2007 - nil). The fair value of accumulated liability as at 31 December 2008 amounts to USD 11 million (31 December 2007 – nil).

Foreign currency sensitivity analysis

The table below details the Group's sensitivity to strengthening/weakening of USD against the RUR by 20% which represents management's assessment of the maximum possible change in foreign currency exchange rates. The analysis was applied to monetary items at the balance sheet dates denominated in RUR.

	RUR impact	
	31 December 2008	31 December 2008
	RUR/USD +20%	RUR/USD -20%
	USD'000	USD'000
Profit or loss	(81,665)	81,665
Other equity components	-	-

37. Financial Risk Management Objectives and Policies (continued)

(b) Market risk (continued)

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 exposes 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 is disclosed in Note 18.

As the Group has an excess of floating rate liabilities over floating rate assets it is vulnerable to rises in interest rates. As part of interest rate management the Group maintains an interest rate swaps that convert certain floating rate borrowings into fixed rates of interest and an interest rate collar which limits the Group's exposure to Libor fluctuations on specific borrowings to a certain range. Under the terms of the swap the Group pays a fixed rate of 4.77 per cent on a USD 72 million loan facility (2007 - USD 84 million). The fair value of the interest swap contract as at 31 December 2008 recognised directly in equity was USD 2.4 million (31 December 2007 – USD 1.8 million). The interest rate collar caps the interest rate on the Group's USD 15.5 million loan facility (2007 - nil) at 5.95% while the minimum rate is set at 4.77%. The fair value of the interest rate collar recognised in the income statement for the period was USD 8 million (2007 – nil).

The Group's surplus funds are placed with reputable banks as fixed deposits which generate interest income for the Group.

Structure of interest rate risk.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount	
	2008	2007
	USD'000	
Fixed rate instruments		
Financial assets	5,847	10,955
Financial liabilities	(509,575)	(117,461)
	(503,728)	(106,506)
Variable rate instruments		
Financial assets	-	-
Financial liabilities	(563,750)	(682,548)
	(563,750)	(682,548)

37. Financial Risk Management Objectives and Policies (continued)

(b) Market risk (continued)

Interest rate sensitivity analysis

The table below details the Group's sensitivity to increase or decrease of floating interest rates by 1%. The analysis was applied to loans and borrowings (financial liabilities) based on the assumption that the amount of liability outstanding as at the balance sheet date was outstanding for the whole year.

	LIBOR impact		EURIBOR impact		MOSPRIME impact	
	31.12.2008 Interest rate +1%	31.12.2008 Interest rate -1%	31.12.2008 Interest rate +1%	31.12.2008 Interest rate -1%	31.12.2008 Interest rate +1%	31.12.2008 Interest rate -1%
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Profit/ (loss)	(4,452)	4,452	(23)	23	(344)	344
Other equity components	(314)	314	-	-	(461)	461

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results. The sensitivity analysis does not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs.

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted and the assumption that all interest rates move in an identical fashion.

This analysis is for illustrative purposes only, as in practice market rates rarely change in isolation of other factors that also affect Group's financial position and results.

Management believe that fair value of the loans, borrowings and finance lease obligations approximates their carrying amounts as the majority of obligations bear interest rates approximating market rates at 31 December 2008.

(c) Liquidity risk.

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they fall due The Group's liquidity position is carefully monitored and managed. The Group has in place a detailed budgeting and cash forecasting process to help ensure that it has adequate cash available to meet its payment obligations. Moreover the Group maintains different lines of credit for replenishment of working capital needs. Longer term cash needs are managed by negotiating and or renegotiating bank lending.

37. Financial Risk Management Objectives and Policies (continued)

(c) Liquidity risk (continued)

Summaries of the maturity profile of the Group's financial liabilities as at 31 December 2008 and 31 December 2007 based on contractual payments are presented below.

Loans, Borrowings and Finance Lease

	Carrying value	Minimum future payment	Less than 3 month	3-6 month	6-12 month	1-5 years	Later than 5 years
	USD'000						
As at 31 December 2008							
Loans	958,029	958,029	209,056	214,214	81,080	312,707	140,972
Interest payable	6,919	139,728	11,685	10,367	16,409	80,994	20,273
Bank Overdraft	2,644	2,644	2,644	-	-	-	-
Finance Leases	112,652	174,165	7,727	7,658	14,347	88,428	56,005
Currency hedge	11,000	11,000	4,500	3,250	3,250	-	-
Interest swap	29,988	29,988	1,523	1,656	3,380	18,317	5,112
Total	1,121,232	1,315,554	237,135	237,145	118,466	500,446	222,362
As at 31 December 2007							
Loans	727,455	727,455	40,353	23,851	80,203	510,925	72,123
Interest payable	7,798	117,202	12,750	11,793	20,667	57,334	14,658
Bank Overdraft	3,582	3,582	1,060	2,522	-	-	-
Finance Leases	71,173	103,228	8,482	5,671	8,359	49,816	30,900
Total	810,008	951,467	62,645	43,837	109,229	618,075	117,681

After the balance sheet date the Group has renegotiated repayment schedules of a number of loans (Note 40).

Trade and other payables

Management estimate that the average credit period on purchases is 90 days. No interest is incurred on the outstanding balance for trade and other payables. The table below summarises the maturity profile of the Group's trade and other payables as at 31 December 2008 and 31 December 2007 based on contractual undiscounted payments:

	1-3 months	3-6 months	6-12 months	More then 1 year	Total
	USD'000				
As at 31 December 2008					
Trade payables	58,795	2,011	4,907	-	65,713
Accrued expenses and other payables	26,570	507	995	-	28,072
	85,365	2,518	5,902	-	93,785
As at 31 December 2007					
Trade payables	74,127	8,902	3,245	-	86,274
Accrued expenses and other payables	19,476	2,632	6,396	-	28,504
	93,603	11,534	9,641	-	114,778

38. Change in status of investments in Joint Ventures

In prior periods the Group has accounted for its 50% interest in NCC Group Limited and Ealingwood Limited on a proportional consolidation basis on the grounds that it exercised joint control over these entities. During the course of the current period certain events have led management to reassess whether or not the Group continues to exercise control over these entities. Management has concluded that its ability to influence the decision making process is now limited and as such it can no longer be seen to be exercising joint control. Consequently, as of 1 July 2008 investments in these entities have been reclassified as available for sale investments and are shown at their fair value as estimated by management. The profit of NCC Group Limited and Ealingwood Limited included on consolidation prior to reclassification amounts to USD 23.6 million.

The assets, liabilities and attributable goodwill of NCC Group Limited and Ealingwood Limited on the date of reclassification were as follows:

	NCC Group	Ealingwood Group	Total
		Net Book Value	
		USD'000s	
Goodwill	223,008	72,067	295,075
Other Intangible assets	3,426	5,523	8,949
Property, plant and equipment	223,988	35,604	259,592
Other Non - current assets	257	5,407	5,664
Inventories	2,920	673	3,593
Accounts receivable	22,964	8,535	31,499
Loans issued	1,066	-	1,066
Cash	18,989	9,080	28,069
Accounts payable	(14,084)	(7,310)	(21,394)
Loans and other obligations	(90,780)	(2,840)	(93,620)
Deferred tax	(21,214)	(912)	(22,126)
Minority interest	(16,363)	(853)	(17,216)
Net assets at the date of loss of control	354,177	124,974	479,151
Gain on initial recognition			1,232,027
Fair value of assets transferred to available for sale investments			1,711,178
Impairment loss following revaluation at 31.12.08			(1,097,678)
Fair value of assets transferred to available for sale at 31.12.08			613,500

Following the reclassification to available for sale investments, the Group's interests in the investees were stated at fair values, which at the date of initial recognition were USD 1,711 million. At the year end the investments were revalued by the Group's management supported by independent valuations and management projections, the resultant impairment loss has been dealt with through the Income Statement (Note 28).

39. 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.

39. Related Party Transactions (continued)

During the period eleven individuals were considered to be the Group's key management and directors (2007 – twelve individuals). Their remuneration during the period was as follows:

	31 December 2008	31 December 2007
	USD'000s	
Salaries	2,706	2,552
Bonuses	-	5,644
Share options (Note 23)	7,007	10,435
	9,713	18,631

Balance sheet	31 December 2008	31 December 2007	Nature of balances
	USD'000s		
Non consolidated subsidiaries	3,193	1,761	Trade debt
Associates	4,584	3,676	Agency and other service
Related through common shareholder	(47,404)	(5,944)	Loans payable
Related through common shareholder	1,726	4	Sale of trade investments
Joint Venture Company	5,452	5,701	Finance lease receivable

Income Statement	31 December 2008	31 December 2007	Nature of transactions
	USD'000s		
Non consolidated subsidiary purchases	(2,290)	(1,320)	Agency Services
Non consolidated subsidiary sales	987	-	Agency Services
Associates purchases	(2,903)	(559)	Agency services, rent and security expenses
Related through common shareholder	1,759	9	Interest on PN and rent
Joint Venture Company	887	808	Finance lease income
Non consolidated JV	3,378	-	Stevedoring services
Non consolidated JV	18,571	-	Dividends received
Related through common shareholder	3,192	-	Interest income
Related through common shareholder	(3,562)	-	Loss on disposal of a joint venture

40. Post Balance Sheet Events

Fesco Diomid, container ship with a capacity of 3,100 TEU, was delivered in April 2009.

In March 2009 the Group won a case in final instance with the Russian tax authorities regarding disputed amounts (see note 14) and has received a full refund.

In March 2009 the Group has cancelled contracts for construction of two vessels and has received a full refund of prepayments amounting to USD 49 million. Group's capital commitments in respect of cancelled contracts amounted to USD 68 million at 31 December 2008.

Adverse changes in economic conditions resulted in a decrease in demand, with some of the assets operated by the Group becoming idle in the first quarter of 2009. Management estimates that at the date of approval of these financial statements about 6% of rolling stock and 7% of fleet were in standstill for the average period of 124 and 30 days respectively.

40. Post Balance Sheet Events (continued)

After the year end the Group has drawn down a further USD 57 million on borrowing facilities which were in place at the balance sheet date. The Group has also secured USD 20 million to finance its working capital requirements.

To protect against fluctuations in interest rate the Group has entered into an interest swap agreement which fixes the interest rate on a USD 86 million facility at 6.04% for five years.

Repayment of short term borrowings with an aggregated total of USD 35 million has been rescheduled from 2009 to 2010.

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Consolidated Schedule of Fleet at 31 December 2008

	Year of Building	Deadweight Tonnage	Book Value USD'000s	Insured Value USD'000s
Bulk				
Ivan Makarin	1982	19,252	2,022	10,000
Kapitan Tsirul	1982	19,252	2,015	10,000
Cherkassy	1984	23,242	2,032	15,000
Cheremkhovo	1984	23,242	2,032	15,000
Chelyabinsk	1984	23,242	2,032	15,000
Grigoriy Aleksandrov	1986	24,105	4,727	13,000
Fesco Angara	1985	37,155	3,556	32,500
Fesco Yenisei	1985	37,178	4,937	32,500
Fesco Ob	1986	36,690	4,530	32,500
Amur	1997	5,295	7,898	8,000
Ussuri	2002	5,437	8,850	10,000
Khudozhnik Kraynev	1986	24,105	4,665	13,000
Fesco Marina	2004	33,773	22,831	49,000
		311,968	72,127	255,500
Container				
Aleksandr Tvardovskiy	1974	6,554	1,049	1,500
Fesco Maksim	1979	14,520	2,282	5,000
Kapitan Krems	1980	5,720	1,054	2,000
Kapitan Gnezdilov	1980	5,720	1,054	2,000
Kapitan Sergiyevskiy	1981	5,629	1,054	2,000
Kapitan Artyukh	1986	9,141	2,599	3,500
Krasnogvardeyets	1986	9,141	2,630	3,500
Kapitan Lyashenko	1987	8,717	2,481	3,700
Khudozhnik N. Rerikh	1989	8,579	2,996	4,000
Kapitan Byankin	1994	12,578	8,198	14,000
Yuriy Ostrovskiy	1994	12,578	8,147	14,000
Kapitan Konev	1995	12,578	8,310	15,000
Mekhanik Kalyuzhny	1990	14,140	6,222	13,000
Mekhanik Moldovanov	1991	14,140	6,603	13,500
Kapitan Afanasyev	1998	23,380	12,958	25,000
Kapitan Maslov	1998	23,380	12,814	25,000
Vladivostok	1998	23,380	12,949	25,000
Fesco Trader	1997	15,231	9,682	16,500
Fesco Voyager	1998	15,231	10,040	17,250
Fesco Ascold	2006	13,760	15,657	26,000
Fesco Aleut	2006	13,760	15,640	26,000
Fesco Ayon	2006	13,760	15,637	26,000
Fesco Altay	2007	13,760	16,252	27,000
Fesco Anadyr	2007	13,760	16,218	27,000
Fesco Argun	2008	13,760	16,171	27,000
Fesco Vitim	2008	22,750	29,627	37,760
Fesco Voronezh	2008	22,750	29,600	37,760
		368,397	267,924	439,970

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Consolidated Schedule of Fleet at 31 December 2008 (continued)

	Year of Building	Deadweight Tonnage	Book Value USD'000s	Insured Value USD'000s
General Cargo				
Pioner Slavyanki	1975	6,763	988	1,750
Pioner Chukotki	1975	6,780	983	1,750
Pioner Kirgizii	1978	6,780	1,016	1,750
Abakan	1990	9,500	5,510	5,500
Yelena Shatrova	1990	7,365	5,193	5,500
Igor Ilyinskiy	1990	7,365	5,251	6,000
Sinegorsk	1991	7,365	5,503	6,500
Vysokogorsk	1991	7,365	5,483	6,500
Vasiliy Golovnin	1988	10,700	6,158	7,000
		69,983	36,085	42,250
Ro-Ro				
Igarka	1983	19,943	2,704	8,000
Amderma	1983	19,943	2,704	8,000
Anatoliy Kolesnichenko	1985	19,728	5,378	9,000
Kapitan Man	1985	19,763	6,125	9,000
Vasiliy Burkhanov	1986	19,724	6,389	9,500
Fesco Gavriil	1976	4,600	1,400	3,000
Fesco Nikolay	1984	5,500	1,629	3,500
Fesco Uelen	2006	3,023	5,051	7,000
Fesco Ulan Ude	1985	3,199	3,621	7,500
		115,423	35,001	64,500
Ice-Breaking Supply Vessel				
Fesco Sakhalin	2005	4,298	94,060	90,000
		4,298	94,060	90,000
Total		**870,069**	**505,197**	**892,220**

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List of Subsidiary Companies at 31 December 2008

Name	Country of Incorporation	Percentage Holding	Activity
FESCO Lines Australia Pty Ltd (Group)	Australia	100%	Holding Company
Subsidiaries:			
FESCO Australia Pty Ltd	Australia	100%	Dormant
FESCO Lines Hong Kong Ltd	China	100%	Shipping agency
Subsidiaries:			
FESCO Shipmanagement Ltd	China	100%	Holding company
Transsiberian Intermodal Service (China) Co., Ltd	China	100%	Transport and forwarding services
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
Ditaloni Limited	British Virgin Islands	70%	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:			
OOO FIT	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

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List of Subsidiary Companies at 31 December 2008 (continued)

Name	Country of Incorporation	Percentage Holding	Activity
Pacific Ro-Ro Services Limited	Cyprus	100%	Dormant
Pacific Forwarding Company Limited	Cyprus	100%	Dormant
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%	Ship owning
Mikhaylov Maritime Ltd	Marshall Islands	100%	Ship owning
Kirdischev Maritime Ltd	Marshall Islands	100%	Ship owning
Angara Maritime Ltd	Marshall Islands	100%	Ship owning
Ob Maritime Ltd	Marshall Islands	100%	Ship owning
Yenisei Maritime Ltd	Marshall Islands	100%	Ship owning
Cherkassy Maritime Ltd	Marshall Islands	100%	Dormant
Cheremkhovo Maritime Ltd	Marshall Islands	100%	Dormant
Chelyabinsk Maritime Ltd	Marshall Islands	100%	Dormant
Kranev Maritime Ltd	Marshall Islands	100%	Ship owning
Udarnik Maritime Ltd	Marshall Islands	100%	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

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List of Subsidiary Companies at 31 December 2008 (continued)

Name	Country of Incorporation	Percentage Holding	Activity
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
Pacific Conline Ltd	Cyprus	100%	Holding company
Subsidiaries:			
Mar Space Shipping Company Ltd	Cyprus	100%	Ship owning
Lightview Shipping Company Ltd	Cyprus	100%	Ship owning
Star Warm 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
Anouko 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%	Ship owning
Lovermoon Shipping Company Ltd	Cyprus	100%	Ship owning
Blade Holdings Limited	Cyprus	100%	Holding company
Massino Holdings Limited	Cyprus	100%	Dormant
FESCO Bulk Carriers Ltd	Cyprus	100%	Holding company
Subsidiaries:			
Ayaks Maritime Ltd.	Marshall Islands	100%	Dormant
Diomid Maritime Ltd.	Marshall Islands	100%	Dormant
Novik Maritime Ltd.	Marshall Islands	100%	Dormant
Parys Maritime Ltd.	Marshall Islands	100%	Dormant
Shonstar Limited	British Virgin Islands	100%	Share options for Group's management
Halimeda International Limited	British Virgin Islands	100%	Holding company
Stour Trade and Finance Limited	British Virgin Islands	100%	Holding company
Eustacia Finance Limited	British Virgin Islands	100%	Holding company
Subsidiaries:			
Neteller Holdings Limited	Cyprus	100%	Holding company
OOO Firma Transgarant	Russia	100%	Holding company for transportation services group
Subsidiaries:			
DP Transgarant-Ukraine	Ukraine	100%	Transportation services
OAO Stroyopttorg	Russia	75%	Trading of construction materials
* TOO TransEuroAsia	Kazakhstan	51%	Transportation services
SIA Tektrans	Latvia	100%	Railroad operator
OOO Transgarant Vostok	Russia	100%	Transportation services
TG Finance Ltd	Cyprus	100%	Holding company
Subsidiaries:			
OOO TG - Leasing	Russia	100%	Financial leasing

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List of Subsidiary Companies at 31 December 2008 (continued)

Name	Country of Incorporation	Percentage Holding	Activity
Fesco Lines Vladivostok LLC	Russia	100%	Transport and forwarding services
Transfes Maritime Agency CJSC	Russia	100%	Shipping agency and operations
Subsidiaries:			
* Transfes Magadan	Russia	90%	Shipping agency and operations
* Orista	Russia	70%	Shipping agency
* MAC Transfes Sakhalin	Russia	84%	Shipping agency
* Transfes Kamchatka	Russia	56%	Shipping agency
* 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
*ZAO Real Capital	Russia	100%	Real estate intermediary services
Fes – Invest	Russia	100%	Investment company
* FESCO Logistic LLC	Russia	100%	Agency company
Subsidiaries:			
OOO Fesco Trans	Russia	100%	Transport and forwarding services
Dalreftrans	Russia	100%	Transport and forwarding services
Fesco Transportation Group Managing Company Limited	Russia	100%	Managing company
* OOO FESCO Service	Russia	100%	Vessel repair
* OOO FESCO AVTO	Russia	99%	Dormant
* OOO FESCO Stroy	Russia	100%	Dormant
* OOO Novacom	Russia	99%	Dormant
Fesco ESF Limited	Cyprus	70%	Holding company
Subsidiaries:			
Fesco Lines B.V.	Netherlands	100%	Shipping agency and operations
Fesco Lines N.V.	Belgium	100%	Shipping agency and operations
OOO ESF Euroshipping and Forwarding	Russia	100%	Shipping agency and operations
Kalentio Trading Limited	Cyprus	100%	Dormant
OOO National container company	Russia	100%	Investing company
OOO Vladivostok container terminal	Russia	75%	Container terminal
Butler Group Ltd	British Virgin Islands	100%	Holding company
Subsidiaries:			
OOO Incotek-Trans-Service	Russia	100%	Transportation services

*Not consolidated

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List of Joint Ventures at 31 December 2008

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
Trans Russia Agency Japan Co. Ltd	Japan	50%	Agency services
NCC Group Limited (formerly First Quantum Holding Limited)*	Russia	50%	Container Terminals (including cargo handling, cargo storage and production of containers
Subsidiaries:			
T.O. Services Limited*	British Virgin Islands	50%	Stevedoring services
NCC Finance Limited*	Cyprus	50%	Dormant
NCC South Investments Limited*	Cyprus	50%	Dormant
NCC Baltic Enterprises Limited*	Cyprus	50%	Holding company
Railfleet Investments Limited*	Cyprus	50%	Holding company
OAO Baltic Container Terminal*	Russia	30%	Container terminal under construction
ZAO First Container Terminal*	Russia	50%	Container terminal under construction
OOO Container Guard*	Russia	50%	Security services
Belvo Establishment Limited*	Cyprus	50%	Holding company
ZAO Logistica Terminal*	Russia	50%	Container terminal operator
OOO National Container * Company	Russia	50%	Consulting services for commercial activities and management
OOO "Transdeka"	Russia	50%	Dormant
OOO "F-Trans"	Russia	50%	Dormant
Ealingwood Ltd*	British Virgin Islands	50%	Holding company
Subsidiaries:			
Transportation Investments Limited*	UK	45%	Holding company
PE Uktranscontainer*	Ukraine	50%	Container terminal owner and operator
Hackford Holding Limited*	Cyprus	50%	Holding Company
OOO National Container Service*	Russia	50%	Container services
OOO BaltContainer*	Russia	50%	Container manufacture
Koss Holdings Limited*	Cyprus	50%	Holding Company
LLC Ilariya*	Ukraine	50%	Holding Company
LLC Port – Service*	Ukraine	50%	Holder of rights on land use
Riva Investment Limited*	Cyprus	50%	Holding Company
OOO Rolis*	Russia	50%	Software development
National Container Inland Terminal Holding*	Cyprus	50%	Holding Company
National Container Depot Ltd.*	Russia	50%	Container depot

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List of Joint Ventures at 31 December 2008

Name	Country of Incorporation	Percentage Holding	Activity
Baltic Operations Services Ltd.*	British Virgin Islands	50%	Holding company
South Terminal Operations Limited*	British Virgin Islands	25%	Holding company
OOO Companiya Stoks-Plus*	Russia	25%	Holding Company
OAO NUTEP*	Russia	25%	Container terminal operator
ZAO Portholding*	Russia	25%	Terminal operator
M-Port, Ltd	Russia	50%	Investing company
Subsidiaries:			
JSC Commercial Port of Vladivostok	Russia	50%	Commercial Port
Subsidiaries:			
OOO Port Telecom	Russia	50%	Telecommunications services
OOO Vladportbunker	Russia	50%	Oil transfer activity
OAO South Primorskiy Terminal	Russia	45.5%	Container terminal under construction
ZAO Port fleet	Russia	31%	Supporting fleet services
OOO Universal peregruzochniy complex	Russia	25.5%	Stevedoring and forwarding services

*Not consolidated