

# COMBINED FINANCIAL STATEMENTS OF PRISCO FOR 2007

## STATEMENT OF MANAGEMENT RESPONSIBILITIES

Management has prepared and is responsible for the combined financial statements and related notes of Primorsk Shipping Corporation A/O ("Prisco"), Primorsk International Shipping Limited ("PISL") and their subsidiaries. They have been prepared in accordance with International Financial Reporting Standards and necessarily include amounts based on judgements and estimates by management.

Prisco and PISL maintain 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 Prisco's and PISL'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.

Signed on behalf of  
the Management Board  
Tatiana Shkurenok,  
Finance Director



Alexander Migunov,  
General Director



08 August 2008

## Report of the Independent Auditors to the Members of Primorsk Shipping Corporation A/O and Primorsk International Shipping Ltd

We have audited the accompanying combined balance sheet of Primorsk Shipping Corporation A/O, Primorsk International Shipping Limited and their subsidiaries ("Prisco and PISL combined") as at 31 December 2007 and the related combined statements of income, cash flows and changes in equity for the year then ended.

This report is made solely to the Combined group's members, as a body, in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the Combined group's members those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Combined group and the Combined group's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinion

In our opinion, the combined financial statements give a true and fair view of the financial position of Prisco and PISL combined as at 31 December 2007 and of their combined financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

18a Verkhneportovaya Str.,  
Vladivostok, 690090  
OOO "Moore Stephens"



August 2008

**Primorsk Shipping Corporation A/O, Primorsk International Shipping Limited  
and their subsidiaries**

**Combined Balance Sheet - 31 December, 2007  
(Expressed in U.S.\$'000s)**

	2007	2006
<b>Non-Current Assets</b>		
Fleet	942,992	745,020
Other fixed assets	30,235	26,250
Assets under construction	266,710	173,034
Deferred dry-docking expenses	11,738	12,963
Investments	2,727	2,927
Derivative financial instruments	5,224	238
	<b>1,259,626</b>	<b>960,432</b>
<b>Current Assets</b>		
Financial assets	3,269	638
Inventories	2,495	3,225
Accounts receivable	19,205	15,991
Loans and advances to customers	26,577	21,107
Derivative financial instruments	1,942	249
Trading securities	5,875	4,539
Due from banks	11,893	9,140
Bank and cash balances	75,352	90,420
	<b>146,608</b>	<b>145,309</b>
<b>Less: Current Liabilities</b>		
Accounts payable	(138,732)	(84,080)
Net current assets	7,876	61,229
Deferred taxation	(8,801)	(11,458)
	<b>1,258,701</b>	<b>1,010,203</b>
<b>Financed by:</b>		
Share capital	115,192	132,414
Share premium account	7,309	7,309
Retained earnings	224,811	248,645
Revaluation reserve	343,769	259,474
Other reserves	4,903	4,500
	<b>695,984</b>	<b>652,342</b>
Minority interest	501	439
Long term loans and other obligations	562,216	357,422
	<b>1,258,701</b>	<b>1,010,203</b>

**Primorsk Shipping Corporation A/O, Primorsk International Shipping Limited  
and their subsidiaries**

**Combined Income Statement  
For the year ended 31 December, 2007  
(Expressed in U.S.\$'000s)**

	2007	2006
<b>Income</b>		
Hire and freight income	167,959	171,736
Voyage and running costs	(90,254)	(92,961)
Profit on vessels' trading	77,705	78,775
Profit on ancillary operations	5,183	7,937
Investment and other income, net	9,874	9,828
	<b>92,762</b>	<b>96,540</b>
<b>Expenses</b>		
Depreciation		
Fleet	34,217	29,513
Other fixed assets	1,493	1,660
Administrative expenses	20,950	19,788
Finance charges	37,451	27,907
Bad and doubtful debts	14	128
Exchange differences	161	(2,212)
	<b>94,286</b>	<b>76,784</b>
<b>Profit before Provision for Diminution and Disposals of Fixed Assets</b>	<b>(1,524)</b>	<b>19,756</b>
Provision for diminution:		
Investments	(4,433)	-
Fleet	-	(362)
Loss on disposal of fixed assets	(1,797)	(760)
Loss on disposal of subsidiary	-	(248)
<b>(Loss)/Profit before taxation</b>	<b>(7,754)</b>	<b>18,386</b>
Taxation	925	362
<b>(Loss)/Profit for the year</b>	<b>(6,829)</b>	<b>18,748</b>
Attributable to:		
Equity holders of the parent	(6,880)	18,722
Minority interest	51	26
	<b>(6,829)</b>	<b>18,748</b>

