MOORE STEPHENS

FAR-EASTERN SHIPPING COMPANY PLC
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2006

STATEMENT OF MANAGEMENT RESPONSIBILITIES

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

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

E.N. Ambrosov, President

Y. B. Gilts, Senior Vice President

5 October 2006

Report of the Auditors to the Members of

Far-Eastern Shipping Company PLC

We have audited the accompanying balance sheet of Far-Eastern Shipping Company PLC and its subsidiaries as of 30 June 2006 and the related statements of income, changes in shareholders' equity and cash flows for the period then ended, as set out on pages 3 to 37. These financial statements are the responsibility of the Company's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group as of 30 June 2006 and of the results of its operations and its cash flow for the period then ended in accordance with International Financial Reporting Standards.

Moore Stephens CIS Ltd

MOORE STEPHENS CIS LIMITED

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

5 October 2006

Far-Eastern Shipping Company PLC
and its subsidiaries

Consolidated Balance Sheet – 30 June 2006
(Expressed in USD'000s)

	Note	30 June 2006		31 December 2005	
Non-Current Assets					
Intangible Assets					
Goodwill	27		4,093		-
Tangible Assets					
Fleet	4	541,294		539,262	
Other fixed assets	5	70,239		68,361	
Vessels under construction	6	66,547		57,160	
			678,080		664,783
Long Term Investments	7		10,941		9,807
Current Assets					
Inventories	8	15,411		10,385	
Voyages in progress		1,008		230	
Accounts receivable	9	116,452		74,240	
Investments	10	1,106		479	
Foreign Currency Forward Contracts	11	1,521		-	
Bank and cash balances	12	133,517		69,078	
		269,015		154,412	
Less: Current Liabilities					
Accounts payable	13	90,902		82,118	
Loans and other obligations	14	107,340		38,029	
		198,242		120,147	
Net Current Assets			70,773		34,265
Deferred tax	15		(37,517)		(36,650)
			726,370		672,205
Financed by:					
Share capital	16		4,130		4,130
Retained earnings			527,558		466,499
Other reserves	17		76,651		83,267
			608,339		553,896
Minority interest			587		552
Total equity			608,926		554,448
Long term loans and other obligations	14		117,444		117,757
			726,370		672,205

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

Date: 5 October 2006

The attached notes on pages 7 to 37 form an integral part of these financial statements

Far-Eastern Shipping Company PLC
and its subsidiaries

Consolidated Income Statement
For the period ended 30 June 2006

(Expressed in USD'000s)

	Note		30 June 2006		Unaudited 30 June 2005		31 December 2005
Continuing operations							
Turnover			171,006		148,675		321,962
Operating expenses			(110,731)		(116,127)		(217,341)
Gross profit	18		60,275		32,548		104,621
Depreciation							
Fleet	4	(19,332)		(25,777)		(46,408)	
Other fixed assets		(3,660)		(1,975)		(5,496)	
			(22,992)		(27,752)		(51,904)
Other Income and Expenses							
Other income	19		6,029		10,994		14,051
Interest receivable			1,304		1,005		2,349
Result of investment activity			416		82		134
Negative goodwill	27		1,577		-		665
Administrative expenses			(20,312)		(14,663)		(30,138)
Non- profit based taxes	20		(1,550)		(542)		(1,452)
Bad debt release	9		796		(28)		1,754
Interest payable and finance charges			(6,305)		(3,421)		(8,025)
Exchange gain/(loss)			1,623		(1,877)		(4,660)
			(16,422)		(8,450)		(25,322)
Profit before taxation and assets disposals and revaluations			**20,861**		**(3,654)**		**27,395**
Profit/(loss) on disposal of fixed assets and investments	21		771		(326)		(61)
Group share of results of joint venture and associated companies			556		-		(26)
Fair value and impairment adjustments	23		1,570		4,252		(4,822)
Profit before Taxation			**23,758**		**272**		**22,486**
Taxation	20		(8,432)		(5,413)		(1,775)
Net profit/(loss) for the period from continuing operations			**15,326**		**(5,141)**		**20,711**
Discontinuing operations							
Profit/(loss) for the period from discontinuing operations	18		**37,721**		**(5,131)**		**(9,462)**
Net profit for the period			**53,047**		**(10,272)**		**11,249**
Attributable to:							
Equity holders of the parent			**53,026**		**(10,247)**		**11,132**
Minority interest			**21**		**(25)**		**117**
Profit per share:							
Continuing operations	24		USD 0.009		USD (0.003)		USD 0.013
Discontinuing operation	24		USD 0.023		USD (0.003)		USD (0.006)

The attached notes on pages 7 to 37 form an integral part of these financial statements

Far-Eastern Shipping Company PLC
and its subsidiaries

Consolidated Statement of Changes in Equity
For the period ended 30 June 2006

(Expressed in USD'000s)

	Attributable to equity holders of the parent					
	Share Capital (Note 16)	Retained Earnings	Other Reserves (Note 17)	Total	Minority Interest	Total Equity
Balance at 1 January 2005	**4,130**	**429,251**	**132,779**	**566,160**	**281**	**566,441**
Release from revaluation reserve – annual	-	11,420	(11,420)	-	-	-
Release from revaluation reserve – on disposal	-	3,275	(3,275)	-	-	-
Net profit recognised directly in equity	-	14,695	(14,695)	-	-	-
Loss for the period	-	(10,247)	-	(10,247)	(25)	(10,272)
Total recognised income for the period	-	4,448	(14,695)	(10,247)	(25)	(10,272)
Balance at 30 June 2005	**4,130**	**433,699**	**118,084**	**555,913**	**256**	**556,169**
Deferred tax liability arising on revaluation of fleet	-	-	2,936	2,936	-	2,936
Translation difference	-	-	24	24	-	24
Revaluation of fleet	-	-	(26,356)	(26,356)	-	(26,356)
Release from revaluation reserve – annual	-	11,421	(11,421)	-	-	-
Net loss recognised directly in equity	-	11,421	(34,817)	(23,396)	-	(23,396)
Profit for the period	-	21,379	-	21,379	142	21,521
Total recognised income for the period	-	32,800	(34,817)	(2,017)	142	(1,875)
Net assets attributable to the minority interest at the date of consolidation	-	-	-	-	154	154
Balance at 31 December 2005	**4,130**	**466,499**	**83,267**	**553,896**	**552**	**554,448**
Translation difference	-	(3)	(101)	(104)	-	(104)
Net profit on hedging instruments (Note 11)	-	1,521	-	1,521	-	1,521
Release from revaluation reserve – annual	-	6,515	(6,515)	-	-	-
Net profit recognised directly in equity	-	8,033	(6,616)	1,417	-	1,417
Profit for the period	-	53,026	-	53,026	21	53,047
Total recognised income for the period	-	61,059	(6,616)	54,443	21	54,464
Net assets attributable to the minority interest at the date of consolidation	-	-	-	-	14	14
Balance at 30 June 2006	**4,130**	**527,558**	**76,651**	**608,339**	**587**	**608,926**

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 attached notes on pages 7 to 37 form an integral part of these financial statements

Far-Eastern Shipping Company PLC
and its subsidiaries

Consolidated Cash Flow Statement
For the period ended 30 June 2006

(Expressed in USD'000s)

	Note	30 June 2006		Unaudited 30 June 2005	
		Continuing Activities	Discontinuing Activities	Continuing Activities	Discontinuing Activities
Cash Flow from Operating Activities					
Hire and freight received		152,892	101,763	145,390	102,479
Payments for voyage and running costs		(119,412)	(81,236)	(133,746)	(91,466)
Other cash receipts		6,029	-	10,994	-
Other cash payments		(43,486)	(11,924)	1,896	(2,014)
Cash generated by operations		(3,977)	8,603	24,534	8,999
Taxation		(9,754)	(3,567)	(8,798)	(650)
Net cash generated by/(used in) operating activities	25	(13,731)	5,036	15,736	8,349
Cash Flow from Investing Activities					
Expenditure on vessels under construction		(29,812)	-	(78,128)	-
Vessels acquired		(7,400)	-	-	-
Expenditure on other fixed assets		(9,189)	(25)	(17,502)	(1,140)
Proceeds on disposal of:					
Fleet		7,117	-	15,666	-
Other fixed assets		562	-	1,635	-
Investments acquired		(8,325)	-	(5,869)	-
Proceeds on sale of investments		-	-	2,947	-
Proceeds on sale of business		-	51,266	-	-
Cash assets of subsidiaries not consolidated in prior periods		335	-	-	-
Cash acquired on acquisition of subsidiaries		2,510	-	-	-
Interest and investment income		1,721	-	962	-
Net cash generated by/(used in) investing activities		(42,481)	51,241	(80,289)	(1,140)
Cash Flow from Financing Activities					
Loan repayments		(19,083)	-	(45,000)	-
Finance charges		(6,305)	-	(3,421)	-
Loans drawn down		88,081	-	102,933	-
Net cash generated by financing activities		62,693	-	54,512	-
Exchange Differences		1,681	-	(1,853)	-
Net Increase/(Decrease) in Cash and Cash Equivalents		8,162	56,277	(11,894)	7,209
Increase/(Decrease) in Cash and Cash Equivalents for the period		64,439		(4,685)	
Cash and Cash equivalents at 1 January		69,078		40,911	
Cash and Cash equivalents at 30 June	12	133,517		36,226	

The attached notes on pages 7 to 37 form an integral part of these financial statements

Far-Eastern Shipping Company PLC
and its subsidiaries

Notes to the Consolidated Financial Statements – 30 June 2006

1. Organisation and Trading Activities

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 the Group's ultimate controlling company is OOO "Industrial Investors Group".

The Group's principal activities are shipping (including ship owning, ship management, chartering out and line operating) and intermodal operations. It has a number of ancillary activities (see details in Notes 27 and 28).

2. Basis of Accounts Preparation

(a) Basis of accounting

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

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of 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 year and are as set out in Note 3.

(b) Basis of consolidation

These financial statements include the accounts of Far-Eastern Shipping Company PLC ("FESCO") and its subsidiaries ("the Group") as indicated in Note 27.

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 the total recognised gains and losses of significant associates and joint ventures on an equity accounting basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases.

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

Fesco Lines China Co Ltd has been consolidated for the first time in 2006.

2. Basis of Accounts Preparation (Continued)

(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: -

- ***Valuation of fleet***

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

- ***Depreciation***

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

- ***Impairment losses on receivables***

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

- ***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.

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

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

International Financial Reporting Standards

IFRS 6	*Exploration for and Evaluation of Mineral Resources*

International Financial Reporting Interpretations Committee (IFRIC) Interpretations

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

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

Amendments to existing standards

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

The Fair Value Option

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

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

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

International Financial Reporting Standards

IFRS 7	*Financial Instruments: Disclosures*	1 January 2007

International Financial Reporting Interpretations Committee (IFRIC) Interpretations

IFRIC 7	*Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*	1 March 2006
IFRIC 8	*Scope of IFRS 2*	1 May 2006
IFRIC 9	*Reassessment of Embedded Derivatives*	1 June 2006

Amendments to existing standards

IAS 1	*Presentation of Financial Statements - Capital Disclosures*	1 January 2007

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

Management does not anticipate that the future adoption of the standards, interpretations and amendments listed above will have a material impact on the financial statements.

(e) Segmental Reporting

The Group considers that it has two primary segments; shipping, which operates on a global basis, and intermodal services, which operate in Russia. A segmental analysis has been included at Note 18. Since each primary segment operates in a single geographic segment, additional geographical analysis is not given.

Far-Eastern Shipping Company PLC
and its subsidiaries

Notes to the Consolidated Financial Statements – 30 June 2006

3. Accounting Policies

(a) Functional and Presentation Currency

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

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

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

(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 at the following rates:

Buildings	7%	per annum
Machinery, equipment and other fixed assets	5 - 20%	per annum
Computers	33%	per annum

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

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

(c) Fleet revaluation reserve

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

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

3. Accounting policies (Continued)

(d) Dry-docking and special surveys

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

(e) Inventories

Inventories are stated at the lower of cost, calculated on a weighted average basis, and net realisable value and comprise bunkers, victualling stocks, stores and spares.

(f) Cash and cash equivalents

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

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less at the time of purchase.

(g) Revenue recognition

The Group recognises trading income on an accruals 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.

(h) Investments and investment income

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

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

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

(i) Deferred taxation

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

Far-Eastern Shipping Company PLC
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Notes to the Consolidated Financial Statements – 30 June 2006

3. Accounting policies (Continued)

(j) Pension scheme

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

(k) 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.

(l) Derivative financial instruments

Forward foreign exchange contracts

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

(m) Currency translation

Liabilities and current assets in other currencies at the balance sheet date are translated into U.S. Dollars at the relevant rates ruling on that date. For the purposes of these financial statements, liabilities and current assets denominated in Roubles have been translated at a rate of 27.0789 RUR = USD1 (31 December 2005 – 28.7825 Roubles = USD1).

Transactions during the period in Roubles have been translated into U.S. Dollars at the actual rates ruling on the date of the transaction or at average rates which approximate actual rates on the date of transaction. Fixed assets purchases originally recorded in Roubles have been translated into U.S. dollars at estimated historic rates. Share capital issued at the date of the Company's privatisation has been translated at the rate of 455 old RUR = USD1. Share capital issued since this date has been translated at the rate prevailing on the date of issue.

Differences on exchange arising on the application of the above policy are dealt with in the Income Statement.

The financial statements of non-Dollar subsidiaries are translated into U.S. Dollars at the rate ruling at 30 June 2006 for balance sheet items and at the average rate for the half year for income statement items. Differences on exchange arising on the application of this policy are recognised through the statement of equity.

(n) 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.

(o) Borrowing costs

Interest payable and other borrowing costs are expensed as incurred.

(p) Dividends

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

Far-Eastern Shipping Company PLC
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Notes to the Consolidated Financial Statements – 30 June 2006

4. Fleet

	Valuation	Depreciation	Net Book Value
		USD'000s	
At 1 January 2005	550,760	-	550,760
Newbuilding acquired during the year	85,892	-	85,892
Depreciation charge for the year	-	(46,408)	(46,408)
Disposals	(17,900)	428	(17,472)
Revaluation	(79,490)	45,980	(33,510)
At 31 December 2005	539,262	-	539,262
Newbuilding acquired during the period	20,425	-	20,425
Vessel acquired during the period	7,400	-	7,400
Depreciation charge for the period		(19,332)	(19,332)
Disposals	(6,650)	189	(6,461)
At 30 June 2006	560,437	(19,143)	541,294
Total deadweight tonnage			934,980

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

The mv "Fesco Askold", a 1100 TEU Container vessel was delivered from the shipyard to the Group in April 2006 (see Note 6).

Fleet includes 20 vessels fully depreciated with an aggregate book value of USD 21.6 million at 30 June 2006 (2005 - 15 vessels with NBV USD 12 million at 31 December 2005).

At 30 June 2006, 17 vessels in the Group's fleet with a net book value of USD 359.9 million were insured for hull and machinery risks with western underwriters. A further 55 vessels with a net book value of USD 206.1 million were insured with Russian underwriters. The total insured value amounted to USD 566 million.

Depreciated historical cost of the Group's fleet at 30 June 2006 was USD 454 million (2005 – USD437 million).

35 vessels with a net book value of USD 406 million are pledged as a security to guarantee the Group's obligations under ING Bank N.V., HSH Nordbank, Vneshtorgbank and Sberbank bank loans (Note 14).

Far-Eastern Shipping Company PLC
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Notes to the Consolidated Financial Statements – 30 June 2006

5. Other Fixed Assets

	Buildings and Infrastructure	Plant, Machinery and Other	Assets under construction	Total
	USD'000s			
Cost				
At 1 January 2005	48,664	51,588	1,589	101,841
Additions in the year	1,370	33,110	1,239	35,719
Subsidiaries not consolidated in prior years	-	1,798	-	1,798
Disposals during the year	(3,046)	(1,367)	(828)	(5,241)
Transferred as contribution to share capital	(4,644)	-	-	(4,644)
Impairment adjustment	-	(800)	-	(800)
Translation difference	(6)	(16)	-	(22)
At 31 December 2005	42,338	84,313	2,000	128,651
Additions in the period	229	7,857	1,128	9,214
Subsidiary not consolidated in prior periods (Note 27)	-	54	-	54
Additions on acquisition of subsidiary (Note 27)	-	116	-	116
Disposals during the period	(289)	(3,712)	(359)	(4,360)
Translation difference	(46)	(64)	9	(101)
At 30 June 2006	42,232	88,564	2,778	133,574
Depreciation			-	
At 1 January 2005	27,352	31,533		58,885
Charge for the year	3,148	5,465	-	8,613
Eliminated on disposal	(2,908)	(1,018)	-	(3,926)
Transferred as contribution to share capital	(3,270)	-	-	(3,270)
Translation difference	-	(12)	-	(12)
At 31 December 2005	24,322	35,968	-	60,290
Charge for the period	1,492	3,707	-	5,199
Eliminated on disposal	(200)	(1,788)	-	(1,988)
Translation difference	(24)	(142)	-	(166)
At 30 June 2006	25,590	37,745	-	63,335
Net Book Value				
At 30 June 2006	16,642	50,819	2,778	70,239
At 31 December 2005	18,016	48,345	2,000	68,361

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6. Vessels Under Construction

Movements during the period on vessels under construction were:

	30 June 2006	31 December 2005
	USD'000s	
At 1 January 2006	57,160	44,785
Expenditure during the period	29,812	98,267
Transferred to fleet during the period	(20,425)	(85,892)
At 30 June 2006	66,547	57,160

Details of the Company's commitments in respect of vessels under construction are given in Note 29. The amount transferred to fleet during the period represents prepayments previously made in respect of the construction of the Fesco Askold.

7. Long Term Investments

	30 June 2006	31 December 2005
	USD'000s	
Subsidiary companies (not consolidated)	91	584
Joint ventures and associates	9,827	8,546
Trade loans and other investments available for sale	1,023	677
	10,941	9,807

Subsidiaries comprise: -

	30 June 2006	31 December 2005
	USD'000s	
Fesco Lines China	-	500
Fesco Logistic LLC	10	10
National Paromna	1	1
TIS subsidiaries not consolidated	10	-
Transfes subsidiaries not consolidated	70	70
Other	-	3
	91	584

Details of the subsidiaries are disclosed in Note 27.

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7. Long Term Investments (Continued)

Joint ventures and associates comprise:-

	30 June 2006	31 December 2005
	USD'000s	
International Paint (East Russia) Ltd	909	600
United Orient Shipping Agency Company Ltd	21	21
Transorient Shipping Company Ltd	266	343
Russkaya Troyka	8,319	7,582
JV Shoshtrans Uzbekistan	275	-
Far Eastern Container Terminal	37	-
	9,827	8,546

Details of the principal joint ventures and associates are disclosed in Note 28.

8. Inventories

	30 June 2006	31 December 2005
	USD'000s	
Bunkers	12,443	7,446
Stores and spares	386	513
Victualling	411	487
Other stocks and raw materials	2,171	1,939
	15,411	10,385

9. Accounts Receivable

	30 June 2006	31 December 2005
	USD'000s	
Trade debtors	63,501	53,500
Due from non-consolidated subsidiaries	3,393	3,579
Due from associates	9,476	8,346
VAT receivable	26,377	14,847
Other debtors and prepayments	32,952	14,011
Bad debt provision	(19,247)	(20,043)
	116,452	74,240

Included in trade debtors are amounts due from agents used to settle liabilities on behalf of the Group. USD 52 million (2005 – USD 55 million) of accounts receivable is Rouble denominated. Details of the balances and transactions with the principal non-consolidated subsidiaries and associates are disclosed in Note 26.

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10. Current Investments

	30 June 2006	31 December 2005
	USD'000s	
Fair value at 1 January 2006	479	1,435
Additions	662	254
Disposals	(35)	(463)
Transferred to long term investments	-	(747)
Fair value at 30 June 2006	1,106	479

The investments included above represent investments in loans and equity securities that present the Company with opportunity for return through interest, dividend income and holding gains.

11. Foreign Currency Forward Contracts

During the period the Group entered into foreign currency forward contracts to purchase Euros from financial institutions to hedge its foreign currency commitments in respect of its newbuilding contracts. The contract notional amount at 30 June 2006 is USD 29.518 million with maturity dates between September 2006 and December 2006. The difference between contracted rates and forward market values at the period end of USD 1.521 million has been credited to reserves.

A reconciliation of the fair value provision for the swaps is as follows:

	30 June 2006	31 December 2005
	USD'000s	
Unrealised gain at 1 January	-	-
Gain not recognised in the income statement	1,521	-
Unrealised gain at 30 June	1,521	-

12. Bank and cash balances

	30 June 2006	31 December 2005
	USD'000s	
Bank accounts and cash in hand	125,959	69,078
Restricted deposits	7,558	-
	133,517	69,078

Included in restricted deposits is USD 6.890 million paid as security to release the m/v Vasiliy Golovnin from arrest for a cargo dispute. This amount was returned to the Group on 1 August 2006. The balance of USD 0.668 million was given as a guarantee to the Charterer of the m/v Yenisei to perform ship owner's contractual obligations.

USD 3.5 million (2005 – USD 3.3 million) of bank and cash balances is Rouble denominated. USD 0.09 million is Euro denominated (2005 – USD 0.1 million), USD 0.001 million is British Pound denominated (2005 – USD 0.6 million), USD 0.8 million is Hong Kong Dollar denominated (2005 – USD 3.7 million), USD 0.6million is Australian Dollar denominated and USD 1.8 million is New Zealand Dollar denominated.

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13. Accounts Payable

	30 June 2006	31 December 2005
	USD'000s	
Trade creditors	52,356	47,794
Profit taxes payable	188	2,377
Non-profit taxes payable	1,041	688
Other creditors and accruals	37,167	31,117
Dividends payable	150	142
	90,902	82,118

USD 32 million (2005 – USD 32 million) of accounts payable is Rouble denominated.

Included in other creditors and accruals is a USD 5.1 million deposit in respect of the sale of m/v "Russ". The total consideration for the vessel is USD 7.7 million and under the contract, the buyer is required to make regular deposits to the Group. The buyer has the right to recoup the deposit up until the date of delivery in 2007.

14. Loans and Other Obligations

	30 June 2006	31 December 2005
	USD'000s	
Loans and other obligations comprise:		
ING Bank N.V .- Loan 1	70,000	61,000
ING Bank N.V. – Loan 2	51,077	56,184
ING Bank N.V. – Loan 3	28,000	-
HSH Nordbank	33,769	36,313
Vneshtorgbank	32,001	-
Sberbank	8,900	-
Other	1,037	2,289
	224,784	155,786
Repayable within the next twelve months	107,340	38,029
Long term balance	117,444	117,757
	224,784	155,786

(a) ING Bank N.V. (loan 1)

A loan facility of USD 85 million was provided to the Group by ING Bank N.V. under an agreement dated 15 March 2005. The loan comprises a term facility of USD 60 million and a revolving facility of up to USD 25 million.

The remaining term facility of USD 45 million is repayable in three equal quarterly instalments of USD 3 million each and sixteen subsequent quarterly instalments of USD 2.250 million each.

Interest is payable at US LIBOR plus 1.30%.The loan is secured by first mortgages on six vessels in the Group's fleet with an aggregate book value of USD 131 million, pledges of containers with an aggregate book value of USD 22 million, pledges of shares of the subsidiaries concerned, and by a guarantee from FESCO and FESCO Ocean Management Ltd.

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14. Loans and Other Obligations (Continued)

(a) ING Bank N.V. (loan 1) (Continued)

From January to June 2006, the revolving loan facility amounting USD 25 million was advanced to the Group to finance general corporate needs.

(b) ING Bank N.V. (loan 2)

A USD 61.292 million facility from ING Bank N.V. was advanced to the Group in May 2005.

The purpose of the loan was the part-financing of the purchase of one new building vessel.

The remaining balance of USD 51.077 million is repayable in seven consecutive semi-annual instalments of USD 5.1 million and a balloon instalment of USD 15.3 million. However if certain terms and conditions are met the Group has the right to seek extension of the balloon payment. In this event balloon instalment will be split into one instalment USD5.1 million followed by four consecutive semi-annual instalments of USD 2.55 million each.

Interest is payable at 3.0975% (fixed for 5 years) and US LIBOR+0.8875%. The loan is secured by a mortgage on one of the Group's vessels with a book value of USD 78 million and a guarantee from FESCO.

(c) ING Bank N.V. (loan 3.1)

In 2006 a loan facility was provided to the Group by ING Bank N.V. under an agreement dated 22 December 2005. The total available loan facility is USD 30 million. The loan comprises a pre-delivery guarantee facility of up to USD 10.043 million, a term loan facility of up to USD 20 million and a post-delivery guarantee facility of up to USD 30 million.

The purpose of the loan is to provide pre-delivery financing for the purchase of four new building vessels. The loan is to be provided in four tranches up to USD 5 million each. The loan is to be repaid in four instalments of USD 5 million each on delivering of the relevant vessel.

During the period USD 18 million was drawn down and USD 5 million was repaid on delivery of the m/v Fesco Askold, leaving a balance of USD 13 million at 30 June 2006.

Interest is payable on the loan at US LIBOR+1.2%

(d) Export-Import Bank of China - ING Bank N.V. (loan 3.2)

In March 2006 a loan agreement was signed with the Export-Import Bank of China and ING Bank N.V. to provide post-delivery finance in respect of four newbuilding container vessels. The total available loan facility is USD 60 million.

The loan is to be provided in four tranches of up to USD15 million each. Each tranche is to be repaid in sixteen consecutive semi-annual instalments, the first fifteen being equal instalments of USD 0.468 per tranche and a final instalment of USD 7.97 million.

The first tranche of USD 15 million was drawn down on delivery of the m/v Fesco Askold and was outstanding at 30 June 2006.

Interest is payable on the loan at a fixed rate of 5.35%.

14. Loans and Other Obligations (continued)

Loans 3.1 and 3.2 are secured by a mortgage on three new-building vessels, one of the Group's vessels with a book value of USD 20 million, pledges of shares of the subsidiaries concerned, and by a guarantee from FESCO and Pacific Container Ships Holding Ltd.

(e) HSH Nordbank

A USD 43.5 million loan facility from HSH Nordbank AG was advanced to the Group during 2004.

The outstanding balance of Tranche 1 amounting to USD12.750 million is to be repaid in nine consecutive semi-annual installments of USD 0.45 million each with a final balloon payment of USD 8.7 million.

The outstanding balance of Tranche 2 amounting to USD 17.143 million is to be repaid in nine consecutive semi-annual installments of USD 1.318 million each with a final balloon payment of USD 5.275 million.

The outstanding balance of Tranche 3 amounting to USD 3.875 million is to be repaid in five consecutive semi-annual installments of USD 0.775 million.

Interest is payable at US LIBOR+1.35%, US LIBOR +1.45% and US LIBOR +1.75% for the Tranches respectively.

The loan is secured by mortgages on six vessels in the Group's fleet with an aggregate book value of USD 86.139 million and a guarantee from FESCO.

(f) Vneshtorgbank

During the period the Group had the following loans with Vneshtorgbank:

In March 2006 a loan facility of USD 22 million was provided for the purpose of financing railway platform purchases. Interest is payable at 8.5% p.a. and the loan is to be repaid by February 2007. The outstanding balance of the loan at 30 June 2006 amounted to USD 22 million. The loan is secured by mortgages on ten vessels in the Group's fleet with an aggregate book value of USD 43.228 million.

In March 2006 a loan facility of USD 0.594 million was provided for the purpose of financing railway platform purchases. Interest is payable at 8.5% p.a. and the loan is to be repaid by March 2007. The outstanding balance of the loan at 30 June 2006 amounted to USD 0.594 million. The loan is secured by mortgages on two vessels in the Group's fleet with an aggregate book value of USD 15.230 million.

In April 2006 a loan facility of USD6 million was provided for the purpose of financing railway platform purchases. Interest is payable at 8.5% p.a. and the loan is to be repaid by March 2007. The outstanding balance of the loan at 30 June 2006 amounted to USD6 million. The loan is secured by mortgages on two vessels in the Group's fleet with an aggregate book value of USD 11.685 million.

In December 2004 a loan facility of USD 4.4 million was advanced by Vneshtorgbank for the purpose of financing container purchases from Maersk Container Group. Interest is payable at 8.5% p.a. and the loan is repayable in semi-annual instalments ending in 2007. The outstanding balance of the loan at 30 June 2006 amounted to USD 1.089 million.

In February 2006 a loan facility of USD 2.3 million was provided by Vneshtorgbank for the purpose of financing railway platform purchases. Interest is payable at 8.5% p.a. and the loan is to be repaid by February 2007. The outstanding balance of the loan at 30 June 2006 amounted to USD 2.318 million. The loan is secured by mortgages on one vessel in the Group's fleet with a book value of USD 5.629 million.

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14. Loans and Other Obligations (continued)

(g) Sberbank

In June 2006 a loan facility of USD 8.9 million was provided to the Group by Sberbank under an agreement dated 15 June 2006 for working capital needs. The interest is payable at 7.6% p.a. The loan is repayable by December 2006. The loan is secured by mortgages on four vessels in the Group's fleet with an aggregate book value of USD 8.392 million.

(h) Other loans

In August 1992 the Group received a loan from Nihonkay Investment (related party) for working capital needs. The outstanding balance of the loan at 30 June 2006 amounted to USD 0.435 million. The loan is interest free. The loan is being repaid in July 2006.

In July 2005, the Group received a loan facility of USD 0.520 million from Pacific Shipping Services Limited. The outstanding balance of the loan at 30 June 2006 amounted to USD 0.404 million. The loan is interest free and is to be repaid by 7 July 2010.

In June 2006, the Group received a short term loan facility of USD 0.185 million from Saving Bank for working capital needs. The outstanding balance of the loan at 30 June 2006 amounted to USD 0.134 million. The interest is payable at 12% p.a. The loan is repayable in July 2006.

In July 2005 a loan facility of USD 0.04 million was advanced by AUDI Bank for the purchase of a car. Interest is payable at 3.9% p.a. and the loan is repayable in 34 months and a final instalment amounting to USD 0.02 million. The outstanding balance of the loan at 30 June 2006 amounted to USD 0.03 million.

Where applicable, licences have been issued by the Central Bank of Russia in respect of all foreign borrowings.

15. Deferred Taxation

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

Movement in temporary differences during the period:

	Balance 31 December 2005	(Charge) / release to income for the period	Charge to equity for the period	Balance 30 June 2006
	USD'000s			
Vessels	(43,695)	2,012		(41,683)
Other fixed assets	(2,821)	793	-	(2,028)
Assets under construction	(8,303)	(1,575)	-	(9,878)
Investments	3,888	(2,140)	-	1,748
Inventories	682	(458)	-	224
Accounts receivable	18,642	(5,970)	-	12,672
Accounts payable	(6,349)	6,802	-	453
Provisions, accruals and deferred income	510	(372)	-	138
Foreign deferred tax	796	41	-	837
	(36,650)	(867)	-	(37,517)

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16. Share Capital

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

FES–Invest AO held a shareholding in the Company amounting to approximately 0.001% of the Company's issued capital at 30 June 2006 (2005 – 0.0001 %).

17. Other Reserves

	Fleet Revaluation Reserve	Translation reserve	Total
		USD'000s	
Balance 1 January 2005	130,987	1,792	132,779
Release from revaluation reserve – annual release	(11,420)	-	(11,420)
Release from revaluation reserve – release on disposal	(3,275)	-	(3,275)
Balance 30 June 2005	116,292	1,792	118,084
Deferred tax release arising on revaluation of fleet	2,936	-	2,936
Revaluation of fleet	(26,356)	-	(26,356)
Release from revaluation reserve – annual release	(11,421)	-	(11,421)
Translation difference	-	24	24
Balance 31 December 2005	81,451	1,816	83,267
Deferred tax release arising on revaluation of fleet	-	-	
Release from revaluation reserve – annual release	(6,515)		(6,515)
Translation difference	-	(101)	(101)
Balance 30 June 2006	74,936	1,715	76,651

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18. Segmental Analysis - Group

(USD'000$) By class of business	Shipping 30 June 2006	Shipping 30 June 2005	Intermodal 30 June 2006	Intermodal 30 June 2005	Elimination 30 June 2006	Elimination 30 June 2005	Discontinuing activities (Note 29) 2006	Total continuing operations 2006	Discontinuing activities (Note 29) 2005	Total continuing operations 2005	Total 30 June 2006	Total 30 June 2005
External sales	243,172	234,019	35,259	13,065	-	-	107,425	171,006	98,409	148,675	278,431	247,084
Inter-segmental sales	51,754	32,429	-	-	(51,754)	(32,429)						
Total revenue	294,926	266,448	35,259	13,065	(51,754)	(32,429)	107,425	171,006	98,409	148,675	278,431	247,084
Cost of sales	(230,475)	(228,513)	(33,516)	(12,433)	51,754	32,429	(101,506)	(110,731)	(92,390)	(116,127)	(212,237)	(208,517)
Segmental result - Group	64,451	37,935	1,743	632	-	-	5,919	60,275	6,019	32,548	66,194	38,567
Unallocated corporate expenses							(9,480)	(20,312)	(8,945)	(14,663)	(29,792)	(23,608)
Depreciation	(24,244)	(29,307)	(287)				(1,539)	(22,992)	(1,555)	(27,752)	(24,531)	(29,307)
Other income, net of expenses							-	8,891	-	8,629	8,891	8,629
Gain on disposal of business (Note 22)							46,388	-	-	-	46,388	-
Interest income							-	1,304	-	1,005	1,304	1,005
Interest expense							-	(6,305)	-	(3,421)	(6,305)	(3,421)
Excess of assets acquired over consideration paid							-	2,897	-	3,926	2,897	3,926
Income taxes							(3,567)	(8,432)	(650)	(5,413)	(11,999)	(6,063)
Minority interests								(21)	-	25	(21)	25
Profit attributable to equity shareholders							37,721	15,305	(5,131)	(5,116)	53,026	(10,247)
Other information												
Segment assets	737,369	829,002	40,823	-			22,884	743,255	23,221	805,781	766,139	829,002
Unallocated assets							47,212	148,778	-	-	195,990	-
Consolidated total assets							70,096	892,033	23,221	805,781	962,129	829,002
Segment liabilities	240,093	274,554	41,875	-			23,101	246,814	20,934	253,620	269,915	274,554
Unallocated corporate liabilities							294	82,994	-	-	83,288	-
Consolidated total liabilities							23,395	329,808	20,934	253,620	353,203	274,554
Segment capital expenditure	40,730	96,770	3,518	-			25	44,223	1,140	95,630	44,248	96,770
Unallocated capital expenditure								2,177	-	-	2,177	-
Consolidated capital expenditure							25	46,400	1,140	95,630	46,425	96,770

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19. Other Income

	30 June 2006	Unaudited 30 June 2005	31 December 2005
		USD'000s	
Hotel services	785	467	935
Securities trading	231	34	68
Revenue from coastal branches	130	254	153
Ship repair	-	2,564	3,362
Asset leasing	2,062	2,787	3,298
Insurance reimbursement	628	1,534	1,494
Sale of other assets	1,374	657	1,581
Other related service	819	2,697	3,160
	6,029	10,994	14,051

20. Taxation

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

	30 June 2006	Unaudited 30 June 2005	31 December 2005
		USD`000s	
Charge for the period	7,186	2,673	7,665
Overseas taxation	3,946	642	764
Deferred taxation	867	2,748	(6,074)
	11,999	6,063	2,355
Continuing activities	8,432	5,413	1,775
Discontinuing activities	3,567	650	580
	11,999	6,063	2,355

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

	30 June 2006	Unaudited 30 June 2005	31 December 2005
		USD`000s	
Accounting profit	53,047	(10,272)	11,249
Adjustment for foreign subsidiaries not subject to Russian tax	(20,039)	(14,619)	(21,214)
Adjustments to comply with IFRS	(9,027)	30,730	47,613
Accounting profit in accordance with Russian standards	23,981	5,839	37,648
Adjustment for allowable surplus /(deductions)	5,960	5,299	(5,710)
Taxable profit	29,941	11,138	31,938

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20. Taxation (Continued)

Other significant domestic taxes borne by the company include:

	30 June 2006	Unaudited 30 June 2005	31 December 2005
		USD`000s	
Property tax	1,317	393	1,280
Others	233	149	172
	1,550	542	1,452

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

21. Loss on Disposal of Fixed Assets and Investments

	30 June 2006	Unaudited 30 June 2005	31 December 2005
		USD'000s	
Profit(/loss) on sale of vessels	656	(469)	(850)
Profit/(loss) on disposal of other fixed assets	115	(73)	789
Profit on disposal of other investments	-	216	-
	771	(326)	(61)

22. Discontinuing operations (cross trade sale)

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

The sale was completed on 30 June 2006, with the exclusion of the sale of the containers and container spare parts, whose sale was concluded in July 2006. Purchase consideration (excluding consideration for the containers) was USD 53.266 million broken down as follows:

	USD '000s
Sale proceeds	53,266
Less: costs of sale	(6,878)
Profit on sale of cross trade business	46,388

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

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22. Discontinuing operations (cross trade sale) (Continued)

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

(i) Khudoznik Zhukov and Khudoznik Ioganson, for a term of 6 months,
(ii) Kapitan Byankin, Yuri Ostrovskiy, Kapitan Konev, and Mekhanik Moldovanov, for a term of 12 months
(iii) Kapitan Afanasiev, Kapitan Maslov and Vladivostok, for a term of 12 months
(iv) Three 2,740 TEU newbuildings to be delivered in the third quarter of 2006, for a term of 24 months.

The discontinuing activities for the period are disclosed in Note 18. Income from discontinuing activities comprises liner income and agencies fees from the above lines.

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

The disposal proceeds for the containers sold after the period end was USD 11.879 million.

23. Fair Value and Impairment Adjustments

	30 June 2006	Unaudited 30 June 2005	31 December 2005
		USD'000s	
Revaluation of fleet	-	-	(7,153)
Release from revaluation reserve on disposal	-	4,309	-
Investments fair value adjustments	1,292	(201)	3,130
Fixed assets fair value adjustments	278	144	(799)
	1,570	4,252	(4,822)

24. Earnings per share

	30 June 2006	Unaudited 30 June 2005	31 December 2005
		USD	
Profit/(loss) for the period			
Continuing operations	15,305,000	(5,116,000)	20,594,000
Discontinuing operations	37,721,000	(5,131,000)	(9,462,000)
	53,026,000	(10,247,000)	11,132,000
Weighted average number of shares (note 16)	1,643,261,409	1,643,273,018	1,643,289,629
Profit/(loss) per share			
Continuing operations	0.009	(0.003)	0.0013
Discontinuing operations	0.023	(0.003)	(0.006)
	0.032	(0.006)	0.007

Following the Group plans to raise finance through a equity and bond issue in 2007 (see Note 30), the Company's earnings per share will be diluted.

25. Reconciliation of Operating Profit to Operating Cash Flows

	30 June 2006		Unaudited 30 June 2005	
	USD'000s			
	Continuing Activities	Discontinuing Activities	Continuing Activities	Discontinuing Activities
Net profit/(loss) for the period	15,326	37,721	(5,141)	(5,131)
Adjusted for:				
Profit/(loss) on disposal of fixed assets and investments	(771)	-	326	-
Share of results of joint ventures and associated companies	(556)	-	-	-
Fair values and impairment adjustments	(1,570)	-	(4,252)	-
Deferred taxation	867	-	2,748	-
Finance charges	6,305	-	3,421	-
Interest received and investment income	(1,720)	-	(1,087)	-
Negative goodwill	(1,577)	-	-	-
Gain on sale of business	-	(46,388)	-	-
Depreciation	22,992	1,539	27,752	1,555
Exchange differences	(1,623)	-	1,877	-
Movements in working capital:				
Increase in accounts receivable	(47,640)	(6,625)	(6,369)	7,131
Increase in inventories	(2,951)	(2,075)	(3,964)	(441)
Increase in accounts payable	(35)	20,864	193	5,235
Decrease in voyages in progress	(778)	-	232	-
Net cash (used in)/generated from operating activities	(13,731)	5,036	15,736	8,349

26. 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.

A list of individuals who served on the Board of Management and Board of Directors during the period is set out below:

Members of the Board of Management :

Yevgeny N. Ambrosov – President & CEO
Pavel A. Vasilchenko – Vice President, Corporate Relations
Yury B. Gilts – Senior Vice President, Economics & Finance
Sergey S. Kozlov - Senior Vice President, Container Transportation
Vladimir N. Korchanov - Senior Vice President, Fleet Operation
Aleksey P. Nazarov – Chief Accountant, Director of Accounting Department
Vladimir A. Olsufiev - Vice President, Director of Personnel Department
Zaven R. Agadzhanov – Chief Engineer, Director of Technical Department
Anatoliy N. Sidorenko - Vice President, Director of Marine (Sea) Safety Dept. (took redundancy January 2006)

Members of the Board of Directors :

Yevgeny N. Ambrosov – President & CEO
Vladimir L. Ashurkov – Vice-President for Strategic Planning of Industrial Investors LLC
Boris M. Lapidus – Senior Vice-President, Russian Railways PLC
Vladimir A. Lelukh – Venture Projects Department Director, Industrial Investors LLC
Maxim V. Likhachev – Head of PromInvestors Asset Management Corp.
Antonina B. Murashova – Financial Control Director, Industrial Investors LLC
Siman V. Povarenkin – CEO of Industrial Investors LLC
Kirill U. Rubinskiy - Senior Vice President of Industrial Investors LLC
Petr M. Fradkov – Director of Structural Financing Department of Vnesheconombank

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

	30 June 2006	31 December 2005	Unaudited 30 June 2005
		USD'000s	
Salaries	564	1,460	631
Bonuses	414	1,232	149
	978	2,692	780

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26. Related party transactions (continued)

Details of transactions and balances with other significant related parties are set out below. Liabilities and expenses are shown in brackets, assets and income are shown without.

Balance sheet		30 June 2006 USD'000s	31 December 2005 USD'000s	
Fesco Logistic	Subsidiary company	2,236	2,819	Trade debt
Russkaya Troyka	Joint Venture company	955	5	Trade debt
Far Eastern Container Terminal	Joint Venture company	(5)	-	Advances
Security agency SKAT	Associated company	(50)	-	Security services
Security agency SKAT	Associated company	-	35	Accrued rent of premises
International Paint	Associated company	-	490	Dividends receivable
Uniorient	Associated company	2,293	1,032	Agency services
Transorient	Associated company	7,023	6,768	Agency services
Vostochniy Express Service	Associated company	(6)	(3)	Trade debt
FESCO Intermodal	Subsidiary company	30	38	Trade debt
Morbank	Related through common shareholder	4	-	Rent of premises
Morbank	Related through common shareholder	-	104	Accrued interest on promissory notes

Income Statement		30 June 2006 USD'000s	30 June 2005 USD'000s	
Fesco Logistic	Subsidiary company	(7,564)	(6,226)	Agency Services in respect of railway transportation
Russkaya Troyka	Joint Venture company	(1,044)	-	Railway transportation services
Security agency SKAT	Associated company	(62)	(43)	Rent of premises
Security agency SKAT	Associated company	(332)	(256)	Security services
Uniorient	Associated company	3,613	3,320	Agency services
Transorient	Associated company	266	364	Agency services
Morbank	Related through common shareholder	4	-	Rent of premises
Morbank	Related through common shareholder	183	91	Interest on promissory notes

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27. Subsidiary Companies

The subsidiary companies of Far-Eastern Shipping Company PLC are:

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

27. Subsidiary Companies (Continued)

Roselau Shipping Company Ltd (Group)	Cyprus	100%	Holding company
Subsidiaries:			
Pacific Conlease Company Limited	Cyprus	100%	Container leasing
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
Tryfield Shipping Co. Ltd (Group)	Cyprus	100%	Holding company
Subsidiaries:			
Fandax Shipping Company Ltd	Cyprus	100%	Ship owning
Goldsmith Shipping Company Ltd	Cyprus	100%	Ship owning
Seamine Shipping Company Ltd	Cyprus	100%	Ship owning
Festiver Shipping Company Ltd	Cyprus	100%	Ship owning
Phantex Shipping Company Ltd	Cyprus	100%	Ship owning
Marline Shipping Company Ltd	Cyprus	100%	Ship owning
Marview Shipping Company Ltd	Cyprus	100%	Ship owning
FESCO Marine Company Ltd	Malta	100%	Ship owning
Roulio Shipping Company Ltd	Cyprus	100%	Dormant
Delmio Shipping Company Ltd	Cyprus	100%	Dormant
Amenio Shipping Company Ltd	Cyprus	100%	Dormant
FESCO Agencies NA Inc. (Group)	USA	100%	Shipping agency
FESCO Supply Shipping Company	Cyprus	100%	Holding company
Subsidiaries:			
Talgona Shipping Company Ltd	Cyprus	100%	Ship owning
Pacific Containers Ships Ltd	Cyprus	100%	Dormant
Subsidiaries:			
Astro-Moon Shipping Co.Ltd	Cyprus	100%	Dormant
Natouka Shipping Co.Ltd	Cyprus	100%	Dormant
Saxina Shipping Co.Ltd	Cyprus	100%	Dormant
Perouna Shipping Co.Ltd	Cyprus	100%	Dormant
Pacific Conline Ltd	Cyprus	100%	Holding company
Subsidiaries:			
Mar Space Shipping Company Ltd	Cyprus	100%	Dormant
Lighview Shipping Company Ltd	Cyprus	100%	Dormant
Star Warm Shipping Company Ltd	Cyprus	100%	Dormant
Vertio Shipholding Company Ltd	Cyprus	100%	Holding company
Subsidiaries:			
Anouko Shipping Company Ltd	Cyprus	100%	Dormant
Astro-sky Shipping Company Ltd	Cyprus	100%	Dormant
Helabi Shipping Company Ltd	Cyprus	100%	Dormant
Melouna Shipping Company Ltd	Cyprus	100%	Dormant

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27. Subsidiary Companies (Continued)

FESCO Lines China Company Ltd	China	100%	Shipping agency
Transfes Maritime Agency LLC	Russia	100%	Shipping agency and operations
Subsidiaries:			
* Transfes Magadan	Russia	90%	Shipping agency and operations
* Container Monitoring Centre	Russia	90%	Container operations
* Orista	Russia	70%	Shipping agency
* MAC Transfes Sakhalin	Russia	84%	Shipping agency
* Transfes Kamchatka	Russia	56%	Shipping agency
* Boiler Complex Egersheld	Russia	51%	Utilities services
* Trade House Transfes	Russia	90%	Auto services
* TransVanino Marine	Russia	51%	Agency services
* MAC Transfes Vanino	Russia	100%	Agency Services
Slavyansky Shipbuilding Yard PLC	Russia	86.81%	Ship repair yard
*FESCO Hall	Russia	100%	Concert agency
Versailles	Russia	90%	Hotel operator
Fes – Invest	Russia	100%	Investment company
* FESCO Logistic LLC	Russia	100%	Shipping agency
Dalreftrans	Russia	100%	Shipping agency
* National Paromnaya Services	Russia	100%	Dormant
* FESCO Technical Service	Russia	100%	Vessel repair

* Not consolidated

Subsidiary not consolidated in prior periods

Fesco Lines China Co. Ltd was not included in consolidated accounts in prior periods as it was not material for the group. Details of net assets included on consolidation for the first 6 months of 2006 are:

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

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

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

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

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27. Subsidiary Companies (Continued)

Acquisition during the period

TIS (BVI) Ltd and its subsidiaries (TIS Group), an Intermodal operation, were acquired on 28 February 2006 for consideration of USD8 million.

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

	USD'000s
Cash	2,510
Property, plant and equipment	116
Investments in subsidiaries	289
Accounts receivable	11,225
Accounts payable	(1,219)
Credit facility (AOIL)	(9,000)
Net assets	3,921
Less: Minority interests	(14)
Net assets attributable to the Group	3,907
Cash consideration:	8,000
Goodwill arising on acquisition	4,093

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

28. Joint Ventures and Associates

The principal joint ventures and 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%	
Transorient Shipping Company Limited	South Korea	49%	Maritime general agency
*United Orient Shipping Agency Company Limited	Japan	25%	Shipping agency
Russkaya Troyka	Russia	50%	Intermodal Container Operations
*Far Eastern Container Terminal	Russia	50%	Container cargo transportation

* Not consolidated

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28. Joint Ventures and Associates (continued)

The amounts related to the Group interest in the consolidated joint venture, Russkaya Troyka, are as follows at 30 June 2006:

	Total	50% share
	USD'000s	
Current assets	8,675	4,337
Long-term assets	23,424	11,712
Current liabilities	(867)	(434)
Long-term liabilities	(14,593)	(7,296)
Net assets	16,639	8,319
Income	3,442	1,721
Expenses	(2,949)	(1,475)
Net result	493	246

These amounts are not included in separate line items as the Group accounts for joint ventures on an equity basis.

29. Contingencies and Commitments

Capital commitments

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

In January 2006 the Group entered into a shipbuilding contract for the construction of a 2,785 TEU containership in Poland at a purchase price of USD 50.8 million. The vessel is scheduled for delivery not later than 30 April 2009. A 5% instalment was paid after signing the contract. A second instalment of 15% is to be paid 12 months prior to the delivery date. Two instalments of 10% each are due after the first section is completed and launching respectively. The remaining 60% will be due on delivery.

In May 2006 the Group entered into a shipbuilding contract for the construction of two 1,100 TEU containerships in China at a purchase price of USD 22.3 million each. The vessels are scheduled for delivery not later than 30 December 2007 and 30 January 2008. The first instalment of 20% was paid prior 28 June 2006. Three instalments of 20% each are due upon steel cutting, block erection and launching respectively. The remaining 20% will be due on delivery.

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

	30 June 2006	31 December 2005
	USD'000s	
In one year	257,208	226,546
In two to five years	204,409	163,001
Total outstanding commitment	461,617	389,547

At 30 June 2006, the Group had outstanding commitments in respect of the building of a new container complex in Vladivostok of USD 1.387 million. This is due for payment in the third quarter of 2006.

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Notes to the Consolidated Financial Statements – 30 June 2006

29. Contingencies and Commitments (Continued)

Operating lease commitments – where a Group company is a lessee

At 30 June 2006, the Group had the following outstanding commitments under non-cancellable operating leases.

	30 June 2006	31 December 2005
	USD'000s	
Within one year	2,819	4,021
In two to five years	7,572	4,952
After more than five years	-	577
	10,391	9,550

Operating lease commitments – where a Group company is a 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:

	30 June 2006	31 December 2005
	USD'000s	
Within one year	16,454	16,454
In two to five years	52,069	58,920
After more than five years	-	-
Total minimum lease payments	68,523	75,374

30. Post balance sheet events

In July 2006 two vessels of the Group, Akademik Raspletin and Nikolay Dolinskiy were sold to a third party for USD 3.481 million each.

Fesco Baykal, a 2,732 TEU Container vessel, was delivered on 20 July 2006 to Amenio Shipping Company Ltd.

Fesco Barguzin, a 2,741 TEU Container vessel, was delivered on 17 August 2006 to Delmio Shipping Company Ltd.

Fesco Bratsk, a 2,741 TEU Container vessel, was delivered on 14 September 2006 to Roulio Shipping Company Ltd.

Fesco Aleut, a 1,100 TEU Container vessel, was delivered on 22 September 2006 to Natouka Shipping Company Ltd.

In August 2006, Fesco Shipmanagement Limited set up a joint venture with Wallem Shipmanagement Limited, FESCO Wallem Shipmanagement Limited. This joint venture will manage Fesco's non-Russian flagged vessels.

In July 2006 a loan facility of USD85 million was refinanced and a new revolving facility amounting to USD80 million was provided to the Group by ING Bank N.V.

In July 2006 a loan facility of USD43.5 million was refinanced and a new loan facility amounting to USD170 million was provided to the Group by HSH Nordbank AG.

30. Post balance sheet events (Continued)

In September 2006 the Group entered into the following transactions:

- the Group acquired a 50% interest ZAO First Container Terminal, Russia's largest container terminal situated in St.Petersburg, and 50% ownership of OAO Baltic Container Terminal, which is constructing a new Baltic Container Terminal in Ust-Luga for USD 275 million.
- the Group acquired a 50% interest in OOO Firma Transgarant, Russia's fourth largest private railway company for USD 84 million. Under the contract, the Group will obtain the remaining 50% of Transgarant through a swap contract.

To part finance the acquisitions the Group signed a loan agreement with ING Bank N.V., London Branch, for USD 300 million on 19 September 2006. The Group plans to repay this bridge facility via an equity and bond issue in the second quarter of 2007.

31. Financial Risk Management Objectives and Policies

The Group's activities expose it to a variety of financial risk, including the effects of changes in interest rate risk, foreign exchange risk, credit risk and liquidity risk arising in the normal course of the Group's business. The Group's risk management seeks to minimise the potential adverse effects from these exposures. The management reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

The Group's primary exposure to interest rate risk arises through its debt obligations. 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 the Group's interest rates and terms of repayment are disclosed in Note 14.

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

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 non-current borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

The Group's exposure to interest rate risks is shown in Note 14.

(b) Foreign currency risk

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

Information relating to the Group's foreign currency forward contracts hedging is disclosed in Note 11 to the financial statements.

31. Financial Risk Management Objectives and Policies (Continued)

(c) Credit risk

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

Other financial assets of the Group with exposure to credit risk include cash and derivative financial instruments. Cash is placed with reputable banks. Transactions involving derivative financial instruments are allowed only with counterparties that are of high credit quality. As such, management does not expect any counterparty to fail to meet their commitments.

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

(d) Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.