OAO FAR-EASTERN SHIPPING COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2009

CONTENTS

OAO Far-Eastern Shipping Company
and its subsidiaries

Consolidated Interim Financial Statements

Statement of Management Responsibilities

Management has prepared and is responsible for these consolidated interim 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

9 October 2009

Report of Independent Auditors on Review of Consolidated Interim Financial Statements to the Members of OAO Far-Eastern Shipping Company

Introduction

We have reviewed the accompanying consolidated statement of financial position of OAO Far-Eastern Shipping Company an its subsidiaries ("the Group") as of 30 June 2009 and the related statements of income, statement of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this consolidated financial statements in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on this consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, except as described in the next paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not give a true and fair view of the financial position of the Group as at 30 June 2009, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards.

Emphasis of matter – Going concern

The Group incurred a net loss of USD 131 million during the six months period ended 30 June 2009 and, at that date, the Group's current liabilities exceeded its current assets by USD 244 million. These conditions, along with the other matters explained in notes 18 and 34(e) to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include adjustments that would result if the Group was unable to continue as a going concern.

OOO Moore Stephens

OOO Moore Stephens

9 October 2009

38 Stremyanny Pereulok
Moscow
113093

OAO Far-Eastern Shipping Company and its subsidiaries

Consolidated Statement of Financial Position as at 30 June 2009

(Expressed in USD'000s)

	Note	30 June 2009		31 December 2008	
Non-Current Assets					
Intangible Assets					
Goodwill	4		264,229		264,229
Other intangible assets	5		9,657		10,856
Tangible Assets					
Fleet	6	591,726		723,572	
Rolling stock	7	427,033		463,038	
Other fixed assets	8	201,198		204,340	
			1,219,957		1,390,950
Equity accounted investments	9		1,893		4,361
Long term investments	10		616,255		617,096
Investment property	11		16,610		25,017
Other non-current assets	12		20,253		12,875
Current Assets					
Inventories	13	14,549		10,919	
Accounts receivable	14	169,822		246,084	
Profit tax receivable		24,852		9,163	
Other current assets	15	8,152		5,928	
Bank and cash balances	16	77,805		218,683	
		295,180		490,777	
Less: Current Liabilities					
Accounts payable	17	73,690		100,005	
Profit tax payable		701		5,295	
Loans and other obligations	18,19	422,005		513,581	
Loans reclassified to current liabilities following non-compliance with covenants	18	43,316		33,827	
		539,712		652,708	
Net Current Liabilities			(244,532)		(161,931)
			1,904,322		2,163,453
Financed by:					
Share capital	21		57,230		57,230
Share premium	21		999,494		999,494
Treasury shares	21		(336,104)		(336,104)
Retained earnings			640,920		771,536
Other reserves	22		(18,951)		12,165
			1,342,589		1,504,321
Minority interest			14,175		17,031
Total equity			1,356,764		1,521,352
Long term loans and other obligations	18,19		489,717		573,824
Deferred tax liability	20		57,262		59,745
Liabilities in respect of share – based payments	23		579		8,532
			1,904,322		2,163,453

S.V. Generalov, President

Date: 9 October 2009

Y.B. Gilts, Vice President and CFO

The attached notes on pages 10 to 57 form an integral part of these financial statements.

OAO Far-Eastern Shipping Company
and its subsidiaries

Consolidated Income Statement
For the six month period ended 30 June 2009

(Expressed in USD'000s)

	Note	30 June 2009		30 June 2008	
Revenue			287,849		614,259
Operating expenses			(211,903)		(379,487)
Gross Profit	24		75,946		234,772
Depreciation and amortisation					
Fleet	6	(26,401)		(39,669)	
Rolling stock	7	(12,499)		(13,332)	
Other fixed assets	8	(9,483)		(11,464)	
Intangible assets	5	(986)		(1,582)	
			(49,369)		(66,047)
Other Income and Expenses					
Other income	25		8,218		6,553
Interest receivable			3,678		3,101
Group share of results of associated companies	9		255		7,500
Goodwill not recognised	32		(3,850)		(1,781)
Administrative expenses			(45,029)		(75,612)
Non-profit based taxes	26		(2,789)		(7,479)
Bad debt release / (charge)			1,238		(1,322)
Interest payable and finance charges			(33,405)		(33,681)
Exchange (loss) / gain			(15,331)		15,501
			(87,015)		(87,220)
(Loss)/Profit before Taxation, Asset Disposals and Fair Value Adjustments			(60,438)		81,505
(Loss)/Profit on disposal of fixed assets and investments	27		(2,724)		2,446
(Loss) on disposal of share in a joint venture			-		(3,556)
Fair value and impairment adjustments	28		(57,732)		(1,127)
(Loss) / Profit before Taxation			(120,894)		79,268
Taxation	26		(10,561)		(21,250)
Net (Loss)/Profit for the period			(131,455)		58,018
Attributable to:					
Equity holders of the parent			(133,789)		56,050
Minority interest			2,334		1,968
(Loss)/Profit per share	29		USD (0.052)		USD 0.025

The attached notes on pages 10 to 57 form an integral part of these financial statements.

OAO Far-Eastern Shipping Company
and its subsidiaries

Consolidated Statement of Comprehensive Income
For the six month period ended 30 June 2009

(Expressed in USD'000s)

	30 June 2009		30 June 2008	
Net (loss)/profit for the period		(131,455)		58,018
Other comrehensive income:				
Revaluation of fleet, net of tax	(7,905)		15,486	
Cash flow hedges	(477)		(210)	
Effect of translation differences	(19,561)		34,873	
Other comprehensive (loss)/income for the period, net of tax		(27,943)		50,149
Total comprehensive (loss)/income for the period		(159,398)		108,167
Total comprehensive (loss)/income attributable to:				
Minority interest		2,334		1,968
Equity holders of the parent		(161,732)		106,199

The attached notes on pages 10 to 57 form an integral part of these financial statements.

OAO Far-Eastern Shipping Company
and its subsidiaries

Consolidated Statement of Changes in Equity
For the period ended 30 June 2009

(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 2008	32,044	392,965	(59,125)	724,667	179,572	1,270,123	18,895	1,289,018
Total comprehensive income for the period	-	-	-	81,199	25,000	106,199	1,968	108,167
Movements in own shares	-	-	2	-	-	2	-	2
Dividends declared	-	-	-	-	-	-	(1,223)	(1,223)
Balance at 30 June 2008	32,044	392,965	(59,123)	805,866	204,572	1,376,324	19,640	1,395,964
Total comprehensive income for the period	-	-	-	(34,330)	(192,407)	(226,737)	6,201	(220,536)
Movements in own shares	-	-	(276,981)	-	-	(276,981)	-	(276,981)
Issue of share capital	25,186	606,529	-	-	-	631,715	-	631,715
Dividends declared	-	-	-	-	-	-	(548)	(548)
Decrease in minority interest due to increase of shareholding	-	-	-	-	-	-	(168)	(168)
Decrease in minority interest due to transfer to investment available for sale	-	-	-	-	-	-	(17,216)	(17,216)
Minority interest on acquisition	-	-	-	-	-	-	9,122	9,122
Balance at 31 December 2008	57,230	999,494	(336,104)	771,536	12,165	1,504,321	17,031	1,521,352
Total comprehensive income for the period	-	-	-	(130,616)	(31,116)	(161,732)	2,334	(159,398)
Dividends declared	-	-	-	-	-	-	(5,360)	(5,360)
Minority interest on acquisition (Note 32)	-	-	-	-	-	-	170	170
Balance at 30 June 2009	57,230	999,494	(336,104)	640,920	(18,951)	1,342,589	14,175	1,356,764

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 30 June 2009 were USD 202 million (as at 30 June 2008: USD 151 million).

The attached notes on pages 10 to 57 form an integral part of these financial statements.

OAO Far-Eastern Shipping Company and its subsidiaries

Consolidated Statement of Cash Flows For the six month period ended 30 June 2009

(Expressed in USD'000s)

	Note	30 June 2009	30 June 2008
Cash Flow from Operating Activities			
Receipts from customers		317,238	593,934
Payments to suppliers		(261,006)	(430,933)
Other cash receipts		20,143	6,553
Other cash payments		(28,855)	(41,186)
Operating cash flows		47,520	128,368
Taxation received		15,309	-
Taxation paid		(25,206)	(36,365)
Net operating cash flows	31	37,623	92,003
Cash Flow from Investing Activities			
Vessels under construction	6	(29,141)	(108,398)
Vessels acquired	6	-	(4,460)
Expenditure on other fixed assets	8	(6,358)	(109,080)
Proceeds from cancellation of construction contracts		48,967	-
Expenditure on intangible assets	5	-	(3,001)
Expenditure on drydocking	6	(3,326)	(6,141)
Proceeds on disposal of fleet		18,560	6,021
Proceeds on disposal of other fixed assets		1,625	2,588
Proceeds on disposal of investment properties		-	595
Subsidiaries acquired		-	(3,120)
Prepayment for a subsidiary		-	(10,125)
Cash on acquisition of subsidiaries	32	188	691
Other investments acquired		-	(426)
Proceeds on sale of subsidiaries		94	-
Proceeds on sale of joint ventures		-	9,316
Cash on sale of joint ventures		-	(807)
Receipts from finance lease	12	348	38
Dividends received		-	6,900
Short-term loans repaid/(issued)		800	(949)
Interest and investment income		3,678	3,101
Net cash generated by/(used) in investing activities		35,435	(217,257)

The attached notes on pages 10 to 57 form an integral part of these financial statements.

OAO Far-Eastern Shipping Company
and its subsidiaries

Consolidated Cash Flow Statement
For the six month period ended 30 June 2009
(continued)

(Expressed in USD'000s)

	Note	30 June 2009	30 June 2008
Cash Flow from Financing Activities			
Issue of own shares		-	2
Receipts under swap agreement		3,883	-
Loans drawn down		141,946	242,091
Loan repayments		(302,886)	(113,098)
Finance charges		(35,553)	(37,774)
Payments on financial instruments		(11,146)	-
Increase in overdraft		7,400	35,313
Dividends paid to minority shareholders		(4,954)	(1,223)
Net cash (used in) / generated by financing activities		(201,310)	125,311
Exchange Differences		(12,626)	8,282
Net (Decrease) / Increase in Cash		(140,878)	8,339
Cash and Cash Equivalents at 1 January		217,415	113,171
Cash and Cash Equivalents at 30 June	16	76,537	121,510

The attached notes on pages 10 to 57 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 interim 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 interim 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 interim 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***
  The net assets of acquired entities have been included in these consolidated interim 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. 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)

- ***Valuation of investments available for sale***
  The Group reviews the carrying value of investments available for sale at the end of each reporting period. In determining an appropriate carrying value the Company may rely on the opinion of expert third party valuers. The valuers determine the value of the business by reference discounted cash flow projections, assets values and analysis of comparable companies and transactions. 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.

- ***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 valuation 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:

	30 June 2009	31 December 2008
Stock price	0.31	0.79
Strike price	0.33-1.08	0.33-1.08
Risk – free rate	0.56%-1.64%	0.57%-1.14%
Volatility	117.58%-120.21%	113.65%-117.58%
Time to expiration	1-3 years	1.5-3.5 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 30 June 2009.

  The variables set out above resulted in a value per option of 13.40 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 14.72 cents. A decrease to 100% volatility will result in a price of 10.79 cents.

  An increase in the risk-free rate to 2% will result in an increase in the option value to 13.51 cents. A reduction in the risk-free rate to 0.1% will result in a decrease in value to 13.31 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.

2. Basis of Accounts Preparation (Continued)

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

The accounting policy adopted in the preparation of these consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008, except for the adoption of new standards as of 1 January 2009, noted below. The application of the standards listed below affected disclosure requirements only.

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).
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.

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 Interpretations Committee (IFRIC) Interpretations

IFRIC 17	*Distributions of Non-cash Assets to Owners*	*1 July 2009*
IFRIC 18	*Transfer of assets from customers*	*1 July 2009*

Revised standards

IAS 27	*Consolidated and Separate Financial Statements*	*1 July 2009*
IAS 31	*Interests in Joint Ventures* - Consequential amendments arising from amendments to IFRS 3	*1 July 2009*
IFRS 3	*Business Combinations* - Comprehensive revision on applying the acquisition method	*1 July 2009*

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

2. Basis of Accounts Preparation (Continued)

(e) Segmental Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's Management Board. A segmental analysis has been included at Note 24.

The Group's reportable segments are organised around services provided: 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. Since each operating segment operates in a single geographic segment, additional geographical analysis is not given.

Segmental information for the 6 month period to 30 June 2008 was restated following IFRS 8 becoming effective in 2009.

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. 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 30 June 2009, the official rate of exchange, as determined by the Central Bank of the Russian Federation, was USD 1 = RUR 31.29 (31 December 2008 USD 1 = RUR 29.38).

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 annually 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.

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

3. Accounting Policies (Continued)

(h) Revenue recognition (continued)

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.

(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.

3. Accounting Policies (Continued)

(j) Investments and investment income (continued)

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.

(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.

3. Accounting Policies (Continued)

(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.

(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.

3. Accounting Policies (Continued)

(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.

(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.

3. Accounting Policies (Continued)

(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 a 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, an 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.

OAO Far-Eastern Shipping Company PLC
and its subsidiaries

Notes to the Consolidated interim financial statements – 30 June 2009 (continued)

4. Goodwill

	Gross amount	Accumulated impairment loss	Carrying amount
		USD'000s	
At 1 January 2008	405,138	-	405,138
Translation difference	12,030	-	12,030
At 30 June 2008	417,168	-	417,168
Additions	185,832	-	185,832
Impairment	-	(43,699)	(43,699)
Transferred to available for sale group	(295,072)	-	(295,072)
At 31 December 2008 and 30 June 2009	307,928	(43,699)	264,229

Goodwill arising on consolidation relates to the following acquisitions:

	30 June 2009	31 December 2008
	USD'000s	
TIS (BVI) Ltd	4,093	4,093
Neteller Holding Limited	45,633	45,633
M-Port, Ltd	21,845	21,845
Fesco ESF Limited	6,826	6,826
OOO National Container Company	185,832	185,832
	264,229	264,229

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:

	30 June 2009	31 December 2008
	USD'000s	
TIS	4,093	4,093
Transgarant	45,633	45,633
Commercial Port of Vladivostok	21,845	21,845
Fesco ESF Limited	6,826	6,826
Vladivostok Container Terminal	185,832	185,832
	264,229	264,229

OAO Far-Eastern Shipping Company PLC
and its subsidiaries

Notes to the Consolidated interim financial statements – 30 June 2009 (continued)

5. Other Intangible Assets

	Cost	Amortisation	Net Book Value
		USD'000s	
At 1 January 2008	20,480	(3,030)	17,450
Additions	3,001	-	3,001
Disposals	(6)	-	(6)
Charge for the period	-	(1,582)	(1,582)
At 30 June 2008	23,475	(4,612)	18,863
Additions	1,876	-	1,876
Disposals	-	-	-
Transferred to available for sale group	(10,945)	1,996	(8,949)
Charge for the period	-	(934)	(934)
At 1 January 2009	14,406	(3,550)	10,856
Translation differences	(46)	-	(46)
Disposals	(167)	-	(167)
Charge for the period	-	(986)	(986)
At 30 June 2009	14,193	(4,536)	9,657

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	
	30 June 2009	31 December 2008	30 June 2009	30 June 2008
	USD'000s		USD'000s	
(a) Fleet	470,489	505,197	21,729	35,054
(b) Deferred dry docking expenses	22,574	24,386	4,672	4,615
(c) Vessels under construction	98,663	193,989	-	-
	591,726	723,572	26,401	39,669

(a) Fleet

	Valuation	Depreciation	Net Book Value
		USD'000s	
At 1 January 2008	673,021	-	673,021
Newbuildings acquired during the period	22,060	-	22,060
Depreciation charge for the period	-	(35,054)	(35,054)
Disposals	(3,309)	-	(3,309)
Revaluation	19,130	-	19,130
At 30 June 2008	710,902	(35,054)	675,848
Newbuildings acquired during the period	79,914	-	79,914
Vessels acquired during the period	7,100	-	7,100
Depreciation charge for the period	-	(66,914)	(66,914)
Disposals	(5,442)	-	(5,442)
Revaluation	(287,277)	101,968	(185,309)
At 1 January 2009	505,197	-	505,197
Newbuildings acquired during the period	60,929	-	60,929
Depreciation charge for the period	-	(21,729)	(21,729)
Disposals	(20,938)	104	(20,834)
Impairment	(53,074)	-	(53,074)
At 30 June 2009	492,114	(21,625)	470,489
Total deadweight tonnage			863,962

In April 2009 mv "Fesco Diomid", a 3,100 TEU container vessel, was transferred from the shipyard (see 6(c)).

At 30 June 2009, the estimated scrap value of the Group's fleet was calculated based on an estimate of USD 250 per LWT (2008: USD 250).

The fleet includes 13 vessels fully depreciated with an aggregate book value of USD 23 million at 30 June 2009 (14 vessels with NBV of USD 22 million at 31 December 2008). Depreciated historical cost of the Group's fleet at 30 June 2009 was USD 540 million (2008 – USD 522 million).

At 30 June 2009, 27 vessels in the Group's fleet with a net book value of USD 428 million were insured for hull and machinery risks with western underwriters. A further 28 vessels with a net book value of USD 96 million were insured with Russian underwriters. The total insured value amounted to USD 573 million.

47 vessels with a net book value of USD 445 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).

6. Fleet (continued)

(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 2008	41,954	(19,649)	22,305
Additions	6,141	-	6,141
On acquisition of newbuildings	240	-	240
Charge for the period	-	(4,615)	(4,615)
Amortised dry dock write off	(1,565)	1,565	-
Release on disposal of fleet	(3,578)	2,403	(1,175)
At 30 June 2008	43,192	(20,296)	22,896
Additions	5,138	-	5,138
On acquisition of newbuildings	800	-	800
Charge for the period	-	(5,038)	(5,038)
Amortised dry dock write off	(973)	973	-
Release on disposal of fleet	(603)	1,193	590
At 1 January 2009	47,554	(23,168)	24,386
Additions	3,326	-	3,326
On acquisition of newbuildings	550	-	550
Charge for the period	-	(4,672)	(4,672)
Amortised dry dock write off	(4,156)	4,156	-
Release on disposal of fleet	(2,407)	1,391	(1,016)
At 30 June 2009	44,867	(22,293)	22,574

(c) Vessels under construction

Movements during the period on vessels under construction were:

	2009	2008
	USD'000s	
At 1 January	193,989	80,678
Expenditure during the period	29,141	130,961
Capitalised borrowing costs	1,444	1,886
Transferred to fleet during the period	(61,479)	(22,300)
Cancelled	(54,752)	-
Impairment	(9,680)	-
At 30 June	98,663	191,225
Expenditure during the period		88,333
Capitalised borrowing costs		2,145
Transferred to fleet during the period		(80,714)
Impairment		(7,000)
At 31 December		193,989

Details of the Group's commitments in respect of vessels under construction are given in Note 34a. The amount transferred to fleet during the period represents prepayments previously made in respect of the construction of the Fesco Diomid.

In March 2009 the Group has cancelled contracts for construction of two vessels and has received full refund of prepayments. The reason for cancellation of contracts were notices from shipyard about fail to deliver vessels on term.

7. Rolling Stock

	Cost	Depreciation	Net Book Value
		USD'000s	
At 1 January 2008	366,029	(20,007)	346,022
Additions in the period	75,836	-	75,836
Additions on acquisition of subsidiary	29,574	(1,196)	28,378
Depreciation charge for the period	-	(13,332)	(13,332)
Disposals	(32)	17	(15)
Disposals on sale of subsidiary	(42,700)	1,888	(40,812)
Translation difference	13,283	376	13,659
At 30 June 2008	441,990	(32,254)	409,736
Additions in the period	27,094	-	27,094
Additions on acquisition of subsidiary	118,271	(5,130)	113,141
Depreciation charge for the period	-	(13,335)	(13,335)
Disposals	(4,614)	578	(4,036)
Translation difference	(59,518)	(10,044)	(69,562)
At 1 January 2009	523,223	(60,185)	463,038
Additions in the period	423	-	423
Depreciation charge for the period	-	(12,499)	(12,499)
Disposals	(404)	-	(404)
Translation difference	(23,778)	253	(23,525)
At 30 June 2009	499,464	(72,431)	427,033

Rolling stock includes assets held under finance leases with a net book value of USD 144 million (at 31 December 2008 – USD 149 million).

As at 30 June 2009 rolling stock with a net book value of USD 241 million was insured with Russian insurance companies. The total insured value is USD 304 million with a net book value of USD 241 million (at 31 December 2008 – USD 320 million with a net book value of USD 222 million).

OAO Far-Eastern Shipping Company PLC
and its subsidiaries

Notes to the Consolidated interim financial statements – 30 June 2009 (continued)

8. Other Fixed Assets

	Buildings and Infrastructure	Plant, Machinery and Other	Assets under construction	Total
	USD'000s			
Cost				
At 1 January 2008	149,140	182,960	62,061	394,161
Additions in the period	4,048	16,937	52,759	73,744
Additions on acquisition of subsidiary	-	84	118	202
Transfer	3,273	1,318	(4,591)	-
Disposals during the period	(16)	(2,192)	-	(2,208)
Disposals on sale of subsidiary	-	(242)	(318)	(560)
Translation difference	5,490	2,485	3,815	11,790
At 30 June 2008	161,935	201,350	113,844	477,129
Additions in the period	2,206	16,751	21,534	40,491
Additions on acquisition of subsidiary	23,565	14,878	248	38,691
Previously accounted as associates	5,385	13,158	-	18,543
Transfer from investment property	2,666	-	-	2,666
Transfer	203	118	(321)	-
Transfer to available for sale	(104,820)	(62,377)	(104,009)	(271,206)
Disposals during the period	(116)	(535)	-	(651)
Disposals on sale of subsidiary	-	-	-	-
Valuation adjustment	2,029	-	-	2,029
Translation difference	(5,846)	(15,200)	(5,185)	(26,231)
At 31 December 2008	87,207	168,143	26,111	281,461
Additions in the period	128	2,044	4,028	6,200
Additions on acquisition of subsidiary	38	395	20	453
Transfer from investment property	6,471	-	-	6,471
Transfer	107	91	(198)	-
Disposals during the period	(20)	(1,622)	(71)	(1,713)
Translation difference	(1,067)	(3,257)	(1,285)	(5,609
At 30 June 2009	92,864	165,794	28,605	287,263
Depreciation				
At 1 January 2008	17,855	52,076	-	69,931
Depreciation charge for the period	2,540	8,924	-	11,464
Additions on acquisition of subsidiary	-	44	-	44
Eliminated on disposal	(1)	(1,281)	-	(1,282)
Eliminated on disposal of subsidiary	-	(38)	-	(38)
Translation difference	222	(2,136)	-	(1,914)
At 30 June 2008	20,616	57,589	-	78,205
Depreciation charge for the period	988	8,487	-	9,475
Additions on acquisition of subsidiary	323	2,209	-	2,532
Previously accounted as associates	313	1,944	-	2,257
Transfer to available for sale	(3,455)	(8,159)	-	(11,614)
Eliminated on disposal	(88)	(936)	-	(1,024)
Translation difference	(267)	(2,443)	-	(2,710)
At 31 December 2008 (carried forward to the next page)	18,430	58,691	-	77,121

8. Other Fixed Assets (continued)

	Buildings and Infrastructure	Plant, Machinery and Other	Assets under construction	Total
	USD'000s			
Depreciation				
At 31 December 2008 (brought forward from the previous page)	18,430	58,691	-	77,121
Depreciation charge for the period	1,274	8,209	-	9,483
Eliminated on disposal	(3)	(981)	-	(984)
Translation difference	(51)	496	-	445
At 30 June 2009	19,650	66,415	-	86,065
Net Book Value				
At 30 June 2009	73,214	99,379	28,605	201,198
At 31 December 2008	68,777	109,452	26,111	204,340

Other fixed assets held under finance leases include containers with a net book value of USD 26 million (at 31 December 2008 – USD 28 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

The balances at the period end were as follows:

	30 June 2009	31 December 2008
	USD'000s	
International Paint (East Russia) Ltd	608	306
Transorient Shipping Company Ltd	690	809
JV Shoshtrans Uzbekistan	595	540
Angeny Holdings Ltd	-	2,706
	1,893	4,361

9. Equity Accounted Investments (continued)

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

	30 June 2009	31 December 2008
	USD'000s	
Balance as at 1 January	4,361	20,385
Share of results of associated companies	255	7,689
Additions	-	8
Written off	-	(294)
Transferred to subsidiaries	-	(15,463)
Transferred to available for sale investments	(2,706)	-
Dividends	-	(7,675)
Translation differences	(17)	(289)
Balance as at 30 June / 31 December	1,893	4,361

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

	Assets	Liabilities	Net Assets/ (liabilities)	Revenue	Profit /(loss) for the period
			USD'000s		
International Paint	2,093	851	1,242	3,240	619
Transorient Shipping Company Ltd	8,239	5,215	3,024	505	(242)
JV Shoshtrans Uzbekistan	4,376	1,996	2,380	860	284
Total	14,708	8,062	6,646	4,605	661

10. Long Term Investments

	30 June 2009	31 December 2008
	USD'000s	
Subsidiary companies (not consolidated)	2,226	3,288
Trade loans and other investments available for sale	529	308
Investments available for sale	613,500	613,500
	616,255	617,096

Investments available for sale are comprised of 50% interests in NCC Group Limited and Ealingwood Limited. Prior to July 2008 investments in these entities were accounted for on a proportional consolidation basis as management believed that Group had joint control. From 1 July 2008 investments in these entities have been reclassified as available for sale investments as management concluded the entities concerned were not subject to joint control. Investments are shown at their fair value as estimated by management and supported by independent valuation.

Subsidiaries not consolidated on the grounds of materiality comprise:

	30 June 2009	31 December 2008
	USD'000s	
Fesco Logistic LLC	1,342	1,605
Transfes' subsidiaries not consolidated	497	1,147
Fesco Service	346	499
Other	41	37
	2,226	3,288

11. Investment Property

	Cost	Fair Value Adjustment	Net Book Value
		USD'000s	
At 1 January 2008	32,940	631	33,571
Translation difference	1,677	-	1,677
Disposals	(1,423)	-	(1,423)
Fair value adjustment	-	124	124
At 30 June 2008	33,194	755	33,949
Translation difference	(6,441)	-	(6,441)
Additions	156	-	156
Disposals	(999)	-	(999)
Fair value adjustment	-	1,018	1,018
Reclassified to other fixed assets	(2,666)	-	(2,666)
At 1 January 2009	23,244	1,773	25,017
Translation differences	(1,897)	-	(1,897)
Additions	20	-	20
Disposals	(59)	-	(59)
Reclassified to other fixed assets	(6,471)	-	(6,471)
At 30 June 2009	14,837	1,773	16,610

The Group accounts for warehouses and other buildings that it holds for rental purposes as investment properties. The carrying value of the Group's investment property at 30 June 2009 is based on estimate of fair value made by management.

Investment properties with a total value of USD 2.6 million (31 December 2008 USD 5.9 million) are pledged as security to guarantee the Group's obligations under loans (Note 18).

As at 30 June 2009 certain investment properties of the Group were insured for a value of USD 9.6 million (31 December 2008: USD 11.8 million)

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

	30 June 2009	31 December 2008
	USD'000s	
Within one year	1,561	1,517
In two to five years	1,177	3,245
After more than five years	3,659	2,681
Total lease receipts	6,397	7,443

OAO Far-Eastern Shipping Company PLC
and its subsidiaries

Notes to the Consolidated interim financial statements – 30 June 2009 (continued)

12. Other Non-current Assets

	30 June 2009	31 December 2008
	USD'000s	
Long term bank deposit	354	630
Prepayments for fixed assets	1,222	1,331
Long term finance lease receivables	4,335	4,732
Prepayments for investment	2,094	6,182
Interest swap	915	-
Long term portion of VAT receivable	11,333	-
	20,253	12,875

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

The Group leases railroad platforms to one of its joint ventures, which is proportionally accounted for in these financial statements. 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%.(2008 – 9%).

Lease receivables as at 30 June 2009 and 31 December 2008 are scheduled as follows:

	30 June 2009		31 December 2008	
	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	769	1,407	720
Two to five years	5,502	4,214	5,630	4,062
Over five years	123	121	699	671
	7,032	5,104	7,736	5,453
Less: future finance charges	(1,928)		(2,283)	
Present value of lease obligations	5,104		5,453	

13. Inventories

	30 June 2009	31 December 2008
	USD'000s	
Bunkers	9,949	5,969
Victualling	229	404
Stores, spares and other materials	4,371	4,546
	14,549	10,919

14. Accounts Receivable

	30 June 2009	31 December 2008
	USD'000s	
Trade debtors	69,985	97,227
Due from non-consolidated subsidiaries	2,703	3,193
Due from associates	3,937	4,584
VAT receivable	48,802	69,329
Voyages in progress	2,034	2,427
Prepayments to OAO "Russian Railways"	12,014	18,539
Other debtors and prepayments	43,217	40,136
Amount in dispute with the taxation authorities	-	24,758
Allowance for impairment	(12,870)	(14,109)
	169,822	246,084

A currency and maturity analysis is detailed in Note 35.

15. Other Current Assets

	30 June 2009	31 December 2008
	USD'000s	
Loans issued to related parties	80	-
Loans and promissory notes issued to third parties	510	1,115
Short term finance lease receivable (Note 12)	769	720
Short term portion of interest rate swap	1,318	4,093
Currency hedge	3,275	-
Investment available for sale	2,200	-
	8,152	5,928

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 35.

16. Bank and Cash Balances

	30 June 2009	31 December 2008
	USD'000s	
Bank accounts and cash in hand	76,537	217,415
Restricted deposits	1,268	1,268
	77,805	218,683

A currency analysis is detailed in Note 35.

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 2008 - USD 1,268 thousand).

17. Accounts Payable

	30 June 2009	31 December 2008
	USD'000s	
Trade creditors	38,949	65,713
Non-profit taxes payable	6,578	5,177
Due to non-consolidated subsidiaries	328	-
Due to associates	1,182	1,043
Share – based payments (Note 23)	2,063	6,879
Payable to shipyard	-	5,720
Other creditors and accruals	24,184	15,473
Dividends payable to minority shareholders	406	-
	73,690	100,005

A currency and maturity analysis is detailed in Note 35.

18. Loans Payable and Other Obligations

	30 June 2009	31 December 2008
	USD'000s	
Loans and other obligations comprise:		
Secured loans		
Loans from ING Bank N.V.	251,861	294,538
Loans from Raiffeisenbank	35,826	53,197
Loans from Vneshtorgbank	96,005	158,260
Loans from Citibank	165,706	170,914
Loans from SMBC	86,000	57,000
Loans from Swedbank	54,146	5,556
Other bank loans	98,368	152,972
Loans from other entities	-	47,404
Overdraft	6,834	-
	794,746	939,841
Unsecured loans		
Loans from Vneshtorgbank	-	5,500
Loans from Swedbank	10,000	10,000
Loans from other entities	2,985	2,688
Overdraft	3,210	2,644
	16,195	20,832
Other obligations		
Obligations under finance leases (Note 19)	103,803	112,652
Interest payable	5,131	6,919
Fair value of currency hedge (Note 33)	3,200	11,000
Fair value of interest rate swap contracts (Note 33)	31,963	29,988
	144,097	160,559
	955,038	1,121,232
Repayable within the next twelve months	422,005	513,581
Loans becoming payable on demand following breach of covenants	43,316	33,827
Long term balance	489,717	573,824
	955,038	1,121,232

For currency and maturity analysis of loans and other obligations see Note 35.

18. Loans Payable and Other Obligations (continued)

Of the above USD 308 million (31 December 2008 – USD 397 million) is at fixed interest rates with a weighted average interest rate of 11.03% (31 December 2008 – 10.03%). USD 503 million (31 December 2008 – USD 564 million) is at floating ratings ranging from 0.925% to 9.5% (31 December 2008 – from 0.925% to 6.00%) above LIBOR / EURIBOR / MOSPRIME. Security provided includes mortgages over fleet with a carrying value of USD 445 million (note 6) (31 December 2008 – USD 488 million), rolling stock of USD 200 million (31 December 2008 – USD 50 million).

As at 30 June 2009 the Group was not able to meet financial ratio covenants contained in four loan agreements with an aggregate total outstanding principal amount of USD 67 million (31 December 2008 – USD 40 million) of which USD 9 million was long term. According to the terms of these agreements the total amount became payable on demand of the lenders as a result of the breach. As a consequence USD 9 million has been classified as short term in these financial statements. Since the balance sheet date the Group has renegotiated the terms of these loans, no early repayment was requested.

As at 30 June 2009, based on a valuations carried out in June 2009, the market value of vessels pledged as security was below the minimum value stipulated in two loan agreements with a combined total outstanding principal amount of USD 112 million. Subsequent to the period end the lenders issued notices requesting the Group to rectify the breach in accordance with the terms of the loan. Consequently USD 34 million became payable on demand and was reclassified as a current liability as at 30 June 2009.

As explained more fully in note 37 the Group is currently in the process of seeking a comprehensive rescheduling of debt and amendments to loan covenants.

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 2009 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", OOO "Inpromleasing", 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% (2008: 14.35%) and on the container lease liability it is 6% (2008: 6%). Minimum lease payments and future interest element are estimated based on the rates applicable to each individual lease contract.

Lease payments as at 30 June are scheduled as follows:

	30 June 2009		31 December 2008	
	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	27,185	15,574	29,732	15,936
Two to five years	87,738	51,711	88,428	50,642
Over five years	45,596	36,518	56,005	46,074
	160,519	103,803	174,165	112,652
Less: future finance charges	(56,716)		(61,513)	
Present value of lease obligations	103,803		112,652	
Less amount due for settlement within 12 months		(15,474)		(15,936)
Amount due for settlement after 12 months		88,329		96,716

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% (2008– 24%).

Movement in temporary differences during the period:

	Balance 31 December 2008	Translation differences	(Charge) / release to income for the period	Balance 30 June 2009
Vessels	(19,917)	-	2,087	(17,830)
Other fixed assets	(59,852)	2,524	(2,191)	(59,519)
Assets under construction	(19)	-	77	58
Investments	(2,358)	197	1,134	(1,027)
Inventories	1,486	(9)	(163)	1,314
Accounts receivable	(80)	936	280	1,136
Accounts payable	(15,973)	937	237	(14,799)
Provisions, accruals and deferred income	194	-	(6)	188
Lease liabilities	36,402	(2,814)	(1,501)	32,087
Foreign deferred tax	372	(368)	(12)	(8)
Deferred tax asset on losses carried forward	-	-	1,138	1,138
	(59,745)	1,403	1,080	(57,262)

21. Share Capital

	30 June 2009	31 December 2008
	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	2,951,250,000
Share capital (USD'000)	57,230	57,230

As at 30 June 2009 the Group held 393,705,807 of its own shares which were purchased for USD 336 million, being approximately 11% of the shares in issue (at 31 December 2008 – 393,692,807 shares for USD 336 million, being 11% of the shares in issue).

	30 June 2009	31 December 2008
	Number of shares	
Treasury shares held by:		
FES Invest	55,783	41,783
Shonstar Limited	27,941,077	124,401,921
Neteller Holdings Limited	365,708,947	269,249,103
	393,705,807	393,692,807

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.

22. Other Reserves

	Fleet Revaluation Reserve	Translation reserve	Cash flow hedge	Total
		USD'000s		
Balance at 1 January 2008	160,556	20,851	(1,835)	179,572
Revaluation of fleet	19,130	-	-	19,130
Deferred tax charge arising on revaluation of fleet	(3,644)	-	-	(3,644)
Annual release from revaluation reserve	(25,149)	-	-	(25,149)
Decrease in hedge fair value	-	-	(210)	(210)
Translation difference	-	34,873	-	34,873
Balance at 30 June 2008	150,893	55,724	(2,045)	204,572
Effect of change in tax rate	2,693	-	-	2,693
Revaluation of fleet	(101,958)	-	-	(101,958)
Deferred tax release arising on revaluation of fleet	2,349	-	-	2,349
Annual release from revaluation reserve	(9,749)	-	-	(9,749)
Decrease in hedge fair value	-	-	(374)	(374)
Translation difference	-	(85,368)	-	(85,368)
Balance at 31 December 2008	44,228	(29,644)	(2,419)	12,165
Annual release from revaluation reserve	(3,173)	-	-	(3,173)
Decrease in hedge fair value (Note 33)	-	-	(477)	(477)
Revaluation of fleet	(7,905)	-	-	(7,905)
Translation difference	-	(19,561)	-	(19,561)
Balance at 30 June 2009	33,150	(49,205)	(2,896)	(18,951)

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.

For the 6 months period to 30 June 2009 the Group recognised a reduction of USD 5.8mln in respect of grants under this share option scheme (6 months to 30 June 2008 - USD 13.2 million). The accumulated liability from recognised grants amounts to USD 2.6 million (31 December 2008 – USD 15.4 million), of which USD 2 million are included within short term liabilities (Note 17) (31 December 2008 – USD 7 million).

23. Share – based Payments (continued)

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

	30 June 2009		30 June 2008	
	Number of share option	Weighted average exercise price, USD	Number of share option, Million	Weighted average exercise price, USD'000
Outstanding at 1 January	27,941,076	0.5385	82,179,640	0.4513
Granted during the period	-	-	1,643,593	1.08
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	-	-
Expired during the period	-	-	-	-
Outstanding at 30 June	27,941,076	0.5385	83,823,233	0.4636
Exercisable at 30 June	-	-	-	-

Options granted to six directors and senior executives were outstanding at 30 June 2009. 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 a 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.

Segmental reporting information is submitted to management of the Group on a regular basis as part of the management reporting process. It is used to assess the efficiency of the segments and to take decision on the allocation of resources.

Management accounts are prepared based on IFRS principals, so there are no differences between IFRS items and management accounting information and no reconcile is required.

24. Business Segmental Analysis (continued)

Segment information for the main reportable segments of the Group for the period ended 30 June 2009 is set out below.

	Shipping	Liner and Logistics	Railway services	Ports	Corporate	Eliminations	Total
				USD'000			
External sales	76,226	129,535	57,119	24,969	-	-	287,849
Inter-segmental sales	16,570	116	375	7,095	-	(24,156)	-
Segmental revenue	92,796	129,651	57,494	32,064	-	(24,156)	287,849
Cost of sales	(71,220)	(116,307)	(34,797)	(14,955)	-	25,376	(211,903)
Segmental result - Group	21,576	13,344	22,697	17,109	-	1,220	75,946
Interest income	19,223	406	3,507	585	1,887	(21,930)	3,678
Depreciation	(27,744)	(4,808)	(13,448)	(2,708)	(661)	-	(49,369)
Administrative expenses	(12,094)	(15,763)	(13,794)	(5,774)	(4,113)	6,509	(45,029)
Interest payable and finance charges	(9,575)	(2,198)	(28,581)	(356)	(14,670)	21,975	(33,405)
Exchange loss	(8,344)	(2,031)	(3,577)	(231)	(652)	(496)	(15,331)
Other income and expenses	20,364	1,597	(3,902)	(78)	5,639	(16,953)	6,667
(Loss)/Profit before taxation, asset disposal and fair value adjustment	3,406	(9,453)	(37,098)	8,547	(12,570)	(9,675)	(56,843)
(Loss)/Profit on disposal of fixed assets and investments	(3,295)	605	5,775	(189)	-	(5,620)	(2,724)
Goodwill not recognised	-	-	-	(3,850)	-	-	(3,850)
Group share of results of associated companies	302	(47)	-	-	-	-	255
Fair value and impairment adjustment	(51,053)	(650)	(1,258)	-	(4,771)	-	(57,732)
(Loss)/profit before Taxation	(50,640)	(9,545)	(32,581)	4,508	(17,341)	(15,295)	(120,894)
Taxation	(6,639)	(795)	(1,255)	(1,872)	-	-	(10,561)
Net (Loss)/Profit for the period	(57,279)	(10,340)	(33,836)	2,636	(17,341)	(15,295)	(131,455)

24. Business Segmental Analysis (continued)

Segment information for the main reportable segments of the Group for the period ended 30 June 2008 is set out below.

	Shipping	Liner and Logistics	Railway services	Ports	Corporate	Eliminations	Total
				USD'000			
External sales	98,057	283,520	122,223	110,459	-	-	614,259
Inter-segmental sales	28,004	228	6,483	-	-	(34,715)	-
Segmental revenue	126,061	283,748	128,706	110,459	-	(34,715)	614,259
Cost of sales	(67,576)	(249,346)	(61,015)	(38,849)	-	37,299	(379,487)
Segmental result - Group	58,485	34,402	67,691	71,610	-	2,584	234,772
Interest income	7,484	469	1,434	1,086	140	(7,512)	3,101
Depreciation	(41,003)	(3,998)	(14,715)	(6,192)	(139)	-	(66,047)
Administrative expenses	(17,255)	(17,101)	(13,235)	(11,717)	(22,759)	6,455	(75,612)
Interest payable and finance charges	(9,150)	(1,582)	(15,631)	(3,431)	(5,946)	2,059	(33,681)
Exchange loss	5,450	2,950	5,954	763	384	-	15,501
Other income and expenses	749	(36)	5,743	(617)	13,123	(22,991)	(4,029)
(Loss)/Profit before taxation, asset disposal and fair value adjustment	4,760	15,104	37,241	51,502	(15,197)	(19,405)	74,005
(Loss)/Profit on disposal of fixed assets and investments	1,940	684	(2,698)	(1,186)	150	-	(1,110)
Group share of results of associated companies	323	288	2,374	4,515	-	-	7,500
Fair value and impairment adjustment	(1,215)	(36)	-	124	-	-	(1,127)
(Loss)/profit before Taxation	5,808	16,040	36,917	54,955	(15,047)	(19,405)	79,268
Taxation	(1,248)	(2,069)	(7,511)	(10,355)	(67)	-	(21,250)
Net (Loss)/Profit for the period	4,560	13,971	29,406	44,600	(15,114)	(19,405)	58,018

Impairment of segmental assets

	Recognised in profit and loss		Recognised directly in equity	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008
	USD'000s			
Shipping	54,849	1,215	7,905	-
Liner and logistics	650	36	-	-
Railway services	506	-	-	-
Ports	-	-	-	-
	56,005	1,251	7,905	-

24. Business Segmental Analysis (continued)

Segmental assets and liabilities

	Assets		Liabilities	
	30 June 2009	31 December 2008	30 June 2009	31 December 2008
	USD'000s			
Shipping	683,467	942,482	428,168	539,549
Liner and logistics	154,147	192,834	65,548	45,464
Railway services	561,400	628,537	384,513	392,168
Ports	243,768	267,142	35,036	41,373
Total of all segments	1,642,782	2,030,995	913,265	1,018,554
Goodwill	264,229	264,229	-	-
Other items not attributable to a specific segment	537,022	520,937	174,005	276,255
Consolidated	2,444,033	2,816,161	1,087,270	1,294,809

Other segmental information

	Acquisition of segment assets		Depreciation and amortisation of segment assets	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008
	USD'000s			
Shipping	34,147	151,505	27,744	41,003
Liner and logistics	318	2,167	4,808	3,998
Railway services	369	106,177	13,446	14,715
Ports	5,174	56,601	2,708	6,192
	40,008	316,450	48,706	65,908

25. Other Income

	30 June 2009	30 June 2008
	USD'000s	
Result of investment activity	6	185
Revenue from coastal branches	143	306
Asset leasing (containers and office buildings)	227	1,284
Insurance reimbursement	-	161
Sale of other assets	245	565
Penalties received	5,156	1,440
Other related services	2,441	2,612
	8,218	6,553

OAO Far-Eastern Shipping Company PLC
and its subsidiaries

Notes to the Consolidated interim financial statements – 30 June 2009 (continued)

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 20% (2008 – 24%), based on profit as computed under Russian accounting regulations and adjusted for fiscal purposes.

	30 June 2009		30 June 2008	
	USD'000s			
Charge for the period		11,117		21,799
Overseas taxation		524		754
Impact on change in profit tax from 24% to 20%	(179)		-	
Deferred tax release	(901)		(1,303)	
Deferred tax release (Note 20)		(1,080)		(1,303)
		10,561		21,250

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

	30 June 2009	30 June 2008
	USD'000s	
Accounting (loss)/ profit before tax	(131,455)	58,018
Adjustment for foreign subsidiaries not subject to Russian tax	35,809	1,925
Adjustments to comply with IFRS	128,172	21,127
Accounting profit in accordance with Russian standards	32,526	81,070
Adjustment for amounts disallowed/(allowable deductions)	23,063	9,759
Taxable profit	55,589	90,829

Other significant domestic taxes borne by the Group include:

	30 June 2009	30 June 2008
	USD'000s	
Property tax	2,484	3,807
Others	305	3,672
	2,789	7,479

Property tax is calculated at a rate of 2.2 % (2008 – 2.2%) on the value of assets as computed under Russian accounting regulations.

27. Profit on Disposal of Fixed Assets and Investments

	30 June 2009	30 June 2008
	USD'000s	
(Loss) / profit on sale of vessels	(3,289)	1,627
Profit on disposal of other fixed assets	490	1,647
(Loss) on disposal of investment property	-	(828)
Profit on disposal of other investments	75	-
	2,724	2,446

28. Fair Value and Impairment Adjustments

	30 June 2009	30 June 2008
	USD'000s	
Fleet impairment (Note 6)	(45,169)	-
Impairment of vessels under construction to fair value (Note 6)	(9,680)	-
Investments fair value adjustments	(4,264)	(1,251)
Investment property fair value adjustments (Note 11)	-	124
Changes in fair value of financial instruments (Note 33)	1,381	-
	(57,732)	(1,127)

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 period, 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.

	30 June 2009	30 June 2008
	USD	
(Loss)/profit for the period	(133,789,000)	56,050,000
Weighted average number of shares in issue (note 21)	2,557,537,360	2,276,408,345
Basic (loss)/earnings per share	(0,052)	0.025

30. Employee Benefit Expenses

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

	30 June 2009	30 June 2008
	USD'000s	
Employee benefit expenses included within operating expenses	30,699	42,917
Employee benefit expenses included within administrative expenses	21,762	50,027
	52,461	92,944

All benefits are short term.

31. Reconciliation of Operating Profit to Operating Cash Flows

	30 June 2009	30 June 2008
	USD'000s	
(Loss)/profit for the period before taxation	(120,894)	79,268
Adjusted for:		
Depreciation and amortisation	49,369	66,047
Finance charges	33,405	33,681
Fair values and impairment	57,732	1,127
Interest received and investment income	(3,678)	(3,101)
(Loss)/profit on disposal of fixed assets and investments	2,795	(2,446)
Share of results of joint ventures and associated companies	(255)	(7,500)
Goodwill not recognised	3,850	1,781
Profit/(loss) on disposal of shares in subsidiaries/joint ventures	(71)	3,556
Dry-docking expensed	-	191
Exchange differences	15,331	(15,501)
	37,584	157,103
Movements in working capital:		
Decrease/(increase) in accounts receivable	42,509	(34,565)
(Increase) in inventories	(3,630)	(9,223)
(Decrease)/increase in accounts payable	(29,141)	17,958
Decrease/(increase) in voyages in progress	393	(744)
	10,131	(26,574)
Movements in working capital attributable to acquisition of subsidiaries	(195)	(2,161)
Profit tax received	15,309	-
Profit tax paid	(25,206)	(36,365)
Net cash generated by operating activities	37,623	92,003

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.

	30 June 2009			
	Russkaya Troyka	Fesco Wallem	M-Port, Ltd	Trans Russia Agency
	USD'000s			
Current assets	7,643	775	6,942	744
Long-term assets	26,717	89	79,561	382
Current liabilities	(1,263)	(50)	(6,883)	(782)
Long-term liabilities	(10,603)	(8)	(13,034)	-
Net assets	22,494	806	66,586	344
Income	1,346	709	16,121	365
Expenses	(4,319)	(690)	(16,287)	(588)
Net result	(2,973)	19	(166)	(223)

OAO Far-Eastern Shipping Company PLC and its subsidiaries

Notes to the Consolidated interim financial statements – 30 June 2009 (continued)

32 Joint Venture Companies (continued)

	30 June 2008				
	Russkaya Troyka	NCC Group	Ealingwood Group	Fesco Wallem	M-Port, Ltd
	USD'000s				
Current assets	28,341	42,490	18,285	1,044	22,017
Long-term assets	31,320	338,815	46,536	55	87,803
Current liabilities	(5,918)	(30,449)	(4,801)	(48)	(6,394)
Long-term liabilities	(16,746)	(90,782)	(3,752)	(18)	(16,325)
Net assets	36,997	260,074	56,268	1,033	87,101
Income	7,160	71,829	20,396	26	30,157
Expenses	(4,720)	(53,328)	(15,237)	(637)	(22,960)
Net result	2,440	18,501	5,159	(611)	7,197

During the period one of Joint ventures in which the Group has an interest, OOO M Port, Ltd acquired shares of several companies for total cash consideration of USD 4 million from a related party.

Summarised information of the assets and liabilities of acquired companies on the date of acquisition were as follows:

	Net Book Value	50% Share
	USD'000s	
Cash	376	188
Inventories	185	93
Property, plant and equipment	906	453
Accounts receivable	1,235	617
Accounts payable	(1,810)	(905)
	892	446
Minority Interest		(170)
Net assets attributable to the Group		276
Cash consideration:		4,126
Goodwill arising on acquisition (not recognised)		3,850

The profit of newly acquired companies included on consolidation amounts to USD 0.05 million.

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 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.

An interest rate collar was entered to limit adverse LIBOR fluctuations. If LIBOR falls within the range 3% to 5.95% then a floating rate will be paid. If LIBOR falls below then 3% limit then a fixed rate of 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 the strengthening of RUR, limiting the RUR to USD exchange rate to a range between RUR 24.1 and RUR 26.62 per USD 1. This year in order to minimise the exposure to the weakening RUB the Group purchased a call USD/RUB option for USD 20 million at RUB26.62 per USD expiring 14 September 2009 which was exercised.

Five interest rate swap structures were entered in the reporting period order to hedge the future cash flows. All of them have notionals and coupon dates corresponding with outstanding balances and interest payment dates of underlying secured loan facilities. The fixed rates vary from 3.62% to 6.04% per annum with maturities on 1 May 2012, 29 September 2013, 31 January 2016, 30 October 2022 and 30 December 2022.

For the period ended 30 June 2009, the Group recognised a loss of USD 477 thousand (31 December 2008 – USD 584 thousand) in equity as effective fair value changes on financial instruments under cash flow hedge accounting.

For a maturity analysis of cash flows hedges see Note 35.

The fair value of the interest swap is as follows:

	30 June 2009	31 December 2008
	USD'000s	
Fair value of liability at 1 January	29,988	1,835
Increase in the year for contracts held at period end	1,975	28,153
Fair value of liability at 30 June / 31 December (Note 18)	31,963	29,988
Current liability	7,682	6,559
Non current liability	24,281	23,429
	31,963	29,988

34. Contingencies and Commitments

a) Capital commitments

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

	30 June 2009	31 December 2008
	USD'000s	
In one year	103,438	196,507
In two to five years	28,181	43,725
Total outstanding commitment	131,619	240,232

Changes to capital commitments after the period end are disclosed in note 37.

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 period end all non-cancellable operating lease agreements are for a period of less than 12 months with renewal options.

At 30 June 2009, the Group had the following outstanding commitments under non-cancellable operating leases.

	30 June 2009	31 December 2008
	USD'000s	
Within one year	5,122	9,486
In two to five years	706	274
	5,828	9,760

Operating lease expenses included in operating expenses are USD 8 million (6 m 2008 – USD 18 million).

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:

	30 June 2009	31 December 2008
	USD'000s	
Within one year	16,491	16,491
In two to five years	2,941	11,101
After more than five years	218	236
Total minimum lease payments	19,650	27,828

34. Contingencies and Commitments (continued)

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 including restrictive currency control. The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations, and changes, which can occur frequently.

Over the past year 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, with the risk of a corresponding impact on the Group's profitability.

35. 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).

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.

35. Financial Risk Management Objectives and Policies (continued)

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

	30 June 2009	31 December 2008
	USD'000s	
Net Debt		
Long term borrowing	489,717	573,824
Short term borrowing	465,321	547,408
Less bank and cash balances	(77,805)	(218,683)
	877,233	902,549
Equity	1,342,589	1,504,321
Net debt to equity ratio	65%	60%

Major categories of financial instruments.

The Group's principal 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.

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.

35. Financial Risk Management Objectives and Policies (continued)

(a) Credit risk (continued)

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:

	30 June 2009		31 December 2008	
	USD'000			
	Total book value	Allowance for impairment	Total book value	Allowance for impairment
Current	32,414	-	55,303	-
Overdue 90 days	17,336	238	19,506	207
Overdue 91 days to one year	13,557	585	16,894	693
Overdue more than one year	6,678	6,678	5,524	5,524
	69,985	7,501	97,227	6,424

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

	30 June 2009	31 December 2008
	USD'000	
Balance as at 1 January	6,424	20,533
Uncollectible receivables written off during the period	(1,442)	(16,059)
Bad debt charge	2,519	1,950
Balance as at 30 June / 31 December	7,501	6,424

When the actions taken to collect receivables for which an 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.

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.

35. Financial Risk Management Objectives and Policies (continued)

(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, thus 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 30 June 2009, the Group had the following positions in USD, RUR and other currencies:

	USD	RUR	Other currencies
		USD 000's	
Assets			
Other non-current assets	5,331	14,878	44
Accounts receivable	53,710	124,084	16,880
Loans issued	7,561	591	-
Bank and cash balances	59,416	13,194	5,195
	126,018	152,747	22,119
Liabilities			
Accounts payable	29,310	34,992	10,089
Loans and other obligations	931,703	20,292	3,622
	961,013	55,284	13,711
	(834,995)	97,463	8,408

35. Financial Risk Management Objectives and Policies (continued)

(b) Market risk (continued)

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

	USD	RUR	Other currencies
		USD 000's	
Assets			
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
	209,769	253,098	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
	(884,429)	132,441	9,657

The Group's primary currency exposure is to the RUR. The Group has net monetary assets denominated in RUR equivalent to USD 97 million (2008 - USD 132 million of net assets) making it vulnerable at the period end to a strengthening of the USD against the RUR (2008 – 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 period ended 30 June 2009 the Group has recognised USD 1.4 million of asset in respect of these contracts (31 December 2008 – USD 11.8 million liability). The fair value of accumulated assets as at 30 June 2009 amounts to USD 0.08 million (31 December 2008 – USD 11 million liability).

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	
	30 June 2009	30 June 2009
	RUR/USD +20%	RUR/USD -20%
	USD'000	USD'000
Profit or loss	(49,672)	49,672
Other equity components	-	-

35. 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 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 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 58.7 million loan facility, 6.04 per cent on a USD 86 million loan facility, 3.62 per cent on a USD 48.5 million loan facility, 4.62 per cent on a USD 26 million loan facility (31 December 2008 - USD 72 million). The fair value of the interest swap contract as at 30 June 2009 recognised directly in equity was USD 2.9 million (31 December 2008 – USD 2.4 million). The interest rate collar caps the interest rate on the Group's USD 31.5 million loan facility (31 December 2008 – USD 15.5 million) 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 4 million of profit (31 December 2008 – USD 8 million of expense).

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	
	30 June 2009	31 December 2008
	USD'000	
Fixed rate instruments		
Financial assets	6,049	5,847
Financial liabilities	(411,879)	(509,575)
	(405,830)	(503,728)
Variable rate instruments		
Financial assets	-	-
Financial liabilities	(502,865)	(563,750)
	(502,862)	(563,750)

35. 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	
	30.06.2009	30.06.2009	30.06.2009	30.06.2009	30.06.2009	30.06.2009
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Profit/ (loss)	(5,196)	5,196	(268)	268	(1,745)	1,745
Other equity components	-	-	-	-	-	-

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 30 June 2009.

(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.

35. Financial Risk Management Objectives and Policies (continued)

(c) Liquidity risk (continued)

Summaries of the maturity profile of the Group's financial liabilities as at 30 June 2009 and 31 December 2008 based on contractual payments are presented below.

Loans, Borrowings and Finance Leases

	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 30 June 2009							
Loans	800,897	800,897	264,345	96,584	61,859	280,003	98,106
Interest payable	5,131	104,045	14,142	13,445	16,762	49,214	10,482
Bank overdraft	10,044	10,044	7,594	2,450	-	-	-
Finance leases	103,803	160,518	7,663	7,254	12,268	87,737	45,596
Currency hedge	3,200	3,200	3,200	-	-	-	-
Interest swap	31,963	53,186	1,868	2,191	3,623	30,757	14,747
Total	955,038	1,131,890	298,812	121,924	94,512	447,711	168,931
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

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 30 June 2009 and 31 December 2008 based on contractual undiscounted payments:

	1-3 months	3-6 months	6-12 months	More then 1 year	Total
			USD'000		
As at 30 June 2009					
Trade payables	37,470	608	871	-	38,949
Accrued expenses and other payables	15,105	7,281	1,798	-	24,184
	52,575	7,889	2,669	-	63,133
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

36. 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.

During the period eleven individuals were considered to be the Group's key management and directors (2008 – eleven individuals). Their remuneration during the period was as follows:

	30 June 2009	30 June 2008
	USD'000s	
Salaries	831	1,405
Termination payment	1,410	-
	2,241	1,405
Share options (Note 23)	(5,780)	13,268
	(3,539)	14,673

Balances	30 June 2009	31 December 2008	Nature of balances
	USD'000s		
Non consolidated subsidiaries	2,375	3,193	Trade debt
Non consolidated JV	(558)	-	Trade debt
Associates	3,110	4,584	Agency and other service
Related through management	80	-	Loan issued
Related through common shareholder	-	(47,404)	Loans payable
Related through common shareholder	-	1,726	Sale of trade investments
Joint Venture Company	5,104	5,452	Finance lease receivable
Non consolidated JV	203	-	Dividends receivable

Transactions	30 June 2009	30 June 2008	Nature of transactions
	USD'000s		
Non consolidated subsidiary purchases	(379)	(4,763)	Agency Services
Non consolidated subsidiary sales	16	-	Agency Services
Purchases from associates	(975)	(725)	Agency services, rent and security expenses
Sales to associates	12	20	Agency services
Related through common shareholder	-	8	Interest on PN and rent
Joint venture company	356	379	Finance lease income
Non consolidated joint ventures	5,650	-	Stevedoring services
Non consolidated joint ventures	203	-	Dividends received
Related through common shareholder	-	(3,562)	Loss on disposal of a joint venture
Related through common shareholder	4,126	-	Acquisition of subsidiaries

37. Post Balance Sheet Events

Vessels delivered, cancelled and sold

The Fesco Vladimir, a container ship with a capacity of 1,730 TEU, was delivered in July 2009.

In July 2009 the Group cancelled the contract for the construction of a container vessel. The Group's capital commitments in respect of the cancelled contract amounted to USD 30 million as at 30 June 2009.

In July 2009 the Group sold the Fesco Argun for USD 14 million and repaid USD 14.5 million of associated loans.

Breaches of loan terms and negotiations with Bankers

The Group has breached the terms of a number of loan agreements. Significant breaches include: -

a) Failure to repay USD 90m of debt due for repayment on 30 June 2009

The Group failed to repay a syndicated loan of USD 90 million due on 30 June. Prior to this date the Group entered negotiations with syndicate members to extend the repayment date. This required unanimous agreement of all syndicate members which was not forthcoming. FESCO was therefore formally in breach of repayment terms. Agreement has been reached with majority lenders not to enforce their rights until 15 October 2009. This default has created cross default on other loans with an aggregate outstanding amount of USD 474 million as at 30 June 2009.

b) Breaches concerning financial ratios calculated based on the Group's consolidated financial statements

Under the terms of loans with an aggregate outstanding amount of USD 444 at 30 June 2009 (USD 556 million at 31 December 2008) the Group is required to carry out tests of various financial ratios on receipt of audited six month and annual financial statements. In July 2009, on receipt of audited financial statements for the twelve month period to 31 December 2008, it became apparent that the Group was in breach. The Group applied for waivers on the relevant loans and these were subsequently granted. Management believes that the Group will also fail to meet tests required on receipt of these financial statements.

c) Following the delivery of the FESCO Vladimir the debt to value ratio on the loan taken out to finance its construction and the construction of two sister vessels was tested by the lender and found to be non-compliant. As a result, in September 2009 the lender requested an accelerated repayment of USD 15m.

Both prior to and since the period end Management has been in discussion with existing lenders and potential new lenders to bring about a restructuring of its debt and to negotiate waivers / amendments to covenants. Discussions with certain lenders have already reached successful conclusions. As a result:

a) Repayment of short term borrowings with an aggregate total of USD 25 million was rescheduled from 2009 to 2010;

b) A new credit line of RUR 3.5 billion was made available to the Group;

c) USD 38 million of finance lease liabilities have been converted to operating leases.

Management is confident that ongoing negotiations will result in further rescheduling of debt and additional new facilities being made available such that by the end of 2009 all existing breaches of loan conditions will have been remedied.

For Information of Management Only

OAO Far-Eastern Shipping Company PLC
and its subsidiaries

Consolidated Schedule of Fleet at 30 June 2009

	Year of Building	Deadweight Tonnage	Book Value USD'000s	Insured Value USD'000s
Bulk				
Ivan Makarin	1981	19,252	2,022	4,500
Kapitan Tsirul	1981	19,252	2,016	4,500
Cherkassy	1984	23,242	2,032	5,000
Cheremkhovo	1984	23,242	2,032	5,000
Chelyabinsk	1984	23,242	2,032	5,000
Grigoriy Aleksandrov	1986	24,105	4,027	5,000
Fesco Angara	1985	37,155	2,788	5,500
Fesco Yenisei	1985	37,178	3,272	5,125
Fesco Ob	1986	36,690	4,344	6,500
Amur	1997	5,295	7,623	8,000
Ussuri	2002	5,437	8,625	9,000
Khudozhnik Kraynev	1986	24,105	3,984	5,000
Fesco Marina	2004	33,773	22,321	23,000
		311,968	67,118	91,125
Container				
Kapitan Krems	1980	5,720	1,054	2,062
Kapitan Gnezdilov	1980	5,720	1,054	2,000
Kapitan Sergiyevskiy	1981	5,629	1,054	2,000
Kapitan Artyukh	1986	9,141	2,284	3,000
Krasnogvardeyets	1986	9,141	2,307	3,000
Kapitan Lyashenko	1987	8,717	2,294	3,000
Khudozhnik N. Rerikh	1989	8,579	2,832	3,500
Kapitan Byankin	1994	12,578	7,898	8,500
Yuriy Ostrovskiy	1994	12,578	7,849	8,500
Kapitan Konev	1995	12,578	8,032	8,750
Mekhanik Kalyuzhny	1990	14,140	5,891	7,000
Mekhanik Moldovanov	1991	14,140	6,292	7,500
Kapitan Afanasyev	1998	23,380	12,562	12,250
Kapitan Maslov	1998	23,380	12,423	12,250
Vladivostok	1998	23,380	12,553	12,250
Fesco Trader	1997	15,231	9,376	10,000
Fesco Voyager	1998	15,231	9,741	10,500
Fesco Ascold	2006	13,760	15,335	15,500
Fesco Aleut	2006	13,760	15,325	15,500
Fesco Altay	2007	13,760	15,927	15,500
Fesco Anadyr	2007	13,760	15,906	16,500
Fesco Argun	2008	13,760	15,864	16,500
Fesco Vitim	2008	22,750	20,500	30,000
Fesco Voronezh	2008	22,746	20,500	30,000
Fesco Diomid	2009	42,274	32,500	55,900
		375,833	257,353	311,462

**OAO Far-Eastern Shipping Company PLC
and its subsidiaries**

Consolidated Schedule of Fleet at 30 June 2009 (continued)

	Year of Building	Deadweight Tonnage	Book Value USD'000s	Insured Value USD'000s
General Cargo				
Pioner Kirgizii	1978	6,780	1,016	1,559
Abakan	1990	9,500	5,142	6,000
Yelena Shatrova	1990	7,365	4,852	6,000
Igor Ilyinskiy	1990	7,365	4,905	6,000
Sinegorsk	1991	7,365	5,188	6,000
Vysokogorsk	1991	7,365	5,170	6,000
Vasiliy Golovnin	1988	10,700	5,689	6,500
		56,440	31,962	38,059
Ro-Ro				
Igarka	1983	19,943	2,704	6,000
Amderma	1983	19,943	2,704	6,000
Anatoliy Kolesnichenko	1985	19,728	4,063	6,500
Kapitan Man	1985	19,763	4,435	6,500
Vasiliy Burkhanov	1986	19,724	5,481	7,000
Fesco Gavriil	1976	4,600	1,400	2,500
Fesco Nikolay	1984	5,500	1,629	3,250
Fesco Uelen	2006	3,023	4,752	5,500
Fesco Ulan Ude	1985	3,199	2,888	4,000
		115,423	30,056	47,250
Ice-Breaking Supply Vessel				
Fesco Sakhalin	2005	4,298	84,000	85,000
		4,298	84,000	85,000
Total		**863,962**	**470,489**	**572,896**

OAO Far-Eastern Shipping Company PLC
and its subsidiaries

List of Subsidiary Companies at 30 June 2009

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%	Hedging operations
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
OOO FIT	Russia	100%	Transport and forwarding services
Subsidiaries:			
TIS Vostochniy LLC	Russia	100%	Transport and forwarding services
TIS Intertrans Kazakhstan	Kazakhstan	75%	Transport and forwarding services
OOO Fesco Trans	Russia	100%	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
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

**OAO Far-Eastern Shipping Company PLC
and its subsidiaries**

List of Subsidiary Companies at 30 June 2009 (continued)

Name	Country of Incorporation	Percentage Holding	Activity
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%	Dormant
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
Pacific Ro-Ro Services Limited	Cyprus	100%	Dormant
Pacific Forwarding Company Limited	Cyprus	100%	Dormant
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%	Dormant
Festiver Shipping Company Ltd	Cyprus	100%	Dormant
Phantex Shipping Company Ltd	Cyprus	100%	Dormant
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

OAO Far-Eastern Shipping Company PLC
and its subsidiaries

List of Subsidiary Companies at 30 June 2009 (continued)

Name	Country of Incorporation	Percentage Holding	Activity
FESCO Supply Shipping Company	Cyprus	100%	Holding company
Subsidiaries:			
Talgona Shipping Company Ltd	Cyprus	100%	Ship owning
Pacific Containers Ships Ltd	Cyprus	100%	Holding company
Subsidiaries:			
Astro-Moon Shipping Co.Ltd	Cyprus	100%	Ship owning
Natouka Shipping Co.Ltd	Cyprus	100%	Ship owning
Saxina Shipping Co.Ltd	Cyprus	100%	Dormant
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%	Ship owning
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%	Hedging operations
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

**OAO Far-Eastern Shipping Company PLC
and its subsidiaries**

List of Subsidiary Companies at 30 June 2009 (continued)

Name	Country of Incorporation	Percentage Holding	Activity
OOO Transgarant Vostok	Russia	100%	Transportation services
TG Finance Ltd	Cyprus	100%	Holding company
Subsidiaries:			
OOO TG - Leasing	Russia	100%	Financial leasing
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
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
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%	Dormant
OOO TG Terminal	Russia	100%	Dormant

*Not consolidated

OAO Far-Eastern Shipping Company PLC
and its subsidiaries

List of Joint Ventures at 30 June 2009

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
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
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

*Not consolidated

**OAO Far-Eastern Shipping Company PLC
and its subsidiaries**

List of Joint Ventures at 30 June 2009

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
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
OOO PortContract	Russia	50%	Rental of property and equipment
ZAO Garazh Torgovogo Porta	Russia	25.5%	Repair and maintenance works of machinery
OOO PTEP	Russia	40%	Cargo handling
OOO VAT	Russia	25.5%	Unloading, storage and forwarding of equipment
OOO FEMSTA	Russia	50%	Cargo storage and forwarding services

*Not consolidated