FAR-EASTERN SHIPPING COMPANY PLC.
AND ITS SUBSIDIARIES

CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2010

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Independent Auditors' Report

To the Board of Directors of FAR-EASTERN SHIPPING COMPANY PLC. (FESCO)

We have reviewed the accompanying consolidated interim condensed balance sheet of FAR-EASTERN SHIPPING COMPANY PLC. (FESCO) (the "Company") and its subsidiaries (the "Group") as at 30 June 2010, and the related consolidated interim condensed income statement and consolidated interim condensed statement of comprehensive income, consolidated interim condensed statement of changes in equity and consolidated interim condensed statement of cash flows for the six months period then ended and a summary of selected explanatory notes.

Management is responsible for the preparation and presentation of these consolidated interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these consolidated interim condensed 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 condensed 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, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial statements as at 30 June 2010 and for the six months period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

ZAO KPMG

ZAO KPMG
8 October 2010

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Consolidated Interim Condensed Statement of Financial Position as at 30 June 2010

USD'000s	Note	30 June 2010	31 December 2009
ASSETS			
Non-Current Assets			
Fleet	8	349,093	424,589
Rolling stock	9	335,676	359,828
Other tangible fixed assets	10	193,490	211,204
Goodwill	7	213,353	222,285
Other intangible assets		7,179	8,674
Investment property		10,041	6,604
Investments	11	905,429	704,836
Other non-current assets		19,268	10,547
Total non-current assets		2,033,529	1,948,567
Current Assets			
Inventories		20,135	18,970
Accounts receivable	12	171,512	159,258
Current tax assets		2,656	11,967
Other current assets	13	80,178	33,200
Cash and cash equivalents		74,563	87,815
Total current assets		349,044	311,210
Total Assets		2,382,573	2,259,777
EQUITY AND LIABILITIES			
Shareholders' Equity	18		
Share capital		57,230	57,230
Share premium		999,494	999,494
Treasury shares		(336,104)	(336,104)
Retained earnings		372,555	402,448
Reserves		332,847	163,490
Total equity attributable to equity holders of the Company		1,426,022	1,286,558
Minority interest		14,358	14,123
Total equity		1,440,380	1,300,681
Non-current liabilities			
Long term loans and finance lease obligations	15	71,074	91,997
Deferred tax liability	17	37,437	37,723
Other long term liabilities	16	30,418	24,637
Total non-current liabilities		138,929	154,357
Current Liabilities			
Accounts payable	14	127,953	93,404
Current tax liabilities		1,126	1,602
Short term loans and finance lease obligations	15	674,185	709,733
Total current liabilities		803,264	804,739
Total liabilities		942,193	959,096
Total equity and liabilities		2,382,573	2,259,777

S.V. Generalov, President________   Y.B. Gilts, Vice President and CFO________

Date: __ October 2010

The accompanying notes on pages 11 to 27 form an integral part of these consolidated interim condensed financial statements

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Consolidated Interim Condensed Income Statement
For the six months period ended 30 June 2010

USD'000s	Note	30 June 2010	30 June 2009
Revenue	21	387,081	287,849
Operating expenses	22	(264,946)	(215,229)
Gross profit before depreciation and amortization		122,135	72,620
Depreciation and amortisation	8,9,10	(38,471)	(49,470)
Administrative expenses	23	(52,789)	(44,493)
Impairment loss on tangible fixed assets		-	(54,849)
Profit /(loss) on disposal of tangible fixed assets	24	642	(2,724)
Bad debt release		1,075	1,238
Goodwill impairment		-	(4,514)
Other income		618	8,393
Profit/(loss) from operating activity		33,210	(73,799)
Interest expense		(33,053)	(33,405)
Foreign exchange loss		(5,325)	(15,331)
Other financial income and expense, net	25	(12,369)	1,386
Share of profit of associates		272	255
Loss before income tax		(17,265)	(120,894)
Income tax expense	17	(10,788)	(3,243)
Loss for the period		(28,053)	(124,137)
Loss for the period attributable to:			
Owners of the Company		(31,498)	(126,471)
Minority interest		3,445	2,334
Basic and diluted loss per share	26	USD(0.012)	USD(0.049)

The accompanying notes on pages 11 to 27 form an integral part of these consolidated interim condensed financial statements

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Consolidated Statement of Comprehensive Income
For the six months period ended 30 June 2010

USD'000s		**30 June 2010**		**30 June 2009**
Loss for the period		(28,053)		(124,137)
Other comrehensive income/(loss):				
Revaluation of fleet	(5,204)		(7,905)	
Effective portion of changes in fair value of cash flow hedges	-		(477)	
Effect of foreign currency translation	(23,834)		(37,157)	
Revaluation of available - for - sale investments	200,000		-	
Other comprehensive income /(loss)for the period		170,962		(45,539)
Total comprehensive income /(loss) for the period		142,909		(169,676)
Total comprehensive income/(loss) attributable to:				
Ordinary shareholders of the Company		139,464		(172,010)
Minority interests		3,445		2,334

The accompanying notes on pages 11 to 27 form an integral part of these consolidated interim condensed financial statements

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Consolidated Interim Condensed Statement of Changes in Equity
For the six month period ended 30 June 2010

	Attributable to equity holders of the Company										
USD'000s	**Share capital (Note 18)**	**Share premium (Note 18)**	**Treasury shares (Note 18)**	**Retained earnings**	**Revaluation reserve**	**Investment fair value reserve**	**Translation reserve**	**Cash flow hedge**	**Total**	**Minority interest**	**Total equity**
Balance at 1 January 2009	57,230	999,494	(336,104)	626,906	63,202	134,349	(78,594)	(2,419)	1,464,064	17,031	1,481,095
Loss for the period	-	-	-	(126,471)	-	-	-	-	(126,471)	2,334	(124,137)
Other comprehensive income/(loss)											
Effect of foreign currency translation	-	-	-	-	-	-	(37,157)	-	(37,157)	-	(37,157)
Revaluation of fleet, net of deferred tax	-	-	-	-	(7,905)	-	-	-	(7,905)	-	(7,905)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	-	-	(477)	(477)	-	(477)
Release from revaluation reserve	-	-	-	3,173	(3,173)	-	-	-	-	-	-
Total other comprehensive income/(loss)	-	-	-	3,173	(11,078)	-	(37,157)	(477)	(45,539)	-	(45,539)
Total comprehensive income/(loss) for the period	-	-	-	(123,298)	(11,078)	-	(37,157)	(477)	(172,010)	2,334	(169,676)
Transactions with owners, recorded directly in equity											
Dividends declared	-	-	-	-	-	-	-	-	-	(5,360)	(5,360)
Total contributions by and distributions to owners	-	-	-	-	-	-	-	-	-	(5,360)	(5,360)
Minotity interest on acquisition	-	-	-	-	-	-	-	-	-	1,590	1,590
Total transaction with owners	-	-	-	-	-	-	-	-	-	(3,770)	(3,770)
Balance at 30 June 2009	57,230	999,494	(336,104)	503,608	52,124	134,349	(115,751)	(2,896)	1,292,054	15,595	1,307,649

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FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Consolidated Interim Condensed Statement of Changes in Equity
For the six month period ended 30 June 2010

USD'000s	Share capital (Note 18)	Share premium (Note 18)	Treasury shares (Note 18)	Retained earnings	Revaluation reserve	Investment fair value reserve	Translation reserve	Cash flow hedge	Total	Minority interest	Total Equity
	Attributable to equity holders of the Company										
Balance at 1 January 2010	57,230	999,494	(336,104)	402,448	40,314	220,849	(95,254)	(2,419)	1,286,558	14,123	1,300,681
Loss for the period	-	-	-	(31,498)	-	-	-	-	(31,498)	3,445	(28,053)
Other comprehensive income/(loss)											
Effect of foreign currency translation	-	-	-	-	-	-	(23,834)	-	(23,834)	-	(23,834)
Revaluation of fleet, net of deferred tax	-	-	-	-	(5,204)	-	-	-	(5,204)	-	(5,204)
Release from revaluation reserve	-	-	-	1,605	(1,605)	-	-	-	-	-	-
Revaluation of available - for - sale investments	-	-	-	-	-	200,000	-	-	200,000	-	200,000
Total other comprehensive income/(loss)	-	-	-	1,605	(6,809)	200,000	(23,834)	-	170,962	-	170,962
Total comprehensive income/(loss)	-	-	-	(29,893)	(6,809)	200,000	(23,834)	-	139,464	3,445	142,909
Transactions with owners, recorded directly in equity											
Dividends declared	-	-	-	-	-	-	-	-	-	(3,429)	(3,429)
Total contributions by and distributions to owners	-	-	-	-	-	-	-	-	-	(3,429)	(3,429)
Minotity interest on acquisition	-	-	-	-	-	-	-	-	-	219	219
Total transaction with owners	-	-	-	-	-	-	-	-	-	(3,210)	(3,210)
Balance at 30 June 2010	57,230	999,494	(336,104)	372,555	33,505	420,849	(119,088)	(2,419)	1,426,022	14,358	1,440,380

The accompanying notes on pages 11 to 27 form an integral part of these consolidated interim condensed financial statements

FAR-EASTERN SHIPPING COMPANY PLC.
and its subsidiaries

Consolidated Interim Condensed Statement of Cash Flows
For the six months period ended 30 June 2010

USD'000s	Note	30 June 2010	30 June 2009
Cash flows from operating activities			
Loss for the period		**(28,053)**	**(124,137)**
Adjustments for:			
Depreciation and amortisation		38,471	49,470
Impairment losses		913	59,363
(Profit)/loss on disposal of tangible fixed assets		(642)	2,724
Foreign exchange differences		5,325	15,331
Net finance costs		45,422	31,256
Share of profit of equity accounted investees		(272)	(255)
Income tax expense		10,788	3,243
Cash from operating activities before changes in working capital and provisions		**71,952**	**36,995**
Change in inventories		(1,164)	(3,537)
Change in trade and other receivables		(11,886)	43,126
Change in trade and other payables		7,677	(29,653)
Cash flows from operations before income taxes paid		**66,579**	**46,931**
Income tax paid		(2,445)	(25,206)
Income tax received		-	15,309
Cash flows from operating activities		**64,134**	**37,034**
Cash flows from investing activities			
Expenditure on vessels under construction	8	(7,820)	(29,141)
Refund from cancellation of construction contract	8	-	48,967
Expenditure on other fixed assets	10	(6,220)	(6,358)
Expenditure on drydocking	8	(3,791)	(3,326)
Proceeds on disposal of fleet		41,741	18,560
Proceeds on disposal of other fixed assets		2,375	1,625
Acquisition of subsidiaries, net of cash acquired		-	(136)
Associates (acquired)/disposed		(1,644)	418
Other investments acquired		(640)	-
Proceeds on sale of investments		140	-
Dividends received		498	590
Short-term loans (repaid)/ received		(647)	800
Finance lease receipt		434	348
Interest received		1,096	3,678
Net cash generated in investing activities		**25,522**	**36,025**

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FAR-EASTERN SHIPPING COMPANY PLC.
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Consolidated Interim Condensed Statement of Cash Flows
For the six months period ended 30 June 2010

USD'000s	Note	30 June 2010	30 June 2009
Cash flows from financing activities			
Loans drawn down		138,078	141,946
Loan repayments		(195,478)	(302,886)
Finance charges paid		(30,980)	(35,553)
Financial instruments liability paid		(3,303)	(7,263)
(Decrease)/increase in overdraft		(1,530)	7,400
Dividends paid		(3,836)	(4,955)
Net cash used in from financing activities		**(97,049)**	**(201,311)**
Exchange Differences		(5,859)	(12,626)
Net decrease in Cash		(13,252)	(140,878)
Cash and cash equivalents at the beginning of the period		87,815	218,683
Cash and cash equivalents at the end of the period		74,563	77,805

The accompanying notes on pages 11 to 27 form an integral part of these consolidated interim condensed financial statements.

1. Organisation and Trading Activities

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

The Company's immediate parent entity is SVG. Holding S.A., 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. Statement of compliance

These consolidated interim condensed financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2009.

3. Significant accounting policies

The accounting policies applied by the Group in these consolidated interim condensed financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2009.

4. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these consolidated interim condensed financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2009.

5. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2009.

6. Seasonality of operations

Strong seasonality exists in ice breaking vessel revenue, with about 45% of total revenue gained in winter months (December to March), when ice breaking services are required on shipping routes in Russia's Far East and North.

Other divisions of the Group are not subject to high seasonality.

7. Goodwill

	Carrying amount
	USD'000s
At 1 January 2009	228,372
Translation difference	(13,014)
At 30 June 2009	215,358
At 1 January 2010	222,285
Translation difference	(8,932)
At 30 June 2010	213,353

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.

8. Fleet

	Carrying value	
	30 June 2010	31 December 2009
	USD'000s	
(a) Fleet	232,809	339,716
(b) Deferred dry docking expenses	18,258	18,671
(c) Vessels under construction	98,026	66,202
	349,093	424,589

	Valuation	Depreciation	Net Book Value
		USD'000s	
At 1 January 2009	505,197	-	505,197
New buildings 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
At 1 January 2010	339,716	-	339,716
Depreciation charge for the period	-	(11,196)	(11,196)
Disposals	(13,383)	171	(13,212)
Revaluation	(7,220)	2,016	(5,204)
Transfers to current assets as vessels held-for-sale	(77,295)	-	(77,295)
At 30 June 2010	241,818	(9,009)	232,809
Total deadweight tonnage			704,349

The Group reviews the carrying value of the fleet on an annual basis. At the interim date management analyses the carrying value of tangible fixed assets for indicators of impairment / reversal of impairment. No such indicators were identified.

42 vessels with a net book value of USD 304 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 15).

Movements during the period on deferred dry docking expenses were:

	Cost	Depreciation	Net Book Value
		USD'000s	
At 1 January 2009	44,320	(19,934)	24,386
Additions	3,226	-	3,226
New buildings acquired	550	-	550
Charge	-	(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	41,533	(19,059)	22,474
At 1 January 2010	36,651	(17,980)	18,671
Additions	3,791	-	3,791
Charge	-	(3,843)	(3,843)
Amortised dry dock write off	(1,275)	1,275	-
Release on disposal of fleet	(2,821)	2,460	(361)
At 30 June 2010	36,346	(18,088)	18,258

Movements during the period on vessels under construction were:

	30 June 2010	30 June 2009
	USD'000s	
At the beginning of the period	66,202	193,989
Expenditure incurred	31,200	29,141
Capitalised borrowing costs	624	1,444
Transferred to fleet	-	(61,479)
Cancelled	-	(54,752)
Impairment	-	(9,680)
At the end of the period	98,026	98,663

Details of the Group's commitments in respect of vessels under construction are given in 27(a).

9. Rolling Stock

	Cost	Depreciation	Net Book Value
		USD'000s	
At 1 January 2009	513,322	(59,763)	453,559
Additions	423	-	423
Depreciation charge	-	(12,499)	(12,499)
Disposals	(404)	-	(404)
Translation difference	(27,314)	628	(26,686)
At 30 June 2009	486,027	(71,634)	414,393
At 1 January 2010	438,722	(78,894)	359,828
Additions	470		470
Depreciation charge	-	(12,530)	(12,530)
Disposals	(1,136)	641	(495)
Translation difference	(15,723)	4,126	(11,597)
At 30 June 2010	422,333	(86,657)	335,676

Rolling stock includes assets held under finance leases with a net book value of USD 65 million (at 31 December 2009 – USD 70 million).

At 30 June 2010 rolling stock with a carrying amount of USD 174 million (31 December 2009 – USD 214 million) are subject to registered debenture to secure bank loans (Note 15).

10. Other Tangible Fixed Assets

	Buildings and Infrastructure	Plant, Machinery and Other	Assets under construction	Total
	USD'000s			
Cost				
At 1 January 2009	86,746	163,826	26,111	276,683
Additions	128	2,044	4,028	6,200
Additions on acquisition of JV	2,678	864	25	3,567
Transfer from investment property	6,471	-	-	6,471
Transfer	107	91	(198)	-
Disposals	(20)	(1,622)	(71)	(1,713)
Translation difference	(1,965)	(3,038)	(1,285)	(6,288)
At 30 June 2009	94,145	162,165	28,610	284,920
At 1 January 2010	111,541	181,143	5,434	298,118
Additions	152	1,499	3,325	4,976
Transfer to investment property	(4,312)	-	-	(4,312)
Transfer	616	822	(1,438)	-
Disposals	(121)	(3,071)	(412)	(3,604)
Translation difference	(4,877)	(3,485)	(91)	(8,453)
At 30 June 2010	102,999	176,908	6,818	286,725
Depreciation				
At 1 January 2009	16,253	53,113	-	69,366
Depreciation charge	1,274	8,209	-	9,483
Eliminated on disposal	(3)	(981)	-	(984)
Translation difference	(130)	552	-	422
At 30 June2009	17,394	60,893	-	78,287
At 1 January 2010	19,490	67,424	-	86,914
Depreciation charge	1,757	8,205	-	9,962
Transfer to investment property	(198)	-	-	(198)
Eliminated on disposal	-	(2,521)	-	(2,521)
Translation difference	200	(1,122)	-	(922)
At 30 June 2010	21,249	71,986	-	93,235
Net Book Value				
At 1 January 2009	70,493	110,713	26,111	207,317
At 30 June 2009	76,751	101,272	28,610	206,633
At 1 January 2010	92,051	113,719	5,434	211,204
At 30 June 2010	81,750	104,922	6,818	193,490

Plant, machinery and other fixed assets include containers held under finance lease with a net book value of USD 22 million (at 31 December 2009– USD 24 million).

At 30 June 2010 fixed assets with a carrying amount of USD 51 million (31 December 2009 - 37 million) are pledged as a security to guarantee the Group's loan obligations (Note 15).

11. Investments

	30 June 2010	31 December 2009
	USD'000s	
Investments available-for-sale	900,000	700,000
Investments in associates	3,112	1,509
Other investments	2,317	3,327
	905,429	704,836

Investments available for sale are comprised of 50% interests in NCC Group Limited and Ealingwood Limited. Fair value of investments available-for-sale was determined by reference to the transaction price at which the Group sold its investments to third party subsequent to the balance sheet date (note 29 (c)). Gain on revaluation of investments available-for-sale was recognized in other comprehensive income.

12. Accounts Receivable

	30 June 2010	31 December 2009
	USD'000s	
Trade debtors	75,472	69,350
VAT receivable	44,374	44,537
Receivables from KUKE	23,400	23,400
Receivable from shipyard	4,633	5,171
Prepayments to OAO "Russian Railways"	12,631	12,756
Amounts due from associates	2,461	1,330
Amounts due from non-consolidated subsidiaries	860	890
Other debtors and prepayments	37,774	34,888
Allowance for impairment	(30,093)	(33,064)
	171,512	159,258

Receivable from KUKE, Polish government agency represents prepayments in respect of contracts for construction of vessels that were cancelled in 2009. Cancellation of contracts was due to the failure of shipyard to deliver vessels on agreed term. A partial refund was received after reporting date (note 29 (b)). The remaining amount of the USD 3.4 million to be received by instalments from September 2010 to March 2011.

13. Other Current Assets

	30 June 2010	31 December 2009
	USD'000s	
Vessels held-for-sale	77,295	28,980
Loans and promissory notes issued to related parties, at cost	688	2,457
Short term finance lease receivable, at amortized cost	74	1,159
Short term portion of interest rate swap, at fair value	54	483
Loans and promissory notes issued to third parties, at cost	113	121
Other short term investments	1,954	-
	80,178	33,200

In March 2010, the Group agreed with a third party to sell one ice-breaker vessel, Fesco Sakhalin, with a consideration of $77.3 million and classified the vessel as asset available for sale. The disposal of vessel occurred in July 2010 according to the sale-purchase agreement (note 29(a)).

14. Accounts Payable

	30 June 2010	31 December 2009
	USD'000s	
Trade creditors	37,312	35,191
Advances issued to shipyard	23,611	-
Fair value of interest swap contracts	13,947	9,477
Taxes payable, other than income tax	6,767	6,518
Interest payable	4,172	5,047
Amounts due to associates	1,207	1,498
Current portion of liability for share – based payments (Note 15)	92	815
Amounts due to non-consolidated subsidiaries	14	84
Other creditors and accruals	40,831	34,774
	127,953	93,404

15. Loans Payable and Finance Leases Obligations

	30 June 2010	31 December 2009
	USD'000s	
Loans and other obligations comprise:		
Secured loans		
At fixed rate 2.3%-5%	75,919	93,127
At fixed rate 5% - 10%	161,845	110,085
At fixed rate 10% -15%	152,670	136,557
At fixed rate 15% -20%	23,401	53,717
At variable rates 0.95%-5% above Libor/Euribor /Mosprime	192,162	231,165
At variable rates 5%-9.5% above Libor/Euribor /Mosprime	81,902	103,337
	687,899	727,988
Unsecured loans		
At fixed rate 14%	321	-
At variable rates 3.65%-4.15% above Libor	-	9,990
Interest free	2,500	2,375
	2,821	12,365
Obligations under finance leases at fixed rate 6%	23,650	25,325
Obligations under finance leases at fixed rate 11.3% - 18.3%	30,889	36,052
	54,539	61,377
	745,259	801,730
Repayable within the next twelve months	674,185	709,733
Long term balance	71,074	91,997
	745,259	801,730

Fixed assets pledged as a security for loans are disclosed in Notes 8, 9, 10.

As at 30 June 2010 the Group is in the process of negotiation with the banks on the receipt of waivers for loan covenants breached as at 31 December 2009, see Note 29(d).

16. Other Non-Current Liabilities

	30 June 2010	31 December 2009
	USD'000s	
Fair value of interest rate swap	25,542	19,606
Defined benefit obligations	1,968	2,031
Share based payments (Note 19)	688	1,190
Other non-current payables	2,220	1,810
	30,418	24,637

17. Current and Deferred Tax

Companies within the Group are subject to taxation in different jurisdictions. The most significant tax expense arises in entities incorporated in the Russian Federation, where tax expense is calculated at the rate of 20%.

	Six months period ended 30 June	
	2010	2009
	USD'000s	
Current tax expense		
Current period	10,555	11,612
Adjustment for prior periods	727	29
	11,282	11,641
Deferred tax expense		
Origination and reversal of temporary differences	(494)	(8,398)
	(494)	(8,398)
Total income tax expense	10,788	3,243

Reconciliation of effective tax rate:

	Six months period ended 30 June			
	2010		2009	
	USD'000s	%	USD'000s	%
Loss before income tax	(17,265)	100	(120,894)	100
Income tax at applicable tax rate of 20%	(3,453)	20	(24,179)	20
Effect of income/(loss) taxed at lower rates	9,780	(57)	16,896	(14)
Income tax on intra group dividends	759	(4)	-	-
Non-deductible temporary differences, net	2,975	(17)	4,827	(4)
Foreign currency translation differences	-	-	5,670	(5)
Under/(over) provided in prior periods	727	(4)	29	-
	10,788	(62)	3,243	(3)

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

18. Shareholders' Equity

	30 June 2010	31 December 2009
	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 2010 and 31 December 2009 the Group held 393,705,807 of its own shares which were purchased for USD 336 million, being approximately 13% of the shares in issue.

	30 June 2010	**31 December 2009**
	Number of shares	
Treasury shares held by:		
FES Invest	55,783	55,783
Neteller Holdings Limited	393,650,024	393,650,024
	393,705,807	393,705,807

As at 30 June 2010 the Group has pledged 329 million of treasure shares which comprise 11% of issued share capital as a security for a loan provided by a third party (31 December 2009 – 329 million). Loan was fully repaid after balance sheet date (note 29(e)).

Stock lending agreement was concluded between the Group and related party for the loan of 64 million of treasure shares for a fee in the amount of 1/8% per annum of the market value of the shares. The shares were returned to the Group subsequent to the balance sheet date.

19. Share – Based Payments

In May 2010, the Board of Directors of the Company took a decision to introduce certain changes in share option program of the Group, resulting an increase in a number of share options to 54,643,593 shares. Exercise price is established at USD 0.32 at the expiry period of 3 years. The old program was fully abandoned.

The Group's obligations 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.

In 2010 the Group settled its liability related to share options exercised in 2010, resulting in a total cash-settled payment of USD 0.4 million.

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

	2010	**2009**
Stock price, USD	0.36	0.36
Exercise price, USD	0.32	0.33-1.08
Risk – free rate	1%	0.20%-1.42%
Volatility	133.41%	79.05%-177.93%
Time to expiration	3 years	0.5-2.5 years

The stock price was obtained from Russian Trading System (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. Volatility is based upon historical record of share price with reference to the period of time from the reporting date to expected exercise. The method corresponds to level 3 of the hierarchy of determination of the fair values.

20. 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 cannot 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 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.

Segment information for the main reportable segments of the Group for the six months period ended 30 June 2010 is set out below.

	Shipping	Liner and Logistics	Railway services	Ports	Corporate	Eliminations/ Adjustments	Total
				USD'000			
External sales	65,018	189,428	94,716	37,919	-	-	387,081
Inter-segment sales	13,333	256	683	11,134	-	(25,406)	
Segment revenue	78,351	189,684	95,399	49,053	-	(25,406)	387,081
Segment operating expenses	(55,801)	(150,979)	(63,089)	(23,359)	-	28,282	(264,946)
Segment administrative expenses	(16,303)	(16,215)	(14,009)	(4,570)	(9,144)	7,452	(52,789)
Segment result	6,247	22,490	18,301	21,124	(9,144)	10,328	69,346
Segment non-cash items:							
Depreciation and amortization	(16,275)	(5,191)	(12,810)	(3,476)	(719)	-	(38,471)
Bad debt (charge) / release	(248)	1,542	273	(492)	-	-	1,075
Other material items of income/expense:							
(Loss)/profit on disposal of tangible fixed assets	(365)	1,252	(359)	121	(7)	-	642

Interest expense, share of profit/(loss) of associates and income tax expense:							
Interest expense	(9,659)	(1,316)	(14,729)	(507)	(19,835)	12,993	(33,053)
Share of profit of associates	434	(180)	-	18	-	-	272
Income tax (expense)/benefit	(1,274)	(3,834)	(1,261)	(4,440)	21	-	(10,788)

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

	Shipping	Liner and Logistics	Railway services	Ports	Corporate	Eliminations/ Adjustments	Total
	USD'000						
External sales	76,226	129,535	57,119	24,969	-	-	287,849
Inter-segmental sales	16,570	116	375	7,096	-	(24,157)	-
Segment revenue	92,796	129,651	57,494	32,065	-	(24,157)	287,849
Segment operating expenses	(71,292)	(116,638)	(37,124)	(15,492)	(58)	25,375	(215,229)
Segment administrative expenses	(12,094)	(15,763)	(13,794)	(5,237)	(4,113)	6,508	(44,493)
Segment result	9,410	(2,750)	6,576	11,336	(4,171)	7,726	28,127
Segment non-cash items:							
Depreciation and amortization	(27,744)	(4,809)	(13,448)	(2,808)	(661)	-	(49,470)
Impairment loss on tangible fixed assets	(54,849)	-	-	-	-	-	(54,849)
Bad debt (charge) / release	2,291	674	(1,607)	(120)	-	-	1,238
Goodwill impairment	-	-	-	(4,514)	-	-	(4,514)
Other material items of income/expense:							
(Loss)/profit on disposal of tangible fixed assets	(3,295)	605	155	(189)	-		(2,724)
Interest expense, share of profit/(loss) of associates and income tax expense:							
Interest expense	(9,575)	(2,198)	(28,581)	(356)	(14,670)	21,975	(33,405)
Share of profit of associates	302	(47)	-	-	-	-	255
Income tax benefit / (expense)	(6,638)	(795)	6,062	(1,872)	-	-	(3,243)

Segmental assets and liabilities

	Assets		Liabilities	
	30 June 2010	**31 December 2009**	**30 June 2010**	**31 December 2009**
	USD'000s			
Shipping (Global)	512,149	571,586	321,245	368,241
Liner and logistics (Global)	149,502	140,421	119,160	64,509
Railway services (Russia)	428,664	465,551	311,110	323,660
Ports (Russia)	138,994	137,806	47,909	46,021
Total of all segments	1,229,309	1,315,364	799,424	802,431
Goodwill	213,353	222,285	-	-
Other items not attributable to a specific segment	939,911	722,128	142,769	156,665

Consolidated	2,382,573	2,259,777	942,193	959,096

Other segmental information

	Acquisition of segment assets		Investments in equity accounted investees	
	30 June 2010	**31 December 2009**	**30 June 2010**	**31 December 2009**
	USD'000s			
Shipping (Global)	35,921	53,709	904	911
Liner and logistics (Global)	1,118	763	2,208	598
Railway services (Russia)	626	1,681	-	-
Ports (Russia)	2,772	8,650	-	-
	40,437	64,803	3,112	1,509

21. Revenue

	Six months period ended 30 June 2010	2009
	USD'000s	
Transportation services (operators' business)	269,858	178,589
Hire and freight	65,974	76,195
Port and stevedoring services	34,990	24,969
Revenue from rentals	10,991	3,519
Agency fees	5,268	4,577
	387,081	287,849

22. Operating Expenses

	Six months period ended 30 June 2010	2009
	USD'000s	
Railway infrastructure tariff and transportation services	153,847	118,561
Voyage and vessel running cost	41,439	46,076
Payroll expenses	31,600	30,699
Stevedoring services	15,540	8,644
Operating lease of rolling stock	18,333	7,923
Non profit based taxes	4,187	3,326
	264,946	215,229

23. Administrative Expenses

	Six months period ended 30 June 2010	2009
	USD'000s	
Salary and other staff related costs	27,441	21,833
Professional fees	7,679	2,325
Office rent	3,321	3,808
Other administrative expenses	14,348	16,527
	52,789	44,493

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

	Six months period ended 30 June 2010	2009
	USD'000s	
Loss on sale of vessels	(567)	(3,289)
Profit on disposal of other fixed assets and investment property	1,209	565
	642	(2,724)

25. Other Financial Income and Expense

	Six months period ended 30 June 2010	2009
	USD'000s	
Interest and other investment income	1,552	4,268
Changes in fair value of financial instruments	(13,795)	1,382
Other expenses	(126)	(4,264)
	(12,369)	1,386

26. Loss 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 . 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. Share options issued do not result in a dilution as a result diluted earnings per share equals basic earnings per share.

	30 June 2010	30 June 2009
	USD	
Loss for the period	(31,498,000)	(126,471,000)
Weighted average number of shares in issue (note 18)	2,557,544,193	2,557,537,360
Basic and diluted loss per share	(0.012)	(0.049)

27. Contingencies and Commitments

(a) Capital commitments

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

	30 June 2010	31 December 2009
	USD'000s	
In one year	46,642	58,412
In two to five years	15,544	34,974
Total outstanding commitment	62,186	93,386

Other commitments in amount of USD 3.9 million (2009 –USD 3.6 million) relates to purchase of fixed assets for port division.

(b) Taxation contingencies

The Group operates in several jurisdictions with significantly different taxation systems. Generally, in most high tax rate jurisdictions the foreign legal entity may be required to pay income tax if it is a tax resident of such jurisdiction or if its activities constitute a permanent establishment in such jurisdiction. Management believes that the Group's shipping and holding companies incorporated in low-tax jurisdictions are not subject to taxes outside their countries of incorporation. However, the concept of permanent establishment and tax residency for legal entities introduced by domestic and international law is subject to interpretation. As a result, there is a risk that the taxation authorities of higher tax jurisdictions may attempt to subject the Group's earnings to income taxes of a particular jurisdiction.

Should the taxation authorities be successful in assessing additional taxes, late payment interest and imposing fines on this basis, the impact on these financial statements could be significant.

Russian tax law and practice are not as clearly established as those of more developed market economies. Russian tax laws, regulations and court practice are subject to frequent change, varying interpretation and inconsistent and selective enforcement. As a result, sometimes taxpayers are being challenged as to structures and transactions which have not been challenged or litigated as a result of prior tax audits. Taxation of companies in the transportation and freight forwarding industry in particular has historically been a vague area in the Russian tax legislation. Recently, the Russian Supreme Arbitration Court issued a ruling # 8133/09 of 8 December 2009 upholding the position of lower courts that there is no basis to apply 0% VAT to unloading of imported goods unless the goods have been placed under the customs regime of free customs zone and stating that the Russian Tax Code does not unequivocally require application of 0% VAT rate to services with respect to unloading and storage of imported goods. Based on that line of reasoning, the court confirmed the importer's entitlement to recovery of 18% input VAT on respective services.

During 2007, 2008, and 2009 the Group's port subsidiaries provided services related to unloading and storage of imported goods and applied VAT at the rate of 0% to such services. For a number of years the tax authorities have confirmed the entitlement of Group port subsidiaries to apply such 0% VAT rate. In 2010 the tax inspectorate disallowed the application of 0% VAT for the first, the third quarter and the fourth quarter of 2009 and the first quarter of 2010 for Vladivostok container terminal, the Group's subsidiary, referring to the above decision of the Russian Supreme Arbitration. The additional VAT assessment amounts to at least USD 0.8 million. Although the decision is adopted in respect of a different taxpayer and the facts may differ, the tax authorities used it as a basis for their challenge. Even though in the past the tax authorities confirmed that supplies of respective services should be taxable at 0% VAT rate, following the above decision of the Supreme Arbitration Court the tax inspectorate may assess additional VAT on Group port subsidiaries for prior periods during fieldwork audits for periods technically open for audit (2007, 2008, and 2009). In case of such a challenge, the amount of such additional assessments and potential impact on these financial statements may be significant.

The Group's forwarding subsidiary Fesco Lines Vladivostok (FLV) provided multimodal transportation services for goods imported into Russia and applied 0% VAT rate to such services. In the past the tax authorities confirmed FLV's right to benefit from 0% VAT rate with respect to such services during fieldwork audits for 2007 and 2008 as well as desktop audits for respective tax periods. However, in February 2010 following the desktop audit of adjusted VAT returns for respective tax periods of 2007, 2008 and third quarter of 2009 the tax authorities issued decisions challenging the application of the 0% VAT to such services and assessing additional VAT of USD 18.8 million. The decisions with respect to VAT returns for the first quarter and the second quarter of 2009 are still pending.

So far, the results of the court hearings with respect to the challenged periods are inconsistent, i.e. with respect to the fourth quarter of 2008 court ruled in favour of the tax authorities, with respect to August and November of 2007 and the first quarter of 2008 court of first instance ruled in favour of FLV. None of the respective cases have so far been considered in the court of appeal.

In respect of the multimodal transportation services for goods imported into Russia provided by FLV in the fourth quarter of 2009 and the first half of 2010, FLV treats such turnover as "unconfirmed import" and, therefore, intends to accrue VAT at the rate of 18% on such turnover on the 181st day (270th day with respect to the fourth quarter of 2009) and file respective VAT returns in the second half of 2010. Subsequently, FLV intends to file adjusted VAT returns for these periods and claim 0% VAT rate on the respective turnover, if the above court cases in relation to application of 0% VAT rate in previous periods are ruled in favour of FLV.

In arguing that the 0% VAT rate could only be applied to the supply of services directly related to manufacturing and sale of goods placed under the customs regimes of export or free customs zone, the tax authorities seem to have drawn their conclusion on the above decision of the Supreme Arbitration Court. The Russian Tax Code is vague as to what services related to imported goods should be taxable at 0% VAT rate. In the above case the Supreme Arbitration Court considered the VAT taxation of services with respect to unloading and storage of imported goods and did not express its opinion as to the VAT treatment of organisation of transportation of imported goods. The Russian Ministry of Finance afterwards issued a clarification supporting the application of 0% VAT rate to services on organisation of transportation of goods brought into Russia from a departure point located in a foreign country to a destination point located in Russia irrespective of the customs regime under which the goods are placed. Management believes that application of 0% VAT to such services is justified and no provision is required. Should, however, the court take a different view and rule in favour of the tax authorities, the impact on these financial statements may be significant. Moreover, the tax authorities may bring similar challenges against other Group companies engaged in transportation or freight forwarding of imported goods. In case of such challenges the amount of additional tax assessments and the potential impact on these financial statements may be significant.

The taxation system in the Russian Federation and countries of the former Soviet Union 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. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

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 interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(c) Operating environment of the company

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

28. 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.

During the period ten people were considered to be the Group’s key management and directors (2009 – eleven individuals). Their remuneration during the period was as follows:

	30 June 2010	30 June2009
	USD'000s	
Salaries	865	831
Termination payment	-	1,410
	865	2,241
Share options expense	408	-
	1,273	2,241

Statement of financial position	30 June 2010	31 December 2009	Nature of balances
	USD'000s		
Non consolidated subsidiaries	846	807	Trade debt
Associates	2,003	460	Agency and other service
Joint Venture Company	(749)	(629)	Trade debt
Joint Venture Company	(6,402)	(6,090)	Loan payable
Related through common shareholder	-	(2,374)	Loan payable
Related through management	(2,500)	-	Loan payable
Related through management	131	171	Loan issued
Joint Venture Company	1,299	579	Loan issued
Related through common shareholder	-	2,374	Loan issued
Related through common shareholder	640	-	Promissory notes
Related through common shareholder	729	-	Bonds
Related through common shareholder	3,591	16,261	Deposit
Joint Venture Company	4,644	5,078	Finance lease receivable

Income Statement	Six months period ended 30 June 2010	30 June 2009	Nature of transactions
	USD'000s		
Non consolidated subsidiary purchases	(459)	(379)	Agency Services
Non consolidated subsidiary sales	274	16	Agency Services
Associates purchases	(1,521)	(975)	Agency services, rent and security expenses
Related through common shareholder	(335)	(321)	Interest expense
Joint Venture Company	341	356	Finance lease and interest income
Related through common shareholder	215	1,357	Interest income
Non consolidated joint venture	(4,188)	(5,650)	Stevedoring services
Related through common shareholder	-	(4,514)	Goodwill not recognised

29. Post Balance Sheet Events

(a) *Sale of Ice-breaking supply vessel Fesco Sakhalin*
In July 2010 the Group sold the ice-breaking supply vessel Fesco Sakhalin to a third party for a consideration of USD 77 million. The consideration was received in cash.

(b) *Settlement of the dispute with the Polish governmental agency KUKE*
In July 2010 the Group received USD 20 million from Polish governmental agency KUKE in cash. The remaining part in amount USD 3.4 million is due in three instalments until 31 March 2011.

(c) *Sale of NCC Group Limited and Ealingwood Limited*
In July 2010 the Group sold its investment in NCC Group Limited and Ealingwood Limited for a consideration of USD 900 million to a third party and received USD 800 million in cash. The remaining part will be settled either in cash or by delivery to the Group of a 50% share in NUTEP group of companies, a container terminal located in Novorossiysk. The final settlement is expected to take place by the end of October 2010. The financial effect of the transaction will be a profit on disposal of available-for-sale securities of approximately USD 424 million.

(d) *New Borrowings*
In August 2010 the Group entered into new long term loan agreements with ING Bank N.V. totaling USD 43 million, UniCreditBank totaling USD 19 million and Promsvyazbank totaling USD 9.6 million.

(e) Subsequent to the balance sheet date the Group voluntary prepaid several loan facilities in total amount of USD 311 million.

(f) In September 2010 the Group signed agreements with Citibank International and Sumitomo Mitsui Banking Corporation waiving the breach of covenants. The total principle outstanding under these agreements at 30 June 2010 was USD 213 million.