

**FAR-EASTERN SHIPPING COMPANY PLC
AND ITS SUBSIDIARIES**


CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2005

STATEMENT OF MANAGEMENT RESPONSIBILITIES

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

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



E.N. Ambrosov, President



Y. B. Gilts, Senior Vice President

19 June 2006

**Report of the Auditors to the Members of
Far-Eastern Shipping Company PLC**

We have audited the accompanying balance sheet of Far-Eastern Shipping Company PLC and its subsidiaries as of 31 December 2005 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended, as set out on pages 3 to 30. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2005 and of the results of its operations and its cash flow for the year then ended in accordance with International Financial Reporting Standards.

Moore Stephens Vladivostok

MOORE STEPHENS VLADIVOSTOK

18A Verkhne-Portovaya Street
Vladivostok, Russia

21 June 2006

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

Consolidated Balance Sheet – 31 December 2005
(Expressed in USD'000s)

	Note	2005	2004
Non-Current Assets			
Fleet	3	539,262	550,760
Other fixed assets	4	68,361	42,956
Vessels under construction	5	57,160	44,785
		<u>664,783</u>	<u>638,501</u>
Long Term Investments	6	9,807	3,313
Current Assets			
Inventories	7	10,385	4,813
Voyages in progress		230	1,175
Accounts receivable	8	74,240	62,710
Investments	9	479	1,435
Bank and cash balances	10	69,078	40,911
		<u>154,412</u>	<u>111,044</u>
Less: Current Liabilities			
Accounts payable	11	82,118	52,172
Loans and other obligations	12	38,029	21,238
		<u>120,147</u>	<u>73,410</u>
Net Current Assets		34,265	37,634
Deferred tax	13	(36,650)	(45,660)
		<u>672,205</u>	<u>633,788</u>
Financed by:-			
Share capital	14	4,130	4,130
Retained earnings		466,499	429,251
Other reserves	15	83,267	132,779
		<u>553,896</u>	<u>566,160</u>
Minority interest		552	281
Total equity		554,448	566,441
Long term loans and other obligations	12	117,757	67,347
		<u>672,205</u>	<u>633,788</u>

E.N. Ambrosov, President

Y.B. Gilts, Senior Vice President

The attached notes on pages 7 to 30 form an integral part of these financial statements

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

**Consolidated Income Statement
For the period ended 31 December 2005**

(Expressed in USD'000s)

	Note	2005	2004
Turnover		541,392	449,694
Operating expenses		<u>(425,889)</u>	<u>(331,906)</u>
Gross profit	26	115,503	117,788
Depreciation			
Fleet	3	(46,408)	(25,725)
Other fixed assets	4	<u>(8,613)</u>	<u>(8,121)</u>
		(55,021)	(33,846)
Other Income and Expenses			
Other income	27	14,051	7,235
Interest receivable		2,349	1,571
Result of investment activity		134	344
Negative goodwill	24	665	1,330
Administrative expenses		(46,785)	(40,057)
Non- profit based taxes	16	(1,452)	(1,325)
Bad debt release	8	1,754	1,168
Interest payable and finance charges		(8,025)	(3,043)
Exchange (loss)/gain		<u>(4,660)</u>	<u>3,308</u>
		41,969	(73,795)
Profit before taxation and assets disposals and revaluations		18,513	54,473
(Loss) / profit on disposal of fixed assets and investments	18	(61)	2,282
Group share of results of joint venture and associated companies		(26)	-
Fair value and impairment adjustments	19	<u>(4,822)</u>	<u>49,975</u>
Profit before Taxation		13,604	106,730
Taxation	16	<u>(2,355)</u>	<u>(19,715)</u>
Profit for the year		<u>11,249</u>	<u>87,015</u>
Attributable to:			
Equity holders of the parent		11,132	86,965
Minority interest		117	50
Earnings per share	20	USD 0.007	USD 0.053

The attached notes on pages 7 to 30 form an integral part of these financial statements

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

**Consolidated Statement of Changes in Equity
For the period ended 31 December 2005**

(Expressed in USD'000s)

	Attributable to equity holders of the parent			Total	Minority Interest	Total Equity
	Share Capital (Note 14)	Retained Earnings	Other Reserves (Note 15)			
Balance at 1 January 2004	4,130	336,785	22,221	363,136	-	363,136
Deferred tax liability arising on revaluation of fleet	-	-	(13,154)	(13,154)	-	(13,154)
Translation difference	-	91	(93)	(2)	-	(2)
Release from revaluation reserve – annual	-	5,410	(5,410)	-	-	-
Revaluation of fleet	-	-	129,215	129,215	-	129,215
Net income recognised directly in equity	-	5,501	110,558	116,059	-	116,059
Profit for the period	-	86,965	-	86,965	50	87,015
Total recognised income for the period	-	92,466	110,558	203,024	50	203,074
Net assets attributable to the minority interest at the date of consolidation	-	-	-	-	231	231
Balance at 31 December 2004	4,130	429,251	132,779	566,160	281	566,441
Deferred tax release arising on revaluation of fleet	-	-	2,936	2,936	-	2,936
Translation difference	-	-	24	24	-	24
Revaluation of fleet	-	-	(26,356)	(26,356)	-	(26,356)
Release from revaluation reserve – annual	-	22,841	(22,841)	-	-	-
Release from revaluation reserve – on disposal	-	3,275	(3,275)	-	-	-
Net loss recognised directly in equity	-	26,116	(49,512)	(23,396)	-	(23,396)
Profit for the period	-	11,132	-	11,132	117	11,249
Total recognised income and expense for the period	-	37,248	(49,512)	(12,264)	117	(12,147)
Net assets attributable to the minority interest at the date of consolidation	-	-	-	-	154	154
Balance at 31 December 2005	4,130	466,499	83,267	553,896	552	554,448

The availability of the Company's retained earnings for distribution to shareholders is determined by the Company's Articles of Association and by Russian legal and fiscal regulations and does not correspond with the figures shown above.

The attached notes on pages 7 to 30 form an integral part of these financial statements

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

**Consolidated Cash Flow Statement
For the period ended 31 December 2005**

(Expressed in USD'000s)

	Note	2005	2004
Cash Flow from Operating Activities			
Hire and freight received		533,069	429,568
Payments for voyage and running costs		(421,633)	(315,841)
Other cash receipts		15,752	7,235
Other cash payments		(30,441)	(48,465)
Cash generated by operations		96,747	72,497
Taxation		(8,176)	(10,822)
Net cash generated by operating activities	17	88,571	61,675
Cash Flow from Investing Activities			
Expenditure on vessels under construction		(37,741)	(29,150)
Vessels acquired		(60,526)	(62,234)
Expenditure on other fixed assets		(35,719)	(20,850)
Proceeds on disposal:			
Fleet		16,622	15,500
Other fixed assets		2,101	6,345
Investments acquired		(9,050)	(7,383)
Proceeds on sale of investments		5,436	1,563
Cash assets of subsidiaries not consolidated in prior years		296	1,858
Interest and investment income		2,483	1,790
Net cash used in investing activities		(116,098)	(92,561)
Cash Flow from Financing Activities			
Loan repayments		(85,531)	(20,726)
Finance charges		(8,025)	(3,043)
Loans drawn down		152,732	57,569
Net cash generated by financing activities		59,176	33,800
Exchange Differences		(3,482)	4,054
Net Increase in Cash and Cash equivalents		28,167	6,968
Cash and Cash equivalents at 1 January		40,911	33,943
Cash and Cash equivalents at 31 December	10	69,078	40,911

The attached notes on pages 7 to 30 form an integral part of these financial statements

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

Notes to the Consolidated Financial Statements – 31 December 2005

1. Accounting policies

(a) Basis of accounting

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

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where estimates are significant to the financial statements are disclosed in Note 1q.

The significant accounting policies adopted by the Group have been consistently applied with those of the prior year and are as set out below.

(b) Basis of consolidation

These financial statements include the accounts of Far-Eastern Shipping Company PLC ("FESCO") and its subsidiaries ("the Group") as indicated in Note 24.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. The interest of minority shareholders is initially stated at the minority's proportion of the fair values of the assets and liabilities recognised. It is subsequently restated to recognise the minority's interest in subsequent profits or losses.

The consolidated financial statements include the Group's share of the total recognised gains and losses of significant associates and joint ventures on an equity accounted 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.

The following subsidiaries have been consolidated for the first time in 2005:

Versailles
Dalrefrans
FesInvest
Fesco Supply Shipping
Pacific Container Ships Holding Limited
Pacific Conline Holding Limited

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

Notes to the Consolidated Financial Statements – 31 December 2005

1. Accounting policies (Continued)

(c) Functional and Presentation Currency

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

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

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

(d) Fixed assets and depreciation

Fleet

The fleet is stated on an individual vessel basis at market value as assessed by management and supported by independent professional valuations and calculations of value in use. Other fixed assets are stated at the lower of cost and recoverable amount (where appropriate recoverable amounts are estimated by management) less accumulated depreciation.

Fleet depreciation

Depreciation has been provided on a straight-line basis on book value less an estimated scrap value, based on anticipated useful lives of 25 years from date of building.

Other fixed assets depreciation

Other fixed assets are depreciated on a straight line basis at the following rates:

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

Impairment

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

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

**Far-Eastern Shipping Company PLC
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Notes to the Consolidated Financial Statements – 31 December 2005

1. Accounting policies (Continued)

(e) 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.

(f) Dry-docking and special surveys

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

(g) Inventories

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

(h) 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.

(i) Revenue recognition

The Group recognises trading income on an accruals basis.

Credit is taken for the appropriate share of profits on voyage charters in progress at the balance sheet date, calculated under the percentage of completion method. Full provision is made for any losses on voyages in progress at the balance sheet date. The results of time charters in progress at the balance sheet date are apportioned into the relevant accounting period.

(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 categories of investment are taken directly to the income statement.

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

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

Notes to the Consolidated Financial Statements – 31 December 2005

1. Accounting policies (Continued)

(k) 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.

(l) Pension scheme

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

(m) Segmental Reporting

The Group does not disclose separate segmental results as, in the view of management, the Group is involved in a single main activity on a global basis.

(n) 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.

(o) Currency translation

Liabilities and current assets in other currencies at the balance sheet date are translated into U.S. Dollars at the relevant rates ruling on that date. For the purposes of these financial statements, liabilities and current assets denominated in Roubles have been translated at a rate of 28.7825 Roubles = USD1 (2004 – 27.7487 Roubles = USD1).

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

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

The financial statements of non-Dollar subsidiaries are translated into U.S. Dollars at the rate ruling at 31 December 2005 for balance sheet items and at the average rate for the year for income statement items. Differences on exchange arising on the application of this policy are recognised through the statement of equity.

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

Notes to the Consolidated Financial Statements – 31 December 2005

1. Accounting policies (Continued)

(p) Dividends

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

(q) 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 year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The most significant areas in which estimates are applied include the following: -

▪ ***Valuation of fleet***

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

▪ ***Depreciation***

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

▪ ***Impairment losses on receivables***

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

▪ ***Fair value techniques***

For assets and liabilities carried at fair value the Group applies market prices where these are readily available. Where they are not it uses a variety of evaluation techniques.

**Far-Eastern Shipping Company PLC
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Notes to the Consolidated Financial Statements – 31 December 2005

1. Accounting policies (Continued)

- (r) Standards, interpretations and amendments that are not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IFRS 6	"Exploration for and Evaluation of Mineral Resources"
IFRS 7	"Financial Instruments: Disclosures"
IFRIC 4	"Determining whether an Arrangement contains a Lease"
IFRIC 5	"Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds"
IFRIC 6	"Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment"
IFRIC 7	"Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies"
IFRIC 8	"Scope of IFRS 2"
IFRIC 9	"Reassessment of Embedded Derivatives"

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

IAS 39 (Amendment) "The Fair Value Option". This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit or loss. The Group will apply this amendment from the annual period beginning 1 January 2006.

Amendments to existing published standards which management considers not relevant to the activities of Group include:

IAS 19 Employee Benefits
IAS 39 Amendment on cash flow hedge accounting of forecast intragroup transactions
IAS 39 and IFRS 4 (Amendment) - "Financial Guarantee Contracts".
IFRS 1 First time adoption of IFRS

2. Organisation and Trading Activities

FESCO was privatised and became a joint stock company governed by the laws of the Russian Federation on 3 December 1992. The Company's registered office and principal place of business is: 15 Aleutskaya Street, Vladivostok 690990, Russia.

The Company's immediate parent entity is S.V.G. Holding, Luxemburg and the Group's ultimate controlling company is OOO "Industrial Investors Group".

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

During 2005 the Group had an average of 6,595 employees (2004 – 5,992).

**Far-Eastern Shipping Company PLC
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Notes to the Consolidated Financial Statements – 31 December 2005

3. Fleet

	Valuation	Depreciation USD'000s	Net Book Value
At 1 January 2004	342,166	-	342,166
Additions during the year	62,234	-	62,234
Depreciation charge for the year	-	(25,725)	(25,725)
Disposals	(12,887)	650	(12,237)
Revaluation	159,247	25,075	184,322
At 31 December 2004	550,760	-	550,760
Additions during the year	85,892	-	85,892
Depreciation charge for the year	-	(46,408)	(46,408)
Disposals	(17,900)	428	(17,472)
Revaluation	(79,490)	45,980	(33,510)
At 31 December 2005	<u>539,262</u>	<u>-</u>	<u>539,262</u>
Total deadweight tonnage			<u>937,695</u>

At 1 January 2005, the Group's management decided to increase the estimated scrap value of the Group's fleet to USD 330 (2004: USD250) per LWT. This change in accounting estimate was made in reaction to the increase in international steel prices. Had this change in accounting estimate not been adopted the depreciation charge for the year ended 31 December 2005 would have been USD 6.4 million higher than shown in these financial statements.

Additions comprise the mv "Fesco Sakhalin", an electric ice breaking supply and standby vessel with a deadweight capacity of 4,298 tonnes which was delivered to the Group in June 2005.

Fleet includes 15 vessels fully depreciated with an aggregate book value of USD12 million at 31 December 2005 (2004 - 17 vessels with NBV USD16 million at 31 December 2004).

The fleet was revalued by the Group's management as at 31 December 2005 supported by independent professional valuations carried out in January 2006 and calculations of value in use. The resulting decrease of USD 33.5 million has been dealt through the Revaluation Reserve (USD 26.4 million) and the Income Statement (USD 7.1 million).

Value in use has been calculated based on the estimated future net earnings of each vessel to the end of its useful economic life discounted at a rate of 8%.

At 31 December 2005, 16 vessels in the Group's fleet with a net book value of USD 343 million were insured for hull and machinery risks with western underwriters. A further 55 vessels with a net book value of USD 196.2 million were insured with Russian underwriters. The total insured value amounted to USD 577 million.

Depreciated historical cost of the Group's fleet at 31 December 2005 was USD437 million (2004 – USD365.7million).

16 vessels with a net book value of USD 343 million are pledged as a security to guarantee the Group's obligations under ING Bank N.V. and HSH Nordbank bank loans (note 12).

**Far-Eastern Shipping Company PLC
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Notes to the Consolidated Financial Statements – 31 December 2005

4. Other Fixed Assets

	Buildings and Infrastructure	Plant, Machinery and Other	Assets under construction	Total
	USD'000s			
Cost				
At 1 January 2004	68,315	39,999	1,960	110,274
Additions in the year	68	19,095	501	19,664
Subsidiaries not consolidated in prior years (note 24)	-	1,126	-	1,126
Disposals during the year	(19,902)	(7,877)	-	(27,779)
Transferred as contribution to share capital	-	(82)	-	(82)
Impairment adjustment	-	-	(872)	(872)
Translation difference	183	(673)	-	(490)
At 31 December 2004	48,664	51,588	1,589	101,841
Additions in the year	1,370	33,110	1,239	35,719
Subsidiaries not consolidated in prior years (note 24)	-	1,798	-	1,798
Disposals during the year	(3,046)	(1,367)	(828)	(5,241)
Transferred as contribution to share capital	(4,644)	-	-	(4,644)
Impairment adjustment	-	(800)	-	(800)
Translation difference	(6)	(16)	-	(22)
At 31 December 2005	42,338	84,313	2,000	128,651
Depreciation				
At 1 January 2004	39,703	31,113	-	70,816
Charge for the year	3,354	4,767	-	8,121
Eliminated on disposal	(15,684)	(4,692)	-	(20,376)
Translation difference	(21)	345	-	324
At 31 December 2004	27,352	31,533	-	58,885
Charge for the year	3,148	5,465	-	8,613
Eliminated on disposal	(2,908)	(1,018)	-	(3,926)
Transferred as contribution to share capital	(3,270)	-	-	(3,270)
Translation difference	-	(12)	-	(12)
At 31 December 2005	24,322	35,968	-	60,290
Net Book Value				
At 31 December 2005	18,016	48,345	2,000	68,361
At 31 December 2004	21,312	20,055	1,589	42,956

During the year Group purchased 3,500 container boxes of various types from third parties. The total cost of these boxes was USD 10.689 million. Finance for the purchase was provided by ING Bank N.V. (note 12).

**Far-Eastern Shipping Company PLC
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Notes to the Consolidated Financial Statements – 31 December 2005

5. Vessels Under Construction

Movements during the year on vessels under construction were:

	2005	2004
	USD'000s	
At 1 January	44,785	15,636
Expenditure during the year	37,741	29,149
Transferred to fleet during the year	(25,366)	-
At 31 December 2005	<u>57,160</u>	<u>44,785</u>

Details of the Company's commitments in respect of vessels under construction are given in Note 22. The amount transferred to fleet during the year represents prepayments previously made in respect of the construction of the Fesco Sakhalin.

6. Long Term Investments

	2005	2004
	USD'000s	
Subsidiary companies (not consolidated)	514	584
Joint ventures and associates	8,546	2,484
Trade loans and other investments available for sale	747	245
	<u>9,807</u>	<u>3,313</u>

Subsidiaries comprise: -

	2005	2004
	USD'000s	
Fes – Invest	-	367
Fes – Invest – provision for impairment	-	(367)
Versailles	-	2,655
Versailles – provision for impairment	-	(2,155)
Sental	-	384
Sental – provision for impairment	-	(384)
Transfes' subsidiaries not consolidated	-	68
Fesco Lines China	500	-
Other	14	16
	<u>514</u>	<u>584</u>

Details of the subsidiaries are disclosed in Note 24.

**Far-Eastern Shipping Company PLC
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Notes to the Consolidated Financial Statements – 31 December 2005

6. Long Term Investments (continued)

Joint ventures and associates comprise:-

	2005	2004
	USD'000s	
International Paint (East Russia) Limited	600	340
United Orient Shipping Agency Company Ltd.	21	21
Transorient Shipping Company Ltd	343	1,535
Neokont	-	427
Russkaya Troyka	7,582	150
Other	-	11
	<u>8,546</u>	<u>2,484</u>

Details of the principal joint ventures and associates are disclosed in note 25.

7. Inventories

	2005	2004
	USD'000s	
Bunkers	7,446	2,235
Stores and spares	513	336
Victualling	487	428
Other stocks and raw materials	1,939	1,814
	<u>10,385</u>	<u>4,813</u>

8. Accounts Receivable

	2005	2004
	USD'000s	
Trade debtors	53,500	50,943
Due from non-consolidated subsidiaries	3,579	2,464
Due from associates	8,346	2,750
VAT receivable	14,847	11,462
Other debtors and prepayments	14,011	16,888
Bad debt provision	(20,043)	(21,797)
	<u>74,240</u>	<u>62,710</u>

Included in trade debtors are amounts due from agents used to settle liabilities on behalf of the Group. USD55 million (2004 – USD48.9 million) of accounts receivable is Rouble denominated. Details of the balances and transactions with the principal non-consolidated subsidiaries and associates are disclosed in note 21.

**Far-Eastern Shipping Company PLC
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Notes to the Consolidated Financial Statements – 31 December 2005

9. Current Investments

	2005	2004
	USD'000s	
Fair value at 1 January	1,435	747
Additions	254	4,688
Disposals	(463)	-
Transferred to long term investments	(747)	-
Fair value adjustment	-	(4,000)
Fair value at 31 December	<u>479</u>	<u>1,435</u>

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

10. Bank and cash balances

	2005	2004
	USD'000s	
Bank accounts and cash in hand	69,078	37,891
Restricted deposits	-	3,500
	<u>69,078</u>	<u>41,391</u>
Bank overdraft	-	(480)
	<u>69,078</u>	<u>40,911</u>

USD 3.3 million (2004 – USD 8.6 million) of bank and cash balances is Rouble denominated. USD 0.1 million is Euro denominated (2004 – USD 0.3 million), USD 0.6 million is GBP denominated (2004 – USD 0.1 million), USD 3.7 million (2004 – HKD 7.0 million) is HKD denominated.

11. Accounts Payable

	2005	2004
	USD'000s	
Trade creditors	47,794	36,415
Profit taxes payable	2,377	2,124
Non-profit taxes payable	688	725
Other creditors and accruals	31,117	12,775
Dividends payable	142	133
	<u>82,118</u>	<u>52,172</u>

USD32 million (2004 – USD12.5 million) of accounts payable is Rouble denominated.

**Far-Eastern Shipping Company PLC
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Notes to the Consolidated Financial Statements – 31 December 2005

12. Loans and Other Obligations

	2005	2004
	USD'000s	
Loans and other obligations comprise:		
EBRD	-	35,000
ING Bank N.V. - Loan 1	61,000	-
ING Bank N.V. – Loan 2	56,184	-
HSH Nordbank – Loan 1	-	3,375
HSH Nordbank – Loan 2	36,313	43,500
Other	2,289	6,710
	<u>155,786</u>	<u>88,585</u>
Repayable within the next twelve months	38,029	21,238
Long term balance	117,757	67,347
	<u>155,786</u>	<u>88,585</u>

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

A loan facility of USD85 million was provided to the Group by ING Bank N.V. under an agreement dated 15 March 2005. The loan comprises a term facility of USD60 million and a revolving facility of up to USD25 million.

The first tranche of the term loan facility which was intended to refinance the existing EBRD loan and amounted to USD35 million was advanced on 22 March 2005.

The second tranche of the term loan facility amounting to USD25 million was made available to the Group on 22 August 2005. It was utilised to finance container equipment acquisition. The loan is repayable in eight equal quarterly instalments of USD3 million each and sixteen subsequent quarterly instalments of USD2.250 million each.

Interest is payable at LIBOR plus 1.30%. The loan is secured by first mortgages on six vessels in the Group's fleet with an aggregate book value of USD135 million, pledges of shares of the subsidiaries concerned, and by a guarantee from FESCO.

The outstanding balance at 31 December 2005 was USD61 million.

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

A USD61.292 million facility from ING Bank N.V. was advanced to the Group in May 2005. The purpose of the loan was the part-financing of the purchase of one new building vessel.

The loan is repayable in nine consecutive semi-annual instalments of USD5.1 million and a balloon instalment of USD15.3 million. However if certain terms and conditions are met the Group has the right to seek extension of the balloon payment. In this event the balloon instalment will be split into one instalment of USD5.1 million followed by four consecutive semi-annual instalments of USD2.55 million each.

Interest is payable at CIRR 2.51% (fixed for 5 years)+ 0.5875% and LIBOR+0.8875%. The loan is secured by a mortgage on one of the Group's vessels with a book value of USD80 million and a guarantee from FESCO.

**Far-Eastern Shipping Company PLC
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Notes to the Consolidated Financial Statements – 31 December 2005

12. Loans and Other Obligations (Continued)

(c) HSH Nordbank (loan 1)

A USD18 million syndicated facility from HSH Nordbank AG (at that time Hamburgische Landesbank) was advanced to the Group in April 1998. The final payment of USD1.125 million was effected in December 2005 and the loan is now fully repaid.

(d) HSH Nordbank (loan 2)

A USD43.5 million loan facility from HSH Nordbank AG was advanced to the Group during 2004. The outstanding balance of Tranche 1 amounting to U.S \$13.2 million is to be repaid in ten consecutive semi-annual installments of USD0.45 million each with a final balloon payment of USD8.7 million.

The outstanding balance of Tranche 2 amounting to U.S \$18.5 million is to be repaid in ten consecutive semi-annual installments of USD1,318,750 each with a final balloon payment of USD5.275 million.

The outstanding balance of Tranche 3 amounting to U.S \$4.6 million is to be repaid in six consecutive semi-annual installments of USD0.775 million.

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

The loan is secured by mortgages on six vessels in the Group's fleet with an aggregate book value of USD88.625 million and a guarantee from FESCO.

(e) Other loans

In June 2003, the Group received a loan from Black Gold Trading and Finance Corp. for working capital needs. This loan was interest free with no fixed date of repayment. It was repaid in December 2005. The total amount repaid during the reporting year was USD 0.655 million.

In December 2004 a loan facility of USD 4.4 million was advanced by Vneshtorgbank for the purpose of financing container purchases from Maersk Container Group. Interest is payable at 8.5% p.a. and the loan is repayable in semi-annual instalments ending in 2007. The total amount repaid during the reporting year was USD 2 930 million.

On 5 July 2004 a RUR 10 million (USD 0.360 million) short term loan facility was advanced to the Group by Morbank (related party). The Loan was repaid in April 2005. Interest was fixed at 13.75% p.a.

On 23 September 2004 a RUR 10 million (USD 0.360 million) short term loan facility was advanced to the Group by Fesbank. The Loan was repaid in September 2005. The purpose of the loan was replenishing working capital. Interest was fixed at 13% p.a.

A short term loan of RUR 30 million (USD 1.081 million) was provided to the Group on 7 July 2004 by CJSC Sovbunker. The loan was repaid in June 2005. Interest was fixed at 9% p.a.

In August 1992 the Group received a loan from Nihonkay Investment (related party) for working capital needs. The outstanding balance of the loan at 31 December 2005 amounted to USD 0.445 million. The loan is interest free. The loan is repayable in April 2009.

In July 2005, the Group received a loan facility of USD 0.520 million from Pacific Shipping Services Limited. The loan is interest free and is to be repaid by 7 July 2010.

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

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13. Deferred Taxation

Deferred taxation is provided for in full on all temporary timing differences between the carrying values of assets and liabilities reported for tax purposes and for accounting purposes. The provision is based on the Company's anticipated effective profit tax rate of 24% (2004 – 24%).

Movement in temporary differences during the year:

	Balance 31 December 2004	(Charge) / release to income for the year	Charge to equity for the year	Balance 31 December 2005
	USD'000s			
Vessels	(56,173)	9,542	2,936	(43,695)
Other fixed assets	1,424	(4,245)	-	(2,821)
Assets under construction	(4,967)	(3,336)	-	(8,303)
Investments	1,252	2,636	-	3,888
Inventories	677	5	-	682
Accounts receivable	12,018	6,624	-	18,642
Accounts payable	(698)	(5,651)	-	(6,349)
Provisions, accruals and deferred income	192	318	-	510
Foreign deferred tax	615	181	-	796
	<u>(45,660)</u>	<u>6,074</u>	<u>2,936</u>	<u>(36,650)</u>

14. Share Capital

	2005	2004
	USD'000s	
Authorised number of shares (1 Rouble per share)	2,000,000,000	2,000,000,000
Issued number of shares	1,643,593,000	1,643,593,000
Share capital (USD'000)	<u>4,130</u>	<u>4,130</u>

Upon privatisation of the Company on 3 December 1992, 1,626,855 shares of 1,000 old Roubles each were issued at par by a capitalisation of reserves of an equivalent amount. During 1994 a further 16,738 shares of 1,000 old Roubles each were issued for a consideration equivalent to USD556,000 giving rise to a share premium of USD548,000. In May 1995, the shares were split, reducing the nominal value from 1,000 old Roubles to 100 old Roubles and a further 147,923,370 shares issued by a transfer from reserves. In May 1996, the nominal value of the shares was increased from 100 old Roubles to 1,000 old Roubles, increasing the share capital to old Roubles 1,643,593 million, by a further transfer from reserves. In 1998 the nominal value was redenominated to 1 new Rouble. No value has been attributed to the share capital increases in 1995 and 1996, as the Company's statutory revaluation reserve out of which the transfers were made has effectively already been reflected in the U.S. Dollar value of the share capital calculated at the date of the Company's privatisation.

FES-Invest AO held a shareholding in the Company amounting to approximately 0.0001% of the Company's issued capital at 31 December 2005 (2004 – 0.01 %).

**Far-Eastern Shipping Company PLC
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Notes to the Consolidated Financial Statements – 31 December 2005

15. Other Reserves

	Fleet Revaluation Reserve	Translation reserve USD'000s	Total
Balance 1 January 2004	20,336	1,885	22,221
Deferred tax liability arising on revaluation of fleet	(13,154)	-	(13,154)
Revaluation of fleet	129,215		129,215
Release from revaluation reserve – annual release	(5,410)	-	(5,410)
Translation difference	-	(93)	(93)
Balance 1 January 2005	130,987	1,792	132,779
Deferred tax liability arising on revaluation of fleet	2,936	-	2,936
Revaluation of fleet	(26,356)	-	(26,356)
Release from revaluation reserve – annual release	(22,841)	-	(22,841)
Release from revaluation reserve – release on disposal	(3,275)	-	(3,275)
Translation difference	-	24	24
Balance 31 December 2005	<u>81,451</u>	<u>1,816</u>	<u>83,267</u>

16. Taxation

Profit tax is calculated at an average rate of 24% (2004 –24 %), based on profit as computed under Russian accounting regulations and adjusted for fiscal purposes.

	2005	2004
	USD'000s	
Charge for the year	7,665	10,970
Overseas taxation	764	1,323
Deferred taxation	(6,074)	7,422
	<u>2,355</u>	<u>19,715</u>

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

	2005	2004
	USD'000s	
Accounting profit	11,249	87,015
Adjustment for foreign subsidiaries not subject to Russian tax	(21,214)	(37,826)
Adjustments to comply with IAS	47,613	(1,582)
Accounting profit in accordance with Russian standards	37,648	47,607
Adjustment for allowable deductions	(5,710)	(1,899)
Taxable profit	<u>31,938</u>	<u>45,708</u>

**Far-Eastern Shipping Company PLC
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Notes to the Consolidated Financial Statements – 31 December 2005

16. Taxation (Continued)

Other significant domestic taxes borne by the company include:

	2005	2004
	USD'000s	
Property tax	1,280	868
Others	172	457
	<u>1,452</u>	<u>1,325</u>

Property tax is calculated at a rate of 2 % (2004 – 2%) on the value of assets as computed under Russian accounting regulations.

17. Reconciliation of Operating Profit to Operating Cash Flows

	2005	2004
	USD'000s	
Profit before Taxation, Asset Disposals and Revaluations	18,513	54,473
Taxation	(2,355)	(19,715)
Adjusted for:		
Deferred taxation	(6,074)	7,421
Finance charges	8,025	3,043
Interest received and investment income	(2,483)	(1,915)
Negative goodwill	(665)	(1,330)
Vessel equipment expensed	-	389
Depreciation	55,021	33,846
Exchange differences	4,660	(3,308)
Movements in working capital:		
Increase in accounts receivable	(11,381)	(26,075)
Increase in inventories	(5,572)	(592)
Increase in accounts payable	29,937	15,386
Decrease in voyages in progress	945	52
Net cash from operating activities	<u>88,571</u>	<u>61,675</u>

18. (Loss)/profit on Disposal of Fixed Assets and Investments

	2005	2004
	USD'000s	
(Loss)/profit on sale of vessels	(850)	3,262
Profit/(loss) on disposal of other fixed assets	789	(1,058)
Profit on disposal of other investments	-	78
	<u>(61)</u>	<u>2,282</u>

**Far-Eastern Shipping Company PLC
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19. Fair Value and Impairment Adjustments

	2005	2004
	USD'000s	
Revaluation of fleet	(7,153)	55,107
Investments fair value adjustments	3,130	(4,260)
Fixed assets write down	(799)	(872)
	<u>4,822</u>	<u>49,975</u>

20. Earnings per share

	2005	2004
	USD	
Profit for the year	11,132,000	86,965,000
Weighted average number of shares	<u>1,643,289,629</u>	<u>1,643,043,980</u>
Profit per share	<u>0.007</u>	<u>0.053</u>

21. 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.

Members of the Board of Management :

Yevgeny N. Ambrosov – President & CEO

Pavel A. Vasilchenko – Vice President, Corporate Relations

Yury B. Gilts – Senior Vice President, Economic & Finance

Sergey S. Kozlov - Senior Vice President, Container Transportation

Vladimir N. Korchanov - Senior Vice President, Fleet Operation

Aleksey P. Nazarov – Chief Accountant, Director of Accounting Department

Vladimir A. Olsufiev - Vice President, Director of Personnel Department

Zaven R. Agadzhanov – Chief Engineer, Director of Technical Department

Members of the Board of Directors :

Yevgeny N. Ambrosov – President & CEO

Alexandr V. Krainikov - Operational Director of ITE

Maxim V. Likhachev – Head of PromInvestors Asset Management Corp.

Antonina B. Murashova – Financial control director, Industrial Investors LLC

Siman V. Povarenkin – CEO of Industrial Investors LLC

Igor A. Rotenberg – Vice President, Russian Railways PLC

Kirill U. Rubinskiy - Senior Vice President of Industrial Investors LLC

Andrey K. Starkov - Director Deputy of Structural Reforming Department Transportation ministry

Petr M. Fradkov – Director of Structural financing Department

**Far-Eastern Shipping Company PLC
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Notes to the Consolidated Financial Statements – 31 December 2005

21. Related party transactions (Continued)

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

	2005	2004
	USD'000s	
Salaries	1,460	1,142
Bonuses	1,232	601
	<u>2,692</u>	<u>1,743</u>

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

		USD'000s	
Balance sheet			
Fesco Logistic	Subsidiary company	2,819	Trade debt
Russkaya Troyka	Joint Venture company	5	Trade debt
Security agency SKAT	Associated company	35	Accrued rent of premises
International Paint	Associated company	490	Dividends receivable
Unorient	Associated company	1,032	Agency services
Transorient	Associated company	6,786	Agency services
Vostochniy Express Service	Associated company	3	Trade debt
Morbank	Related through common shareholder	104	Accrued interest on promissory notes
Income Statement			
Fesco Logistic	Subsidiary company	14,964	Agency Services in respect of railway transportation
Russkaya Troyka	Joint Venture company	(603)	Railway transportation services
Security agency SKAT	Associated company	17	Rent of premises
International Paint (East Russia) Limited	Associated company	(354)	Supply of paint
Unorient	Associated company	9,477	Agency services
Transorient	Associated company	1,904	Agency services
Morbank	Related through common shareholder	640	Interest on promissory notes

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22. Contingencies and Commitments

Capital commitments

In February 2005 the Group entered into an agreement to purchase three container vessels currently under construction in Germany. These vessels are due to be delivered in 2006. Total commitments under these agreements amount to USD180 million. The first instalment of 10% was paid in 2005 after signing of contracts. The remaining 90% is to be paid on delivery.

In March 2005 the Group entered into a shipbuilding contract for the construction of a 1730 TEU containership in Poland at a purchase price of USD30 million. The vessel is scheduled for delivery not later than 30 April 2008. A 5% instalment was paid prior to 30 June 2005. Two instalments of 10% each are due on of steel cutting and keel laying. A fourth instalment of 15% is to be paid on launching. The remaining 60% will be due on delivery.

In July 2005 the Group entered into a shipbuilding contract for the construction of two 2785 TEU containerships in Poland at a purchase price of USD50.8 million each. The vessels are scheduled for delivery not later than 30 April 2009. The first instalment of 5% was paid prior 25 October 2005. A second instalment 15% is to be paid 12 months prior to the delivery date. Two instalments of 10% each are due after the first section is completed and launching respectively. The remaining 60% will be due on delivery.

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

	2005	2004
	USD'000s	
In one year	226,546	78,463
In two to five years	163,001	90,223
Total outstanding commitment	<u>389,547</u>	<u>168,686</u>

At 31 December 2005, the Group had outstanding commitments under new building Container Complex in amount USD 2.563 million, which should be paid during 2006.

Operating lease commitments – where a Group company is a lessee

At 31 December 2005, the Group had no outstanding commitments under non-cancellable operating leases.

	2005	2004
	USD'000s	
Within one year	4,021	913
In two to five years	4,952	8,843
After more than five years	577	148
Total outstanding commitment	<u>9,550</u>	<u>9,904</u>

**Far-Eastern Shipping Company PLC
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Notes to the Consolidated Financial Statements – 31 December 2005

22. Contingencies and Commitments (Continued)

Operating lease commitments – where a Group company is a lessor

Operating lease payments to be received by the Group under a non-cancellable operating lease contract for the supply of the Fesco Sakhalin are as follows:

	2005	2004
	USD'000s	
Within one year	16,454	-
In two to five years	58,920	-
After more than five years	-	-
Total minimum lease payments	<u>75,374</u>	<u>-</u>

23. Post balance sheet events

In January 2006 the Group entered into a shipbuilding contract for the construction of one 2785 TEU containership in Poland at a purchase price of USD50.8 million. The vessel is scheduled for delivery not later than 30 April 2009.

In March 2006 the Group sold the mv Kapitan Serykh to third parties for USD 6.7 million.

In February 2006 the Group purchased Transsiberian Intermodal Service for consideration of USD17 plus USD2 million contingent on future profits. The fair value of net assets is estimated at USD9 million.

On 14 March 2006, management announced plans to sell three international crosstrade lines. The sale is subject to approvals but is expected to be completed by the end of June 2006.

In April 2006 the Group purchased the Fesco Uelen with gross register tonnage 2,938 tons for USD 7.4 million.

Fesco Askold, a 1100 TEU Container vessel, was delivered on 20 April 2006 to Astro-Moon Shipping Company Ltd.

On 23 May 2006 the Company's shares were listed on the Russian Trade System, B quotation list.

24. Subsidiary Companies

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

<u>Name</u>	<u>Country of Incorporation</u>	<u>Percentage Holding</u>	<u>Activity</u>
FESCO Agencies (UK) Ltd	United Kingdom	100%	Ceased trading
FESCO Lines Australia Pty Ltd (Group)	Australia	100%	Holding Company
<i>Subsidiaries:</i>			
FESCO Lines New Zealand Ltd	New Zealand	100%	Shipping agency
FESCO Australia Pty Ltd	Australia	100%	Shipping agency
Maritime and Intermodal Logistic Systems Pty Ltd	Australia	100%	Dormant

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24. Subsidiaries Companies (Continued)

<u>Name</u>	<u>Country of Incorporation</u>	<u>Percentage Holding</u>	<u>Activity</u>
FESCO Lines Hong Kong Ltd	China	100%	Shipping agency
<i>Subsidiaries:</i>			
East Pacific International Ltd.	China	100%	Dormant
FESCO Agency Lines Hong Kong Ltd	Hong Kong	100%	Shipping agency
<i>Subsidiaries:</i>			
Arctic Ocean International Ltd	British Virgin Islands	100%	Holding company
Tryreefer Shipping Co. Ltd	Cyprus	100%	Fleet management
<i>Subsidiaries:</i>			
Gemline Shipping Company Ltd	Cyprus	100%	Line operator
FESCO Ocean Management Ltd	Cyprus	100%	Shipping operations
Remono Shipping Company Ltd	Cyprus	100%	Shipping agency
Orlouna Holdings Limited	Cyprus	100%	Fleet management
<i>Subsidiaries:</i>			
Pacific Crest Shipping Ltd	Cyprus	100%	Dormant
Crest Island Shipping Ltd	Cyprus	100%	Dormant
Roselau Shipping Co. Ltd (Group)	Cyprus	100%	Holding company
<i>Subsidiaries:</i>			
Pacific Conlease Company Limited	Cyprus	100%	Container leasing
Roselaust Container Ships Ltd	Cyprus	100%	Holding company
<i>Subsidiaries:</i>			
Antilalos Shipping Company Ltd	Cyprus	100%	Ship owning
Bodyguard Shipping Company Ltd	Cyprus	100%	Ship owning
Diataxis Shipping Company Ltd	Cyprus	100%	Ship owning
Roselana Container Ships Ltd	Cyprus	100%	Holding company
<i>Subsidiaries:</i>			
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
<i>Subsidiaries:</i>			
Yerakas Shipping Company Ltd	Cyprus	100%	Ship owning
Roselvale Container Ships Ltd	Cyprus	100%	Holding company
Tryfield Shipping Co. Ltd (Group)	Cyprus	100%	Holding company
<i>Subsidiaries:</i>			
Fandax Shipping Company Ltd	Cyprus	100%	Ship owning
Goldsmith Shipping Company Ltd	Cyprus	100%	Ship owning
Seamine Shipping Company Ltd	Cyprus	100%	Ship owning
Festiver Shipping Company Ltd	Cyprus	100%	Ship owning
Phantex Shipping Company Ltd	Cyprus	100%	Ship owning
Marline Shipping Company Ltd	Cyprus	100%	Ship owning
Marview Shipping Company Ltd	Cyprus	100%	Ship owning
FESCO Marine Company Ltd	Malta	100%	Ship owning
Roulio Shipping Company Ltd	Cyprus	100%	Dormant
Delmio Shipping Company Ltd	Cyprus	100%	Dormant
Amenio Shipping Company Ltd	Cyprus	100%	Dormant
FESCO Agencies NA Inc. (Group)	USA	100%	Shipping agency
FESCO Supply Shipping Company	Cyprus	100%	Holding company
<i>Subsidiaries:</i>			
Talgonia Shipping Company Ltd	Cyprus	100%	Ship owning

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24. Subsidiaries Companies (continued)

<u>Name</u>	<u>Country of Incorporation</u>	<u>Percentage Holding</u>	<u>Activity</u>
Pacific Containers Ships Ltd	Cyprus	100%	Dormant
<i>Subsidiaries:</i>			
Astro-Moon Shipping Co.Ltd	Cyprus	100%	Dormant
Natouka Shipping Co.Ltd	Cyprus	100%	Dormant
Saxina Shipping Co.Ltd	Cyprus	100%	Dormant
Perouna Shipping Co.Ltd	Cyprus	100%	Dormant
Pacific Conline Ltd	Cyprus	100%	Holding company
<i>Subsidiaries:</i>			
Mar Space Shipping Company Ltd	Cyprus	100%	Dormant
Lighview Shipping Company Ltd	Cyprus	100%	Dormant
Star Warm Shipping Company Ltd	Cyprus	100%	Dormant
*FESCO Lines China Co., Ltd	China	100%	Shipping agency
Transfes Maritime Agency LLC	Russia	100%	Shipping agency and operations
<i>Subsidiaries:</i>			
* Transfes Magadan	Russia	90%	Shipping agency and operations
* Container Monitoring Centre	Russia	90%	Container operations
* Orista	Russia	70%	Shipping agency
* MAC Transfes Sakhalin	Russia	84%	Shipping agency
* Transfes Kamchatka	Russia	56%	Shipping agency
* Boiler Complex Egersheld	Russia	51%	Utilities services
* Trade House Transfes	Russia	90%	Auto services
* TransVanino Marine	Russia	51%	Agency services
Slavyansky Shipbuilding Yard PLC	Russia	86.81%	Ship repair yard
*FESCO Hall	Russia	100%	Concert agency
Versailles	Russia	59%	Hotel operator
Fes – Invest	Russia	100%	Investment company
* FESCO Logistic LLC	Russia	100%	Shipping agency
Dalrefrans	Russia	100%	Shipping agency
* FESCO Intermodal	Russia	100%	Shipping agency
* FESCO Technical Service	Russia	100%	Vessel repair
* National Paromnaya Pereprava	Russia	100%	Cargo's transportation

* Not consolidated

**Far-Eastern Shipping Company PLC
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Notes to the Consolidated Financial Statements – 31 December 2005

24. Subsidiaries Companies (Continued)

Dalrefrans, Versailles and Fes-Invest were not included in consolidated accounts in prior years as they were not material for the group. Details of net assets included on consolidation in 2005 are:

Carrying value of investments	500
Subsidiaries' net assets	<u>(1,165)</u>
Negative goodwill	<u>(665)</u>

The assets and liabilities arising from consolidation of Versailles, Dalrefrans and Fes-Invest are:

Cash	296
Property, plant and equipment	1,798
Investments in subsidiaries	265
Inventories	104
Accounts receivable	806
Accounts payable	<u>(1,950)</u>
Net assets	1,319
Minority interests	<u>(154)</u>
Net assets attributable to the Group	<u>1,165</u>

25. Joint Ventures and Associates

The principal joint ventures and associates of Far-Eastern Shipping Company PLC are:

<u>Name</u>	<u>Country of Incorporation</u>	<u>Percentage Holding</u>	<u>Activity</u>
International Paint (East Russia) Limited	Hong Kong	49%	Ship Paint Production
Transorient Shipping Company Limited	South Korea	49%	Maritime general agency
*United Orient Shipping Agency Company Limited	Japan	25%	Shipping agency
Russkaya Troyka	Russia	50%	Intermodal Container Operations

* Not consolidated

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25. Joint Ventures and Associates (Continued)

The amounts related to the Group interest in the consolidated joint venture, Russkaya Troyka, are as follows at 31 December 2005:

	Total	50% share
	USD'000s	
Current assets	5,959	2,979
Long-term assets	14,987	7,493
Current liabilities	(5,780)	(2,890)
Long-term liabilities	-	-
Net assets	<u>15,166</u>	<u>7,582</u>
Income	2,272	1,136
Expenses	<u>(3,505)</u>	<u>(1,752)</u>
Net result	<u>1,233</u>	<u>(616)</u>

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

26. Gross Profit

	2005	2004
	USD'000s	
Hire and Freight income	500,036	449,694
Income from Intermodal operations	41,356	-
Voyage and running costs	(394,180)	(331,906)
Expenses from Intermodal operations	<u>(31,709)</u>	-
Gross Profit	<u>115,503</u>	<u>117,788</u>

27. Other Income

	2005	2004
	USD'000s	
Ship management revenue	475	-
Hotel services	935	-
Securities trading	68	-
Revenue from coastal branches	153	422
Ship repair	3,362	-
Asset leasing	3,298	-
Insurance reimbursement	1,494	-
Sale of other assets	1,581	-
Other related service	<u>2,685</u>	<u>6,813</u>
	<u>14,051</u>	<u>7,235</u>