OPEN JOINT STOCK COMPANY “TRANSCONTAINER”

Consolidated Financial Statements
For the Year Ended 31 December 2007

OJSC “TRANSCONTAINER”

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Joint-stock Company TransContainer
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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on pages 2-3, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements of Open Joint Stock Company "TransContainer" and its joint venture (the "Group").

Management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of the Group as of 31 December 2007, and the consolidated results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- Preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective system of internal controls, throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Company operates;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements for the year ended 31 December 2007 were approved on 25 July 2008 by:

P.V. Baskakov	**K.S. Kalmykov**
General Director	Chief Accountant

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Open Joint Stock Company "TransContainer".

We have audited the accompanying consolidated financial statements of Open Joint Stock Company "TransContainer" and its joint venture (the "Group"), which comprise of the consolidated balance sheet as of 31 December 2007 and the related consolidated statements of income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes. The consolidated financial statements of the Group as of 31 December 2006 and for the period then ended, were audited by another auditor whose report dated 30 September 2007, expressed an unqualified opinion on those financial statements.

Management's responsibility

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2007 and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

We draw attention to Note 23 to the consolidated financial statements, which discloses a significant concentration of the Group's transactions with related parties.

Deloitte & Touche

25 July 2008

OJSC "TRANSCONTAINER"

CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2007
(Amounts in thousands of Russian Roubles)

	Notes	2007	2006
ASSETS			
Non-current assets			
Property, plant and equipment	8	15,801,871	11,736,933
Advances for acquisition of non-current assets	7	735,818	214,473
Intangible assets		78,877	27,234
Long-term investments	6, 23	280,000	-
Total non-current assets		**16,896,566**	**11,978,640**
Current assets			
Inventory		95,347	48,985
Trade and other receivables	9	1,163,878	927,200
Receivables from shareholder	19	-	2,141,996
Prepayments and other current assets	10	1,342,158	864,861
Prepaid income tax		121,169	13,564
Short-term bank deposits	11	109,124	500,000
Cash and cash equivalents	12	1,351,866	1,231,980
Total current assets		**4,183,542**	**5,728,586**
TOTAL ASSETS		**21,080,108**	**17,707,226**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	19	13,894,778	13,894,778
Reserve fund	19	72,099	-
Other reserves	19	(2,254,346)	(2,254,346)
Retained earnings		2,958,747	1,241,459
Total equity		**14,671,278**	**12,881,891**
Non-current liabilities			
Finance lease obligations, net of current maturities	13	293,637	407,939
Employee benefit liability	14	338,827	237,378
Deferred tax liability	22	1,890,434	1,838,388
Total non-current liabilities		**2,522,898**	**2,483,705**
Current liabilities			
Trade and other payables	15	3,148,947	1,750,590
Provisions	16	-	94,835
Income tax payable		23,832	26,785
Taxes other than income tax payable	17	137,256	145,456
Finance lease obligations, current maturities	13	94,261	135,803
Accrued and other current liabilities	18	481,636	188,161
Total current liabilities		**3,885,932**	**2,341,630**
TOTAL EQUITY AND LIABILITIES		**21,080,108**	**17,707,226**

P. V. Baskakov
General Director

K. S. Kalmykov
Chief Accountant

25 July 2008

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2007
(Amounts in thousands of Russian Roubles, except shares and earnings per share amounts)

	Notes	2007	2006
Revenue	20	13,375,185	5,774,146
Operating expenses	21	(10,686,655)	(4,034,747)
Operating income		**2,688,530**	**1,739,399**
Interest expense on finance lease obligations		(31,214)	(55,307)
Interest income		115,242	2,396
Foreign exchange loss, net		(37,991)	(2,921)
Profit before income tax		**2,734,567**	**1,683,567**
Income tax expense	22	(800,933)	(442,108)
Profit for the year		**1,933,634**	**1,241,459**
Earnings per share, basic and diluted (Russian Roubles)		**139**	**89**
Weighted average number of shares outstanding	19	**13,894,778**	**13,894,778**

P. V. Baskakov
General Director

K. S. Kalmykov
Chief Accountant

25 July 2008

The accompanying notes form an integral part of these consolidated financial statements.

OJSC "TRANSCONTAINER"

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2007
(Amounts in thousands of Russian Roubles)

	2007	2006
Cash flows from operating activities:		
Profit before income tax	**2,734,567**	**1,683,567**
Adjustments for:		
Depreciation and amortization	1,734,948	735,223
Change in provision for impairment of receivables	27,673	19,164
Gain on disposal of property, plant and equipment	(51,285)	(1,203)
Loss on impairment of property, plant and equipment	276	3,708
Interest (income)/expenses, net	(84,028)	52,911
Foreign exchange loss, net	37,991	2,921
Change in provision for tax liabilities	(94,835)	94,835
Operating profit before working capital changes	**4,305,307**	**2,591,126**
Increase in inventories	(46,362)	(48,985)
Increase in trade and other receivables	(264,351)	(943,968)
Increase in prepayments and other current assets	(438,153)	(799,647)
Increase in trade and other payables	959,821	1,750,590
(Decrease)/increase in taxes other than income tax	(8,200)	145,456
Increase in accrued and other current liabilities	293,475	186,399
Increase in employee benefit liabilities	101,449	19,858
Net cash from operating activities before income tax	**4,902,986**	**2,900,829**
Interest paid	(31,214)	(54,509)
Income tax paid	(1,123,912)	(620,190)
Net cash provided by operating activities	**3,747,860**	**2,226,130**
Cash flows from investing activities:		
Capital expenditure	(4,594,922)	(413,210)
Proceeds from disposal of property, plant and equipment	36,548	1,798
Purchase of long-term investments	(280,000)	-
Short-term bank deposits	(2,257,464)	(500,000)
Cash received on maturity of short-term bank deposits	2,649,584	-
Purchase of intangible assets	(62,064)	(36,450)
Interest received	113,998	-
Net cash used in investing activities	**(4,394,320)**	**(947,862)**
Cash flows from financing activities:		
Cash collected for shares issued	973,090	18,007
Dividends paid	(144,247)	-
Repayments of finance lease obligations	(24,506)	(61,374)
Net cash provided by / (used in) financing activities	**804,337**	**(43,367)**
Net increase in cash and cash equivalents	**157,877**	**1,234,901**
Cash and cash equivalents at beginning of the year	**1,231,980**	**-**
Foreign exchange loss on cash and cash equivalents	(37,991)	(2,921)
Net cash and cash equivalents at end of the year	**1,351,866**	**1,231,980**

P. V. Baskakov
General Director

K. S. Kalmykov
Chief Accountant

25 July 2008

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007

(Amounts in thousands of Russian Roubles)

	Share capital	Reserve fund	Other reserves	Retained earnings	Total
Balance at 4 March 2006 (inception)	**-**	**-**	**-**	**-**	**-**
Issue of share capital	13,894,778	-	(2,254,346)	-	11,640,432
Profit for the period	-	-	-	1,241,459	1,241,459
Balance at 31 December 2006	**13,894,778**	**-**	**(2,254,346)**	**1,241,459**	**12,881,891**
Dividends	-	-	-	(144,247)	(144,247)
Transfer to reserve fund	-	72,099	-	(72,099)	-
Profit for the year	-	-	-	1,933,634	**1,933,634**
Balance at 31 December 2007	**13,894,778**	**72,099**	**(2,254,346)**	**2,958,747**	**14,671,278**

P. V. Baskakov
General Director

K. S. Kalmykov
Chief Accountant

25 July 2008

1. NATURE OF THE BUSINESS

OJSC "TransContainer" (hereinafter "the Company" or TransContainer) was incorporated as an open joint stock company in Moscow, Russian Federation on 4 March 2006. The Company was formed as a result of a spin-off by OJSC "Russian Railways" ("RZD"), which is 100% owned by the Russian Federation, of some of its activities and certain assets and liabilities related to container transportation into a separate legal entity. In connection with this spin-off RZD has contributed to the share capital of the Company containers, flatcars, buildings and constructions in the amount of RUR 13,057,061 thousand, the amounts of VAT related to these assets of RUR 104,001 thousand, and cash of RUR 991,097 thousand. Further, employees previously employed by RZD were hired by the Company. With regard to these employees the Company assumed certain employee benefit liabilities. Pursuant to this spin-off, RZD maintained the functions of the carrier, whilst the Company assumed the functions of a freight forwarding agent.

TransContainer's principal activities, which largely commenced from 1 July 2007, include rail-based container shipping and other logistics services including terminal services, freight forwarding and intermodal delivery using rolling stock and containers. The Company owns and operates 47 container terminals along the railway network in Russia. As of 31 December 2007 the Company operated 20 branches located in the Russian Federation. The registered office of the Company is located at 6/2, Kalanchevskaya street, Moscow, 107174, Russian Federation.

In 2006 the Company together with VR Ltd., a Finnish rail carrier, established a joint venture, Oy ContainerTrans Scandinavia Ltd., in which it holds 50% ownership. The joint venture is registered in Finland. It was created to handle containerized shipments between Finland and Russia.

The consolidated financial statements of OJSC "TransContainer" and its joint venture "Oy ContainerTrans Scandinavia Ltd." as of 31 December 2007 and for the year ended 31 December 2007 were authorized for issue by the General Director of the Company on 25 July 2008.

2. PRESENTATION OF FINANCIAL STATEMENTS

Statement of compliance – These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

Basis of preparation – These consolidated financial statements are prepared on the basis of standalone financial statements of the Company and its joint venture (together referred to as the "Group"). The entities of the Group maintain their accounting records in accordance with laws, accounting and reporting regulations of the jurisdictions in which they are incorporated and registered.

The consolidated financial statements have been prepared under historical cost convention, except as disclosed in the accounting policies below and further except for the effects of assets acquired and liabilities assumed at the formation of the Company.

The accompanying consolidated financial statements differ from the financial statements issued for statutory purposes in that they reflect certain adjustments, not recorded in the statutory books, which are appropriate to present the financial position, results of operations and cash flows of the Group and its joint venture in accordance with IFRSs. The principal adjustments relate to valuation of unrecoverable assets, valuation and depreciation of property, plant and equipment, deferred income taxes, recognition of employee benefits, use of fair values and accounting for business combinations.

The consolidated financial statements are presented in thousands of Russian Roubles ("RUR"), except where specifically noted otherwise.

Comparative information – The corresponding amounts of the previous reporting period included in these consolidated financial statements are for the period from 4 March, the date of the inception of the Company, to 31 December. Therefore, these amounts are not directly comparable to the amounts of the current reporting period (year ended 31 December 2007) as they do not represent the full year of operations.

Basis of accounting for formation of the Company – The transfer by RZD of certain container shipping activities and the related selected assets and liabilities, and formation of the Company was treated as a business combination involving entities under common control, and was accounted for as described below.

All identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination were measured initially at their fair values at 30 June 2006, which was determined to be the acquisition date.

The fair value of the identifiable assets and liabilities as at the date of acquisition were as follows:

	Fair value recognized on acquisition	**Carrying value**
Property, plant and equipment	13,057,061	13,057,061
VAT receivable	104,001	-
Cash	991,097	991,097
	14,152,159	**14,048,158**
Employee benefit liability	(217,520)	(217,520)
Deferred tax liability	(2,294,207)	(2,294,207)
	(2,511,727)	**(2,511,727)**
Net assets	**11,640,432**	**11,536,431**
Total consideration (A)	**11,640,432**	
(A) Nominal value of shares issued	13,894,778	
Less: difference between the fair value of net assets acquired and nominal value of shares issued	(2,254,346)	
	11,640,432	

The shares issued by Company are unquoted and their fair value cannot be reliably measured. Accordingly, as there is no goodwill in the business being contributed, the cost of the business combination was determined by reference to the fair value of net assets acquired. The difference between the fair values of the net assets contributed to and the nominal value of shares issued by the Company was recorded in equity as other reserves.

Under the accounting policy selected by RZD, property, plant and equipment are measured at their fair values. Accordingly, the carrying values of these assets do not differ from their fair values at acquisition date.

Management concluded that because the activities (including tariff setting policies) of the Company differ significantly from those undertaken within RZD, it is impracticable to assess the amount of revenue and profit for the Company as if the combination had taken place at the beginning of the year.

Use of management estimates – The preparation of consolidated financial statements in conformity with IFRS requires that management makes judgments, estimates and assumptions that affect the application of the policies and reported amounts of assets and liabilities, revenue and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The most significant estimates that management had to make in the course of preparation of these consolidated financial statements are discussed in Note 5.

3. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRSs and IFRIC interpretations effective in the current year

In the current year, the Group has adopted all new and revised standards and interpretations issued by International Financial Reporting Interpretation Committee ("IFRIC") that are mandatory for adoption in the annual periods beginning on or after 1 January 2007. Their adoption did not have any effect on the financial performance or position of the Group but gave rise to additional disclosures in the consolidated financial statements as follows:

- IAS 1 "Presentation of financial statements – capital disclosure" (amended) – this amendment required the Group to disclosure its principal policies and procedures for manageing capital (refer to Note 27);
- IFRS 7 "Financial instruments: disclosures" – this standard required the Group to provide disclosure that enables users of the Group's financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risk arising from those financial instruments. The Group's management includes new or expanded disclosures in Note 27 and throughout the consolidated financial statements;
- The following interpretations became effective in the current reporting period: IFRIC 7 "Applying the restatement approach under IAS 29", IFRIC 8 "Scope of IFRS 2", IFRIC 9 "Reassessment of embedded derivatives" and IFRIC 11 "IFRS 2 – Group and treasury share transactions". The adoption of these interpretations has not led to any changes in the Group's accounting policies or disclosures provided in the consolidated financial statements.

IFRSs and IFRIC interpretations not yet effective

At the date of authorization of these consolidated financial statements, the following standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods and which the entity has not early adopted:

Standards and Interpretations	**Effective for annual periods beginning on or after**
IAS 1 "Presentation of financial statements" (amended)	1 January 2009
IAS 23 "Borrowing costs" (revised)	1 January 2009
IAS 27 "Consolidated and separate financial statements" (revised)	1 July 2009
IAS 28 "Investments in associates" (amended due to revision of IFRS 3)	1 July 2009
IAS 31 "Interests in joint ventures" (amended due to revision of IFRS 3)	1 July 2009
IAS 32 "Financial instruments: presentation" (amended)	1 January 2009
IFRS 2 "Share-based payment" (revised)	1 January 2009
IFRS 3 "Business combinations" (revised)	1 July 2009
IFRS 8 "Operating segments"	1 January 2009
IFRIC 12 "Service concession arrangements"	1 January 2008
IFRIC 13 "Customer loyalty programmes"	1 July 2008
IFRIC 14 "IAS 19 – The limit on a benefit asset, minimum funding requirements and their interaction"	1 January 2008
IFRIC 15 "Agreements for the construction of real estate"	1 January 2009
IFRIC 16 "Hedges of a net investment in a foreign operation"	1 October 2008

Also a number of standards and interpretations were amended with Annual Improvements to IFRS issued in May 2008. These amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in different standards. These amendments are mandatory for adoption in the annual periods beginning on or after 1 January 2009.

The impact of adoption of these standards and interpretations in the preparation of the financial statements in future periods is currently being assessed by management. The new and revised standards which are likely to have an effect on measurement, presentation of disclosure in the financial statements of the Group are described in more detail below:

- IAS 23 "Borrowing costs" (revised) – removed the option of immediate recognition as an expense of borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The revised standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009.
- IFRS 8 "Operating segments" – requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information. The standard eliminates the principle of identification of two sets of segments (business and geographical), and requires identifying the operating segments and measuring the amounts presented in accordance with the basis used in reporting to the chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance. In addition, the standard requires a disclosure of factors used to identify the entity's operating segments.
- IFRS 3 "Business combinations" (revised) – is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purpose of calculating a portion of goodwill has been removed. Instead, goodwill will be measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and net assets acquired. Acquisition-related costs will be accounted for separately from the business combination and therefore recognized as expenses rather than included in goodwill. An acquirer will have to recognize at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognized in accordance with other applicable IFRSs, as appropriate, rather than adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone.

4. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

The accounting policies have been applied consistently by all consolidated operating entities.

Interests in joint ventures – A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

The Company's interest in a joint venture is recognized using proportional consolidation whereby the Company's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis. Where the Group transacts with its jointly controlled entities, unrealized profits and losses are eliminated to the extent of the Group's interest in the joint venture.

The Group discontinues the use of proportionate consolidation from the date on which it ceases to have joint control over a jointly controlled entity.

Foreign currency translation – Russian Rouble is the functional currency of the Group and is also the currency in which these financial statements are presented. Transactions in currencies other than the functional currency are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies at the balance sheet date are translated into the functional currency at the year-end exchange rate. Exchange differences arising from such translation are included into the consolidated statement of income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Russian Rouble at foreign exchange rates ruling at the dates the fair value was determined.

Property, plant and equipment – Property, plant and equipment are recorded at purchase or construction cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Assets under construction

Capital expenditures comprise costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction as well as costs of purchase of other assets that require installation or preparation for their use. Advance payments made to acquire items of property, plant and equipment are shown separately on the consolidated balance sheet and presented as non-current assets. Depreciation of these assets, on the same basis as for other property assets, commences when the assets are put into operation. Capital expenditures are reviewed regularly to determine whether its carrying value is fairly stated and whether appropriate provision for impairment is made.

Leased assets

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Subsequent costs

The Group recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. The assets being replaced are written off immediately. All other costs are recognized in the consolidated statement of income as an expense as incurred.

Depreciation

Depreciation is charged to the consolidated statement of income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Assets held under finance lease arrangements and operating leasehold improvements are depreciated over the shorter of their estimated useful lives and lease terms. Land areas are not depreciated.

The depreciation periods, which represent the estimated useful economic lives of the respective assets, are as follows:

	Number of years
Buildings	20-80
Constructions	10-45
Containers	10-15
Flatcars	28-32
Cranes and loaders	5-15
Vehicles	3-10
Other equipment	2-25

The assets' residual values, useful lives and methods are reviewed and adjusted as appropriate, at each financial year-end.

Gain or loss on disposal

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of income.

Intangible assets – Intangible assets that are acquired by the Group represent mainly purchased software and licenses and are stated at cost less accumulated amortization and impairment losses.

Amortization is charged to the consolidated statement of income on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets are amortized from the date they are available for use. The estimated useful lives for existing assets range from 3 to 5 years.

Amortization periods and methods for intangible assets are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Impairment of non-current assets – At each balance sheet date, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years.

Financial assets – Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. When financial assets are recognized initially, they are measured at fair value plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs. All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair market value through profit or loss ("FVTPL")

Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price and those investments specifically designated by management at fair value through profit or loss are classified as financial assets at fair market value through profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the consolidated statement of income in the period in which they arise. During the periods included in these consolidated financial statements the Group did not hold any investments in this category.

Held-to-maturity investments

Investments in non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, other than loans and receivables, are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis. During the periods included in these consolidated financial statements the Group did not hold any investments in this category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Interest income is recognized by applying the effective interest rate except for short-term receivables when the recognition of interest would be immaterial.

Investments available-for-sale ("AFS")

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of income. Available-for-sale investments are classified as current assets if management intends to realize them within twelve months of the balance sheet date. During the periods included in these consolidated financial statements the Group did not hold any investments in this category.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis or other valuation models. When due to the nature of the investment, the reliable determination of its fair value is impracticable by applying valuation techniques, such investments are stated at cost.

Impairment of financial assets – Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account (provision for impairment of receivables).

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of AFS equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Effective interest method – The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or, where appropriate, a shorter period.

Inventories – Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity).

The cost of inventories is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Cash and cash equivalents – Cash and cash equivalents comprise of cash on hand, balances with banks and short-term interest-bearing deposits with original maturities of not more than three months.

Employee benefits – Remuneration to employees in respect of services rendered during the reporting period is recognized as an expense in that reporting period.

Defined benefit plans

The Group operates two partially funded defined benefit pension plans. The obligation and cost of benefits under the plans are determined separately for each plan using the projected unit credit method. This method considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The cost of providing pensions is charged to the consolidated statement of income, so as to attribute the total pension cost over the service lives of employees in accordance with the benefit formula of the plan. This obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest on government bonds where the currency and terms of these bonds are consistent with the currency and estimated terms of the defined benefit obligation. Actuarial gains and losses are recognized as income or expense in full as they arise.

In addition, the Group provides certain other retirement and post retirement benefits to its employees. These benefits are unfunded.

Upon introduction of a new plan or improvement of an existing plan past service costs are recognized on a straight-line basis over the average period until the amended benefits become vested. To the extent that the benefits are already vested immediately, past service cost is immediately expensed.

Defined contribution plans

In addition to the defined benefit plans described above, the Group also sponsors a defined contribution plan for certain of its employees. The plan covers active employees and provides for contributions ranging from 0.6% to 10.7% of salary. The Group’s contributions relating to the defined contribution plan are charged to the consolidated statement of income in the year to which they relate.

State Plan

In addition, the Group is legally obligated to make contributions to the Pension Fund of the Russian Federation, managed by the Russian Federation Social Security (a multi-employer defined contribution plan). The Group’s only obligation is to pay the contributions as they fall due. As such, the Group has no legal obligation to pay and does not guarantee any future benefits to its Russian employees. The Group’s contributions to the Pension Fund of the Russian Federation relating to defined contribution plans are charged to the consolidated statement of income in the year to which they relate.

Contribution to the Pension Fund of the Russian Federation together with other social contributions are included within a unified social tax (“UST”), which is calculated by the application of a regressive rate from 26% to 2% to the annual gross remuneration of each employee. UST is allocated to three social funds (including the Pension Fund of the Russian Federation), where the rate of contributions to the Pension Fund of the Russian Federation varies from 20% to 2%, respectively, depending on the annual gross salary of each employee.

Value added tax – Output value added tax ("VAT") related to revenues is payable to tax authorities upon delivery of the goods or services to customers, as well as upon collection of prepayments from customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis (except for input VAT related to export services provided related input VAT which is reclaimable upon confirmation of export). VAT related to sales and purchases is recognized in the consolidated balance sheet on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT. The related VAT deferred liability is maintained until the debtor is written off for tax purposes.

Accounts payable and other financial liabilities – Accounts payable and other financial liabilities are initially recognized at cost, which is the fair value of the consideration received, taking into account transaction costs. After initial recognition, financial liabilities are carried at amortized cost. As normally the expected term of accounts payable is short, the value is stated at the nominal amount without discounting, which corresponds with fair value.

Provisions – Provisions are recognized when, and only when, the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is significant, the amount of a provision is the present value of the expenditures required to settle the obligation.

Revenue recognition – Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of sales related taxes. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues from sales of inventories are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

Rail-based container shipping services

Rail-based transportation services provided by the Group primarily include arranging the transportation of its own and third-party containers by rail by means of provision of flatcars and/or containers and leasing of flatcars and containers to third parties. Revenues from these services are recognized upon completion of transportation in the accounting period in which the services are rendered. Revenues from operating lease of rolling stock are recognized on a straight line basis over the term of operating rent agreements.

Terminal services and agency fees

Terminal services primarily include container handling, such as loading and unloading operations, and container storage. In addition, the Group acts on behalf of RZD in providing mandatory railroad services for all railway users at the Group's terminals, designated as the "sites of common use" by the legislation. In this capacity the Group is a legal intermediary (agent) between clients and RZD. Commission fees collected from RZD for intermediary activities and revenue from terminal operations are recognized in the accounting period in which the services are provided.

Truck deliveries

Truck delivery services include transporting containers between the container terminals and client-designated sites using Group's own truck fleet as well as outsourcing trucking to third-parties. Revenue from truck deliveries is recognized upon completion of transportation in the accounting period in which the services are rendered.

Freight forwarding and other logistics services

As freight forwarding and logistics services the Group provides:

(i) Customs clearance brokerage by providing clients with customs documentation and services for Russian customs clearance;
(ii) Cargo tracking services by providing clients with information about cargo location;
(iii) Route optimization and planning; and
(iv) Cargo security services, including provision of insurance, special labels for hazardous cargo, special terms for transportation of hazardous cargo, and ensuring proper documentation for the transported cargo.

Revenue from freight forwarding and other logistics services is recognized upon completion of transportation in the accounting period in which the services are rendered.

Dividend and interest income

(i) Dividends from investments are recognized in the consolidated statement of income when the shareholder's right to receive payment has been established;
(ii) Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Leases – The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Operating leases payments

Payments made under operating leases are recognized in the consolidated statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognized in the consolidated statement of income as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Borrowing costs – All borrowing costs are recognized as an expense in the period in which they are incurred.

Income tax – Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the consolidated statement of income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Tax effects related to the revaluation of tax base of assets and liabilities are credited or charged to equity in case such revaluation for tax purposes is related to an accounting revaluation. Otherwise, tax effects are recognized in the consolidated statement of income.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date. Provisions in respect of uncertain tax positions which relate to income tax are included in current income tax at an amount expected to be payable including penalties, if any.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries, associates and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are not discounted.

Share capital and other reserves – Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. The difference between the fair value of consideration received over the par value of shares issued is recognized as other reserves (refer to Note 2).

Earnings per share – Earnings per share are calculated by dividing the income for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. The Group does not have any potentially dilutive equity instruments.

Dividends – Dividends are recognized as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date by the shareholders at a general meeting. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the financial statements are authorized for issue.

Contractual commitments – Contractual commitments comprise legally binding trading or purchase agreements with stated amount, price and date or dates in the future. The Group discloses significant contractual commitments in the Notes to the consolidated financial statements.

Contingencies – Contingent liabilities are not recognized in the financial statements unless they arise as a result of a business combination. Contingences attributed to specific events are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

5. SIGNIFICANT ESTIMATES

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Provision for impairment of receivables – Management maintains a provision for impairment of short-term receivables in the form of an allowance account equal to estimated losses resulting from the inability of customers and other debtors to make required payments. When evaluating the adequacy of this allowance account, management bases its estimates on the ageing of accounts receivable balances and historical write-off experience, customer credit worthiness and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected. As of 31 December 2007 and 2006, provision for impairment of receivables was recognized in the amount of RUR 46,837 thousand and RUR 19,164 thousand, respectively (see Note 9).

Depreciable lives of property, plant and equipment – The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors". These estimates may have a material impact on the amount of the carrying values of property, plant and equipment and on depreciation expense for the period. There have been no significant changes in estimates of useful lives of property, plant and equipment during the periods included in these consolidated financial statements.

Impairment of property, plant and equipment – The Group reviews at each reporting date the carrying amounts of its property, plant and equipment to determine whether there is any indication that assets are impaired. This process involves judgment in evaluating the cause for any possible reduction in value, including a number of factors such as changes in current competitive conditions, expectations of growth in the industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate impairment exists.

Whenever such indications exist management makes an estimate of the asset's recoverable amount to ensure that it is not less than its carrying value. If the asset's fair value is not readily determinable or is less than asset's carrying value plus costs to sell, management necessarily applies its judgment in determining the appropriate cash generating unit to be evaluated, estimating the appropriate discount rate and the timing and value of the relevant cash flows for the value-in-use calculation.

During the current year the Group carried out review of recoverable amount of its middle-capacity containers in connection with its ongoing program of modernization and purchase of new containers. The cash flow projections were based on the Group's best available forecasts, taking into account the expected growth in charge-out rates for the services provided with their use, remaining useful lives, estimated scrap value on the basis of forecast market prices, and forecasted future maintenance expenditures. No material impairment losses were recognized during the periods included in these consolidated financial statements.

Compliance with tax legislation – Compliance with tax legislation, particularly in the Russian Federation, is subject to significant degree of interpretation and can be routinely challenged by the tax authorities. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Management believes that it has accrued all applicable taxes. Where uncertainty exists, the Group has accrued tax liabilities as management's best estimate of the probable outflow of resources which will be required to settle such liabilities. Management believes that it has adequately provided for tax liabilities based on its interpretations of tax legislation. However, there exists a possibility that relevant tax authorities may have differing interpretations than those of the management, and the effect of such differences could be significant.

Pension obligations – The Group uses actuarial valuation method for measurement of the present value of post-employment benefit obligations and related current service cost. This method involves the use of demographic assumptions about the future characteristics of the current and former employees who are eligible for benefits (mortality, both during and after employment, rates of employee turnover, disability and early retirement, etc.), as well as financial assumptions (discount rate, future salary and benefits levels, expected rate of return on plan assets, etc.). In the event that further changes in the key assumptions are required, the future amounts of the pension benefit costs may be materially affected (see Note 14).

6. KEY MANAGEMENT JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimates, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Accounting for leases – A lease is classified as finance lease if it transfers substantially all the risks and rewards incidental to ownership. Otherwise it is classified as operating lease. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. In determining the accounting treatment of transactions that involve the legal form of a lease, all aspects and implications of an arrangements are evaluated to determine the substance of such transactions with weight given to those aspects and implications that have an economic effect. If the lease term is for longer than 75 percent of the economic life of the asset, or at the inception of the lease the present value of the minimum lease payments amounts to at least 90 percent of the fair value of the leased asset, the lease is classified by the Group as a finance lease, unless it is clearly demonstrated otherwise.

Acquisition of Zapadny Port – In December 2007 the Company acquired interest-bearing (8% p.a.) promissory notes repayable on demand after an initial fixed period expiring on 14 March 2007, issued by LLC "Finans-Proekt", a related party, for a total consideration of RUR 280,000 thousand. The promissory notes are guaranteed by OJSC "TransCreditBank", a related party. Using cash proceeds received from the Group LLC "Finans-Proekt" acquired 100% ownership in LLC "Zapadny Port", a company which owns and operates a port located on the bank of Don river in the vicinity of Rostov-on-Don. The Group intends to subsequently acquire the port business from LLC "Finans-Proekt" in exchange for its promissory notes that the Group holds. However, the agreement to acquire the assets of LLC "Zapadny Port" is not contractual. Analyzing the requirements of IFRS 3 "Business combinations" and IAS 27 "Consolidated and separate financial statements" the management has concluded that as of the balance sheet date the Group does not have the power to control the financial and operating policies of LLC "Zapadny Port" so as to obtain economic benefits from its activities. Investment in the promissory notes of LLC "Finans-Proekt" is accounted for at amortized cost, less impairment (if any). The carrying value of this investment, shown as long-term investments on the Group's consolidated balance sheet as of 31 December 2007, is equal to RUR 280,000 thousand (31 December 2006: nil).

7. RECLASSIFICATIONS

Certain information as of and for the period ended 31 December 2006 has been reclassified for consistency with the method of presentation adopted in the current year consolidated financial statements. The most significant changes in classification are explained below.

The Group presented details of its revenue (Note 20) in a way that reflects management's strategic view of the Group's business. Corresponding information for the period from inception of the Group to 31 December 2006 has been reclassified accordingly.

The Group made the following changes in presenting details of its operating expenses:

	After reclassification	**Before reclassification**	**Difference**
Operating Expenses			
Taxes other than income tax	128,033	222,868	(94,835)
Changes in provision for tax liabilities	94,835	-	94,835
Other expenses, net	135,765	123,570	12,195
Advertizing costs	-	16,896	(16,896)
Gain on disposal of property, plant and equipment	(1,203)	-	(1,203)
Business travel expenses	5,904	-	5,904
			-

Items reclassified in the consolidated balance sheet as of 31 December 2006 are as follows:

	After reclassification	Before reclassification	Difference
Consolidated Balance Sheet			
Non-current assets			
Property, plant and equipment	11,736,933	11,943,461	(206,528)
Advances for acquisition of non-current assets	214,473	-	214,473
Intangible assets	27,234	35,179	(7,945)
			-
Current liabilities			
Provisions	94,835	-	94,835
Accrued and other current liabilities	188,161	282,996	(94,835)
			-

Advances paid for acquisition of non-current assets (including intangible assets) were previously included in property, plant and equipment and intangible assets balances respectively. All such advances are now presented in total as a separate balance sheet line.

Provision in respect of uncertain tax positions (other than income tax) is presented as a separate line on the balance sheet as required by IAS 1 "Presentation of the financial statements".

The following reclassification was also made in the Group's consolidated statement of cash flows:

	After reclassification	Before reclassification	Difference
Consolidated Statement of Cash Flows			
Cash flow from investing activities			
Cash collected for shares issued	-	18,007	(18,007)
Net cash used in investing activities	**(947,862)**	**(929,855)**	**(18,007)**
Cash flow from financing activities			
Cash collected for shares issued	18,007	-	18,007
Net cash used in financing activities	**(43,367)**	**(61,374)**	**18,007**
			-

Cash received in connection with issue of shares by the Company is now classified as cash flow from financing activities. It was previously presented as cash flow from investing activities.

8. PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and constructions	Containers and flatcars	Cranes and loaders	Vehicles and other equipment	Construction in-progress (i)	Total
Cost						
4 March 2006 (inception)	-	-	-	-	-	-
Additions	29,971	605,150	-	36,655	140,056	811,832
Transfers	43,503	-	-	-	(43,503)	-
Additions through contribution in kind	1,558,939	9,862,752	120,607	117,651	2,884	11,662,833
Disposals	-	(631)	-	-	-	(631)
31 December 2006	**1,632,413**	**10,467,271**	**120,607**	**154,306**	**99,437**	**12,474,034**
Additions	792,982	1,366,445	1,000,889	713,878	1,154,566	5,028,760
Transfers	16,385	105,233	16,860	83,047	(221,525)	-
Additions through contribution in kind	-	1,394,228	-	-	-	1,394,228
Disposals (ii)	-	(677,373)	(234)	(2,370)	-	(679,977)
31 December 2007	**2,441,780**	**12,655,804**	**1,138,122**	**948,861**	**1,032,478**	**18,217,045**
Accumulated depreciation						
4 March 2006 (inception)	-	-	-	-	-	-
Depreciation charge	(146,092)	(553,704)	(12,759)	(20,874)	-	(733,429)
Impairment	-	-	(412)	(3,296)	-	(3,708)
Disposals	-	36	-	-	-	36
31 December 2006	**(146,092)**	**(553,668)**	**(13,171)**	**(24,170)**	**-**	**(737,101)**
Depreciation charge	(306,912)	(1,135,274)	(149,733)	(124,663)	-	(1,716,582)
Impairment	-	(995)	(1,892)	2,611	-	(276)
Disposals (ii)		37,284	87	1,414	-	38,785
31 December 2007	**(453,004)**	**(1,652,653)**	**(164,709)**	**(144,808)**		**(2,415,174)**
Net Book Value						
31 December 2006	**1,486,321**	**9,913,603**	**107,436**	**130,136**	**99,437**	**11,736,933**
31 December 2007	**1,988,776**	**11,003,151**	**973,413**	**804,053**	**1,032,478**	**15,801,871**

Included in land, buildings and constructions is the amount of RUR 19,249 thousand and RUR 16,469 thousand, which represents the value of land plots owned by the Group as of 31 December 2007 and 2006, respectively.

(i) Construction in-progress as of 31 December 2007 primarily comprised the following:
- Capital expenditure incurred in relation to construction of new container terminals in Zabaikalsk, Novosibirsk and Nizhniy Novgorod amounting to RUR 618,293 thousand, RUR 114,430 thousand and RUR 14,216 thousand, respectively;
- Capital expenditure related to construction of the Company's new offices of RUR 174,626 thousand.

(ii) As a result of cancellation of two finance lease agreements (refer to Note 13) the Group returned assets with a net book value of RUR 594,521 thousand to the manufacturer.

Leased assets as of 31 December 2007 and 2006, included above where the Group is a lessee under the finance lease, were comprised of the following:

	2007	2006
Cost – capitalized finance leases	412,870	605,150
Accumulated deprecation	(7,317)	(10,629)
Net book value	**405,553**	**594,521**

Leased assets above were obtained from a related party (Note 23). Refer to Note 13 for further details regarding finance leases.

9. TRADE AND OTHER RECEIVABLES

	2007	2006
Trade receivables, net	1,094,552	925,012
Other receivables, net	69,326	2,188
Total trade and other receivables	**1,163,878**	**927,200**

	Outstanding balance, gross	Provision for impairment	Outstanding balance, net
31 December 2007			
Trade receivables	1,133,308	(38,756)	1,094,552
Other receivables	77,407	(8,081)	69,326
Total	**1,210,715**	**(46,837)**	**1,163,878**
31 December 2006			
Trade receivables	944,176	(19,164)	925,012
Other receivables	2,188	-	2,188
Total	**946,364**	**(19,164)**	**927,200**

The average credit period on the Group's sales (other than for sales carried out on a prepayment basis) is 35 days.

Included in the Group's total trade and other receivables are debtors with a carrying amount of RUR 122,980 thousand and RUR 272,591 thousand as of 31 December 2007 and 2006, respectively, which are past due at the respective reporting date and which the Group considers to be recoverable (i.e. not impaired). The Group does not hold any collateral over these outstanding balances.

The ageing of past due but not impaired trade and other receivables is as follows:

	2007	2006
35 — 90 days	47,963	264,645
90 — 180 days	37,165	7,946
more than 180 days	37,852	-
Total past due but not impaired	**122,980**	**272,591**

The movement in the provision for impairment in respect of trade and other receivables is as follows:

	2007	2006
Balance at beginning of the year	(19,164)	-
Additional provision, recognized in the current year	(46,837)	(19,164)
Bad debts written off	-	-
Release of provision	19,164	-
Balance at end of the year	**(46,837)**	**(19,164)**

10. PREPAYMENTS AND OTHER CURRENT ASSETS

	2007	2006
VAT receivable	981,490	484,131
Advances to suppliers	350,719	377,216
Other current assets	9,949	3,514
Total prepayments and other current assets	**1,342,158**	**864,861**

11. SHORT-TERM BANK DEPOSITS

	Effective interest rate	2007	Effective interest rate	2006
OJSC "Etalonbank"	9%	101,244	-	-
OJSC "TransCreditBank"	8%	7,880	7.25%	500,000
Total short-term bank deposits		**109,124**		**500,000**

Bank deposits are comprised of term deposits denominated in Russian Roubles with original maturities more than three months.

12. CASH AND CASH EQUIVALENTS

	2007	2006
Russian Rouble denominated cash in hand and balances with banks	175,473	390,594
Foreign currency denominated balances with banks	28,513	191,386
Russian Rouble denominated bank deposits	1,000,482	650,000
US Dollar denominated bank deposits	147,398	-
Total cash and cash equivalents	**1,351,866**	**1,231,980**

The terms of Russian Rouble denominated short-term bank deposits vary from nine days to three months depending on the immediate cash requirements of the Group. The deposits attract interest at a rate of 5% per annum. All Russian rouble denominated deposits are placed with OJSC "TransCreditBank", a related party (refer to Note 23). A two week US Dollar denominated short-term bank deposit attracts interest at a rate of 6% per annum.

13. FINANCE LEASE OBLIGATIONS

	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	2007	2006
Due within one year	140,909	150,454	94,261	135,803
Due after one year but not more then five years	384,592	696,682	293,637	407,939
	525,501	847,136	387,898	543,742
Less future finance charges	(137,603)	(303,394)	-	-
Present value of minimum lease payments	**387,898**	**543,742**	**387,898**	**543,742**

The 2006 leases of flatcars

During the period ended 31 December 2006 the Group entered into finance lease agreements with a related party (Note 23) to acquire new flatcars with initial value of RUR 605,150 thousand. The lease agreements were for a period of 5 years with the effective interest rate varying from 15.85% to 16.91% per annum.

During the year ended 31 December 2007, due to manufacturing defects discovered in the leased flatcars the leases were terminated, and the related assets returned to the manufacturer. At the date of termination the net book value of the flatcars was RUR 594,521 thousand and the related lease liability was equal to RUR 543,742 thousand. As a result of derecognition of these assets and liabilities and the receipt of compensation of RUR 112,188 thousand, which is equal to the total amount of lease payments (including interest) made before the cancellation of the leases, the Group recognized a gain of RUR 61,408 thousand included in gain on disposal of property, plant and equipment as part of the Group's operating expenses.

The 2007 leases of flatcars

During the year ended 31 December 2007 the Group entered into new finance lease agreement with the same related party to acquire flatcars with initial value of RUR 360,054 thousand (Note 23). The lease agreements are for a period of 5 years with the effective interest rate varying from 14.57% to 14.80% per annum.

Other leases

The Group also leases certain buildings from RZD.

All leases are on a fixed repayment basis and denominated in Russian Roubles. The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

14. EMPLOYEE BENEFIT LIABILITY

The employees of the Group are members of a state-managed pension plan operated by the government of the Russian Federation. The Group is required to contribute a specified percentage of payroll costs as part of the unified social tax to the Pension Fund of the Russian Federation to fund the benefits.

The Company also provides supplementary defined benefit and defined contribution retirement benefit plans covering substantially all of its employees, requiring contributions to be made to a separately administered non-state pension fund "Blagosostoyanie". Not-for-profit fund "Pochet" provides pensions to the Company's employees retired before the defined benefit plans provided though the non-state pension fund "Blagosostoyanie" were introduced.

Benefits accrued though pension plan administered by non-state pension fund “Blagosostoyanie” are partially funded, whilst benefits administered by not-for-profit fund “Pochet” are unfunded. In addition, the Group provides other retirement and post employment benefits to its employees, which consist of a once per year compensation of transportation costs on long-distance trains, one-time bonus on retirement ranging from one to six monthly salaries and depending of the duration of the service period and some other requirements, and a compensation of funeral expenses. These benefits are unfunded.

Defined contribution plans

The total amount recognized as an expense in respect of contributions to defined benefit plans for the years ended 31 December 2007 and 2006 consisted of the following:

	2007	2006
Pension Fund of the Russian Federation	314,609	124,759
Non-state defined contribution plan “Blagosostoyanie”	740	221
Total expense for defined contribution plans	**315,349**	**124,980**

Defined benefit plans

There were 5,460 employees eligible for some part of the supplementary post employment and post retirement benefit program of the Group as of 31 December 2007 (2006: 4,600), of which 914 employees (2006: 914) were considered active participants. An active participant is a person making contributions to the pension plan at his/her own expense. Such contributions are matched by the Group. In addition, there were 232 and 127 retired employees eligible for the post-retirement benefit program of the Group though not-for-profit fund “Pochet” as of 31 December 2007 and 2006, respectively.

The most recent actuarial valuation of the defined benefit obligation was carried out as of 31 December 2007 by independent actuary. The present value of the defined benefit obligations, and related current service costs and past service cost, were measured using the projected unit credit method.

The amounts recognized in the consolidated statement of income for the year ended 31 December 2007 in respect of these defined benefit plans, which are included in “Payroll and related charges”, are as follows:

	Blago-sostoyanie	Pochet	One-time bonus	Other post-employment benefits	Total
Current service cost	9,215	103	5,626	1,045	15,989
Interest on obligation	15,590	591	8,537	1,394	26,112
Expected return on plan assets	(956)	-	-	-	(956)
Actuarial losses recognized in the year	22,402	4,296	25,370	3,296	55,364
Amortization of past service cost	14,466	-	884	72	15,422
Losses arising from transfer of employees (i)	10,066	-	9,225	-	19,291
Net expense recognized in the consolidated statement of income	**70,783**	**4,990**	**49,642**	**5,807**	**131,222**

(i) The loss arising from transfer of employees represents the transfer of obligations on post-retirement benefits, which originated from the movement of employees from the parent company. The effect of this settlement is immaterial for pension plan administrated by not-for-profit fund “Pochet” and other plans.

The amounts recognized in the consolidated statement of income for the period ended 31 December 2006 in respect of these defined benefit plans are as follows:

	Blago-sostoyanie	Pochet	One-time bonus	Other post-employment benefits	Total
Current service cost	3,765	-	1,999	373	6,137
Interest on obligation	6,239	126	3,090	518	9,973
Expected return on plan assets	(408)	-	-	-	(408)
Amortization of past service cost	7,681	-	395	42	8,118
Net expense recognized in the consolidated statement of income	**17,277**	**126**	**5,484**	**933**	**23,820**

The amount recognized in the consolidated balance sheet as of 31 December 2007 in respect of these defined benefit plans is as follows:

	Blago-sostoyanie	Pochet	One-time bonus	Other post-employment benefits	Total
Present value of funded defined benefit obligation	247,192	-	-	-	247,192
Fair value of plan assets	(18,538)	-	-	-	(18,538)
	228,654	-	-	-	228,654
Present value of unfunded defined benefit obligation	-	7,676	137,365	20,712	165,753
Deficit	228,654	7,676	137,365	20,712	394,407
Unrecognized past service cost	(50,037)	-	(5,082)	(461)	(55,580)
Net employee benefit liability	**178,617**	**7,676**	**132,283**	**20,251**	**338,827**

The amount recognized in the consolidated balance sheet as of 31 December 2006 in respect of its defined benefit plans is as follows:

	Blago-sostoyanie	Pochet	One-time bonus	Other post-employment benefits	Total
Present value of funded defined benefit obligation	186,388	-	-	-	186,388
Fair value of plan assets	(8,081)	-	-	-	(8,081)
	178,307	-	-	-	178,307
Present value of unfunded defined benefit obligation	-	3,242	92,573	15,446	111,261
Deficit	178,307	3,242	92,573	15,446	289,568
Unrecognized past service cost	(47,174)	-	(4,342)	(674)	(52,190)
Net employee benefit liability	**131,133**	**3,242**	**88,231**	**14,772**	**237,378**

Movements in the present value of net defined benefit obligation are as follows:

	Blago-sostoyanie	Pochet	One-time bonus	Other	Total
Net liability at 4 March (inception)	-	-	-	-	-
Net liability assumed through business combination	117,442	3,339	82,747	13,992	217,520
Net expense recognized in the statement of income	17,277	126	5,484	933	23,820
Contributions	(3,586)	(223)	-	(153)	(3,962)
Net defined benefit obligation as at 31 December 2006	**131,133**	**3,242**	**88,231**	**14,772**	**237,378**
Net expense recognized in the statement of income	70,783	4,990	49,642	5,807	131,222
Contributions	(23,299)	(556)	(5,590)	(328)	(29,773)
Net defined benefit obligation as at 31 December 2007	**178,617**	**7,676**	**132,283**	**20,251**	**338,827**

Movements in the fair value of defined benefit pension plans are as follows:

Fair value of plan assets as at 4 March 2006 (inception)	-
Fair value of plan assets acquired in a business combination	4,087
Expected return on plan assets	408
Contributions from the employer	3,962
Benefits paid	(376)
Fair value of plan assets as at 31 December 2006	**8,081**
Expected return on plan assets	956
Actuarial gains	157
Contributions from the employer	29,680
Contributions from the employees	93
Assets distributed on settlements	756
Benefits paid	(21,185)
Fair value of plan assets as at 31 December 2007	**18,538**

The major categories of plan assets administered by non-state pension fund “Blagosostoyanie” as a percentage of the fair value of total plan assets as of the balance sheet date were as follows:

	Share in total plan assets	
	2007	**2006**
Bank deposits	30%	22%
Corporate bonds and stock of Russian legal entities	40%	37%
Promissory notes of Russian legal entities	12%	30%
Share in other closed investment funds	8%	0%
Moscow City Government bonds	5%	8%
Other	5%	3%
	100%	**100%**

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2007	2006
Discount rate	7.5%	7.5%
Rate used for calculation of annuity value	4%	4%
Average remaining working life	20 years	19 years
Expected return on plan assets	7.5%	8.52%
Mortality tables	year 1994	Year 1994

The Group further assumed that salary will increase in future in line with inflation rate. The current year actuarial losses related to the defined benefit obligation were significant due to increase in the average salary level of the Group's employees following its formation.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which obligations are to be settled, and the structure of the plan assets portfolio. The actuarial assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset in the next twelve months.

The actual return on plan assets was RUR 1,113 thousand and RUR 408 thousand for the year ended 31 December 2007 and the period ended 31 December 2006, respectively.

The Group expects to make a contribution of RUR 44,252 thousand (2006: RUR 35,401 thousand) to the defined benefit plans during the next financial year.

15. TRADE AND OTHER PAYABLES

	2007	2006
Trade payables	458,633	225,455
Amounts payable for the acquisition of property, plant and equipment	438,536	-
Liabilities to customers	2,251,778	1,525,135
Total trade and other payables	**3,148,947**	**1,750,590**

16. PROVISIONS

Provision for uncertain tax positions in respect of taxes other than income tax represent the management's best estimate of the future outflow of economic benefits which will be required to satisfy tax claims from Russian tax authorities (refer also to Note 5). The full amount of provision, which was accrued as of 31 December 2006, was released during the year ended 31 December 2007 as the management believes that it is no longer probable that the Group would be required to pay these additional taxes.

17. TAXES OTHER THAN INCOME TAX PAYABLE

	2007	2006
Property tax	78,508	94,829
Unified social tax	43,944	42,036
Personal income tax	12,564	8,456
Other taxes	2,240	135
Total taxes other than income tax	**137,256**	**145,456**

18. ACCRUED AND OTHER CURRENT LIABILITIES

	2007	2006
Settlements with employees	436,283	139,269
Other liabilities	45,353	48,892
Total accrued and other current liabilities	**481,636**	**188,161**

Settlements with employees as of 31 December 2007 and 2006, primary comprise accrued salaries and bonus of RUR 377,543 thousand and RUR 95,928 thousand, respectively, and the accrual for unused vacation of RUR 58,740 thousand and RUR 43,341 thousand, respectively.

19. EQUITY

Share Capital

The total authorized and issued capital as of 31 December 2007 and 2006 comprises:

	Number of outstanding ordinary shares	Value
Ordinary shares of one thousand Russian Rouble each	13,894,778	13,894,778

The Group's shares were paid through contribution by its parent, RZD, of net assets related to container transportation activities. Such net assets consist of primarily cash, property, plant and equipment, long-term employee benefit liabilities and the related deferred tax liabilities. Further, under the existing tax rules, the in-kind contribution of property, plant and equipment made by the shareholder to the share capital gives the Group the right to claim VAT related to such property, plant and equipment for reimbursement from the tax authorities. The amount of such VAT was RUR 104,001 thousand. This amount was included in the determination of the total value of the consideration paid by RZD for the Group's shares.

The difference between the fair value of net assets contributed (see Note 2) and the nominal value of the shares issued by the Company of RUR 2,254,346 thousand was recorded as other reserves.

As of 31 December 2006 all shares have been issued. The amount receivable from the shareholders for the shares issued amounted to RUR 2,141,996 thousand as of 31 December 2006. The share capital was fully paid during 2007.

The Group shareholder structure as of 31 December 2007 and 2006 was as follows:

	Number of outstanding ordinary shares	Percentage of Ownership
OJSC "RZD"	13,894,777	99.99999%
OJSC "Baminvest" (2006: Non-commercial organisation "Zheldorreforma")	1	0.00001%
	13,894,778	**100%**

Retained Earnings, Dividends

In accordance with the Russian legislation, dividends may only me declared to the shareholders of the Company from accumulated undistributed and unreserved earnings as shown in the Company's statutory financial statements. TransContainer had approximately RUR 2,695,000 thousand and RUR 1,442,000 thousand of undistributed and unreserved earnings as of 31 December 2007 and 2006, respectively.

In respect of 2007, the shareholders approved dividends of RUR 11.03 per share at the annual shareholders' meeting on 27 June 2008. The dividends are to be paid before 26 August 2008.

In respect of 2006 dividends of RUR 144,247 thousand (RUR 10.38 per share) were approved by and paid to the shareholders during the year ended 31 December 2007.

Reserve Fund

According to its charter, the Company established a reserve fund through the allocation of 5 percent of net profit as computed under Russian accounting regulations. The total amount of the reserve fund is limited to 15 percent of the Company's share capital. The reserve fund may only be used to offset losses of the Company as well as to redeem bonds issued or to purchase treasury shares. As of 31 December 2007 the Company's reserve fund amounted to RUR 72,099 thousand.

20. REVENUE

	2007	2006
Rail-based container shipping services	8,450,551	3,839,117
Terminal services and agency fees	2,250,014	1,014,559
Freight forwarding and other logistics services	1,406,951	418,298
Truck deliveries	1,183,257	470,148
Other	84,412	32,024
Total revenue	**13,375,185**	**5,774,146**

21. OPERATING EXPENSES

	2007	2006
Freight and transportation services	3,117,458	1,113,612
Payroll and related charges	2,345,820	806,133
Materials, repair and maintenance	1,980,673	661,443
Depreciation and amortization	1,734,948	735,223
Taxes other than income tax	279,964	128,033
Rent	200,010	159,208
Security	182,176	63,349
Consulting services	147,279	48,274
Storage costs	73,974	14,553
Fuel costs	62,448	22,097
Communication costs	60,041	15,401
Energy costs	34,944	12,956
Business travel expenses	34,638	5,904
Change in provision for impairment of receivables	27,673	19,164
Gain on disposal of property, plant and equipment	(51,285)	(1,203)
Changes in provision for tax liabilities, other than income tax	(94,835)	94,835
Other expenses, net	550,729	135,765
Total operating expenses	**10,686,655**	**4,034,747**

22. INCOME TAX EXPENSE

	2007	2006
Current income tax charge	(1,013,353)	(633,461)
Deferred income tax benefit	212,420	191,353
	(800,933)	**(442,108)**

Income before taxation for financial reporting purposes is reconciled to tax expense for as follows:

	2007	2006
Profit before income tax	2,734,567	1,683,567
Theoretical tax charge at statutory rate (24%)	(656,296)	(404,056)
Tax effect of items which are not deductible or assessable for taxation purposes:		
Annual bonus	(72,015)	(1,114)
Benefits in-kind and other non-deductible payments to employees	(22,056)	(4,122)
Non-deductible post-employment benefits	(14,505)	(1,570)
Charity	(9,004)	(1,084)
Other non-deductible expenses	(36,347)	(7,402)
Changes in provision for tax risks – taxes other than income tax	22,760	(22,760)
Changes in provision for tax risks – income tax	(13,470)	-
Income tax	**(800,933)**	**(442,108)**

Total accumulated temporary differences that arise between the Russian statutory tax base of assets and liabilities and their carrying amounts in the accompanying consolidated balance sheets give rise to the following deferred tax effects:

	31 December 2006	Effect of business combinations	Credited to statement of income	31 December 2007
Property, plant and equipment	2,079,352	264,466	(234,160)	2,109,658
Intangible assets	2,092	-	2,065	4,157
Other	-	-	72	72
Trade and other receivables	(12,554)	-	(2,150)	(14,704)
Finance lease obligations	(130,698)	-	37,602	(93,096)
Trade and other payables	(68,332)	-	(4,454)	(72,786)
Employee benefits liability	(31,472)	-	(11,395)	(42,867)
Total net deferred tax liability	**1,838,388**	**264,466**	**(212,420)**	**1,890,434**

	4 March 2006 (inception)	Effect of business combinations	Credited to statement of income	31 December 2006
Property, plant and equipment	-	2,057,927	21,425	2,079,352
Intangible assets	-	-	2,092	2,092
Trade and other receivables	-	-	(12,554)	(12,554)
Finance lease obligations	-	-	(130,698)	(130,698)
Trade and other payables	-	-	(68,332)	(68,332)
Employee benefits liability	-	(28,186)	(3,286)	(31,472)
Total net deferred tax liability	**-**	**2,029,741**	**(191,353)**	**1,838,388**

23. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

In accordance with IAS 24 "Related party disclosures", parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The nature of the related party relationships for those related parties, with whom the Group entered into significant transactions or had significant balances outstanding as of 31 December 2007 are disclosed below:

Related party	Nature of relationship
OJSC "Russian Railways" (RZD)	Parent company
OJSC "TransCreditBank"	Fellow subsidiary of RZD
LLC "FinanceBusinessGroup" (Note 13)	An entity related to OJSC "TransCreditBank"
LLC "Finans-Proekt"	An entity related to OJSC "TransCreditBank"
LLC "Refservice"	Fellow subsidiary of RZD
LLC "Roszheldorstroy"	Fellow subsidiary of RZD
Fund Blagosostoyanie	Post-employment benefit plan for the benefit of employees of the Company
Fund Pochet	Post-employment benefit plan for the benefit of employees of the Company

The ultimate controlling party of the Group is the government of the Russian Federation and therefore all companies controlled by the government of the Russian Federation are also treated as related parties of the Group for the purpose of these consolidated financial statements.

As of 31 December 2007 and 2006 the Group had the following significant balances with related parties:

	2007	2006
Cash and cash equivalents		
Cash on bank accounts	193,929	575,619
Bank deposits	1,000,482	650,000
Short-term bank deposits	7,880	500,000
	1,202,291	1,725,619
Trade and other accounts receivables		
Trade receivables	626,878	730,246
Advances to suppliers	165,085	286,030
Prepaid income tax	121,169	13,564
VAT receivable	981,490	484,131
Receivables from shareholder	-	2,141,996
Other receivables	21,332	2,188
	1,915,954	3,658,155
Long-term investments	280,000	-
Total assets	**3,398,245**	**5,383,774**
Trade and other accounts payable		
Trade payables	431,029	139,817
Liabilities to customers	9,094	-
Taxes payable	161,088	172,241
Other payables	20,510	8,371
	621,721	320,429
Finance lease obligations	387,898	543,742
Total liabilities	**1,009,619**	**864,171**

The amounts outstanding to and from related parties are unsecured except as disclosed for finance leases (Note 13). No guarantees have been given or received.

The following table provides the total amount of transactions, which have been entered into with related parties during the periods ended 31 December 2007 and 2006:

	2007	2006
Revenue		
Rail-based container shipping services	969,805	175,392
Agency fees	1,601,903	712,093
Other services	31,186	22,718
	2,602,894	910,203
Interest income on deposits	55,612	2,395
Total income	**2,658,506**	**912,598**
Expenses		
Freight and transportation services	(2,373,960)	(754,736)
Repair services	(1,263,910)	(513,809)
Rent of property and equipment	(102,974)	(139,760)
Other expenses	(272,554)	-
	(4,013,398)	(1,408,305)
Income tax and other tax expenses	(1,637,481)	(899,434)
Interest expense on finance lease obligations	(31,214)	(55,307)
Total expenses	**(5,682,093)**	**(2,363,046)**
Acquisition of property, plant and equipment	(2,373,903)	(650,150)
Purchase of materials	(27,832)	-
Contributions to non-state pension funds	(23,855)	(3,809)
Total other transactions	**(2,425,590)**	**(653,959)**

As a part of its normal operations, the Group enters into various transactions with state-controlled entities and governmental bodies. The majority of related party transactions are with the following companies: OJSC "Russian Railways" (RZD) and its subsidiaries, and OJSC "TransCreditBank", which are also state-controlled. The most significant transactions are described below:

Relationships with OJSC "Russian Railways" (RZD) and its subsidiaries

The Group performs a variety of transactions with RZD (the "Parent"), which is the sole owner and provider of railroad infrastructure and locomotive services in Russia. Further, RZD owns the vast majority or rail-cars repair facilities in Russia, which are used by the Group to maintain its rolling stock in the operational condition.

In addition, under the provisions of the existing Russian regulations, certain functions associated with arrangement of container transportation process can only be performed by RZD. Pursuant to the transfer of the assets required for performance of such functions to the Group, RZD engaged TransContainer to act as its agent in performance of these functions. Revenue generated by the Group from such transactions with RZD is reported as agency fees in the accompanying consolidated statement of income.

The consolidated financial statements of the Group include the following balances and transactions with RZD:

	2007	2006
Trade and other accounts receivables		
Trade receivables	614,399	730,246
Advances to suppliers	104,353	286,030
Receivables from shareholders	-	2,141,996
Other receivables	17,267	-
	736,019	3,158,272
Total assets	**736,019**	**3,158,272**
Trade and other accounts payable		
Trade payables	180,943	131,868
Liabilities to customers	637	-
Other payables	16,899	8,371
	198,479	140,239
Finance lease obligations	52,816	-
Total liabilities	**251,295**	**140,239**
Revenue		
Rail-based container shipping services	893,828	175,392
Agency fees	1,601,903	712,093
Other services	24,862	22,718
	2,520,593	910,203
Total income	**2,520,593**	**910,203**
Expenses		
Freight and transportation services	(2,373,960)	(754,736)
Repair services	(1,236,141)	(509,918)
Rent of property, plant and equipment	(102,835)	(139,760)
Other expenses	(216,536)	-
	(3,929,472)	(1,404,414)
Interest expense on finance lease obligations	(31,214)	(55,307)
Total expenses	**(3,960,686)**	**(1,459,721)**
Acquisition of property, plant and equipment	(1,386,788)	-
Purchase of materials	(24,157)	-
Total other transactions	**(1,410.945)**	**-**

A provision for impairment of receivables amounting to RUR 46,837 thousand and RUR 19,164 thousand was recognized by the Group with regard to receivables from RZD as of 31 December 2007 and 2006, respectively.

Relationships with OJSC "TransCreditBank"

The Group maintains several bank accounts in OJSC "TransCreditBank". The financial statements of the Group include the following balances and transactions with this credit institution:

	2007	2006
Cash and cash equivalents		
Cash on bank accounts	193,929	575,619
Bank deposits	1,000,482	650,000
Short-term bank deposits	7,880	500,000
	1,202,291	1,725,619
Total assets	**1,202,291**	**1,725,619**
Interest income on deposits	55,612	2,395
Total income	**55,612**	**2,395**

In addition, OJSC "TransCreditBank" has guaranteed the promissory notes of LLC "Finans-Proekt", acquired by the Group (see Note 6 for details).

Compensation of key management personnel

Key management personnel consists of members of the Board of Directors of the Company, the General Director and his deputies, totaling 14 and 10 persons as of 31 December 2007 and 2006, respectively. Total gross compensation (including unified social tax and before withholding of personal income tax) to key management personnel included in payroll and related charges in the consolidated statement of income amounted to RUR 43,746 thousand (including unified social tax of RUR 1,056 thousand) and RUR 16,808 thousand (including unified social tax of RUR 969 thousand) for the years ended 31 December 2007 and 2006, respectively. Such compensation comprises primarily short-term benefits. Post-employment and other long-term benefits of key management personnel were immaterial.

24. COMMITMENTS UNDER OPERATING LEASES

The Group leases certain cranes, production buildings and office premises. The respective lease agreements have a duration varying from one to five years. Additionally the Group leases land on which the Group's container terminals are located.

Future minimum lease payments under contracted operating leases are as follows:

	2007	2006
On demand or within one year	7,600	994
In two to five years	23,885	1,174
After five years	33	-
Total minimum lease payments	**31,518**	**2,168**

25. CAPITAL COMMITMENTS

The Group's capital commitments related to acquisition of lifting and other equipment, construction of container terminals and modernization of existing assets as of 31 December 2007 and 2006 consisted of the following:

	2007	2006
Construction of container terminal complexes and modernization of existing assets	151,488	26,472
Acquisition of lifting machines and other equipment	66,912	-
Total capital commitments	**218,400**	**26,472**

26. CONTINGENCIES

Operating environment of the Group – Whilst there have been improvements in the Russian economic situation, such as an increase in gross domestic product and a reduced rate of inflation, Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Environmental matters – The enforcement of environmental regulation in the Russian Federation is continually evolving. The Group periodically evaluates its obligations under environmental regulations. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that the Group has met the government's federal and regional requirements concerning environmental matters. Therefore, there are no significant liabilities for environmental damage or remediation.

Legal proceedings – During the year, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in these consolidated financial statements.

Insurance – The Group holds no insurance policies in relation to its assets, operations, or in respect of public liability or other insurable risks, with the exception of insurance policies covering export shipments. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

27. RISK MANAGEMENT ACTIVITIES

Capital Risk Management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to the equity holder through the optimization of the debt and equity balance.

The capital structure of the Group consists of long-term and short-term borrowings, including finance lease obligations, and equity, consisting of issued capital, reserves and retained earnings as disclosed in Note 19.

The management of the Group reviews the capital structure on a regular basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital.

Major Categories of Financial Instruments

The Group's financial assets include long-term investments (see Note 6), trade and other receivables, cash and cash equivalents, and short-term bank deposits. All financial assets fall into loans and receivables category under IAS 39 "Financial instruments: recognition and measurement".

	2007	2006
Financial assets		
Cash and cash equivalents	1,351,866	1,231,980
Trade and other receivables	1,163,878	927,200
Short-term bank deposits	109,124	500,000
Long-term investments	280,000	-
Total financial assets	**2,904,868**	**2,659,180**

The Group's principal financial liabilities are trade and other payables, accruals, and finance lease obligations. All financial liabilities are carried at amortized cost.

	2007	2006
Financial liabilities		
Trade and other payables	941,608	274,347
Payables to employees	436,283	139,269
Finance lease obligations	387,898	543,742
Total financial liabilities	**1,765,789**	**957,358**

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they fall due. The Group's liquidity position is carefully monitored and managed by the treasury function. The Group has established budgeting and cash flow planning procedures to ensure it has adequate cash available to meet its payment obligations as they fall due.

The Group has both interest bearing and non-interest bearing financial liabilities. The interest bearing liabilities consist of finance lease obligations. The non-interest bearing liabilities include trade and other payables and amounts payable to employees.

The following tables detail the Group's remaining contractual maturity for financial liabilities. The tables have been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Effective interest rate, %	Less than 1 month	1-3 months	3 months-1 year	1-5 years	Total
2007						
Non-interest bearing liability		909,283	261,114	207,494	-	1,377,891
Finance lease liability	14.57% – 14.80%	9,622	65,654	65,633	384,592	525,501
Total		**918,905**	**326,768**	**273,127**	**384,592**	**1,903,392**
2006						
Non-interest bearing liability		227,291	118,452	67,873	-	413,616
Finance lease liability	15.85% – 16.91%	12,985	25,266	112,203	696,682	847,136
Total		**240,276**	**143,718**	**180,076**	**696,682**	**1,260,752**

The following tables detail the Group's expected maturity for its financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets, including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

	Effective interest rate, %	Less than 1 month	1-3 months	3 months-1 year	1-5 years	Total
2007						
Trade and other receivables		175,993	987,877	8	-	1,163,878
Short-term bank deposits	5% – 9%	1,147,880	109,124	-	-	1,257,004
Long-term investments	8%	-	-	-	280,000	280,000
Total		**1,323,873**	**1,097,001**	**8**	**280,000**	**2,700,882**
2006						
Trade and other receivables		673,773	245,481	7,946	-	927,200
Short-term bank deposits	5% – 7.25%	-	650,700	501,690	-	1,152,390
Total		**673,773**	**896,181**	**509,636**	**-**	**2,079,590**

Currency Risk

Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group undertakes certain transactions denominated in foreign currencies. A part of receivable and payable balances, related primarily to settlements with customers, is denominated in currencies other than the Russian Rouble, the functional currency of the TransContainer.

The Group does not have or use any formal arrangements (i.e. derivatives) to manage foreign currency risk exposure. The management of the Group aims to mitigate such risk by mantaining monetary assets and liabilities in foreign currency at broadly the same level.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities as at the reporting date are as follows:

	USD		EUR		Other	
	2007	2006	2007	2006	2007	2006
Assets						
Cash and cash equivalents	158,322	188,723	16,775	2,663	814	-
Trade and other receivables	103,733	-	-	-	-	-
Advances paid	53,056	-	-	-	-	-
Total assets	**315,111**	**188,723**	**16,775**	**2,663**	**814**	**-**
Liabilities						
Trade and other payables	143,648	-	-	-	-	-
Advances received	20,741	15,028	-	-	-	-
Total liabilities	**164,389**	**15,028**	**-**	**-**	**-**	**-**

For the year to 31 December 2007 the Russian Rouble appreciated against the US Dollar by 7.2%, and depreciated against EURO by 3.4%

The table below details the Group's sensitivity to strengthening of the Russian Rouble against US Dollar and EURO by 10%. The analysis was applied to monetary items at the balance sheet dates denominated in respective currencies.

	USD – impact		EUR – impact	
	2007	**2006**	**2007**	**2006**
Loss	**(15,069)**	**(17,370)**	**(1,677)**	**(266)**

The weakening of the Russian Rouble in relation to the same currencies by the same percentage will produce an equal and opposite effect on the consolidated financial statements of the Group to that shown above.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group does not hedge its credit risk.

The Group's exposure to credit risk arises primarily with respect to receivables in connection with container shipping activities.

Credit exposure is managed by establishing credit terms for the most significant customers that are reviewed and approved by management. Credit sales are offered only to the most significant customers of the Group with proven credit history. Sales to other customers are made on a prepayment basis.

The carrying amount of accounts receivable, net of provision for impairment of receivables, represents the maximum amount exposed to credit risk. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision already recorded.

As of 31 December 2007 69% of the total net amount of trade and other receivables related to the five largest customers of the Group (31 December 2006: 84%).

The largest receivables outstanding as of the balance sheet date are as follows:

	2007		
	Outstanding balance, gross	**Provisions**	**Outstanding balance, net**
OJSC "RZD"	677,082	(46,837)	630,245
LLC "MKL Shipping"	74,262	-	74,262
LLC "Unico Logistics"	35,863	-	35,863
LLC "Volkswagen Rus"	32,776	-	32,776
LLC "F.E. Translogistics"	30,171	-	30,171
Total	**850,154**	**(46,837)**	**803,317**

	2006		
	Outstanding balance, gross	**Provisions**	**Outstanding balance, net**
OJSC "RZD"	749,410	(19,164)	730,246
OJSC "AK Zheleznye Dorogi Yakutii"	14,818	-	14,818
OJSC "Lenskoye Ob'yedinennoe Rechnoe Parokhodstvo"	11,872	-	11,872
CJSC "Russkaya Logisticheskaya Sluzhba"	10,447	-	10,447
LLC "Agentstvo Multimodalnykh Perevozok"	10,411	-	10,411
Total	**796,958**	**(19,164)**	**777,794**

The credit risk on liquid funds is limited because these funds are placed only with financial institutions well known to the Group. 88% and 99% of total cash and cash equivalents as of 31 December 2007 and 2006, respectively, were held with one bank which is a party related to the Group.

The Group is also exposed to credit risk in respect of its investments in the promissory notes of LLC "Finans-Proekt" (refer to Note 6). The Group received a guarantee with respect to these promissory notes from OJSC "TransCreditBank".

28. SUBSEQUENT EVENTS

Purchase of containers – On 11 January 2008 the Group has signed an agreement for the purchase of 1,184 containers for a total amount of RUR 2,949,653 thousand (including VAT of RUR 449,947 thousand). The purchase was initially approved by the Board of Directors on 28 December 2007. Due to the change of supplier the purchase was reapproved by the Board of Directors on 5 March 2008.

Private placement of shares – On 5 February 2008 the parent company (RZD) has sold 15% of the shares of the Group to four investment banks: EBRD (9.25%), Moore Capital (2.5%), GLG Partners (2.5%), and Troika Dialog Investments Limited (0.75%).

Issue of ordinary non-convertible bonds – On 4 March 2008 the Group made a public issue of ordinary non-convertible five-year bonds for the total amount of RUR 3,000,000 thousand with 1,000 roubles par value. The annual coupon rate of the bonds for the first two coupons is 9.5%. The rate for the remaining coupons is to be determined by the Group. Interest is paid semi-annually. The issue took place through an open subscription at the Moscow Interbank Currency Exchange ("MICEX").

Formation of "Trans-Eurasia Logistics Gmbh" – On 4 March 2008 the Group has signed a charter agreement for creation of joint venture "Trans-Eurasia Logistics Gmbh" in Berlin, Germany. The joint venture is organized in a form of a limited liability company, and was registered in accordance with the laws of Germany on 25 June 2008. The share capital of the joint venture is 100,000 Euro with the Group's share of ownership being 20%, which was paid in full at the exchange rate effective as of 31 March 2008.

Formation of joint venture with LLC "TransGroup AS" – On 21 May 2008 the Group has signed a joint agreement with LLC "TransGroup AS" for construction of a terminal at Zarubino sea port in Primorsky region, which will ultimately be organized into a limited liability company. Both parties will have a 50% ownership.