

**Report of the Director and  
Financial Statements  
for the Year Ended 31 December 2013  
for  
ZAURALNEFTEGAZ LIMITED**

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**ZAURALNEFTEGAZ LIMITED**

**Contents of the Financial Statements  
for the Year Ended 31 December 2013**

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**ZAURALNEFTEGAZ LIMITED**

**Company Information  
for the Year Ended 31 December 2013**

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**DIRECTOR:** S Escott

**REGISTERED OFFICE:** 1-6 Yarmouth Place  
Mayfair  
London  
W1J 7BU

**REGISTERED NUMBER:** 05525360 (England and Wales)

**AUDITORS:** Grant Thornton UK LLP  
Grant Thornton House  
Melton Street  
Euston Square  
London  
NW1 2EP

**BANKERS:** Coutts & Co  
440 Strand  
London  
WC2R 0QS

**SOLICITORS:** Covington & Burling  
265 Strand  
London  
WC2R 1BH

## **ZAURALNEFTEGAZ LIMITED**

### **Report of the Director for the Year Ended 31 December 2013**

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The director presents his report with the financial statements of the company for the year ended 31 December 2013.

#### **DIRECTORS**

S Escott has held office during the whole of the period from 1 January 2013 to the date of this report.

Other changes in directors holding office are as follows:

V Repin - resigned 14 February 2013  
D Zaikin - resigned 14 February 2013

#### **RISKS AND KEY PERFORMANCE INDICATORS**

A discussion of the significant risks and key performance indicators has been provided in the Pan European Terminals plc group accounts for the year ended 31 December 2013.

#### **STATEMENT OF DIRECTOR'S RESPONSIBILITIES**

The director is responsible for preparing the Report of the Director and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**ZAURALNEFTEGAZ LIMITED**

**Report of the Director  
for the Year Ended 31 December 2013**

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**AUDITORS**

The auditors, Grant Thornton UK LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

**ON BEHALF OF THE BOARD:**



.....  
S Escott - Director

Date: ..... 25/09/14 .....

We have audited the financial statements of Zauralneftegaz Limited for the year ended 31 December 2013 on pages six to fifteen. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of director and auditors**

As explained more fully in the Statement of Director's Responsibilities set out on page two, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Director to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Report of the Director for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the director was not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Director.



Philip Westerman (Senior Statutory Auditor)  
for and on behalf of Grant Thornton UK LLP  
Grant Thornton House  
Melton Street  
Euston Square  
London  
NW1 2EP

Date: 2/10/14

**ZAURALNEFTEGAZ LIMITED**

**Profit and Loss Account  
for the Year Ended 31 December 2013**

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	Notes	31.12.13 \$	31.12.12 \$
<b>TURNOVER</b>		-	-
Administrative expenses		-	288
<b>OPERATING LOSS and LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	-	(288)
Tax on loss on ordinary activities	4	-	-
<b>LOSS FOR THE FINANCIAL YEAR</b>		-	(288)

**DISCONTINUED OPERATIONS**

All of the company's activities were discontinued during the previous year.

**TOTAL RECOGNISED GAINS AND LOSSES**

The company has no recognised gains or losses other than the loss for the previous year.

The notes form part of these financial statements



**ZAURALNEFTEGAZ LIMITED (REGISTERED NUMBER: 05525360)**

**Balance Sheet  
31 December 2013**

	Notes	31.12.13 \$	31.12.12 \$
<b>CURRENT ASSETS</b>			
Debtors	7	13	13
Cash at bank		4	-
		<u>17</u>	<u>13</u>
<b>CREDITORS</b>			
Amounts falling due within one year	8	5,367,383	5,367,379
<b>NET CURRENT LIABILITIES</b>			
		<u>(5,367,366)</u>	<u>(5,367,366)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>(5,367,366)</u>	<u>(5,367,366)</u>
<b>CREDITORS</b>			
Amounts falling due after more than one year	9	7,253,361	7,253,361
<b>NET LIABILITIES</b>			
		<u>(12,620,727)</u>	<u>(12,620,727)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	178	178
Share premium	12	74,913	74,913
Profit and loss account	12	(12,695,818)	(12,695,818)
<b>SHAREHOLDERS' FUNDS</b>			
	15	<u>(12,620,727)</u>	<u>(12,620,727)</u>

The financial statements were approved by the director on 25/09/14 and were signed by:

.....  
S Escott - Director

The notes form part of these financial statements

**1. ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

The accounts have been prepared on the going concern basis as the parent company has agreed to provide funds to enable the Company to meet its liabilities as they fall due.

The financial statements contain information about Zauralneftegaz Limited as an individual company and do not contain consolidated financial information of its subsidiaries. The Company is exempt under Sections 400 - 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Pan European Terminals plc.

The Company has adopted the US Dollar as its reporting currency. The Board believes that through this approach the accounts will give a clearer picture of the performance of the Company's business, while minimising the impact of the US Dollar exchange rate fluctuations. The Sterling exchange rate at 31 December 2013 is £1:\$1.665 (2012:£1:\$1.617).

**Accounting convention**

The financial statements have been prepared under the historical cost convention.

The company was dormant throughout the year ended 31 December 2013. However, reference to information relating to the year ended 31 December 2012 has been made where appropriate.

**Going concern**

The financial statements have been prepared on the going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future. Subsequent to the year end, the Group was subject to a successful takeover set on in Note 16 to the Financial Statements. The ability of the current Directors to forecast and influence future strategy is clearly affected by this change in ownership; however, the board is confident that the new owners will continue to operate as a going concern and provide adequate finance for the company to achieve its objectives.

Further explanation in respect of the Going Concern basis is set out in Note 17 to the Financial Statements.

**1. ACCOUNTING POLICIES - continued**

**Intangible assets - exploration and evaluation**

Geological and geophysical exploration costs are charged against income as incurred. The direct costs associated with exploration wells, exploratory drilling and directly related overheads are capitalised as intangible assets pending determination of proven reserves. These costs are excluded from depletion until commerciality is determined or impairment occurs. The cost of unsuccessful exploratory wells is expensed upon determination that the well does not justify commercial development.

Exploration and evaluation assets shall be assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, an entity shall measure, present and disclose any resulting impairment loss in accordance with FRS 11 "Impairment of fixed assets."

**Investments**

Investments in subsidiaries are valued at cost less provision for impairment.

**Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into US Dollars at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

**2. STAFF COSTS**

There were no staff costs for the year ended 31 December 2013 nor for the year ended 31 December 2012.

The Company has no employees other than the directors, who did not receive any remuneration during the year.

**3. OPERATING LOSS**

The operating loss is stated after charging:

31.12.13	31.12.12
\$	\$

**ZAURALNEFTEGAZ LIMITED**

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2013

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**3. OPERATING LOSS - continued**

Directors' remuneration	-	-
	<u>          </u>	<u>          </u>

The auditors' remuneration has been borne by Pan European Terminals plc, the ultimate parent company of the group, in the years ended 31 December 2013 and 2012.

**4. TAXATION**

**Analysis of the tax charge**

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2013 nor for the year ended 31 December 2012.

**Factors affecting the tax charge**

The tax assessed for the year is the same as the standard rate of corporation tax in the UK.

	31.12.13	31.12.12
	\$	\$
Loss on ordinary activities before tax	-	(288)
	<u>          </u>	<u>          </u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.250% (2012 - 24.500%)	-	(71)
Effects of: UK tax losses not recognised	-	71
	<u>          </u>	<u>          </u>
Current tax charge	-	-
	<u>          </u>	<u>          </u>

The Company has tax losses of \$9,313,536 (2012: \$9,313,536) that are available indefinitely for offset against future taxable profits. Deferred tax assets have not been recognised in respect of these losses due to uncertainty as to whether such amounts will be realised.

**ZAURALNEFTEGAZ LIMITED****Notes to the Financial Statements - continued  
for the Year Ended 31 December 2013****5. INTANGIBLE FIXED ASSETS**

	Development costs \$
<b>COST</b>	
At 1 January 2013 and 31 December 2013	2,313,071
<b>AMORTISATION</b>	
At 1 January 2013 and 31 December 2013	2,313,071
<b>NET BOOK VALUE</b>	
At 31 December 2013	-
At 31 December 2012	-

**6. FIXED ASSET INVESTMENTS**

	Shares in group undertakings \$
<b>COST</b>	
At 1 January 2013 and 31 December 2013	75,090
<b>PROVISIONS</b>	
At 1 January 2013 and 31 December 2013	75,090
<b>NET BOOK VALUE</b>	
At 31 December 2013	-
At 31 December 2012	-

**ZAURALNEFTEGAZ LIMITED**

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2013

**11. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.12.13 \$	31.12.12 \$
50	Ordinary Class A	£1	89	89
50	Ordinary Class B	£1	89	89
			<u>178</u>	<u>178</u>

The A and B ordinary shares of £1 rank pari passu other than the A ordinary shares have an additional vote at general meetings, thereby giving the A ordinary shareholder control of the Company.

**12. RESERVES**

	Profit and loss account \$	Share premium \$	Totals \$
At 1 January 2013	(12,695,818)	74,913	(12,620,905)
Profit for the year	-		-
At 31 December 2013	<u>(12,695,818)</u>	<u>74,913</u>	<u>(12,620,905)</u>

**13. ULTIMATE PARENT UNDERTAKING**

The immediate parent undertaking is Baltic Petroleum Limited.

The ultimate parent undertaking and controlling party is Belphar Limited, a company incorporated in the UK.

**14. RELATED PARTY DISCLOSURES**

No transactions occurred between the Company and related parties to the Company during the years ended 31 December 2013 and December 2012.

The following balances were outstanding as at 31 December 2013:

Caspian Finance Limited: (\$5,493,179) - Loans payable  
 Caspian Finance Limited: (\$1,760,182) - Accrued interest payable  
 Pan European Oil Terminals Limited: \$49,828 - General trading balance  
 Pan European Terminals plc: (\$5,417,239) - Loans payable

The following balances were outstanding as at 31 December 2012:

Caspian Finance Limited: (\$5,493,179) - Loans payable  
 Caspian Finance Limited: (\$1,760,182) - Accrued interest payable  
 Pan European Oil Terminals Limited: \$49,828 - General trading balance  
 Pan European Terminals plc: (\$5,417,164) - Loans payable

Pan European Terminals plc is the ultimate parent of the group which holds a 50% interest in Zauralneftegaz Limited. Caspian Finance Limited and Pan European Oil Terminals are subsidiaries of Pan European Terminals plc.

**15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	31.12.13	31.12.12
	\$	\$
Loss for the financial year	-	(288)
<b>Net addition/(reduction) to shareholders' funds</b>	-	(288)
Opening shareholders' funds	(12,620,727)	(12,620,439)
<b>Closing shareholders' funds</b>	<u>(12,620,727)</u>	<u>(12,620,727)</u>

**16. POST BALANCE SHEET EVENTS**

On 21st May 2014, a Recommended Offer from Belphar Limited, a Special Purpose Vehicle, solely owned by Mr Khofiz Shakidi, was published on the Pan European Web Page and the Belphar Web Page, at an offer price of 22p. The offer price showed a 37% premium to the three month share price and a 46.67% premium over the market price on 20th May 2014.

On 17th June 2014 the offer was declared unconditional by Belphar with over 90% of Pan European Terminals shares in their hands and control passed to Belphar on that date.

**ZAURALNEFTEGAZ LIMITED**

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2013**

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**17. GOING CONCERN**

The financial statements have been prepared under the Going Concern basis based on public statements made by the new owners. The Belphar Limited Directors have publicly stated that the successful completion of their offer which has now completed will provide a stable and well capitalised future for the Pan Group. Details of offer documents in respect of this transaction are available on the Pan European website and therefore the financial statements do not include adjustments that would be required if this public statement of continuing financial support was not provided by the new owners.