

Report and Accounts

Dana Petroleum (Russia) Limited

31 December 2008

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COMPANIES HOUSE

Registered No. 2240304

Dana Petroleum (Russia) Limited

Registered No. 2240304

DIRECTORS

David A MacFarlane

Stuart M Paton

SECRETARY

John J Arnton

AUDITORS

Ernst & Young LLP

Blenheim House

Fountainhall Road

Aberdeen

AB15 4DT

REGISTERED OFFICE

Pellipar House

9 Cloak Lane

London

EC4R 2RU

Dana Petroleum (Russia) Limited

DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Company was non-trading during the year ended 31 December 2008. The results for the financial year are set out on page 6. No Dividends were paid in respect of the year ended 31 December 2008 (2007 – Nil). Directors plan to look for future opportunities for the Company.

PRINCIPAL RISKS AND UNCERTAINTIES

There are no significant risk and uncertainties other than the Company's ability to pay its intercompany credit balance with its parent undertaking. As noted above the Directors plan to look for future opportunities for the Company to enable it to repay this balance.

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year and up to date are shown on page 2.

TAXATION STATUS

The Company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

DISCLOSURE OF INFORMATION TO THE AUDITORS

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he is obliged to take as director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITORS

Ernst & Young LLP will be re-appointed as the Company's auditor in accordance with the elective resolution passed by the Company under Section 386 of the Companies Act 1985.

By order of the Board



David A MacFarlane

Director

31 July 2009

Dana Petroleum (Russia) Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included in the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DANA PETROLEUM (RUSSIA) LIMITED

We have audited the company's financial statements for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 10. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 an auditors' report 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 directors and auditors

The directors responsibilities for preparing the Annual Report and financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed. We read the directors report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP

Registered auditor

Aberdeen

31 July 2009

Dana Petroleum (Russia) Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2008

	<i>Note</i>	<i>2008</i> £	<i>2007</i> £
EXPENSES			
Administrative expenses		(5,318)	(5,459)
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(5,318)	(5,459)
Taxation		-	-
		<hr/>	<hr/>
LOSS FOR THE FINANCIAL YEAR	7	(5,318)	(5,459)
		<hr/>	<hr/>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses attributable to the shareholders other than the loss of £5,318 for the year ended 31 December 2008 (2007 – Loss: £5,459).

Dana Petroleum (Russia) Limited

BALANCE SHEET at 31 December 2008

	<i>Notes</i>	<i>2008</i> £	<i>2007</i> £
CREDITORS: amounts falling due within one year	3	<u>(71,489)</u>	<u>(66,171)</u>
NET CURRENT LIABILITIES		<u>(71,489)</u>	<u>(66,171)</u>
NET LIABILITIES		<u>(71,489)</u>	<u>(66,171)</u>
CAPITAL AND RESERVES			
Called up share capital	5	1,000	1,000
Profit and loss account	6	<u>(72,489)</u>	<u>(67,171)</u>
TOTAL SHAREHOLDERS' FUNDS	7	<u>(71,489)</u>	<u>(66,171)</u>



David A MacFarlane
Director
31 July 2009

Dana Petroleum (Russia) Limited

NOTES TO THE ACCOUNTS

at 31 December 2008

1. ACCOUNTING POLICIES

The following accounting policies are applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the applicable UK accounting standards. The accounts have been prepared on the going concern basis as the parent undertaking has agreed to fund the Company so that it can pay its liabilities as and when they fall due.

The Company has taken advantage of the exemptions given in the Financial Reporting Standard 1 (Revised) from preparing a cash flow statement as this is prepared in the group consolidated accounts.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into pounds sterling at the exchange rates ruling at the balance sheet date, unless specifically covered by forward exchange contracts, whereupon the contract rate is used.

Revenues, costs and non-monetary assets are translated at the exchange rates ruling at the dates of the transactions.

Profits and losses arising on settlement of amounts receivable and payable in a foreign currency and all unrealised translation differences are dealt with through the profit and loss account.

Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more (or a right to pay less or to receive more) tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- provision is made for tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Dana Petroleum (Russia) Limited

NOTES TO THE ACCOUNTS

at 31 December 2008

2. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2008 £	2007 £
Loss before taxation is stated after charging:		
Auditors' remuneration	<u>750</u>	<u>850</u>

Auditor's remuneration was borne by Dana Petroleum plc in 2008 and 2007.

The company has no employees. None of the Directors received any fees or remuneration for services as Directors of the company during the financial year (2007 – £nil).

Fees paid to the company's auditor, Ernst and Young LLP for services other than the statutory audit of the company are not disclosed in these financial statements because the consolidated accounts of the company's ultimate parent undertaking, Dana Petroleum plc, is required to disclose non-audit fees on a consolidated basis.

3. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £	2007 £
Amounts owed to Parent Undertaking	<u>(71,489)</u>	<u>(66,171)</u>
	<u>(71,489)</u>	<u>(66,171)</u>

4. PROVISIONS FOR LIABILITIES AND CHARGES

A deferred UK Corporation tax asset of £1,489 (2007:£20,408) in relation to losses not utilised has not been recognised as there is uncertainty whether the asset is recoverable. The asset would be recoverable if there were future suitable taxable profits from which the reversal of the underlying timing differences could be deducted.

5. CALLED UP SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	2008	2007	2008	2007
	£	£	£	£
Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000</u>	<u>1,000</u>

Dana Petroleum (Russia) Limited

NOTES TO THE ACCOUNTS

at 31 December 2008

6. RESERVES

	<i>Profit and loss account £</i>
At 1 January 2008	(67,171)
Loss for the year	(5,318)
At 31 December 2008	<u>(72,489)</u>

7. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<i>2008 £</i>	<i>2007 £</i>
At 1 January	(66,171)	(60,712)
Loss for the year	(5,318)	(5,459)
At 31 December	<u>(71,489)</u>	<u>(66,171)</u>

8. CAPITAL COMMITMENTS

The Company had neither contracted for, nor had the Directors authorised, any capital expenditure at the balance sheet date.

9. CONTINGENT LIABILITIES

The Directors were not aware of any material contingent liabilities at the balance sheet date.

10. ULTIMATE CONTROLLING PARTY AND RELATED PARTY TRANSACTIONS

The immediate holding company and ultimate controlling party is Dana Petroleum plc which is a company incorporated in the United Kingdom. Dana Petroleum plc's registered office is: Pellipar House, 9 Cloak Lane, London, EC4R 2RU.

Transactions with other entities that are part of the Dana Petroleum plc group have not been disclosed as (i) 90% or more of the Company's voting rights are controlled within Dana Petroleum plc group and (ii) consolidated accounts in which the Company is included are publicly available and can be obtained from the registered office.