

Company Registration No. 3929069 (England and Wales)

ARCH OIL LIMITED
DIRECTOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004



ARCH OIL LIMITED

COMPANY INFORMATION

Director	K Lynch	(Appointed 26 October 2004)
Secretary	HS (Nominees) Limited	
Company number	3929069	
Registered office	21 Bedford Square London W1B 3HH	
Auditors	MRI Moores Rowland LLP 3 Sheldon Square London W2 6PS	

ARCH OIL LIMITED

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ARCH OIL LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2004

The director presents his report and financial statements for the year ended 31 December 2004.

Principal activities

The principal activity is that of trading and service in the oil industry.

Directors

The following directors have held office since 1 January 2004:

M A Shmeleva	(Resigned 25 October 2004)
K Lynch	(Appointed 26 October 2004)

Directors' interests

The director does not have any beneficial interest in the issued share capital of the company.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that MRI Moores Rowland LLP be reappointed as auditors of the company will be put to the Annual General Meeting.

Director's responsibilities

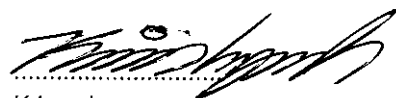
Company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. 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.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the board



K Lynch

Director

24.1.06

ARCH OIL LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARCH OIL LIMITED

We have audited the financial statements of Arch Oil Limited on pages 3 to 7 for the year ended 31 December 2004. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and 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 auditor's 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 the director and auditors

As described in the statement of director's responsibilities on page 1 the company's director is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the director's report is not consistent with the financial statements, if 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 director's remuneration and transactions with the company is not disclosed. We read the director's 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 United Kingdom Auditing Standards 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 judgements made by the director 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 of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

MRI Moores Rowland LLP

MRI Moores Rowland LLP
Chartered Accountants
Registered Auditor

25.1.06

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3 Sheldon Square
London
W2 6PS

ARCH OIL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £	2003 £
Turnover		171,901	190,614
Administrative expenses		(152,594)	(160,381)
Operating profit	2	19,307	30,233
Other interest receivable and similar income		78,828	77,274
Interest payable and similar charges		(79,035)	(77,274)
Profit on ordinary activities before taxation		19,100	30,233
Tax on profit on ordinary activities	3	(4,348)	(9,383)
Profit on ordinary activities after taxation	8	14,752	20,850

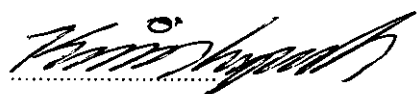
ARCH OIL LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2004

	Notes	2004 £	£	2003 £	£
Fixed assets					
Tangible assets	4		-		1,395
Current assets					
Debtors	5	54,548		55,466	
Cash at bank and in hand		30,175		33,610	
		<u>84,723</u>		<u>89,076</u>	
Creditors: amounts falling due within one year	6	<u>(7,593)</u>		<u>(28,093)</u>	
Net current assets			77,130		60,983
Total assets less current liabilities			<u>77,130</u>		<u>62,378</u>
Capital and reserves					
Called up share capital	7		1		1
Profit and loss account	8		77,129		62,377
Shareholders' funds			<u>77,130</u>		<u>62,378</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The financial statements were approved by the Board on 24.1.06



K Lynch
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

1.1 Accounting convention

1.2 Turnover

1.3 Tangible fixed assets and depreciation

Plant and equipment

1.4 Foreign currency translation

2 Operating profit

2004

2003

£

£

Operating profit is stated after charging:

Depreciation of tangible assets

1.126

507

Auditors' remuneration

8,207

1,500

Director's emoluments

40,769

50,000

3 Taxation

2004

2003

£

£

Domestic current year tax

U.K. corporation tax

4,348

9,383

Current tax charge

4,348

9,383

ARCH OIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

4 Tangible fixed assets

	Plant and machinery etc
	£
Cost	
At 1 January 2004 & at 31 December 2004	2,060
Depreciation	
At 1 January 2004	934
Charge for the year	1,126
At 31 December 2004	2,060
Net book value	
At 31 December 2004	-
At 31 December 2003	1,126

5 Debtors

	2004 £	2003 £
Amounts owed by parent company	54,548	49,697
Other debtors	-	5,769
	<u>54,548</u>	<u>55,466</u>

6 Creditors: amounts falling due within one year

	2004 £	2003 £
Trade creditors	-	3,657
Taxation and social security	7,593	11,160
Other creditors	-	13,276
	<u>7,593</u>	<u>28,093</u>

ARCH OIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

7	Share capital	2004	2003
		£	£
	Authorised		
	100 Ordinary shares of £1 each	100	100
	Allotted, called up and fully paid		
	1 Ordinary shares of £1 each	1	1
8	Statement of movements on profit and loss account		Profit and loss account £
	Balance at 1 January 2004		62,377
	Retained profit for the year		14,752
	Balance at 31 December 2004		77,129

9 Control

During both periods under review, the ultimate controlling company is Arch Limited, a company incorporated in the Bahamas and the ultimate controlling party is Mr V Grigoriants.

10 Related party transactions

As at the year end, the company was owed £54,548 (2003: £49,697) by Arch Limited, a company incorporated in the Bahamas. During the year fees amounting to £167,293 (2003: £180,429) were receivable from the parent company.