

Company Registration No. 4844465 (England and Wales)

**BALKAN PETROLEUM LIMITED**  
**DIRECTOR'S REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MAY 2007**

WEDNESDAY



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COMPANIES HOUSE

**Hazlems Fenton**  
**Chartered Accountants**  
Palladium House  
1-4 Argyll Street  
London W1F 7LD



# **BALKAN PETROLEUM LIMITED**

## **COMPANY INFORMATION**

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<b>Director</b>	Wladimir Chapiro
<b>Secretary</b>	Lilia Braila
<b>Company number</b>	4844465
<b>Registered office</b>	Palladium House 1-4 Argyll Street London W1F 7LD
<b>Auditors</b>	Hazlems Fenton Chartered Accountants Palladium House 1-4 Argyll Street London W1F 7LD
<b>Business address</b>	Johannegasse 22 A1010 - Vienna Austria

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# **BALKAN PETROLEUM LIMITED**

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# **BALKAN PETROLEUM LIMITED**

## **DIRECTOR'S REPORT**

***FOR THE YEAR ENDED 31 MAY 2007***

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The director presents his report and financial statements for the year ended 31 May 2007.

### **Principal activities and review of the business**

The principal activity of the company was that of an investment holding company.

### **Results and dividends**

The results for the year are set out on page 5.

The director does not recommend payment of an ordinary dividend.

### **Future developments**

The company shall cease all activities, and take on the role of an investment holding company.

### **Directors**

The following directors have held office since 1 June 2006:

Sergey Danilin

(Resigned 10 February 2009)

Wladimir Chapiro

(Appointed 10 February 2009)

### **Auditors**

In accordance with the Company's Articles, a resolution proposing that Hazlems Fenton be reappointed as auditors of the company will be put at a General Meeting subject to a written resolution.

# **BALKAN PETROLEUM LIMITED**

## **DIRECTOR'S REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 MAY 2007**

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### **Director's responsibilities**

The director is responsible for preparing 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). 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 director is required to:

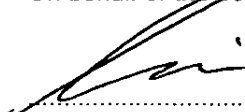
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records that 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 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.

### **Statement of disclosure to auditors**

So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the director has taken all the necessary steps that he ought to have taken as director in order to make himself aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



Wladimir Chapiro

Director

26.02.09

# **BALKAN PETROLEUM LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE SHAREHOLDERS OF BALKAN PETROLEUM LIMITED**

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We have audited the financial statements of Balkan Petroleum Limited for the year ended 31 May 2007 set out on pages 5 to 15. 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 the director and auditors**

The director's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Director's 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the director's 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 director's remuneration and other transactions 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 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 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.

# BALKAN PETROLEUM LIMITED

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### TO THE SHAREHOLDERS OF BALKAN PETROLEUM LIMITED

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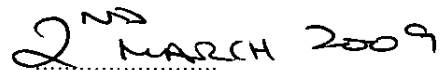
#### Opinion

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 May 2007 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 director's report is consistent with the financial statements.

  
Hazelis Fenton

Chartered Accountants  
Registered Auditor

  
2<sup>ND</sup> MARCH 2009

Chartered Accountants  
Palladium House  
1-4 Argyll Street  
London W1F 7LD



# BALKAN PETROLEUM LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MAY 2007

		2007	2006
	Notes	£	as restated £
Administrative expenses		1,491,682	(1,779,975)
<b>Operating profit/(loss)</b>	<b>2</b>	<b>1,491,682</b>	<b>(1,779,975)</b>
Loss on disposal of investments		(3,994,651)	-
<b>Loss on ordinary activities before interest</b>		<b>(2,502,969)</b>	<b>(1,779,975)</b>
Other interest receivable and similar income	3	212	2,976
Amounts written off investments	4	(18,467,785)	-
<b>Loss on ordinary activities before taxation</b>		<b>(20,970,542)</b>	<b>(1,776,999)</b>
Tax on loss on ordinary activities	5	-	(456,445)
<b>Loss for the year</b>	<b>12</b>	<b>(20,970,542)</b>	<b>(2,233,444)</b>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

# **BALKAN PETROLEUM LIMITED**

## **STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MAY 2007**

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		2007	2006
	Notes	£	as restated £
Loss for the financial year		(20,970,542)	(2,233,444)
Prior year adjustment	12	(3,972,900)	-
		<u>          </u>	<u>          </u>
Total gains and losses recognised since last financial statements		<u>(24,943,442)</u>	<u>(2,233,444)</u>

# BALKAN PETROLEUM LIMITED

## BALANCE SHEET

AS AT 31 MAY 2007

		2007		2006 as restated	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Tangible assets	6		-	28,493	
Investments	7		1	21,781,966	
			<u>1</u>	<u>21,810,459</u>	
<b>Current assets</b>					
Debtors	8	-	1,361,329		
Cash at bank and in hand		-	79,993		
			<u>1,441,322</u>		
<b>Creditors: amounts falling due within one year</b>	9	(11,456)	(517,515)		
<b>Net current (liabilities)/assets</b>			<u>(11,456)</u>	<u>923,807</u>	
<b>Total assets less current liabilities</b>			<u>(11,455)</u>	<u>22,734,266</u>	
<b>Creditors: amounts falling due after more than one year</b>	10	(15,221,042)	(16,996,221)		
		<u>(15,232,497)</u>	<u>5,738,045</u>		
<b>Capital and reserves</b>					
Called up share capital	11	9,200,000	9,200,000		
Profit and loss account	12	(24,432,497)	(3,461,955)		
<b>Shareholders' funds</b>	13	<u>(15,232,497)</u>	<u>5,738,045</u>		

Approved by the Board and authorised for issue on

26.02.09

  
Vladimir Chapiro  
Director

# **BALKAN PETROLEUM LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2007**

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### **1 Accounting policies**

#### **1.1 Accounting convention**

The financial statements are prepared under the historical cost convention.

The director has prepared these accounts on a going concern basis as he expects continuing financial support to be provided by other group companies.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group.

#### **1.2 Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment	25% on cost
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#### **1.3 Leasing**

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

#### **1.4 Investments**

Fixed asset investments are stated at cost less provision for diminution in value.

#### **1.5 Deferred taxation**

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is more likely than not that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

#### **1.6 Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

#### **1.7 Group accounts**

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 228 of the Companies Act 1985 as it is a subsidiary undertaking of Petrochemical Holdings GmbH, a company incorporated in Austria, and is included in the consolidated accounts of that company.

#### **1.8 Related party transactions**

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

# BALKAN PETROLEUM LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2007

<b>2</b>	<b>Operating profit/(loss)</b>	<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
	Operating profit/(loss) is stated after charging:		
	Depreciation of tangible assets	20,651	17,209
	Loss on disposal of tangible assets	7,842	-
	Loss on foreign exchange transactions	-	366,420
	Operating lease rentals	64,429	91,875
	and after crediting:		
	Profit on foreign exchange transactions	(1,713,298)	-
		<u><u>          </u></u>	<u><u>          </u></u>
	<b>Auditors' remuneration</b>		
	Fees payable to the company's auditor for the audit of the company's annual accounts	4,113	4,113
	Accountancy fees	6,463	9,400
		<u>          </u>	<u>          </u>
		10,576	13,513
		<u><u>          </u></u>	<u><u>          </u></u>
<b>3</b>	<b>Investment income</b>	<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
	Bank interest	212	795
	Other interest	-	2,181
		<u>          </u>	<u>          </u>
		212	2,976
		<u><u>          </u></u>	<u><u>          </u></u>
<b>4</b>	<b>Amounts written off investments</b>	<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
	Amounts written off fixed asset investments:		
	- permanent diminution in value	18,467,785	-
		<u><u>          </u></u>	<u><u>          </u></u>

# BALKAN PETROLEUM LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2007

5	Taxation	2007 £	2006 £
	<b>Domestic current year tax</b>		
	U.K. corporation tax	-	456,445
	<b>Current tax charge</b>	-	456,445
	<b>Factors affecting the tax charge for the year</b>		
	Loss on ordinary activities before taxation	(20,970,542)	(1,776,999)
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2006 - 30.00%)	(6,291,163)	(533,100)
	Effects of:		
	Non deductible expenses	-	116,160
	Depreciation add back	8,548	5,163
	Capital allowances	(2,161)	(2,273)
	Tax losses utilised	(453,955)	414,050
	Chargeable disposals	6,738,731	-
	Other tax adjustments	-	456,445
	<b>Current tax charge</b>	-	456,445

The company has estimated losses of £ 1,103,564 (2006 - £ 2,253,304) available for carry forward against future trading profits.

# BALKAN PETROLEUM LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2007

### 6 Tangible fixed assets

	Fixtures, fittings & equipment £
<b>Cost</b>	
At 1 June 2006	82,603
Disposals	(82,603)
At 31 May 2007	-
<b>Depreciation</b>	
At 1 June 2006	54,110
On disposals	(74,761)
Charge for the year	20,651
At 31 May 2007	-
<b>Net book value</b>	
At 31 May 2007	-
At 31 May 2006	28,493

# BALKAN PETROLEUM LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2007

### 7 Fixed asset investments

	Unlisted investments	Shares in group undertakings	Total
	£	£	£
<b>Cost</b>			
At 1 June 2006	8,758,644	-	8,758,644
Prior year adjustment	13,023,322	-	13,023,322
At 1 June 2006 - as restated	21,781,966	-	21,781,966
Additions	-	13,386	13,386
Transfer - majority shareholding acquired	(13,023,322)	13,023,322	-
Disposals	(8,758,644)	-	(8,758,644)
At 31 May 2007	-	13,036,708	13,036,708
<b>Provisions for diminution in value</b>			
At 1 June 2006	-	-	-
Charge for the year	-	13,036,707	13,036,707
At 31 May 2007	-	13,036,707	13,036,707
<b>Net book value</b>			
At 31 May 2007	-	1	1
At 31 May 2006 - as restated	21,781,966	-	21,781,966

### Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
<b>Subsidiary undertakings</b>			
SC Rafo SA Onesti	Romania	Ordinary	98.08

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

		Capital and reserves 2007	Profit/(loss) for the year 2007
	Principal activity	£	£
SC Rafo SA Onesti	Oil refinery	(214,318,481)	(37,343,462)



# BALKAN PETROLEUM LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2007

<b>8 Debtors</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Other debtors	-	1,361,329
	<u>          </u>	<u>          </u>
 <b>9 Creditors: amounts falling due within one year</b>	 <b>2007</b>	 <b>2006</b>
	<b>£</b>	<b>£</b>
Corporation tax	-	456,445
Other taxes and social security costs	-	4,320
Accruals and deferred income	11,456	56,750
	<u>          </u>	<u>          </u>
	11,456	517,515
	<u>          </u>	<u>          </u>
 <b>10 Creditors: amounts falling due after more than one year</b>	 <b>2007</b>	 <b>2006</b>
	<b>£</b>	<b>£</b>
Other loans	15,221,042	16,996,221
	<u>          </u>	<u>          </u>
<b>Analysis of loans</b>		
Wholly repayable within five years	15,221,042	16,996,221
	<u>          </u>	<u>          </u>
	15,221,042	16,996,221
	<u>          </u>	<u>          </u>
 <b>Loan maturity analysis</b>		
In more than five years	15,221,042	16,996,221
	<u>          </u>	<u>          </u>
 <b>11 Share capital</b>	 <b>2007</b>	 <b>2006</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
10,000,000 Ordinary shares of £1 each	10,000,000	10,000,000
	<u>          </u>	<u>          </u>
 <b>Allotted, called up and fully paid</b>		
9,200,000 Ordinary shares of £1 each	9,200,000	9,200,000
	<u>          </u>	<u>          </u>

# BALKAN PETROLEUM LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2007

### 12 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 June 2006 as previously reported	510,945
Prior year adjustment	(3,972,900)
Balance at 1 June 2006 as restated	(3,461,955)
Loss for the year	(20,970,542)
Balance at 31 May 2007	(24,432,497)

The prior year adjustment represents the reversal of the profit on disposal of fixed asset investments, as this disposal was never completed.

### 13 Reconciliation of movements in shareholders' funds

	2007 £	2006 £
Loss for the financial year	(20,970,542)	(2,233,444)
Proceeds from issue of shares	-	9,199,000
Net (depletion in)/addition to shareholders' funds	(20,970,542)	6,965,556
Opening shareholders' funds	5,738,045	(1,227,511)
Closing shareholders' funds	(15,232,497)	5,738,045

Opening shareholders' funds were originally £9,710,945 before deducting prior year adjustments of £3,972,900.

### 14 Financial commitments

At 31 May 2007 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 May 2008:

	Land and buildings	
	2007 £	2006 £
Operating leases which expire:		
Between two and five years	-	55,888

# BALKAN PETROLEUM LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2007

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<b>15</b>	<b>Director's emoluments</b>	<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
	Emoluments for qualifying services	-	43,686

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### 16 Employees

#### Number of employees

The average monthly number of employees (including directors) during the year was:

	<b>2007</b>	<b>2006</b>
	<b>Number</b>	<b>Number</b>
Operational managers	2	6

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#### Employment costs

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Wages and salaries	13,397	132,638
Social security costs	-	7,547
	<b>13,397</b>	<b>140,185</b>

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### 17 Control

The ultimate controlling party is Petrochemical Holding GmbH, a company registered in Austria.