

Registration number 5525360

Zauralneftegaz Limited
Financial Statements
For the year ended 31 December 2009



Company information

Directors

Simon Escott

Victor Repin

David Zaikin

Roman Niewiadomski (resigned 22 July 2009)

Secretary

Roman Niewiadomski (resigned 22 July 2009)

Auditors

Grant Thornton

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

Registered Office

1-6 Yarmouth Place

Mayfair

London

W1J 7BU

Zauralnestegaz Limited

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Zauralneftegaz Limited

Directors' report

The directors present their report together with the audited financial statements for the year ended 31 December 2009

Statement of Directors' responsibilities

The directors are responsible for preparing the Directors' 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 judgements 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Principal activities and review of business

The company did not trade during the year. There has been minimal expenditure incurred and no change has arisen in the position of the company during the year.

Results and dividends

The loss for the year, after taxation, amounted to \$492 (2008: \$925,883).

The directors do not recommend the payment of a dividend for the year.

Zauralneftegaz Limited

Directors

Roman Niewiadomski resigned as a director and Company Secretary of the Company on 22 July 2009
The directors did not have any interest in the share capital of the Company during the year

Risks and key performance indicators

A discussion of the significant risks and key performance indicators has been provided in the Baltic Oil Terminals plc group accounts for the year ended 31 December 2009

Auditors

Grant Thornton UK LLP have signified their willingness to continue in office in accordance with Section 489 of the Companies Act 2006

This report was approved by the board on 21 December 2010 and signed on its behalf



Simon Escott
Director

Zauralneftegaz Limited

Independent auditors' report to the members of Zauralneftegaz Limited

We have audited the financial statements of Zauralneftegaz Limited for the year ended 31 December 2009 which comprise the profit and loss account, balance sheet, cash flow statement and the related notes. 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 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 directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 1, the directors are 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 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

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 2009 and of its loss 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Zauralneftegaz Limited

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 directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Grant Thornton UK LLP

Philip R Westerman
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
London
21 December 2010

Zauralneftegaz Limited

Profit and loss account

For the year ended 31 December 2009

| | | 2009 | 2008 |
|--|--------------|--------------|------------------|
| | notes | \$ | \$ |
| Administrative expenses | 2 | (492) | (156,838) |
| Operating loss | | (492) | (156,838) |
| Interest payable | 4 | - | (769,045) |
| Loss on ordinary activities before taxation | | (492) | (925,883) |
| Tax on loss on ordinary activities | 5 | - | - |
| Loss on ordinary activities after taxation | 11 | (492) | (925,883) |

All amounts relate to continuing operations

There were no recognised gains and losses other than those included in the profit and loss account

Zauralneftegaz Limited

Balance sheet

As at 31 December 2009

Registration number: 5525360

| | notes | 2009 \$ | 2008 \$ |
|---|-------|--------------|--------------|
| Fixed assets | | | |
| Intangible fixed assets | 6 | - | - |
| Fixed asset investments | 7 | - | - |
| | | - | - |
| Current assets | | | |
| Cash at bank and in hand | | 34 | 244 |
| | | 34 | 244 |
| Creditors amounts falling due within one year | 8 | (5,366,335) | (5,366,053) |
| Net current liabilities | | (5,366,301) | (5,365,809) |
| Total assets less current liabilities | | (5,366,301) | (5,365,809) |
| Creditors amounts falling due after more than one year | 9 | (7,253,361) | (7,253,361) |
| Net liabilities | | (12,619,662) | (12,619,170) |
| Capital and reserves | | | |
| Called up share capital | 10 | 177 | 177 |
| Share premium account | 11 | 74,913 | 74,913 |
| Profit and loss account | 11 | (12,694,752) | (12,694,260) |
| | | (12,619,662) | (12,619,170) |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 December 2010


Simon Escott
Director

Zauralnestegaz Limited

Cash Flow Statement

For the year ended 31 December 2009

| | | 2009 | 2008 |
|---|----|--------------|------------------|
| | | \$ | \$ |
| Net cash flow from operating activities | 12 | (210) | (229,661) |
| Cash outflow before financing | | (210) | (229,661) |
| Financing | 13 | - | 215,295 |
| Decrease in cash in the period | | (210) | (14,366) |

Reconciliation of net cash flow to movement in net debt

| | 2009 | 2008 |
|---------------------------------------|---------------------|---------------------|
| | \$ | \$ |
| Decrease in cash in the period | (210) | (14,366) |
| Non cash inflow from increase in debt | (282) | (769 045) |
| Cash inflow from increase in debt | - | (215,295) |
| Movement in net debt in the period | (492) | (998,706) |
| Net debt at 31 December | (12,619,662) | (12,619,170) |

Zauralneftegaz Limited

Notes to the financial statements

1 Accounting policies

Basis of preparation of financial statements

The accounts have been prepared on a 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 have been prepared under the historical cost convention and in accordance with applicable accounting standards

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, Baltic Oil Terminals plc

The financial statements have been presented in US\$, the functional currency of the company

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.

Zauralneftgaz Limited

2 Operating loss

The auditors' remuneration has been borne by Baltic Oil Terminals plc, the ultimate parent company of the group, in the years ended 31 December 2009 and 2008

3. Staff costs

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

4. Interest payable

| | 2009 | 2008 |
|--|------|---------|
| | \$ | \$ |
| Interest payable to group undertakings | - | 769,045 |

5. Taxation

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below

| | 2009 | 2008 |
|--|--------------|------------------|
| | \$ | \$ |
| Loss on ordinary activities before tax | (492) | (925,883) |
| Loss on ordinary activities before tax multiplied by the standard rate of corporation tax of 28% (2008: 28.5%) | (138) | (263,877) |
| Effects of | | |
| Group relief surrendered to group company | 138 | 263,877 |
| Current tax charge for the period | - | - |

The Company has tax losses of \$5,759,377 (2008: \$5,759,377) 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

6. Intangible fixed assets

| | Exploration costs \$ |
|--|----------------------------|
| Cost | |
| At 1 January 2009 and 31 December 2009 | 2,313,071 |
| Accumulated depreciation and impairment | |
| At 1 January 2009 and 31 December 2009 | 2,313,071 |
| Net book value | |
| At 1 January 2009 and 31 December 2009 | - |

7. Fixed asset investments

| | Investments in subsidiaries \$ |
|--|---|
| Cost | |
| At 1 January 2009 and 31 December 2009 | 75,090 |
| Impairment provisions | |
| At 1 January 2009 and 31 December 2009 | (75,090) |
| Net book value | |
| At 1 January 2009 and 31 December 2009 | - |

The following is a subsidiary undertaking of the Company

| Principal subsidiaries | Country of incorporation | Principal activity | % of ordinary shares held & voting rights |
|------------------------|-----------------------------|----------------------------|---|
| OOO Zauralneftegaz | Russia | Oil and gas exploration | 100 |

Zauralnestegaz Limited

8. Creditors – amounts falling due within one year

| | 2009 | 2008 |
|------------------------------------|-----------|-----------|
| | \$ | \$ |
| Amounts owed to group undertakings | 5,366,335 | 5,366,053 |

9. Creditors – amounts falling due after more than one year

| | 2009 | 2008 |
|--|-----------|-----------|
| | \$ | \$ |
| Amounts due to group undertakings (including accrued interest) | 7,253,361 | 7,253,361 |

10. Share capital

| | 2009 | 2008 |
|--|-------|-------|
| | \$ | \$ |
| Authorised, allotted, called up and fully paid | | |
| 50 Ordinary class A shares of £1 each | 88.50 | 88 50 |
| 50 Ordinary class B shares of £1 each | 88.50 | 88 50 |
| | 177 | 177 |

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

11. Reconciliation of movements in shareholders' deficit

| | Share capital | Share premium | Profit and loss account | Total 2009 | Total 2008 |
|-------------------|---------------|---------------|-------------------------|--------------|--------------|
| | \$ | \$ | \$ | \$ | |
| At 1 January | 177 | 74,913 | (12,694,260) | (12,619,170) | (11,693,287) |
| Loss for the year | - | - | (492) | (492) | (925,883) |
| At 31 December | 177 | 74,913 | (12,694,752) | (12,619,662) | (12,619,170) |

12. Net cash flow from operating activities

| | 2009 | 2008 |
|----------------------------------|-------|-----------|
| | \$ | \$ |
| Operating loss | (492) | (156,838) |
| Decrease in debtors | - | 12,184 |
| Increase/(decrease) in creditors | 282 | (85,007) |
| | (210) | (229,661) |

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13. Analysis of cash flows for headings netted in cash flow statement

| | 2009 | 2008 |
|---|------|---------|
| | \$ | \$ |
| Long term loans due to group undertakings | - | 215,295 |

14. Analysis of changes in net debt

| | As at 1 January 2009 | Cash flow | Other non cash changes | As at 31 December 2009 |
|---|-------------------------|-----------|---------------------------|------------------------------|
| | \$ | \$ | \$ | \$ |
| Cash at bank and in hand | 244 | (210) | - | 34 |
| Debt: | | | | |
| Debts falling due after more than one year | (7,253,361) | - | - | (7,253,361) |
| Debts falling due within one year | (5,366,053) | - | (282) | (5,366,335) |
| Net debt | (12,619,170) | (210) | (282) | (12,619,662) |

15. Related party transactions

No transactions occurred between the company and related parties to the company during the year ended 31 December 2009

The following transactions occurred between the company and related parties to the company during the year ended 31 December 2008

| | Amount \$ | Nature of transaction |
|---------------------|-----------|-----------------------|
| Caspian Finance Ltd | 769,045 | Interest payable |

The following balances were outstanding as at 31 December 2009

| | Amount \$ | Nature of transaction |
|--------------------------|-------------|--------------------------|
| Caspian Finance Ltd | (5,493,179) | Loans payable |
| Caspian Finance Ltd | (1,760,182) | Accrued interest payable |
| Baltic Terminals Ltd | 50,110 | General trading balances |
| Baltic Oil Terminals Ltd | 5,415,881 | Loans payable |

The following balances were outstanding as at 31 December 2008

| | Amount \$ | Nature of transaction |
|--------------------------|-------------|--------------------------|
| Caspian Finance Ltd | (5,493,179) | Loans payable |
| Caspian Finance Ltd | (1,760,182) | Accrued interest payable |
| Baltic Terminals Ltd | 49,828 | General trading balances |
| Baltic Oil Terminals Ltd | 5,415,881 | Loans payable |

Zauralneftgaz Limited

15 Related party transactions (continued)

Baltic Oil Terminals plc is the ultimate parent of the group which holds a 50% interest in Zauralneftgaz Ltd. Caspian Finance Ltd and Baltic Terminals Ltd are subsidiaries of Baltic Oil Terminals plc. Siberian Energy Group is a 50% shareholder of Zauralneftgaz Ltd.

16. Ultimate parent undertaking

The immediate parent undertaking is Baltic Petroleum Limited.

The ultimate parent undertaking and controlling party is Baltic Oil Terminals plc, a public company incorporated in the UK. Copies of Baltic Oil Terminals plc consolidated financial statements can be obtained from the Company's website www.balticoilterminals.com.