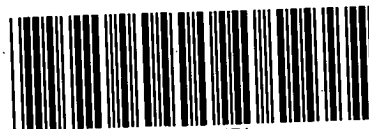


**Report of the Director and  
Financial Statements  
for the Year Ended 31 December 2013  
for  
BALTIC HYDROCARBONS LIMITED**

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**BALTIC HYDROCARBONS LIMITED**

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

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**BALTIC HYDROCARBONS 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:** 5606176 (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

## **BALTIC HYDROCARBONS 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:

S Priestly - 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.

**BALTIC HYDROCARBONS 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: ..... 25/04/14 .....

We have audited the financial statements of Baltic Hydrocarbons Limited for the year ended 31 December 2013 on pages six to twelve. 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 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 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.

*Grant Thornton UK LLP*

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: 25/09/14 .....

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

	Notes	31.12.13 \$	31.12.12 \$
<b>TURNOVER</b>		-	-
Administrative expenses		<u>251,168</u>	<u>3,900,704</u>
<b>OPERATING LOSS and LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	(251,168)	(3,900,704)
Tax on loss on ordinary activities	4	<u>-</u>	<u>-</u>
<b>LOSS FOR THE FINANCIAL YEAR</b>		<u>(251,168)</u>	<u>(3,900,704)</u>

**CONTINUING OPERATIONS**

None of the company's activities were acquired or discontinued during the current year or previous year.

**TOTAL RECOGNISED GAINS AND LOSSES**

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

The notes form part of these financial statements



**BALTIC HYDROCARBONS LIMITED (REGISTERED NUMBER: 5606176)**

**Balance Sheet  
31 December 2013**

	Notes	31.12.13 \$	31.12.12 \$
<b>CURRENT ASSETS</b>			
Debtors	5	1,704,646	1,952,263
Cash at bank		4,925	9,080
		<u>1,709,571</u>	<u>1,961,343</u>
<b>CREDITORS</b>			
Amounts falling due within one year	6	2,628,285	2,628,889
<b>NET CURRENT LIABILITIES</b>		<u>(918,714)</u>	<u>(667,546)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(918,714)</u>	<u>(667,546)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	7	178	178
Profit and loss account	8	(918,892)	(667,724)
<b>SHAREHOLDERS' FUNDS</b>	10	<u>(918,714)</u>	<u>(667,546)</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 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 Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1. The Company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Pan European Terminals plc group or investees of the Pan European Terminals plc group.

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.

### **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.

### **Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable. Revenue excludes any applicable sales taxes.

Trading revenue is recognised when the risks and rewards of hydrocarbon product ownership pass to the customer. The associated costs of acquiring the hydrocarbon product are recognised in cost of sales.

When the risks and rewards of hydrocarbon product ownership do not pass to the Company the Company is acting as an agent between the supplier and customer and recognises the margin between the cost of the hydrocarbon product and the selling price as revenue.

**1. ACCOUNTING POLICIES - continued**

**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 11 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 12 to the Financial Statements.

**2. STAFF COSTS**

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

**3. OPERATING LOSS**

The operating loss is stated after charging:

	31.12.13	31.12.12
	\$	\$
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.

**4. TAXATION - continued****Factors affecting the tax charge**

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

	31.12.13	31.12.12
	\$	\$
Loss on ordinary activities before tax	<u>(251,168)</u>	<u>(3,900,704)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.250% (2012 - 24.500%)	(58,397)	(955,672)
Effects of: UK tax losses carried forward	<u>58,397</u>	<u>955,672</u>
Current tax charge	<u>-</u>	<u>-</u>

The Company has tax losses of \$4,043,097 (2012:\$4,043,000). Deferred tax assets have not been recognised in respect of these losses due to uncertainty as to whether such amounts will be realised.

**5. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31.12.13	31.12.12
	\$	\$
Trade debtors	-	150,000
Amounts owed by group undertakings	1,500,000	1,500,000
Prepayments and accrued income	204,646	302,263
	<u>1,704,646</u>	<u>1,952,263</u>

**6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31.12.13	31.12.12
	\$	\$
Amounts owed to group undertakings	<u>2,628,285</u>	<u>2,628,889</u>

**BALTIC HYDROCARBONS LIMITED**

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

**7. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.12.13	31.12.12
			\$	\$
100	Ordinary	£1	178	178
			<u>          </u>	<u>          </u>

**8. RESERVES**

	Profit and loss account \$
At 1 January 2013	(667,724)
Deficit for the year	(251,168)
	<u>          </u>
At 31 December 2013	(918,892)
	<u>          </u>

**9. 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.

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

	31.12.13	31.12.12
	\$	\$
Loss for the financial year	(251,168)	(3,900,704)
	<u>          </u>	<u>          </u>
<b>Net reduction of shareholders' funds</b>	(251,168)	(3,900,704)
Opening shareholders' funds	(667,546)	3,233,158
	<u>          </u>	<u>          </u>
<b>Closing shareholders' funds</b>	(918,714)	(667,546)
	<u>          </u>	<u>          </u>

**11. 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.

**12. 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.