

# Volga Gas Limited

REGISTERED NUMBER: 05886534

ANNUAL REPORT AND ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

## Contents

### Corporate Governance

Report of the Directors	2
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### Financial Statements

Income Statement	4
Balance Sheet	5
Cash Flow Statement	6
Statements of Changes in Shareholders' Equity	7
Notes to the Financial Statements	8

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# Report of the Directors

The directors present their report and financial statements for the period from 1 January 2021 to 31 December 2021.

## Results and dividend

The Company's results are set out on pages 5 to 8 and show a net loss of US\$ 992 thousands for the year ended 31 December 2021 (2020: net loss of US\$11.9 million). On 20 May 2021, the directors declared an interim cash dividend of US\$8.6 million which was paid to GEM on 21 May 2021 (2020: nil).

## Principal activities, business model and future developments

Volga Gas private company registered in England and Wales with registered number 05886534. In March 2021, the entire share capital of the Company was acquired by GEM Capital Holdings (CY) Limited ("GEM").

During the year ended 31 December 2021 the Company was the principal holding company of a Group operating in the exploration, development and production of its gas, condensate and oil fields in the Volga Region of European Russia. Subsequent to the year end, the interests in the operating companies were sold.

## Going concern

The Directors have stated their intention to liquidate the Company and as a result the financial statements of the Company have been prepared on a basis other than going concern. For the purposes of these financial statements this has resulted in all asset and liabilities being classified as current and the net asset value of the Company equating to price at which the operating subsidiaries were sold.

## Directors

The Directors who served during the year were:

Mikhail Ivanov	Resigned 8 April 2021
Aleksey Kalinin	Resigned 8 April 2021
Stephen Ogden	Resigned 8 April 2021
Stewart Dickson	Resigned 8 April 2021
Andrei Yakovlev	Resigned 8 April 2021
Andrey Zozulya	Removed 6 April 2022
Alexander Bykhovskiy	Appointed 8 April 2021
Ilya Taraba	Appointed 8 April 2021
Nikolay Millionshchikov	Appointed 8 April 2021

## Share capital

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 16 to the accounts. Each ordinary share carries the right to one vote at general meetings of the Company. Shares held by the Company in treasury are excluded from the number of voting rights.

## Directors' interests

The Directors serving during the year had the following beneficial interests in the shares of the Company:

	Ordinary shares of 1p each
	31 December 2021
Mikhail Ivanov	-
Andrey Zozulya	1,000,000
Aleksey Kalinin	521,652
Stephen Ogden	-
	205,000

Mr Kalinin is a Co-Managing Partner of Baring Vostok Capital Partners Limited, a related party to Baring Vostok Investments PCC Limited, Baring Vostok Nominees Limited and Dehus Dolmen Nominees Limited. As such Mr Kalinin had an indirect beneficial interest in the Company. On 9 March 2021, all of the directors accepted the offer from GEM to acquire their shares of the Company.

## Political and charitable contributions

No political or charitable contributions were made in the year (2020: nil).

## Share capital

The Company has authorised ordinary share capital of 330,720,100 shares of 1p each. The Company's total issued share capital consists of 80,818,452 ordinary shares of 1p each, each share having equal voting rights. The entire share capital of the Company is held by GEM Capital Holdings (CY) Limited.

## Capital risk management

The Company capital resources in the years ended 31 December 2020 and 2021 were entirely represented by equity. It is the intention of the Company's shareholder to liquidate the Company.

## Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

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

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. They are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the

**Volga Gas Limited**  
**Annual Report for the year ended 31 December 2021**

EU (IFRSs as adopted by the EU) and applicable law and they have elected to prepare the parent Company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of their profit or loss for that period. In preparing the Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are 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 them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

On behalf of the Board



**Caros Consulting Ltd**  
Company Secretary  
10 August 2022

## Income Statement (presented in US\$ 000)

<b>Year ended 31 December</b>	<b>Notes</b>	<b>2021</b>	<b>2020</b>
<b>CONTINUING OPERATIONS</b>			
Revenue	5	273	255
Cost of sales		-	-
<b>Gross profit</b>		<b>273</b>	<b>255</b>
Administrative expenses	6	(1 170)	(2 547)
Provision for unrecoverable receivables		(104)	(156)
Impairment charge		(2 298)	(9 647)
<b>Operating loss</b>		<b>(3 299)</b>	<b>(12 095)</b>
Interest income	7	37	206
Interest expense		-	(0)
Other gains and losses – net	8	8	7
<b>loss for the year before tax</b>		<b>(3 254)</b>	<b>(11 882)</b>
Current income tax		(35)	-
Deferred income tax		-	-
<b>loss for the year</b>		<b>(3 289)</b>	<b>(11 882)</b>

## Balance Sheet (presented in US\$ 000)

Company registration number: 05886534

At 31 December	Notes	2021	2020
<b>ASSETS</b>			
<b>Non-current assets</b>		-	-
<b>Current assets</b>			
Cash and cash equivalents	9	241	8 038
Investments	15	13 476	15 774
Intercompany receivables	10	173	2 067
Trade and other receivables	11	54	72
<b>Total current assets</b>		<b>13 944</b>	<b>25 950</b>
<b>Total assets</b>		<b>13 944</b>	<b>25 950</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	12	1 485	1 485
Accumulated profit	13	12 349	24 238
<b>Total equity</b>		<b>13 834</b>	<b>25 723</b>
<b>Current liabilities</b>			
Trade and other payables	14	110	227
<b>Total current liabilities</b>		<b>110</b>	<b>227</b>
<b>Total equity and liabilities</b>		<b>13 944</b>	<b>25 950</b>

Approved by the Board of Directors on 10 August 2022 and signed on its behalf by



**Antonio Alves**  
**Caros Consulting Ltd,**  
**Company Secretary**

## Cash Flow Statement (presented in US\$ 000)

Year ended 31 December	Notes	2021	2020
<b>Loss for the period before tax</b>		<b>(992)</b>	<b>(11 882)</b>
<b>Adjustments to loss before tax:</b>			
Interest income accrued		(37)	(206)
Impairment to investments		-	9 647
Impairment to receivables		104	156
Foreign exchange differences		(8)	(18)
<b>Operating cash flow prior to working capital</b>		<b>(933)</b>	<b>(2 303)</b>
<b>Working capital changes</b>			
Decrease in intercompany receivables		(216)	(53)
(Increase)/decrease in other receivables		32	(20)
Increase/(decrease) in payables		(117)	218
<b>Cash flow from operations</b>		<b>(1 233)</b>	<b>(2 158)</b>
Interest income on deposits received		-	36
Income tax paid			
<b>Net cash flow generated from operating activities</b>		<b>(1 233)</b>	<b>(2 122)</b>
<b>Cash flows from investing activities</b>			
Decrease/(increase) in intercompany loan receivables		2 037	1 200
<b>Net cash from investing activities</b>		<b>2 037</b>	<b>1 200</b>
<b>Cash flows from financing activities</b>			
Equity dividends paid		(8 600)	-
Purchase of treasury shares		-	-
<b>Cash flows from financing activities</b>		<b>(8 600)</b>	<b>-</b>
Effect of exchange rate changes on cash and cash equivalents		-	-
<b>Net decrease in cash and cash equivalents</b>		<b>(7 797)</b>	<b>(922)</b>
Cash and cash equivalents at the beginning of the year		8 038	8 960
<b>Cash and cash equivalents at end of the year</b>		<b>241</b>	<b>8 038</b>

## Statement of Changes in Shareholders' Equity (presented in US\$ 000)

	Notes	Share Capital	Currency Translation Reserves	Accumulated Profit/(loss)	Total Equity
<b>Opening equity at 1 January 2021</b>		<b>1 485</b>	<b>-</b>	<b>24 238</b>	<b>25 723</b>
Loss for the year				(3 289)	(3 289)
Equity dividends paid				(8 600)	(8 600)
<b>Closing equity at 31 December 2021</b>		<b>1 485</b>	<b>-</b>	<b>12 349</b>	<b>13 834</b>
<b>Opening equity at 1 January 2020</b>		<b>1 485</b>	<b>-</b>	<b>36 120</b>	<b>37 605</b>
Loss for the year				(11 882)	(11 882)
<b>Closing equity at 31 December 2020</b>		<b>1 485</b>	<b>-</b>	<b>24 238</b>	<b>25 723</b>

## **1. General information**

Volga Gas Limited (the "Company" or "Volga") is a private company registered in England and Wales with registered number 05886534. The Company was incorporated on 25 July 2006 as a public limited company and re-registered as a private company on [date] 2021. The Company was established as a holding company of a group active in the acquisition, exploration and development of hydrocarbon assets and production of hydrocarbons in the Volga Region of the Russian Federation. Subsequent to 31 December 2021, the Company's interests in its operating subsidiaries were sold. Its registered office is 6<sup>th</sup> floor, 65 Gresham Street, London EC2V 7NQ. The Company's shares were admitted to trading on the AIM market of the London Stock Exchange until 8 April 2021, when its admission was cancelled at the request of the Board of Directors.

These financial statements were authorised for issue by the Board of Directors on 10 August 2022.

## **2. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **2.1 Basis of preparation**

The Company financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), International Financial Reporting Interpretations Committee ("IFRIC") interpretations, and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

### **Going Concern**

It is the intention of the Directors to liquidate the Company. This is a direct result of the sale to GEM Capital Holdings (CY) Ltd who no longer consider that the interests of the Group are best served by a UK holdco. As a result the financial statements have been prepared on a basis other than going concern. This has resulted in all assets and liabilities being classified as current and the net asset position reflecting the price for which the Russian subsidiaries were sold.

### **2.2 Foreign currency translation**

#### *(a) Functional and presentation currency*

The financial statements are presented in US Dollars, which is the Company's functional currency.

#### *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to cash and cash equivalents, borrowings and other foreign exchange gains and losses are presented in the income statement within "Other gains and losses".

### **2.3 Other business and corporate assets**

The company does not hold any property, plant and equipment.

### **2.4 Share capital**

Ordinary shares are classified as equity.

### **2.5 Current and deferred income tax**

The Company has accumulated tax losses for which no deferred tax asset has been recognised.

## **3. Financial risk management**

### **3.1 Financial risk factors**

The Company's activities are exposed in a limited manner to financial risks: market risk (including foreign exchange risk and cash flow interest rate risk) and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance.

#### *(a) Market risk*

##### *(i) Foreign exchange risk*

The Company is exposed to foreign exchange risk arising from the denomination of its financial assets other than cash balances which are primarily in US Dollars.

##### *(ii) Cash flow and fair value interest rate risk*

As the Company currently has no significant interest-bearing assets and liabilities, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

*(b) Credit risk.* The Company's principal financial assets are cash. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. It is the Group's policy to monitor the financial standing of these assets on an ongoing basis. Bank balances are held with reputable and established financial institutions. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.



<b>Rating of financial institution (Fitch) as of 31 December</b>		<b>2021</b>	<b>2020</b>
		<b>US\$ 000</b>	<b>US\$ 000</b>
Barclays Bank	A	240,99	8 037,69

*(c) Interest rate risk*

The Company has no material interest rate exposure.

*(d) Liquidity risk*

The remaining contractual maturities as at 31 December 2021 and 31 December 2020 are as follows:

<b>Maturity period at 31 December 2021</b>	<b>0 to 3 months</b>	<b>3 to 12 months</b>	<b>Over 1 year</b>	<b>Total</b>
Trade and other payables	110	-	-	110
<b>Total</b>	<b>110</b>	<b>-</b>	<b>-</b>	<b>110</b>

<b>Maturity period at 31 December 2020</b>	<b>0 to 3 months</b>	<b>3 to 12 months</b>	<b>Over 1 year</b>	<b>Total</b>
Trade and other payables	227	-	-	227
<b>Total</b>	<b>227</b>	<b>-</b>	<b>-</b>	<b>227</b>

*(e) Capital risk management*

The directors believe that the Company will be able to discharge its obligations pending the anticipated voluntary liquidation.

**4. Critical accounting estimates and judgements**

*Carrying value of fixed assets, intangible assets and impairment*

The carrying value of the Company's investment in its subsidiary, Woodhurst Holdings Limited reflects the value of the consideration received from the disposal of the two Russian operating subsidiaries discounted at 30% interest rate. The directors are satisfied that the value of the receivables granted as consideration is fully realisable.

**5. Revenue from contracts with customers**

The Company's principal activity has been the provision of advisory and management services to its subsidiary, Volga Gas (Cyprus) Ltd. Fees for these services has been invoiced quarterly.

**6. Administrative expenses**

<b>Year ended 31 December</b>		<b>2021</b>	<b>2020</b>
Directors' emoluments and other benefits	(a)	81	427
Audit fees	(b)	94	349
Legal & consulting	(c)	988	1 737
Other		7	35
<b>Total</b>		<b>1 170</b>	<b>2 547</b>

*(a) Directors' emoluments and other benefits:*

None of the currently serving directors receives any remuneration from the Company. Only Directors are employed by the Company. The remuneration received by the former directors was as follows:

<b>Year ended 31 December</b>	<b>2021</b>	<b>2020</b>
City Group Finance Ltd. (Mikhail Ivanov)	35	120
Stephen Ogden	16	54
Stewart Dickson	16	44
Yakovlev Andrei	15	40
Zozulya Andrey	-	169
<b>Total</b>	<b>81</b>	<b>427</b>

Apart from Andrey Zozulya, all of the above directors resigned with effect of 8 April 2021. There were no additional severance payments other than the fees due to them for the period of their service.

*(b) Audit fees:* Fees paid to PKF Littlejohn LLP.

*(c) Legal and consulting:* In 2020 US\$ 1,500,000 legal expenses are related to an investigation demanded by the former auditor of the Company, in 2021 US\$ 630'000 consulting expenses represents success fee for the deal of acquisition of the Group by GEM.

## 7. Finance income

Finance income comprises interest earned during the period on cash balances held at banks (Note 9) and interest receivable from loan balances due from subsidiaries.

## 8. Other gains and losses

Year ended 31 December	2021	2020
Forex exchange gain / (losses)	8	18
Other losses	-	(11)
<b>Total</b>	<b>8</b>	<b>7</b>

## 9. Cash and cash equivalents

An analysis of Group cash and cash equivalents by bank and currency is presented in the table below:

Year ended 31 December		2021	2020
Barclays Bank PLC	USD	15	392
Barclays Bank PLC	GBP	226	7 645
<b>Total</b>		<b>241</b>	<b>8 038</b>

## 10. Intercompany receivables

Year ended 31 December		2021	2020
Loan provided to subsidiary - PGK	(a)	-	1 999
Receivables from Volga Gas (Cyprus)	(b)	877	673
Reserve for receivables from Volga Gas (Cyprus)		(705)	(605)
Receivables from Woodhurst		1	-
<b>Total</b>		<b>173</b>	<b>2 067</b>

(a) Loan provided to PGK was totally paid in 2021.

(b) Receivables from consulting services provided to subsidiary Volga Gas (Cyprus).

## 11. Trade and other receivables

Year ended 31 December	2021	2020
VAT receivable	54	47
Prepayments	-	25
<b>Total</b>	<b>54</b>	<b>72</b>

## 12. Share capital and share premium

The following summarises the movement in the share capital and share premium of the Company for the years ended 2020 and 2019.

	Number of shares	Share capital US\$ 000	Total voting rights
At 1 January 2021	81,017,800	1,485	81,017,800
Issues of shares	-	-	-
Shares held in treasury	-	-	199,348
<b>At 31 December 2021</b>	<b>81,017,800</b>	<b>1,485</b>	<b>80,818,452</b>
At 1 January 2020	81,017,800	1,485	81,017,800
Issues of shares	-	-	-
Shares held in treasury	-	-	199,348
<b>At 31 December 2020</b>	<b>81,017,800</b>	<b>1,485</b>	<b>80,818,452</b>

The total number of authorised ordinary shares is 330,720,100 (2018: 330,720,100) with a par value of £0.01 per share (2019: £0.01 per share). Subject to the terms of the Company's Articles of Association, each ordinary share has the right of one vote at a General Meeting of the Company and to receive dividends declared by the directors. As at 31 December 2020, the Company held 199,348 of its own Ordinary shares in treasury (2019: 199,348). The number of total voting rights is adjusted accordingly. There are no other classes of shares in the Company either issued or authorised.

**Volga Gas Limited**  
**Annual Report and Accounts 2021**

**13. Accumulated profit**

Year ended 31 December	2021	2020
Retained profits	24 238	36 120
(Loss)/profit for the year	(3 289)	(11 882)
Equity dividends paid	(8 600)	-
<b>Total</b>	<b>12 349</b>	<b>24 238</b>

*Dividends*

In 2021, the Company paid a final dividend of US\$8'600'000. Dividends are not recognised as liabilities and there are no tax consequences.

**14. Trade and other payables**

Year ended 31 December	2021	2020
Payables to Directors: Yakovlev Andrei	54	40
Payroll liabilities	5	5
Trade payables	51	177
Other payables	-	5
<b>Total</b>	<b>110</b>	<b>227</b>

The maturity of the Company's financial liabilities are all between zero to three months.

**15. Investments – Company**

Investments in subsidiaries, comprising ordinary share capital, are accounted for at cost. The Company's subsidiaries are as follows:

Name	Jurisdiction	Nature of operations	% Owned	From
Woodhurst Holdings Ltd	Cyprus	Intermediate holding company	100%	October 2005
Volga Gas (Cyprus) Ltd	Cyprus	Intermediate holding company	100%	August 2007

The registered office addresses of the subsidiaries are as follows:

Name	Registered office address
Woodhurst Holdings Ltd	all at:
Volga Gas (Cyprus) Ltd	Archbishop Makarios Avenue, Capital Centre, 9th Floor, 1505 Nicosia, Cyprus

Company	2020	Additions	Adjustments	2021
Investments in Woodhurst Holdings	15 774	-	(2 298)	13 476
Investments in Volga Gas (Cyprus)	-	-	-	-
<b>Total investments</b>	<b>15 774</b>	<b>-</b>	<b>(2 298)</b>	<b>13 476</b>

On 11 March 2021, GEM Capital Holdings (CY) Ltd ("GEM") commenced the process to compulsorily acquire the shares of dissentient shareholders so as to become the sole shareholder of the Company. It is the GEM's intention to liquidate the company within the current year. Accordingly the Company's assets have all been reclassified as current and the value of the investment in Woodhurst Holdings Ltd has been adjusted to reflect the equity value of the takeover offer by GEM.

On 16 March 2022, Woodhurst Holdings sold its interests in GNS and PGK for consideration of RUB 2.2 billion to be received in 3 years. According to the decrees of the President of the Russian Federation the following legal and financial restrictions were introduced:

- Forbidden repayment of debt and interests owed to foreign entities (need to receive special permission by Ministry of Finance or Central Bank of the Russian Federation) or assigned by foreign creditors after 1 March 2022;
- Forbidden providing of loans to foreign entities;
- Forbidden payment of dividends to foreign entities (need to receive special permission by Ministry of Finance or Central Bank of the Russian Federation)

The valuation of the Company's investment in Woodhurst has been adjusted to reflect the value of the receivable granted as consideration for the sale of these interests discounted by 30% pa.

## 16. Related party transactions

Since 11 March 2021, the Company has been wholly owned by GEM Capital Holdings (CY) Limited.

There were no transactions carried out by the Company or its subsidiaries with related third party entities during either of the years ended 31 December 2020 or 31 December 2021, nor were there any outstanding balances from transactions carried out in previous years.

The following transactions were carried out between the Company and its wholly-owned subsidiaries:

Group Company	Relationship	Nature of transactions	2021	2020
Woodhurst Holdings Limited	100% directly-owned subsidiary	Paid expenses	3	-
Volga Gas (Cyprus) Limited	100% directly-owned subsidiary	Accrued revenue for Management fee	273	255
		Payment received from VGC for Management fee	69	258
		Accrued provision for doubtful receivables	104	156
		Paid expenses to Zozulya Andrey	7	-
Pre-Caspian Gas Company	100% indirectly-owned subsidiary	Interest accrued on loan provided	37	170
		Payment received to settle fully due RUR loan principal and interest	2 001	1

### *Year-end balances arising from transactions with subsidiaries*

Year ended 31 December	2021	2020
<b>Accounts receivable from subsidiaries</b>		
Volga Gas (Cyprus) Ltd.	877	673
Woodhurst Holdings Limited		
<b>Accounts receivable from subsidiaries - provision for doubtful debt</b>		
Volga Gas (Cyprus) Ltd.	(705)	(605)
<b>Loans receivable from subsidiaries</b>		
Pre-Caspian Gas Company	(0)	1 999
<b>Accounts payables to subsidiaries</b>		
Woodhurst Holdings Limited	-	1

## 17. Contingencies and Commitments

### 17.1 Capital commitments

As of the balance sheet date there are no material commitments.

### 17.2 Taxation

At 31 December 2021, management believes that its interpretation of the relevant legislation is appropriate and the Company's tax, currency and customs positions will be sustained.

## 18. Post balance sheet events

On 11 March 2021, GEM Capital Holdings (CY) Ltd ("GEM") commenced the process to compulsorily acquire the shares of dissentient shareholders so as to become the sole shareholder of the Company.

The directors understand that it is the GEM's intention to liquidate the company within the current year.

## 19. Ultimate parent company

The ultimate parent company of the Group and the Company is GEM Capital Holdings (CY) Ltd