



INTRODUCTION

Directors & Advisers	1
Chairman's Statement	2
Review of Operations	6
Financial Review	10
Board of Directors	14

FINANCIAL INFORMATION

Directors' Report	16
Directors' Responsibilities	18
Corporate Governance	20
Auditors' Report	24
Financial Statements	26
Notes to the Accounts	30
Glossary	57



REVENUES
+41%
\$28
million

PRODUCTION
+15.6%
8,853
boe/d

FIRST POSITIVE
EBITDA
\$7.2
million

BOARD OF DIRECTORS

Alastair Ferguson
Executive Chairman

Andrey Komarov
Executive Director

Stephen Lowden
Senior Independent Director

Alexander Gorodetsky
Independent Non-executive Director
(appointed 24 September 2015)

Andrey Immel
Non-executive Director
(appointed 24 September 2015)

Marcus James Rhodes
Independent Non-executive Director

Michael Lombardi
Non-executive Director
(appointed 9 July 2015)

Symon Drake-Brockman
Non-executive Director
(non re-elected 9 July 2015)

Yulia Lebedina
Non-executive Director
(resigned 9 July 2015)

AUDIT COMMITTEE
Marcus Rhodes (Chairman)
Andrey Immel

REMUNERATION AND NOMINATION COMMITTEE
Stephen Lowden (Chairman)
Alexander Gorodetsky

ADVISERS

CORPORATE ADMINISTRATOR
CO Services Cayman Limited
P.O. Box 10008, Willow House, Cricket Square,
Grand Cayman KY1-1001, Cayman Islands

BANKERS
Barclays Private Clients International Limited
39-41 Broad Street, St Helier,
Jersey, JE4 8PU, Channel Islands

Deutsche Bank International Limited
St Paul's Gate, New Street, St Helier,
Jersey, JE4 8ZB, Channel Islands

NOMINATED ADVISER
Shore Capital & Corporate Limited
Bond Street House, 14 Clifford Street,
London, W1S 4JU, United Kingdom

SOLICITORS
Berwin Leighton Paisner
Adelaide House, London Bridge, London,
EC4R 9HA, United Kingdom

JOINT BROKERS
Shore Capital Stockbrokers Limited
Bond Street House, 14 Clifford Street,
London, W1S 4JU, United Kingdom

Panmure Gordon (UK) Limited
1 New Change, London, EC4M 9AF, United Kingdom

INDEPENDENT AUDITOR
Ernst & Young LLC
Sadovnicheskaya Nab., 77, bld. 1, Moscow, 115035, Russia

REGISTRAR
Computershare Investor Services (Cayman) Limited
R&H Trust Co. Ltd, Windward 1,
Regatta Office Park, West Bay Road,
Grand Cayman KY1-1103, Cayman Islands

REGISTERED OFFICE
PO Box 10008, Willow House, Cricket Square,
Grand Cayman KY1-1001, Cayman



I believe a number of factors combine to make Zoltav an extremely attractive vehicle through which to access Russian oil and gas opportunities in a distressed market

I am pleased to present Zoltav's results for the year ended 31 December 2015 which show a 41% increase in revenues to USD 28.1 million (2014: USD 20.0 million) and the Company's first operating profit. This is derived from a 15.6% increase in daily production compared with 2014. This has been achieved despite a challenging environment for oil and gas producers in Russia; and despite a weak RUB against our reporting currency of USD. Improvements in both factors would in the future have a very positive corresponding impact on Zoltav.

Our Western Gas Plant was operated at full capacity in 2015, producing 8,853 boe/d (1,256 toe/d). This enabled the Company to deliver its first positive EBITDA of USD 7.2 million (2014: USD 3.3 loss) and maintain a positive operating cash flow throughout the period.

Our focus continues to be on maintaining full plant capacity through the implementation of optimal production enhancement activities to increase economic effectiveness. We have undertaken an extensive programme of cost optimisation at Bortovoy, which we believe will produce further benefits in the current year and beyond.

I am pleased to note that, on 1 July 2015, our gas sales price to Mezhtregiongaz increased by 7.5% in RUB – the benefits of which will continue to be felt as we improve production efficiency.

Zoltav is developing an appraisal strategy to capitalise on the Devonian structure in both the undeveloped Western and Eastern fields of the Bortovoy Licence, underpinned by a more attractive gas sales price.

Our strategy at Bortovoy is to continue maximising production from the Western Gas Plant, both through the above-mentioned efficiencies and, later, by hooking up other nearby fields in the Western area of the Bortovoy Licence to the plant. At the current assessment of remaining reserves in the Western Fields, the Company estimates that the Western Gas Plant could be kept at full capacity for at least a further decade.

We have also continued to assess various development scenarios to commercialise the highly prospective Eastern Fields of the Bortovoy Licence and the medium term objective remains that of constructing a second gas plant in the East of the licence to exploit the very considerable reserves. At Koltogor, we completed a number of exploration-related tasks. In particular, as a result of the work undertaken to open up the West Koltogor oil field on Koltogor Exploration Licence 10, we were able to convert this last month into an Exploration and Production Licence valid through to March 2036. We will, in the future, look to bring a partner into Koltogor to assist in the development of these fields.

Zoltav's strategic objective remains that of generating the maximum value from our existing assets, which we will achieve through efficiencies and through exploration, appraisal and development activities; while at the same time pursuing a highly selective acquisition strategy. We have very strict acquisition criteria and will consider only those opportunities which we believe will deliver considerable value for shareholders under Zoltav's management.

I believe a number of factors combine to make Zoltav an extremely attractive vehicle through which to access Russian oil and gas opportunities in a distressed market. We have unrivalled local operating expertise – as is demonstrated in the continual improvements being made at Bortovoy; we have a very experienced board which brings a western standard of corporate governance to the Company's management; and finally, we have engaged and supportive shareholders with access to capital when the right opportunities present themselves.

Alastair Ferguson
Executive Chairman
21 April 2016

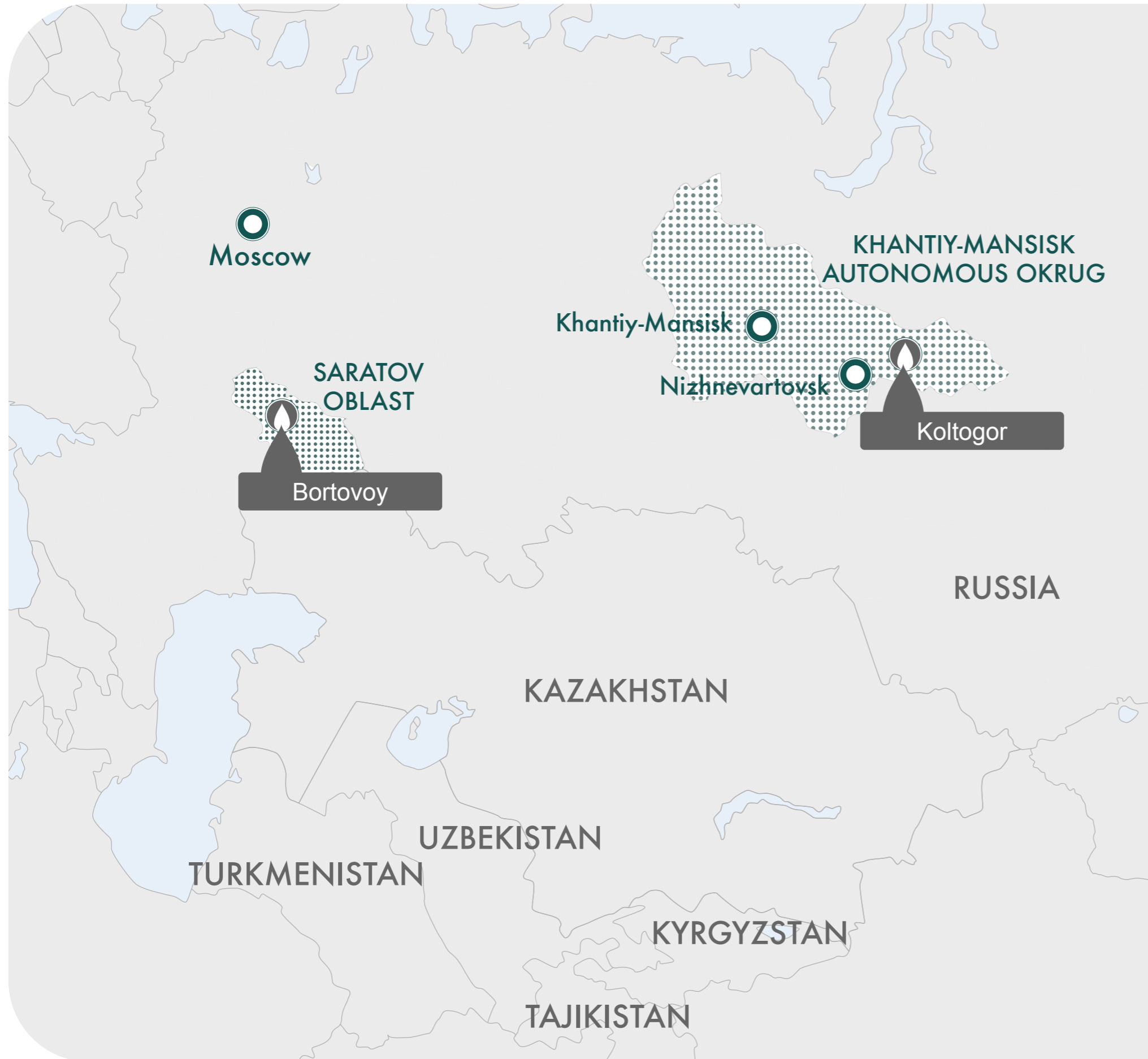
OUR MAJOR SHAREHOLDERS

Zoltav has unparalleled access to opportunities in Russia and the CIS through its supportive major shareholders **Arkadiy Abramovich** (ARA Capital Limited) and **Valentin Bukhtoyarov** (Bandbear Limited) – who each own approximately 40% of the Company

STRATEGY

Zoltav is building a mid-size oil and gas business focused on the CIS. There are **five** characteristics which demonstrate why we are distinctive and uniquely well positioned to achieve this:

- **Attractive asset base** with substantial organic appraisal and development upside
- Ability to **add considerable value to assets** in a short space of time – we are seeking acquisition targets where we can replicate that performance
- **Targeting further acquisitions** in the CIS which will generate additional cash flows and more exploration upside
- Support of **strong major shareholders**, providing access to finance for acquisitions
- High principles of **corporate governance**



Zoltav's strategic objective remains that of generating the maximum value from our existing assets, which we will achieve through efficiencies and through exploration, appraisal and development activities; while at the same time pursuing a highly selective acquisition strategy

GROUP RESERVES UNDER PRMS AS AT 31 DECEMBER 2015

		Proved	Probable	Proved + Probable	Possible
Bortovoy Licence					
Gas	bcf	352.9	396.8	749.7	640.0
Oil & Liquids	mmbbls	2.0	1.8	3.8	2.4
Gas, Oil and Liquids	mmboe	62.0	69.2	131.2	111.2
Koltogor Licences					
Gas	bcf	0.5	23.5	24.0	55.7
Oil	mmbbls	1.6	73.5	75.1	174.0
Gas & Oil	mmboe	1.7	77.5	79.2	183.5
Total					
Gas	bcf	353.4	420.3	773.7	695.7
Oil & Liquids	mmbbls	3.6	75.3	78.9	176.4
Gas, Oil and Liquids	mmboe	63.7	146.7	210.4	294.7

Source: DeGolyer and MacNaughton

BORTOVOY LICENCE

Zoltav's main operational priority in 2015 was to operate the Western Gas Plant at its full capacity of 8,853 boe/d (1,256 toe/d). This was successfully achieved following the prior year's hooking-up of the Zhdanovskoye field and the drilling of an infill well on the Karpenskoye field.

The next target will be the development of the highly promising Devonian structure within the North Mokrousovskoye field that lies just 13 km from the Western Gas Plant and will allow us to keep the plant at full capacity for at least a further decade.

The Company continues to evaluate the future development opportunities offered by the highly prospective Eastern Fields of the licence. The construction of a second gas plant close to the Pavlovskoye field – hooking-up the Nepriyakhinskoye and Lipovskoye fields – is currently being assessed by management as the most likely scenario.

Production

The Company was able to keep the Western Gas Plant operating at full capacity throughout 2015.

Average daily production from the Western Gas Plant during 2015 was 8,853 boe/d (1,256 toe/d) compared to 7,656 boe/d (1,086 toe/d) in 2014. This comprised 46.6 mmcf/d (1.32 mmcm/d) of gas (2014: 40.2 mmcf/d / 1.14 mmcm/d) and 587 bbls/d (75 T/d) of oil and condensate (2014: 478 bbls/d / 60 T/d). Overall this was a 15.6% increase in daily production compared to 2014. Gas production increased by 15.9%, while liquids production increased by 23%.

The improved output is a direct result of an integrated value-enhancement programme that has taken place under Zoltav's ownership. The Company spent USD 0.63 million in 2015 for one-off maintenance and repair costs to debottleneck production on the Western Gas Plant, complete a dew point project to allow for sustained production during warmer weather and complete the hooking up of the Zhdanovskoye field.

In December 2015, the Zhdanovskoye infill Well 107 was put into operation with a production rate of 6.0 mmcf/d (0.17 mmcm/d) that was higher than expected, with potential future upside from acid treatment.

We have, since the start of 2016, achieved one of our primary objectives for the current year of completing the new Well 117 on the Karpenskoye field. Another core objective for the year will be the hooking-up of the pre-existing Well 19 in the western area of the Zhdanovskoye field. Well 19's potential was confirmed by well tests undertaken in December 2015. These developments will allow Zoltav to keep the plant operating at full capacity throughout 2016.

Development drilling and other well activity

Geological and hydrodynamic models for the Karpenskoye and Zhdanovskoye fields were re estimated in 2015. These models, combined with detailed historic production data, provide confidence in our production targets and base decline forecasts. The model showed substantial remaining reserves in the area of Wells 17 and 19 on the Karpenskoye field.

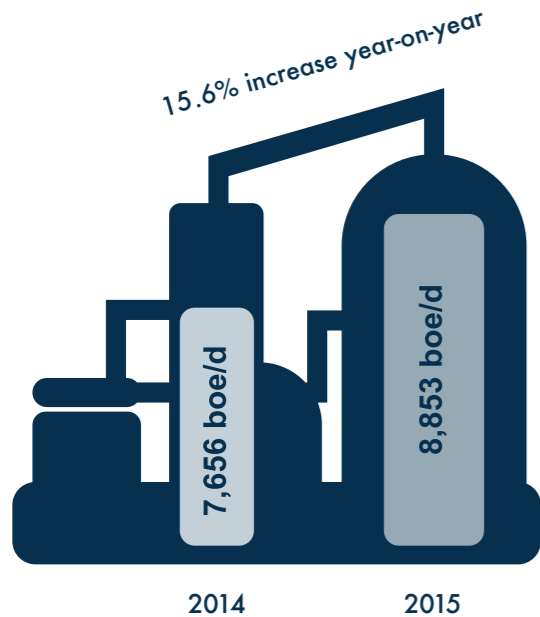
Well 117 on Karpenskoye (selected as the optimal option versus a Well 17 side-track) was completed and put online at 16 April 2016. Well 19 on the Zhdanovskoye field is scheduled to be hooked-up in October 2016.

Western Gas Plant

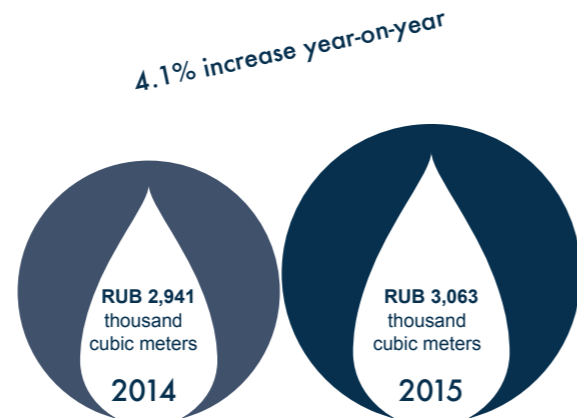
Operations at the Western Gas Plant have continued smoothly with the plant operating more reliably compared to 2014.

The dew point project was successfully completed in June 2015 on time and within budget. This allowed Zoltav to continue delivering treated gas even during the hot summer season in volumes specified in the sales agreement with Mezhtregiongaz.

**BORTOVOY LICENCE:
WESTERN GAS PLANT
AVERAGE DAILY PRODUCTION**

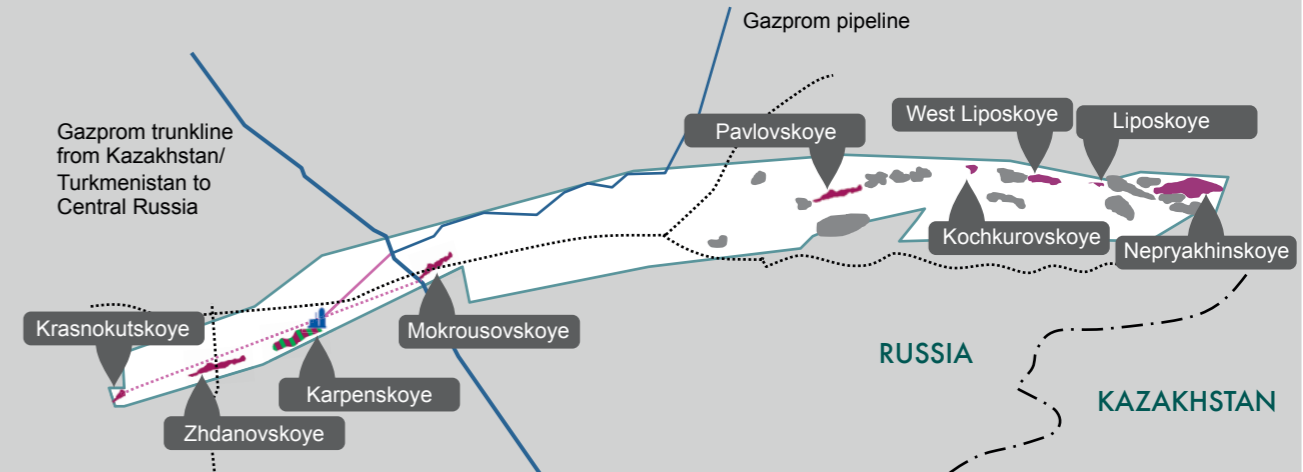


**BORTOVOY LICENCE:
GAS SALES PRICE**



BORTOVOY LICENCE

- Existing Gazprom pipelines
- Pipelines to be constructed
- Oil and gas field
- Gas processing plant
- Existing sales pipelines
- Railroads
- Gas field
- Other field



Bortovoy Field by Field 2P reserves

Field Reserve Category	Gas (Proved+Probable)		Oil & Liquids (Proved+Probable)	
	English (mmcf)	Metric (mmcm)	English (m bbls)	Metric (mT)
Krasnokutskoye	9,923	281	-	-
Zhdanovskoye	72,995	2,067	366	52
Karpenskoye	95,350	2,700	2,215	283
Mokrousovskoye	45,133	1,278	-	-
Total Western Fields	223,401	6,326	2,581	335
Pavlovskoye	162,518	4,602	1,028	119
Kochkurovskoye	-	-	-	-
West-Lipovskoye	-	-	-	-
Lipovskoye	49,935	1,414	279	34
Nepriyakhinskoye	313,841	8,887	-	-
Total Eastern Fields	526,294	14,903	1,307	153
Total All Fields	749,695	21,229	3,888	488

KOLTOGOR LICENCES

The work programme across both the Koltogor Exploration and Production Licence and Koltogor Exploration Licence 10 resulted in Rosnedra registering, in March 2015, an additional 546 mmbbls (72 mmT) of Russian standard C1 plus C2 oil reserves, bringing the current registered reserves of the combined Koltogor fields to over 1 billion barrels (137 mmT). It remains Zoltav's intention to commission an update of its reserves and resources under PRMS, however the Company has deferred this expenditure until such time as it is strategically necessary to commission an updated report. The Company has now been granted Exploration and Production status on Licence 10. As the sole owner of the Koltogor Licences, management continues to evaluate farm-out options from a position of strength.

Koltogor Exploration and Production Licence

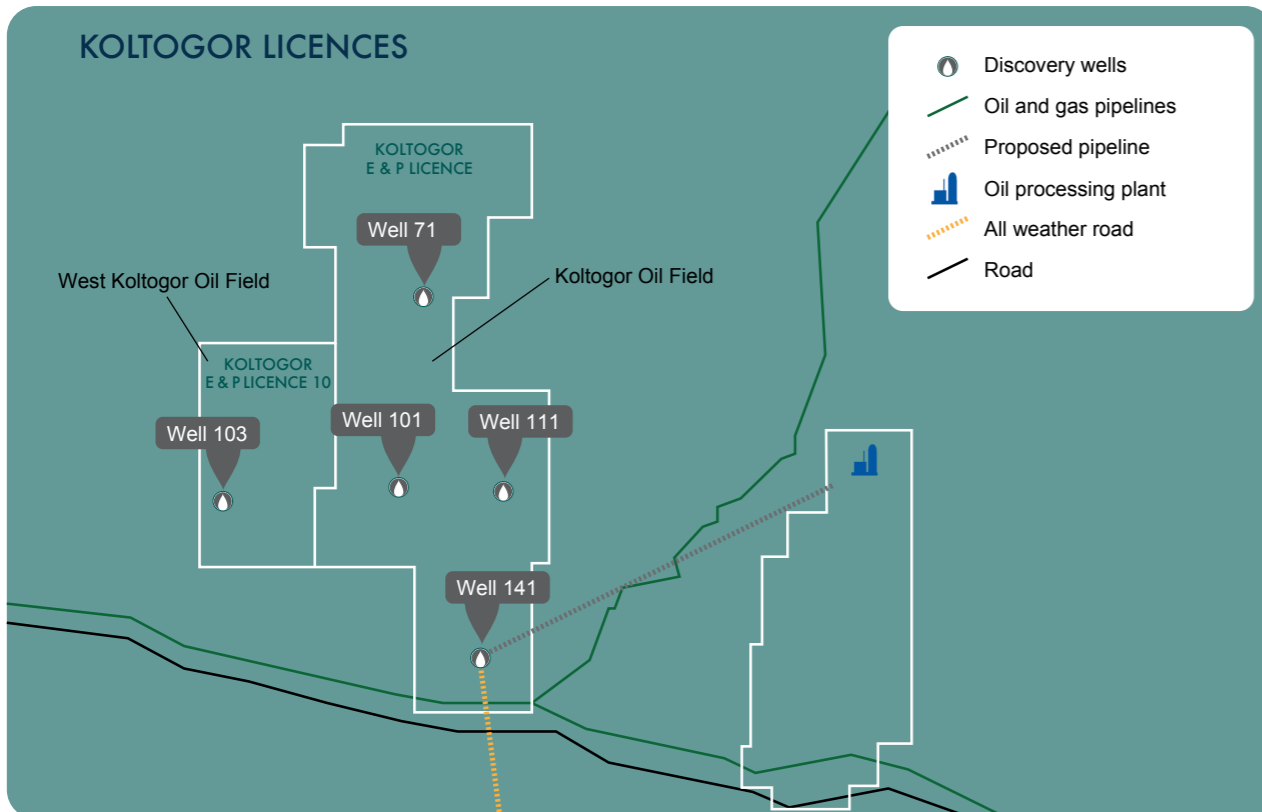
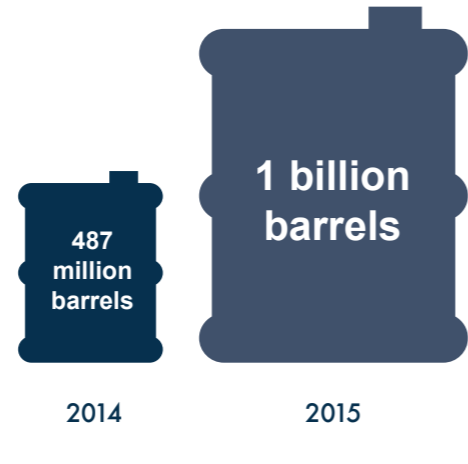
Following the extensive 3D and 2D seismic acquisition and analysis programme carried out from 2013 to 2015, the Company completed a re-estimation of its reserves and registered new volumes with Rosnedra in March 2015. This included booking new JV2 (Jurassic) oil formation volumes. As a result, the additional reserves across the JV0 (Bazhenov), JV1, JV2 and JV3 (Jurassic) formations now total 949.4 mmbbls (125 mmT) of C1 plus C2 reserves under the Russian classification system.

Well construction tasks and ground survey work associated with future drilling plans were undertaken in 2015 and are ongoing.

Koltogor Exploration and Production Licence 10

On 7 May 2015, Rosnedra granted the Company a certificate confirming the discovery of the West Koltogor oil field. As a result, the Company applied to Rosnedra for an exploration and production licence which was approved in March 2016.

KOLTOGOR LICENCES: GROWING IN SIZE
Russian Standard Reserves (C1+C2)





Management's focus on maintaining full production capacity at the Western Gas Plant, on operational performance enhancements and on cost reduction allowed Zoltav to generate its first operating profit and positive cash flow from operating activities. EBITDA reached USD 7.2 million.

REVENUE

Group revenues were USD 28.1 million (2014: USD 20.0 million), however it should be noted that the comparative numbers for 2014 include only 196 days of production, following Zoltav's acquisition of Bortovoy in June 2014. The Group's RUB revenues in 2015 were RUB 1,697 million, compared to RUB 826 million in 2014. Accordingly, revenues in USD, the Group's reporting currency, were significantly affected by the devaluation of RUB (61.0 RUB/USD average rate in 2015 versus 41.3 RUB/USD average rate for the 196 days in 2014).

Gas realisations were USD 1.4/mcf or RUB 3,063/mcm (2014: USD 2.2/mcf or RUB 2,941/mcm). Gas produced was sold to Mezhtregiongaz, a Gazprom subsidiary, at the transfer point on entry to the Central Asia – Centre gas pipeline system.

Gas sales to Mezhtregiongaz are priced in RUB. The price increased on 1 July 2015 by 7.5% in RUB.

Oil and condensate realisations were USD 27.3/bbl or RUB 1,633/bbl (USD 214.2/T or RUB 12,832/T) (2014: USD 46.8/bbl or RUB 1,798/bbl (USD 368/T or RUB 14,115/T)). Oil and condensate are sold directly at the Western Gas Plant through a tender process to a small number of different purchasers.

Despite the decline in oil prices, the Company still managed to achieve a 16% increase in RUB denominated revenue generated from the Western Gas Plant, as compared to 2014, as a direct result of the significant improvements in efficiency since Zoltav acquired the Bortovoy Licence in June 2014.

COST OF SALES

Total cost of sales were USD 19.5 million (2014: USD 13.5 million). This comprised USD 6.4 million of production based taxes (2014: USD 3.8 million), USD 6.1 million of depreciation and depletion of assets (2014: USD 4.2 million) and USD 7.0 million of other cost of sales (2014: USD 5.4 million). Other

cost of sales included USD 0.63 million of one-off maintenance and repair costs (including costs of associated materials) on the Western Gas Plant within a programme of production enhancement activities, as well as the usual recurring other cost of sales including salaries, chemicals and other agents, equipment maintenance and repairs, well workovers and leasing of land plots.

OPERATING PROFIT

Zoltav turned an operating loss (excluding gain on acquisition) in 2014 of USD 7.6 million into an operating profit in 2015 of USD 1.1 million.

Finance costs of USD 5.5 million are mainly represented by interest on the RUB 2,220 million (USD 30.5 million) Sberbank facility which was entered into by our Bortovoy operating company, Diall Alliance, on 4 April 2014.

TAXATION

The production based tax for the period was USD 6.4 million (2014: USD 3.9 million) which is recognised in the cost of sales. The new gas mineral extraction ("MET") formula was implemented from 1 July 2014. This formula is based on multi-component gas composition, average gas prices and reservoir complexity and maturity. As a result of these changes the effective MET rate applicable for the period rose by 15.5% to RUB 17.8/mcf RUB 627/mcm (2014: RUB 15.4/mcf or RUB 543/mcm).

In addition to production taxes the Group was subject to a 2.2 per cent property tax which is based on the net book value of Russian assets calculated for property tax purposes. Property tax on the major part of the Bortovoy operating company's assets, including the Western Gas Plant, is paid at a reduced tax rate of 0.1 per cent.

The income tax charge for the year was USD 0.5 million (2014: USD 2.4 million) and represents deferred tax expense.

CURRENCY TRANSLATION DIFFERENCES

The significant RUB/USD exchange rates volatility had a material effect on the value of our assets and liabilities presented in USD which is disclosed in note 27.2.

CASH

Net cash generated by operating activities was USD 4.3 million (2014: cash used in operating activities USD 5.3 million).

Diall Alliance successfully serviced its credit facility from PJSC Sberbank and repaid RUB 180 million of the principal amount according to its schedule. The Company remains in line with the covenants of its credit facility agreement.

The Group has sufficient liquidity to fund its investment programme on the Western Fields at Bortovoy and its development plans for Koltogor at least through to the end of 2018.

Total cash at the end of the period was USD 5.9 million.

Denis Golubovskiy
Director of Finance
21 April 2016

Our focus on maintaining full production capacity, on operational performance enhancements and on cost reduction allowed Zoltav to generate its first operating profit

We are committed to providing a safe and healthy work environment - there were zero injuries to our personnel and contractors in 2015



HEALTH AND SAFETY

We are committed to providing a safe and healthy work environment and to conducting our activities in a safe and environmentally protective manner. All of our employees and officers are expected to perform their duties consistent with the site specific safety and environmental rules and regulations and are expected to obey all local, regional and national laws and regulations.

We are committed to the goals of:

- Avoiding harm to all personnel involved in, or affected by, our operations
- Complying with all the applicable legal and other requirements where we operate
- Achieving continual improvement in our HSE performance

We are proud of our HSE achievement of zero injuries to personnel and contractors in 2015.

Our Bortovoy Licence operating subsidiary, Diall Alliance, continued its compliance in 2015 with BS OHSAS 18001: 2007 - an internationally applied British standard for occupational health and safety management systems. This certification demonstrates our commitment to ensuring the safety of our employees and any others that may be affected by our business activities, and reaffirms our engagement in improving environmental and occupational health and safety standards throughout the company.



ENVIRONMENT

Responsible environmental management is a core component of our approach to CSR. We are committed to complying with applicable legislation and to identifying risks to the environment. We recognise that oil and gas exploration and production activities can have an impact on the environment. As such we aim, wherever possible, to implement processes to avoid, mitigate or manage any adverse impacts our operations might have. We are committed to employing highly competent personnel who share the company's values and who are themselves committed to implementing our high standards of environmental performance in everything they do.

We are proud that our operating company at the Bortovoy Licence continued its compliance in 2015 with ISO 14001: 2004 – a globally recognised management system standard which specifies the requirements for the formulation and maintenance of an environmental management system. Above all, this certification reflects that our business is environmentally responsible. It shows how committed we are to reducing our environmental impacts and living up to expectations of sustainability and continual improvement.

Russia's "Green Spring" initiative

Inspired by the nationwide environmental programme "Green Spring" to promote, conserve and restore the natural environment, we planted dozens of new elm, maple and spruce trees on the Bortovoy Licence in 2015.

COMMUNITY ENGAGEMENT

Co-operation with local communities is key to the success of our operations, and we continually seek to maximise local involvement to provide the potential for economic and social benefits. We are also committed to building and utilising skills available locally at all levels.

We have been very active throughout 2015 in the local communities of the Saratov region where our Bortovoy Licence and Western Gas Plant are situated. This has included active support for the development of sport in the region - especially for children - exhibited most proudly by our renovation of a school sports hall in the village of Dergachi, the repairs of the Krasnokutsky Fitness Centre, and through our purchase of equipment for, or construction of, playgrounds in the villages of Zhdanovka, Lebedevka and Eruslan. Additionally, Zoltav allocated funding for the purchase of sports clothing and footwear for the Victoria Saratov basketball club.

We also provided financial assistance in 2015 for the construction and repair of local infrastructure. This included the repairs of local roads, street lighting and water supply pipes in local districts; and installations of fire alarm systems in schools and nurseries in Karpenka and Lebedevka.

The letters of thanks from children, parents and local authorities demonstrate the popularity, effectiveness and importance of our social engagement programmes and we will continue this commitment wherever we have operations in the future.

ANTI-BRIBERY & CORRUPTION POLICY

Our policy is to conduct all of our business in an honest and ethical manner. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate and implementing and enforcing effective systems to counter bribery. We will uphold all laws relevant to countering bribery and corruption in all the jurisdictions in which we operate.



We take our responsibility to protect and preserve the natural environment we operate in very seriously and we are actively participating in Russia's "Green Spring" environmental initiative

Following a review of the effectiveness of the board, and in consultation with its major shareholders, Zoltav announced at the Annual General Meeting a number of changes intended to simplify the Company's board structure. Accordingly, Symon Drake-Brockman, Michael Lombardi and Julia Lebedina left the board.

The changes to the board were intended to improve the efficiency and effectiveness of decision making, allowing the Company to make faster operational decisions and to more quickly assess new opportunities for growth. It remains the board's intention to make further appointments in the future of directors with highly relevant Russian and CIS experience who can add value to the Company's strategy to grow organically and through acquisition.



ALASTAIR FERGUSON
Executive Chairman

Alastair Ferguson has an extensive background in the oil and gas industry and considerable experience of the Russian gas market. He is a non-executive director of Kazmunaigaz Exploration and Production, an oil and gas exploration and production company focused on the Caspian region in Kazakhstan. Alastair Ferguson was an executive vice-president gas & power with TNK-BP between 2003-2011 having successfully led its gas and power business in Russia and Ukraine. He continues to work in Moscow as an independent advisor on energy issues. Prior to that, he held a wide range of senior positions with BP during his 35 year career in the oil and gas industry.

ANDREY KOMAROV
Executive Director

Andrey Komarov is a very experienced Russian oil and gas professional having held senior managerial positions with a number of major Russian energy businesses. Between 2006 and 2013 Andrey Komarov served as Vice President, Gas Business Development & Sales, and latterly as Vice President, Gas & Power, at TNK-BP, where he worked with Alastair. In 2002 Andrey Komarov joined Sibneft OJSC (now Gazprom Neft), one of Russia's leading oil producers, as Director, Regional Sales and was subsequently appointed as the group's Vice President, Downstream in 2004. Prior to Sibneft OJSC, Andrey Komarov held the positions of Deputy General Director and Commercial Director of the Moscow Oil Refinery and served as an advisor to the Minister of Fuel and Energy of the Russian Federation.

STEPHEN LOWDEN
Senior Independent Director

Stephen Lowden has over 25 years' experience in the international oil and gas industry across exploration, development, production and gas liquefaction. Throughout his career in the oil and gas industry, Stephen Lowden has worked around the world but has spent a considerable time working on projects in the CIS, where Zoltav is focused. Stephen Lowden has previously held positions with Premier Oil plc, including chief petroleum engineer, general manager for development and production and an executive director of the board and, more recently, at Marathon Oil Company as president of Marathon International and head of corporate business development. Stephen Lowden is also involved with two private energy businesses.



ALEXANDER GORODETSKY
Independent Non-executive Director

Alexander Gorodetsky was appointed as a non-executive director in September 2015. He is currently the general partner of Strategy Capital Advisor Limited, a private equity fund established in 2009 with a mandate to invest in projects, including within the oil and gas sector, across the former Soviet Union. Prior to Strategy Capital Advisor Limited, Alexander Gorodetsky was first deputy to the chairman of East One Group, an international investment advisory group providing strategic and investment management services. During his time at East One Group, he assisted in the strategic development of over 25 portfolio companies including GEO ALLIANCE Group, one of the leading independent oil and gas exploration and production groups in Ukraine. From 2000-2006, Alexander Gorodetsky was president/business unit leader for TNK BP Ukraine. He contributed significantly to the increased brand awareness of TNK-BP in the Ukrainian market, where it is among the leading oil and gas companies. He began his career in 1995 within Alfa-Eco, a leading gas and oil trading business in Russia.

ANDREY IMMEL
Non-executive Director

Andrey Immel was appointed as a non-executive director in September 2015. He is an experienced Russian corporate lawyer. He has, since 2012, been the head of the legal department of Moscow-based Contact-Service LLC, a real estate company, where his responsibilities include corporate governance and the provision of legal support for transactions. From 2008-2012, Andrey Immel worked for Himuglemet, a manufacturer of conveyer band and other components for coal mines, both as legal counsel and as a corporate and tax lawyer. His responsibilities included legal due diligence and support for corporate transactions.

MARCUS RHODES
Independent Non-executive Director

Marcus Rhodes is an experienced director of major publicly-listed companies operating in Russia and the CIS. He is a qualified chartered accountant and a member of the Institute of Accountants in England & Wales. Marcus Rhodes is currently a non-executive director and chairman of the audit committee of NASDAQ-listed QIWI plc, a major provider of payment solutions in Russia and the CIS. He is also a non-executive director and chairman of the audit committee for the Russian company PhosAgro OJSC, one of the world's leading producers of phosphate-based fertilisers and listed on the London Stock Exchange and London Stock Exchange-listed Cherkizovo Group OJSC, Russia's largest meat producer. Marcus Rhodes was an audit partner for Ernst & Young from 2002-2008. Prior to that, he was an audit partner for Arthur Andersen from 1998-2002.

The Directors of the Company present their annual report together with the audited consolidated financial statements for the year ended 31 December 2015.

Principal activities

The principal activities of the Company and its subsidiaries (the "Group") are the acquisition, exploration and development of hydrocarbon assets and production of hydrocarbons in the Russian Federation.

Business review

A review of the business for the year and of future developments is given in the Chairman's Report.

Results

The results of the Company are as shown on page 26.

Dividends

The Directors do not recommend the payment of a final dividend and no interim dividend was paid during the year (2014: USD nil).

Share capital

No movements in share capital occurred in 2015. The Company's policy in respect of capital and risk management is set out in note 27.

Directors

The membership of the Board who served during the year and up to the date of approving the financial statements is set out on page 1.

Going concern

The going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern.

Directors' interests

Certain Directors have owned shares of the Company during the year ended 31 December 2015. Interests in the ordinary shares of the Company are as follows:

	31 December 2015		31 December 2014	
	Number of ordinary shares	Percentage of existing share capital	Number of ordinary shares	Percentage of existing share capital
Marcus Rhodes	15,000	0.01%	-	-
Alastair Ferguson	-	-	-	-
Andrey Komarov	-	-	-	-
Stephen Lowden	-	-	-	-
Alexander Gorodetsky	-	-	-	-
Andrey Immel	-	-	-	-
Symon Drake-Brockman*	-	-	469,055	0.30%
	15,000	0.01%	469,055	0.30%

* Is not Director at 31 December 2015

	31 December 2015	
	Number of ordinary share options	Number of ordinary share options
Stephen Lowden*	500,000	500,000
Alastair Ferguson	-	-
Andrey Komarov	-	-
Alexander Gorodetsky	-	-
Andrey Immel	-	-
Marcus Rhodes	-	-
Symon Drake-Brockman**	-	1,250,000
	500,000	1,750,000

* Mr Lowden's Options expiry date is 30 October 2017

** Is not Director at 31 December 2015

Substantial shareholdings

The interests in excess of 3% of the issued share capital of the Company which have been notified to the Company as at 31 December 2015 were as follows:

	Number of ordinary shares	Percentage of existing share capital
ARA Capital Limited	56,243,076	39.6%
Bandbear Limited	56,243,076	39.6%
Crediton Invest Limited	6,353,568	4.5%
Matteson Overseas	6,353,568	4.5%
	125,193,288	88.2%

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

AIM Rules for Companies require the Directors to prepare financial statements for each financial year. Under those Rules the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements are required 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.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. However, Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company. 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Financial risk management objectives and policies

Details of the financial risk management objectives and policies are provided in note 27 to the financial statements.

Independent Auditor

Ernst & Young LLC were appointed as the Company's independent auditor on 26 November 2015 and have expressed their willingness to continue in office.

For and on behalf of the Board:



Alastair Ferguson
Executive Chairman
21 April 2016

Introduction

The Board's overriding objective is to ensure that the Group delivers long-term capital appreciation for its shareholders.

Compliance

The Company complies with elements of the Smaller Company provisions of the UK Corporate Governance Code ("the Code") albeit as an AIM-listed company and Cayman Island incorporated company it is not required to. The Board of Directors is committed to developing and applying high standards of corporate governance appropriate to the Company's size and its future prospects.

This statement sets out measures taken by the Board to apply the principles of the Code to the year ended 31 December 2015 and to the date of the Directors' report.

Board of directors**Role of the Board**

The Board's role is to provide leadership to the Group within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board sets the Group's strategic aims and ensures that the necessary financial and human resources are in place for the Group to meet its objectives, and reviews management's performance in meeting these objectives. The Board sets and monitors the Group's values and standards and ensures that the Group's obligations to shareholders and other stakeholders are understood and met.

The Board has a formal schedule of matters reserved for its approval, including:

- Strategic and policy considerations;
- Annual budget, including capital expenditure;
- Interim and final financial statements;
- Management structure and appointments;
- Mergers, acquisitions, disposals;
- Capital raising;
- Significant changes in accounting policies;
- Appointment or removal of Directors;
- Pay and rewards.

Board composition

The Board currently comprises two executive directors and four non-executive independent directors:

- Alastair Ferguson – Executive Chairman;
- Andrey Komarov – Executive Director;
- Stephen Lowden – Senior Independent Director;
- Alexander Gorodetsky – Independent Non-executive Director;
- Andrey Immel – Independent Non-executive Director;
- Marcus Rhodes – Independent Non-executive Director.

There is a clear division of responsibilities between the executive and non-executive directors.

Board balance and independence

Under the provisions of the UK Corporate Governance Code as a Smaller Company the Company meets the requirements to have at least two independent non-executives on the Board.

The Board meets at least quarterly to discuss opportunities available to the Company as a whole.

The Company maintains insurance for Directors and Officers of the Company.

The Chairman of the Board is an executive and is responsible for the leadership and effective running of the Board, including the interaction between executive and non-executive members, and for ensuring that the Board is kept appropriately informed about the business activities of the Company. The Chairman also seeks to ensure effective communication with shareholders and other stakeholders.

The Board has access to the Company's advisers to notify them on financial, governance and regulatory matters. Any Director wishing to do so in the furtherance of his duties may take independent professional advice at the Company's expense. This also applies to any Director in his capacity as a member of the Audit, Remuneration or Nomination committees. Through the Chairman the Directors also have access to the Corporate Administrator, CO Services Cayman Limited.

The Board is supported by specialised committees ensuring that sound governance procedures are followed. The Corporate Governance section of the Company's website includes the terms of reference of the Audit, Remuneration and Nomination Committees at.

Board Committees**The Audit Committee**

The Audit Committee currently comprises Marcus Rhodes and Andrey Immel, with Marcus Rhodes as Chairman. The Board is satisfied that collectively the Audit Committee has sufficient, recent and relevant financial experience.

The duties of the Audit Committee are to review the financial information of the Company, to oversee the Company's financial reporting processes and internal control systems, and to manage the relationship with the Company's external auditor. The Audit Committee also has primary responsibility for making recommendations on the appointment, re-appointment and removal of the external auditor, and for approving any significant non-audit services provided by the external auditor to ensure that objectivity and integrity are safeguarded. The Audit Committee reports its work, findings and recommendations to the Board after each meeting.

The Remuneration and Nomination Committee

The Remuneration and Nomination Committee currently comprises Stephen Lowden and Alexander Gorodetsky with Stephen Lowden as Chairman.

The principal functions of the Remuneration and Nomination Committee include recommending to the Board the policy and structure for the remuneration of the Chairman, Non-executive Directors and (as determined by the Board) senior management, determining the remuneration packages of the Chairman, the Non-executive Directors and senior management, reviewing and approving performance-based remuneration and compensation for loss or termination of office payable to Non-executive Directors and senior management, ensuring that no Director is involved in deciding his own remuneration, approving the service contracts of Directors and senior management and leading the process for appointments to the Board and make recommendations to the Board based on their evaluation of the balance of skills, knowledge and experience on the Board. The report on remuneration is set out on page 22.

Attendance at Board and Committee Meetings

The board held three in person board meetings during 2015. These were attended by all the directors appointed at the time who were able to attend.

The table below sets out the total number of meetings of the Board and its committees during the year and attendance by members at those meetings. In addition to the three "in person" board meetings five others were held on an ad hoc basis to facilitate the acquisition of DiAll.

	Board	Audit committee	Nomination and Remuneration
Meetings held during the year	3	2	2
Meetings attended during the year:			
Alastair Ferguson	3	–	–
Andrey Komarov	3	–	–
Stephen Lowden	3	2	2
Alexander Gorodetsky	1	–	1
Andrey Immel	2	1	–
Marcus Rhodes	3	2	2
Michael Lombardi	1	–	–
Yulia Lebedina	1	–	–

Internal control

The Board is responsible for maintaining a strong system of internal control and risk management to safeguard shareholders' investments and the Company's assets. The system of internal control is designed, taking into account the Company's business objectives and strategy, to provide reasonable, but not absolute, assurance against material misstatement or loss.

The criteria the Board uses to assess the effectiveness of the system of internal control include:

- the nature and extent of the risks facing the Company;
- the extent and categories of risk that the Board regards as acceptable for the Company to bear;
- the likelihood of the risks materialising and the financial impact of the risks;
- the Company's ability to reduce the incidence and impact on the business of risks that do materialise; and
- the costs of operating particular controls relative to the benefit thereby obtained.

The Board has considered the need for an internal audit function but has decided, after taking into account the current status of the Company, such a function is not at present justified.

Relations with Shareholders

The Company believes that effective communication with shareholders is of utmost importance. It has an established cycle for communicating trading results at the interim and year end stages and, as appropriate, of providing business updates via the Regulatory News Service and press releases.

The Company makes information available through regulatory announcements and its interim and annual reports. Copies of all such communications can be found on the Company website, www.zoltav.com.

Report on remuneration

The Board recognises that Directors' and employees' remuneration is of legitimate concern to shareholders, and is committed to following good practice and to ensuring that the interests of the Directors and employees are aligned with those of shareholders.

Policy on remuneration

The Company aims to set levels of remuneration that are sufficient to attract, retain and motivate Directors and senior management of the quality required to run the Company successfully, whilst ensuring that the interests of Directors and employees are aligned with those of shareholders. The Company operates within a competitive environment in which the Company's performance depends on the individual contributions of the Directors.

When determining annual salaries and performance-based remuneration the Company takes into account the following factors:

- direct and indirect contribution towards the Company's current profitability;
- the development of businesses or transactions that may help achieve the Company's objective in future years;
- the quality of earnings, in the context of market conditions, as well as the quantity of earnings;
- vision and innovation;
- remuneration levels and practices in other firms engaged in similar activities; and
- incentive to continue to contribute to the Company's objectives.

Directors' remuneration

The remuneration of the Directors for the year ended 31 December 2015 is shown in the table below.

	Alastair Ferguson	Andrey Komarov	Stephen Lowden	Alexander Gorodetsky	Andrey Immel	Marcus Rhodes	Symon Drake- Brockman	Michael Lombardi	Yulia Lebedina	John Grimshaw	Oliver Donagher	Total
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Salary	522,412	459,615	130,100	12,856	-	109,633	229,599	36,827	8,992	-	-	1,510,034
Share based compensation	-	-	-	-	-	-	-	-	-	-	-	-
2015 Total	522,412	459,615	130,100	12,856	-	109,633	229,599	36,827	8,992	-	-	1,510,034
Salary	252,680	7,363	138,568	-	-	65,891	666,461	59,369	7,363	19,206	23,047	1,239,948
Share based compensation	-	-	-	-	-	-	-	-	-	-	-	-
2014 Total	252,680	7,363	138,568	-	-	65,891	666,461	59,369	7,363	19,206	23,047	1,239,948

Share price

During the year, the share price of the Company traded in the range of 0.24 to 0.80 GBP.



To the shareholders of Zoltav Resources Inc.

We have audited the accompanying consolidated financial statements of Zoltav Resources Inc., which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Zoltav Resources Inc. as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Other matter

The consolidated financial statements of Zoltav Resources Inc. for the year ended 31 December 2014 were audited by another auditor who expressed an unmodified opinion on those statements on 23 April 2015.

Ernst & Young LLC

21 April 2016
Ernst & Young LLC
Moscow, Russia



CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL
INFORMATION

FINANCIAL
STATEMENTS

Consolidated statement of comprehensive income for the year ended 31 December 2015
(in '000s US dollars, unless otherwise stated)

	Note	2015	2014
Revenue	5	28,138	20,018
Cost of sales	6		
Mineral extraction tax		(6,443)	(3,871)
Depreciation and depletion		(6,094)	(4,241)
Other cost of sales		(6,972)	(5,407)
Total cost of sales		(19,509)	(13,519)
Gross profit		8,629	6,499
Operating, administrative, selling expenses	7	(7,906)	(14,196)
Other income and expense, net		374	138
Gain on acquisition	9	–	34,974
Operating Profit		1,097	27,415
Finance income	10	847	489
Finance cost	10	(5,501)	(3,798)
(Loss)/profit before tax		(3,557)	24,106
Income tax expense	11	(475)	(2,399)
(Loss)/profit for the year attributable to owners of the parent		(4,032)	21,707
Other comprehensive loss not to be to be reclassified to profit or loss in subsequent periods:			
Currency translation differences	27.2	(25,454)	(74,927)
Other comprehensive loss for the year		(25,454)	(74,927)
Total comprehensive loss for the year		(29,486)	(53,220)
	19	\$ cents	\$ cents
(Loss)/earnings per share attributable to owners of the parent during the year:			
Basic		(2.84)	20.67
Diluted		(2.80)	20.19

The accompanying notes on pages 26-56 are an integral part of these consolidated financial statements.

Consolidated statement of financial position as at 31 December 2015
(in '000s US dollars, unless otherwise stated)

	Note	2015	2014
ASSETS			
Non-current assets			
Exploration and evaluation assets	12	64,355	83,922
Property, plant and equipment	13	59,524	82,163
Total non-current assets		123,879	166,085
Current assets			
Inventories	14	134	323
Trade and other receivables	15	2,584	3,139
Financial assets at fair value through profit or loss		65	196
Cash and cash equivalents	16	5,880	10,694
Total current assets		8,663	14,352
TOTAL ASSETS		132,542	180,437
EQUITY AND LIABILITIES			
Share capital	17	28,391	28,391
Share premium		159,899	159,899
Other reserves		43,026	43,592
Accumulated losses		(43,008)	(39,542)
Translation reserve	27.2	(99,888)	(74,434)
Total equity		88,420	117,906
Non-current liabilities			
Borrowings	21	25,317	39,076
Provisions	22	4,912	10,649
Deferred tax liabilities	23	4,578	5,369
Total non-current liabilities		34,807	55,094
Current liabilities			
Borrowings	21	5,123	3,200
Other taxes payable	24	1,244	1,137
Trade and other payables	25	2,948	3,100
Total current liabilities		9,315	7,437
TOTAL LIABILITIES		44,122	62,531
TOTAL EQUITY AND LIABILITIES		132,542	180,437

The consolidated financial statements on pages 26 to 56 were approved by the Board of Directors and authorised for issue on 21 April 2016.

The accompanying notes on pages 26-56 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 December 2015
(in '000s US dollars, unless otherwise stated)

	Note	2015	2014
Cash flows from operating activities			
Operating (loss)/gain		(3,557)	24,106
Adjustments for:			
Gain on acquisition		-	(34,974)
Depreciation and depletion		6,094	4,330
Net finance costs		4,654	3,309
Other gains/(losses), net		(374)	(170)
Operating cash inflows/(outflows) before working capital changes		6,817	(3,399)
Decrease/(increase) in inventory		189	(18)
Decrease in trade and other receivables		555	3,057
Increase/(decrease) in trade and other payables		212	(2,271)
Net cash from/(used in) operating activities before tax paid and interests		7,773	(2,631)
Interest received		847	439
Interest paid		(4,313)	(3,046)
Income tax paid		-	(15)
Net cash from/(used in) operating activities		4,307	(5,253)
Cash flows from investing activities			
Cash paid for the acquisition of subsidiaries net of cash acquired	9	-	(49,712)
Capital expenditure in relation to exploration and evaluation activities		(893)	(8,359)
Purchase of property, plant and equipment		(4,461)	(4,810)
Net cash used in investing activities		(5,354)	(62,881)
Cash flows from financing activities			
Proceeds from borrowings		-	4,024
Repayment of borrowings		(3,044)	-
Issue of ordinary shares		-	71,898
Net cash (used in)/generated from financing activities		(3,044)	75,922
Net (decrease)/increase in cash and cash equivalents		(4,091)	7,788
Translation differences		(723)	(4,359)
Cash and cash equivalents at the beginning of the year		10,694	7,265
Cash and cash equivalents at the end of the year		5,880	10,694

The accompanying notes on pages 26-56 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2015
(in '000s US dollars, unless otherwise stated)

	Note	Share capital	Share premium	Capital reserve	Employee share-based compensation reserve	Accumulated losses	Translation reserve	Total equity
At 1 January 2014		11,432	42,975	40,444	3,906	(61,249)	493	38,001
Issue of ordinary shares	17	16,806	115,361	-	-	-	-	132,167
Employee share-based compensation	17	153	1,563	-	(758)	-	-	958
Transactions with owners		16,959	116,924	-	(758)	-	-	133,125
Translation reserve movements	27.2	-	-	-	-	-	(74,927)	(74,927)
Profit for the year		-	-	-	-	21,707	-	21,707
Total comprehensive income		-	-	-	-	21,707	(74,927)	(53,220)
At 31 December 2014		28,391	159,899	40,444	3,148	(39,542)	(74,434)	117,906
Employee share-based compensation		-	-	-	(566)	566	-	-
Transactions with owners		-	-	-	(566)	566	-	-
Translation reserve movements	27.2	-	-	-	-	-	(25,454)	(25,454)
Loss for the year		-	-	-	-	(4,032)	-	(4,032)
Total comprehensive income		-	-	-	-	(4,032)	(25,454)	(29,486)
At 31 December 2015		28,391	159,899	40,444	2,582	(43,008)	(99,888)	88,420

The accompanying notes on pages 26-56 are an integral part of these consolidated financial statements.

1 Background

1.1 The Company and its operations

The Zoltav Group (Group) comprises Zoltav Resources Inc. (Company), together with its subsidiaries:

Name	Place of incorporation	Function	Share of the Group in a subsidiary
Zoltav Resources Holdings (Jersey) Limited	Jersey	Holding company	100%
ZRI Services (UK) Ltd	United Kingdom	Service company	100%
CenGeo Holdings Limited (hereinafter "CenGeo Holdings")	Cyprus	Holding company	100%
CJSC SibGeCo (hereinafter "SibGeCo")	Russia	Operating company	100%
Royal Atlantic Energy (Cyprus) Limited (hereinafter "Royal")	Cyprus	Holding company	100%
Diall Alliance LLC (hereinafter "Diall")	Russia	Operating company	100%
Zoltav Resource LLC	Russia	Management company	100%

The Company was incorporated in the Cayman Islands on 18 November 2003, which does not prescribe the adoption of any particular accounting framework. The Board has therefore adopted International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and as adopted by the European Union.

The principal activities of the Company and its subsidiaries are the acquisition, exploration and development of hydrocarbon assets and production of hydrocarbons in the Russian Federation and the Commonwealth of Independent States ("CIS"). The Company's shares are listed on the Alternative Investment Market ("AIM") of London Stock Exchange. The financial statements are prepared in United States dollars.

1.2 Russian business environment

The Company's operations are located in the Russian Federation.

1.3 Russian Federation

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretations.

The recent political and economic turmoil witnessed and falling crude oil prices, have had and may continue to have a negative impact on the Russian economy, including further weakening of the Russian ruble, higher interest rates, reduced liquidity and making it harder to raise international funding. These events, including current and future international sanctions against Russian companies and individuals and the related uncertainty and volatility of the financial markets, may have a significant impact on the Group's operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation may differ from management's expectations.

Whilst not currently affecting the Group's operations, the sanctions being imposed by the European Union and the United States of America continue to evolve. The Company cannot confirm that the sanctions will not have an effect on the Group's operations or its ability to access international capital markets in the future.

2 Significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union (EU), 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, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

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 3.

2.2 Going concern

The consolidated financial statements have been prepared on the going concern basis as the directors have concluded that the Group will continue to have access to sufficient funds in order to meet its obligations as they fall due for at least the foreseeable future as explained further in the Directors Report. Liquidity issues related to Group's going concern assumption are described in Note 27.1.

2.3 Disclosure of impact of new and future accounting standards

(a) Adoption of amended Standards

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although these new standards and amendments applied for the first time in 2015, they did not have a material impact on the annual consolidated financial statements of the Group.

Standards	Effective for annual periods beginning or after
IAS 19 (amended) Employee Benefits	1 July 2014
Annual improvements 2010-2012 cycle	
IFRS 2 (amended) Share-based Payments	1 July 2014
IFRS 3 (amended) Business Combinations	1 July 2014
IFRS 8 (amended) Operating Segments	1 July 2014
IAS 16 (amended) Property, Plant and Equipment	1 July 2014
IAS 38 (amended) Intangible Assets	1 July 2014
IAS 24 (amended) Related Party Disclosures	1 July 2014
Annual improvements 2011-2013 cycle	
IFRS 3 (amended) Business Combinations	1 July 2014
IFRS 13 (amended) Fair Value Measurement	1 July 2014
IAS 40 (amended) Investment Property	1 July 2014

(b) Standards issued but not yet effective

The most significant standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have insignificant effect on the classification and measurement of the Group's financial assets.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

IFRS 16 Leases

The IASB issued its new leases standard, IFRS 16 Leases, which replaces existing IFRS leases requirements and requires lessees to recognise assets and liabilities for most leases. For lessees, the new leases standard marks a significant change from current requirements under IFRS. The application is required for annual periods starting from 1 January 2019.

The Group is considering the implication of the new standards and the impact on the Group's consolidated financial statements. The Group plans to adopt new standards and amendments when they become effective.

There are other improvements, pronouncements and amendments that are not relevant to the current Group's operations.

2.4 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities and components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.5 Acquisitions, asset purchases and disposals

Transactions involving the purchases of an individual field interest, or a group of field interests, that do not qualify as a business combination are treated as asset purchases, irrespective of whether the specific transactions involved the transfer of the field interests directly or the transfer of an incorporated entity. Accordingly, no goodwill or deferred tax gross up arises. The purchase consideration is allocated to the assets and liabilities purchased on an appropriate basis. Proceeds on disposal are applied to the carrying amount of the specific intangible asset or development and production assets disposed of and any surplus is recorded as a gain on disposal in the statement of comprehensive income.

2.6 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.7 Segment reporting

Segmental reporting follows the Group's internal reporting structure.

Operating segments are defined as components of the Group where separate financial information is available and reported regularly to the chief operating decision maker ("CODM"), which is determined to be the Board of Directors of the Company. The Board of Directors which decide how to allocate resources and assesses operational and financial performance using the information provided.

The CODM receives monthly IFRS-based financial information for the Group and its development and production entities. The Group has other entities that engage as either head office or in a corporate capacity or as holding companies. Management has concluded that due to application of the aggregation criteria that separate financial information for segments is not required. No geographic segmental information is presented as all of the companies operating activities are based in the Russian Federation.

Management has determined therefore that the operations of the Group comprise one operating segment and the Group operates in only one geographic area – the Russian Federation.

2.8 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Group entities is considered to be the Russian ruble ("RUB"), the currency of the primary economic environment in which the Group operates. The consolidated financial statements are presented in USD, which is the Group's presentation currency, since management believes that this currency is a more useful measure for the potential users of the consolidated financial statements (shareholders).

(b) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

(c) Group companies

Loans between Group entities and related foreign exchange gains or losses are eliminated upon consolidation. However, where the loan is between Group entities that have different functional currencies, the foreign exchange gain or loss cannot be eliminated in full and is recognized in the consolidated profit or loss, unless the loan is not expected to be settled in the foreseeable future and thus forms part of the net investment in foreign operation. In such a case, the foreign exchange gain or loss is recognized in other comprehensive income.

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

The accounting policies set out below have been applied consistently to all years presented in the historical financial information, and have been applied consistently by the Company.

The period-end exchange rates and the average exchange rates for the respective reporting periods are indicated below.

	2015	2014
RUB/USD as at 31 December	72.8827	56.2584
RUB/USD average for the year ended 31 December	60.9579	38.4217

2.9 Exploration and evaluation assets

The Company and its subsidiaries apply the successful efforts method of accounting for Exploration and Evaluation ("E&E") costs, in accordance with IFRS 6 *Exploration for and Evaluation of Mineral Resources*. Costs are accumulated on a field-by-field basis.

(a) Drilling, seismic and other costs

Costs directly associated with an exploration well, including certain geological and geophysical costs, and exploration and property leasehold acquisition costs, are capitalised until the determination of reserves is evaluated. If it is determined that a commercial discovery has not been achieved, these costs are charged to expense after the conclusion of appraisal activities. Exploration costs such as geological and geophysical that are not directly related to an exploration well are expensed as incurred.

Capital expenditure is recognised as property, plant and equipment or intangible assets in the financial statements according to the nature of the expenditure and the stage of development of the associated field, i.e. exploration, development, production. Once commercial reserves are found, exploration and evaluation assets are tested for impairment and transferred to development property, plant and equipment and intangible assets. No depreciation or amortisation is charged during the exploration and evaluation phase.

(b) Sub-soil licences

Costs incurred prior to the award of oil and gas licences, concessions and other exploration rights are expensed in profit or loss. Costs incurred on the acquisition of a licence interest are initially capitalised on a licence by licence basis and are capitalised within exploration and evaluation assets and held un-depleted until the exploration phase on the licence is complete or commercial reserves have been discovered at which time the costs are transferred to development assets as part of property, plant and equipment – oil and gas assets.

2.10 Property, plant and equipment

(a) Property, plant and equipment – oil and gas assets

Oil and gas assets are stated at cost less accumulated depletion or accumulated depreciation and, where relevant, impairment costs.

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells into commercially proved reserves, is capitalised within property, plant and equipment. When development is completed on a specific field, it is transferred to producing assets within property, plant and equipment. No depreciation or amortisation is charged during the development phase.

Development and production assets are accumulated generally on a field by field basis and represent the cost of developing the commercial reserves discovered and bringing them into production together with E&E expenditures incurred in finding commercial reserves and transferred from the intangible E&E assets as described above. The cost of development and production assets also includes the cost of acquisitions and purchases of such assets, directly attributable overheads, any costs directly attributable to bringing the asset into operation, and the cost of recognising provisions for future restoration and decommissioning, if any.

Major facilities may be capitalised separately if they relate to more than one field or to the licence area as a whole. Subsequent expenditure is capitalised only if it either enhances the economic benefits of the development/production asset or replaces part of the existing development/ production asset. Any costs remaining associated with the part replaced are expensed. Directly attributed overheads are capitalised where they relate to specific exploration and development activities.

(i) Depletion

Oil and gas properties in production, including wells and directly related pipeline costs, are depreciated using the unit-of-production method. Sub-soil licences and other licenses capitalised as part of oil and gas properties in production are amortised also using the unit-of-production method. Unit-of-production rates are based on proved reserves of the field concerned, which are oil, gas and other mineral reserves estimated to be recovered from existing facilities using current operating methods. The unit-of-production rate for

the amortisation of field development costs takes into account expenditures incurred to date.

(ii) Depreciation

Major oil and gas facilities that have a shorter useful life than the lifetime of the related fields are depreciated on a straight-line basis over the expected useful life of the facility. Depreciation of items of such assets is calculated using straight-line method to allocate their cost to their residual values over their estimated useful lives:

Buildings and constructions – 15-30 years

Machinery and equipment – 5 years

The asset's residual values and useful lives are reviewed, and adjusted as appropriate, at the end of each reporting period.

(b) Property, plant and equipment – other business and corporate assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The gain or loss arising from a retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the assets, and is recognised in the income statement.

Depreciation is provided on buildings and facilities, motor vehicles, office equipment and furniture at rates calculated to write off the cost, less estimated residual value, evenly over its expected useful life.

For depreciation purposes, useful lives are estimated as follows:

Other equipment and furniture – 5 years

Motor vehicles – 5 years

2.11 Impairment of non-current assets

(i) Impairment indicators

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

(ii) Calculation of recoverable amount

The recoverable amount of assets is the greater of their value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(iii) Cash generating units

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs. The Group's cash generating units are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

For the purposes of assessing impairment, exploration and evaluation assets subject to testing are grouped with existing cash-generating units of production fields that are located in the same geographical region. For development and production assets the cash generating unit applied for impairment test purposes is generally the field. For shared infrastructure a number of field interests may be grouped together where surface infrastructure is used by several fields in order to process production for sale.

(iv) Reversals of impairment

An impairment loss is reversed to the extent that the factors giving the rise to the impairment charge are no longer prevalent. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion, depreciation or amortisation, if no impairment loss had been recognised.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

2.12 Inventories

Unsold natural gas and hydrocarbon liquids and sulphur in storage are stated at the lower of cost of production or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Materials and supplies inventories include chemicals necessary for production activities and spare parts for the maintenance of production facilities. Materials and supplies inventories are recorded at cost and are carried at amounts which do not exceed the expected recoverable amount from use in the normal course of business. Cost of inventory is determined on a weighted average basis. Cost of finished goods comprises direct materials and, where applicable, direct labour plus attributable overheads based on a normal level of activity and other costs associated in bringing inventories to their present location and condition, but excludes borrowing costs. Lower value items of materials and supplies are written-off directly to profit or loss.

2.13 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised when and only when, the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of comprehensive income.

(a) Financial assets

The Company classifies its financial assets into one of the following categories: financial assets at fair value through profit or loss and loans and receivables.

Regular purchases of financial assets are recognised on the trade date. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date. The accounting policies adopted for each category are:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or
- the assets are part of a group of financial assets which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the Company of financial assets is provided internally on that basis to the key management personnel.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in the statement of comprehensive income. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gains or losses do not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in on an accruals basis.

Other receivables

Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment losses on other receivables are provided for when objective evidence is received that the Company will not be able to collect amounts due to it in accordance with the original terms of the receivables. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in the statement of comprehensive income for the period in which the impairment occurs.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Company about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Loss events in respect of a Company of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the Company of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the Company and, national or local economic conditions that correlate with defaults on the assets in the Company.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed.

The amount of the reversal is recognised in the statement of comprehensive income in the period in which the reversal occurs.

(b) Financial liabilities and equity

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities include trade and other payables and are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(c) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in the statement of comprehensive income.

For financial liabilities, they are removed from the balance sheet when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the statement of comprehensive income.

2.14 Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

2.15 Borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

2.16 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within control of the Company are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Provision for decommissioning is made for the cost of decommissioning assets at the time when the obligation to decommission arises. Such provision represents the estimated discounted liability for costs which are expected to be incurred in removing production facilities and site restoration at the end of the producing life of each field. A corresponding item of property, plant and equipment is also created at an amount equal to the provision. This is subsequently depreciated as part of the capital costs of the production

facilities. Any change in the present value of the estimated expenditure attributable to changes in the estimates of the cash flow or the current estimate of the discount rate used are reflected as an adjustment to the provision and the property, plant and equipment. The unwinding of the discount is recognised as a finance cost.

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.17 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction. Any discount on the issue of ordinary shares is deducted from the share premium account.

The capital reserve arose in prior periods on the acquisition under common control.

2.18 Revenue recognition

Revenue, which is the fair value of consideration received or receivable, is recognised when it is probable that economic benefits will flow to the Group and when the revenue can be measured reliably. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Group. The following criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue from the sale of oil, gas, and condensate is recognised when the title passes to the customer.

(ii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.19 Mineral extraction tax

In the Russian Federation MET is payable on the extraction of hydrocarbons, including natural gas, crude oil and condensate, and is levied based on quantities of natural resources extracted multiplied by the applicable MET rate for the product and field in question. MET is a production based tax (as opposed to income) and is accrued as a tax on production and recorded within cost of sales.

2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21 Employee benefits

(a) Retirement benefit schemes

No pension contributions were payable in the year. In 2010, the Company participated only in defined contribution pension schemes and paid contributions to independently administered funds on a mandatory or contractual basis. The assets of these schemes are held separately from those of the Company in independently administered funds. The retirement benefit schemes are generally funded by payments from employees and by the relevant Company. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense on an accruals basis.

(b) Share-based employee compensation

The Company operates equity-settled share-based compensation plans to remunerate its Directors and key management.

All services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the fair value of the share options and warrants awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is ultimately recognised as an expense in the statement of comprehensive income unless it qualifies for recognition as an asset, with a corresponding credit to employee share-based compensation reserve in equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than vested.

Upon exercise of share options or warrants the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital and the amount previously recognised in employee share-based compensation reserve will be transferred out with any excess being recorded as share premium.

When the share options or warrants have vested and then lapsed, the amount previously recognised in the employee share-based compensation reserve is transferred to the retained earnings or accumulated losses.

(c) Bonus plans

The Company recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) Social obligations

Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave, sick leave and bonuses are accrued in the year in which the associated services are rendered by the employees of the Group.

3 Critical accounting estimates and judgements

The preparation of the historical financial information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate are revised and in any future years affected. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

3.1 Income taxes

The Group is subject to income and other taxes. Significant judgement is required in determining the provision for income tax and other taxes due to complexity of the tax legislation of the Russian Federation. The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation official pronouncements and court decisions which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities which have the authority to impose severe fines penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however under certain circumstances a tax year may remain open longer.

Deferred tax assets are recognised to the extent that it is probable the Group will generate enough taxable profits to utilise deferred income tax recognised. Significant management judgement is required to determine the amount of deferred tax assets recognised, based upon the likely timing and the level of future taxable profits. Management prepares cash-flow forecasts to support recoverability of deferred tax assets. Cash flow models are based on a number of assumptions relating to oil prices, operating expenses, production volumes, etc. These assumptions are consistent with those, used by independent reserve engineers. Management also takes into account uncertainties related to future activities of the company and going concern considerations. When significant uncertainties exist, deferred tax losses are not recognised even if recoverability of these is supported by cash flow forecasts. Refer to further details in note 23.

3.2 Provision for decommissioning and environmental restoration

This provision is significantly affected by changes in technology, laws and regulations which may affect the actual cost of decommissioning and environmental restoration to be incurred at a future date. The estimate is also impacted by the discount rates used in the provisioning calculations. The discount rates used are the Russian Government Bond Rates.

Under the current levels of enforcement of existing legislation, management believes there are no significant liabilities in addition to amounts which are already accrued and which would have a material adverse effect on the financial position of the Group.

The Company's exploration, development and production activities involve the use of wells, related equipment and operating sites. Generally, licenses and other regulatory acts require that such assets be decommissioned upon the completion of production. According to these requirements, the Company is obliged to decommission wells, dismantle equipment, restore the sites and perform other related activities. The Company's estimates of these obligations are based on current regulatory or license requirements, as well as actual dismantling and other related costs. These liabilities are measured by the Company using the present value of the estimated future costs of decommissioning of these assets. The discount rate is reviewed at each reporting date and reflects risk free rate. The Company adjusts specific cash flows for risk.

3.3 Impairment of assets

(a) Exploration and evaluation

An impairment exercise will be performed at the end of the exploration and evaluation process.

When, at the end of the exploration and evaluation stage, commercial reserves are determined to exist in respect of a particular field the Company will perform an impairment test in relation to costs capitalised. Where reserves are determined in sufficient quantity to justify development, the associated assets are transferred to property plant and equipment. Until conclusion of the exploration phase, there can be no certainty that commercial reserves exist. Where commercial reserves are determined not to exist, capitalised E&E expenditure is expensed.

(b) Development and Production

When the fields enter the production phase, the recoverable amounts of cash-generating units and individual assets will be determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations will require the use of estimates and assumptions. It is reasonably possible that the oil price assumption may change which may then impact the estimated life of the field and may then require a material adjustment to the carrying value of long-term assets.

The Group monitors internal and external indicators of impairment relating to its tangible and intangible assets. There were no such indicators of possible impairment identified during the reporting years covered by this historical financial information.

3.4 Valuations of share options or warrants granted

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. The fair value of share options or warrants granted was calculated using the Black-Scholes Pricing Model which requires the input of highly subjective assumptions, including the volatility of the share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the opinion of the Directors of the Company, the existing model will not always necessarily provide a reliable single measure of the fair value of the share options. Details of the inputs are set out in note 20 to the financial statements.

3.5 Evaluation of reserves and resources

Estimates of proved reserves are used in determining the depletion charge for the period and assessing whether any impairment charge/or reversal of impairment is required for development and producing assets. Proved reserves are estimated by an independent international Oil and Gas Engineering Firm, by reference to available geological and engineering data, and only include volumes for which access to market is assured with reasonable certainty.

When the fields enter the development and production phase, estimates of reserves are inherently imprecise, require the application of judgments and are subject to regular revision, either upward or downward, based on new information such as from the drilling of additional wells and changes in economic factors, including product prices, contract terms or development plans. Changes to Group's estimates of proved reserves affect prospectively the amounts of the depletion charge, decommissioning assets and provisions where change in reserve estimates cause the estimated useful lives of assets to be revised.

Depletion is provided based on the production profile on a field by field basis which may exceed the existing licence period. Licence extensions are generally awarded by the license authorities in Russia as a matter of course provided that production plans demonstrate that additional time is required to economically produce the field and that the development and production requirements of the initial license grant have been met.

3.6 Sub-soil licences

The Group is subject to periodic reviews of its activities by governmental authorities in Russia with respect to the requirements of its sub-soil licences and seeks amendments to the licences when supported by the results of ongoing exploration and development activities. The requirements under the licences are subject to interpretation and enforcement policies of the relevant authorities. In management's opinion, as of 31 December 2015, there are no non-compliance issues that will have an adverse effect on the financial position or the operating results of the Group.

4 Determination of fair value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

4.1 Other receivables

The fair value of other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

4.2 Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Fair value of the non-derivative financial assets is disclosed in Note 4.3 to the financial statements.

4.3 Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy of assets and liabilities of the Group not measured at fair value are as follows:

	31 December 2015		31 December 2014	
	Fair value	Carrying value	Fair value	Carrying value
Financial assets				
Trade and other receivables	2,584	2,584	3,139	3,139
Total assets	2,584	2,584	3,139	3,139
Financial liabilities				
Borrowings	30,385	30,440	42,516	42,276
Trade and other payables	2,948	2,948	3,100	3,100
Total liabilities	33,333	33,388	45,616	45,376

The fair value of borrowings is based on cash flows discounted using a rate based on the borrowing rate of 12.07% (2014: 12.02%) and is within level 2 of the fair value hierarchy.

5 Revenue

The Group's operations comprise one class of business being oil and gas exploration, development and production and all revenues are from one geographical region, Saratov Region in the Russian Federation. Companies incorporated outside of Russia provide support to the operations in Russia.

Revenue is primarily from the sale of three products:

	2015	2014
Gas sales	22,679	15,721
Oil sales	3,137	1,927
Condensate sales	2,322	2,370
Total sales	28,138	20,018

All gas sales are to one customer, Gazprom Mezhreiongaz Saratov LLC under a long term contract effective until 31 December 2020 with terms reviewed annually. Condensate and oil are sold to regional buyers. The sales of all three products are denominated in RUB.

6 Cost of sales

	2015	2014
Mineral extraction tax	6,443	3,871
Depreciation and depletion	6,094	4,241
Wages and salaries	2,060	1,579
Materials and supplies	1,948	1,144
Repair and maintenance	1,126	1,378
Other taxes and royalties	351	363
Compensation benefits to operations personnel	327	230
Other	1,160	713
Total cost of sales	19,509	13,519

7 Operating, administrative, selling expenses

	2015	2014
Wages and salaries including Director's fee	4,634	3,107
Accountancy, audit, legal and consulting services*	1,872	7,055
Rent expense	281	585
Insurance	159	166
Computers and software	137	152
Travelling	123	121
Office expenses	82	566
Other	618	2,444
Total operating, administrative, selling expense	7,906	14,196

* In 2014 included within the accountancy, audit, legal and consulting services are USD 3,200 thousand of expenses in respect of the acquisition of DiAll.

8 Employee benefit expenses (including directors' remuneration)

	2015	2014
Salaries and other employee benefits	6,694	4,686
Total	6,694	4,686

Personnel expenses are included in cost of sales and operating, administrative and selling expenses.

Average monthly Number of Employees for the year (including executive directors):

	2015 Number	2014 Number
Administrative	92	85
Operating	206	197
Total	298	282

9 Acquisitions

On 13 December 2013, the Company signed a Sale and Purchase Agreement with Bandbear Limited to acquire 100% of the share capital of Royal Atlantic Energy (and with it the Bortovoy Licence described above). The control was obtained during first half of 2014 through the issue of 38,263,095 new Ordinary Shares at an effective price of USD 1.60 (100 pence) per share (equivalent to USD 61,221 thousand) and the payment of USD 58,941 thousand in cash. The acquired business will increase the Group's penetration of its chosen upstream gas and oil market, provide operating cash flow immediately and is expected to provide value to its shareholders through developing and producing hydrocarbons in the Saratov Region of the Russian Federation.

The acquisition-date fair value of the total purchase consideration and its components are as follows:

	USD'000
Cash consideration paid	58,941
Fair value of new issued shares of the acquirer	61,221
Total purchase consideration	120,162

The fair value of the new issued shares of the acquirer was determined on the basis of the closing market price of the ordinary shares on the date which Zoltav signed an Acquisition Agreement with Bandbear.

Acquisition related transaction costs of USD 3,200 thousand were expensed in 2014 as operating, administrative, selling expenses.

In accordance with IFRS 3 *Business Combinations*, the Group is required to account for acquisitions based on the fair values of the identifiable assets acquired and liabilities and contingent liabilities assumed.

In USD'000	Attributed fair value
Cash and cash equivalents	9,229
Exploration and evaluation assets	90,000
Property, plant and equipment	128,900
Inventories	500
Trade and other receivables	7,471
Borrowings	(62,100)
Provisions	(9,064)
Trade and other payables	(5,600)
Other taxes payable	(1,800)
Deferred tax liabilities	(2,400)
Fair value of identifiable net assets of subsidiary	155,136
Negative goodwill arising from the acquisition	(34,974)
Total purchase consideration, including	120,162
Non-cash consideration	61,221
Cash consideration	58,941

Net cash outflow on acquisition comprised USD 49,712 thousand.

The fair values of assets and liabilities acquired are based on a combined valuation approach that considered both discounted cash flows expected to be generated from the acquired business and a multiple based approach looking to similar recent observable market transactions. The valuation of identifiable tangible and intangible assets was performed by an independent professional appraiser.

The fair value of the assets acquired and liabilities assumed is greater than the purchase consideration given. The resultant negative goodwill of USD 34,974 thousand is as a result the initial acquisition of the assets by Bandbear, the related party of the Group (Note 29). The negative goodwill on acquisition has been immediately recognised in the income statement as a gain on acquisition.

The revenue included in the consolidated income statement from 18 June 2014 to 31 December 2014 and contributed by Royal Atlantic Energy was USD 20,018 thousand. Had Royal Atlantic Energy been consolidated into the Group from 1 January 2014, the consolidated income statement for the year ended 31 December 2014 would show revenue of USD 38,140 thousand.

10 Net finance (costs)/income

	2015	2014
Interest on borrowings	(4,295)	(3,239)
Interest on deposits	847	489
Unwinding of the discount on decommissioning and environmental restoration provision (Note 22)	(1,206)	(559)
Total	(4,654)	(3,309)

11 Income tax expense

The tax charge for the year comprises:

	2015	2014
Current tax expense	-	9
Deferred tax expense	(475)	(2,408)
Total income tax expense	(475)	(2,399)

Reconciliation between expected and actual taxation charge is provided below.

	2015	2014
Profit before income tax	(4,032)	21,707
Theoretical tax charge at applicable income tax rate of 0% (2013: 0%)	-	-
Effect of different foreign tax rates	(295)	(172)
Unrecognized DT assets	(106)	(1,555)
Tax effect of expenses not deductible for tax purposes	(74)	(672)
Total income tax expense	(475)	(2,399)

The Company is subject to Cayman income tax at the rate of 0% (2014: 0%).

12 Exploration and evaluation assets

	Sub-soil licences	Drilling, seismic and other costs	Decommissioning asset	Construction work in progress	Total
Balance at 1 January 2014	19,212	15,210	1,828	1,849	38,099
Additions	38,254	59,707	469	162	98,592
Reclassification	1,575	2	-	(1,577)	-
Transfer to Property, plant and equipment	-	(612)	-	-	(612)
Change in the estimates of decommissioning provision	-	-	1,335	-	1,335
Exchange difference	(22,581)	(29,223)	(1,363)	(325)	(53,492)
Balance at 31 December 2014	36,460	45,084	2,269	109	83,922
Additions	724	166	-	3	893
Reclassification	100	-	-	(100)	-
Transfer to Property, plant and equipment	-	-	-	-	-
Change in the estimates of decommissioning provision	-	-	(1,555)	-	(1,555)
Exchange difference	(8,456)	(10,177)	(263)	(9)	(18,905)
Balance at 31 December 2015	28,828	35,073	451	3	64,355

Additions in 2014 include additions on acquisition of Royal Atlantic Energy of USD 25,800 thousand, USD 63,700 thousand and USD 500 thousand in respect of "licences and other intangibles", "exploration, evaluation and other property plant and equipment" and "decommissioning asset" respectively.

In management's opinion, as at 31 December 2015 there were no non-compliance issues in respect of the licences that would have an adverse effect on the financial position or the operating results of the Group.

13 Property, plant and equipment

	Oil and gas assets	Motor vehicles	Other equipment and furniture	Construction work in progress	Total
Cost at 1 January 2014	-	-	5	-	5
Additions	121,244	437	216	14,533	136,430
Reclassification	6,209	35	-	(6,244)	-
Transfer from exploration and evaluation assets	589	-	-	23	612
Disposals	(431)	(24)	(1)	(208)	(664)
Exchange difference	(48,690)	(183)	(82)	(3,077)	(52,032)
Cost at 31 December 2014	78,921	265	138	5,027	84,351
Additions	-	-	-	4,461	4,461
Reclassification	4,752	15	-	(4,767)	-
Transfer from exploration and evaluation assets	-	-	-	-	-
Disposals	(3,011)	-	(1)	(104)	(3,116)
Exchange difference	(18,309)	(63)	(31)	(1,081)	(19,484)
Cost at 31 December 2015	62,353	217	106	3,536	66,212
Accumulated depreciation and impairment					
Balance at 1 January 2014	-	-	-	-	-
Depreciation and depletion	(4,151)	(69)	(109)	-	(4,329)
Disposals	74	20	1	-	95
Exchange difference	1,975	28	43	-	2,046
Balance at 31 December 2014	(2,102)	(21)	(65)	-	(2,188)
Depreciation and depletion	(5,982)	(95)	(9)	-	(6,086)
Disposals	108	-	1	-	109
Exchange difference	1,441	20	16	-	1,477
Balance at 31 December 2014	(6,535)	(96)	(57)	-	(6,688)
Net book value at 1 January 2014	-	-	5	-	5
Net book value at 31 December 2014	76,819	244	73	5,027	82,163
Net book value at 31 December 2015	55,818	121	49	3,536	59,524

Additions in 2014 include additions on acquisition of Royal Atlantic Energy of USD 128,400 thousand, USD 400 thousand and USD 100 thousand in respect of "oil and gas assets", "motor vehicles" and "other equipment and furniture" respectively.

14 Inventories

	2015	2014
Natural gas and hydrocarbon liquids	27	36
Materials and supplies	107	287
Total inventories	134	323

15 Trade and other receivables

	2015	2014
Financial assets	2,048	2,581
Trade receivables	1,990	2,512
Other accounts receivable	58	69
Non-financial assets	536	558
Prepayments	413	453
VAT receivable	117	103
Other taxes prepaid	6	2
Total trade and other receivables	2,584	3,139

Prepayments are advance payments for services to be rendered within the next twelve months.

Current VAT receivable is expected to be recovered within the next twelve months.

16 Cash and cash equivalents

Cash and cash equivalents are represented by cash at bank and the majority of cash held is denominated in RUB.

The Company's exposure to credit risk and impairment losses related to cash and cash equivalents are disclosed in Note 27.

17 Share capital

As at 31 December 2015 and 2014	Number of ordinary shares	Nominal Value
Authorised (par value of USD 0.20 each)	250,000,000	50,000
Issued and fully paid (par value of USD 0.20 each)	141,955,386	28,391

On 31 March 2014, Zoltav received USD 5,000 thousand related to the third tranche of the subscription agreement entered with ARA Holdings at the time of the Company's readmission to AIM following the acquisition of SibGeCo, which took place in 2013. On 31 March 2014, 4,549,591 shares of USD 0.20 were issued for consideration of USD 5,000 thousand.

On 12 June 2014, 100,000 shares of nominal value of USD 0.20 were issued as a result of the warrants exercise for a cash consideration of USD 167 thousand. The amount of USD 95 thousand was transferred from employee share-based compensation reserve to share premium upon exercise of the warrants.

On 18 June 2014, 38,263,095 shares of USD 1.60 were issued for a consideration of USD 61,221 thousand. The subscription was received from Bandbear Limited as part of the consideration for the acquisition of the entire issued share capital of Royal Atlantic Energy (Cyprus) Limited.

On 18 June 2014, The Company raised a total of USD 65,946 thousand through the issue of 41,216,511 shares at USD 1.60 (100 pence). Subscriptions were received from ARA Capital (USD 45,615 thousand for 28,509,375 shares), Crediton Invest (USD 10,166 thousand for 6,353,568 shares) and Matteson Overseas (USD 10,166 thousand for 6,353,568 shares). An exchange rate of USD 1.60: GBP 1.00 was agreed in the Subscription Agreements.

On 20 June 2014, 250,000 shares of USD 0.20 were issued as a result of the warrants exercise for a cash consideration of USD 426 thousand. The amount of USD 235 thousand was transferred from employee share-based compensation reserve to share premium upon exercise of the warrants.

On 26 June 2014, 250,000 shares of USD 0.20 were issued as a result of the options exercise for a cash consideration of USD 85 thousand. The amount of USD 271 thousand was transferred from employee share-based compensation reserve to share premium upon exercise of the options.

On 15 July 2014, 15,000 shares of USD 0.20 were issued as a result of the warrants exercise for a cash consideration of USD 26 thousand. The amount of USD 14 thousand was transferred from employee share-based compensation reserve to share premium upon exercise of the warrants.

On 25 July 2014, 110,000 shares of USD 0.20 were issued as a result of the warrants exercise for a cash consideration of USD 187 thousand. The amount of USD 104 thousand was transferred from employee share-based compensation reserve to share premium upon exercise of the warrants.

On 28 July 2014, 40,000 shares of USD 0.20 were issued as a result of the warrants exercise for a cash consideration of USD 68

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (in '000s US dollars, unless otherwise stated)

thousand. The amount of USD 38 thousand was transferred from employee share-based compensation reserve to share premium upon exercise of the warrants.

18 Dividends

In accordance with the relevant legislation applicable to the Group, the Group's distributable reserves are limited to the balance of retained earnings as recorded in the Group's statutory financial statements prepared in accordance with International Accounting Standards. No dividends were declared and paid.

19 (Loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options and warrants as dilutive potential ordinary shares.

	2015	2014
(Loss)/earnings attributable to owners of the Company – Basic and diluted	(4,032)	21,707

	Number of Shares	Number of Shares
Weighted average number of shares for calculating basic loss per share	141,955,386	104,997,495
Effect of dilutive potential ordinary shares – warrants	10,377	293,158
Effect of dilutive potential ordinary shares - share options	1,957,021	2,236,678
Weighted average number of shares for calculating diluted loss per share	143,922,784	107,527,331

	US cents	US cents
Basic (loss)/earnings per share	(2.84)	20.67
Diluted (loss)/earnings per share	(2.80)	20.19

20 Share-based payments

20.1 Share Options

At 31 December 2015, the Company had a total of 1,952,500 outstanding share options (2014: 2,117,500). The only movement in share options was expiration which took place during the year.

Options which are lapsed or are cancelled prior to their exercise date are deleted from the register of outstanding options and are available for re-use.

Date of grant	2015		2014	
	Number	Option exercise price (pence)	Number	Option exercise price (pence)
11 January 2005	-	-	117,500	423
23 March 2006	-	-	10,000	1,904
23 February 2007	-	-	7,500	653
11 January 2008	202,500	445	232,500	445
31 October 2012	1,750,000	20	1,750,000	20
	1,952,500		2,117,500	

No share options were granted during the year ended 31 December 2015.

20.2 Initial Share Options

The Company adopted an employee Share Option Scheme on 4 March 2005 (Share Option Scheme) in order to incentivise key management and staff at that time. The following share options were granted to the former employees and directors of the Company under the Initial Share Option Scheme adopted on 4 March 2005 (Initial Share Options) and are still in existence:

	2015		2014	
	Number	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)
Outstanding at 1 January	367,500	445	367,500	482
Expired	(165,000)	-	-	-
Outstanding at 31 December	202,500	445	367,500	482

Share options granted under the Initial Share Option scheme were exercisable as follows:

- the first 30% of the options between the first and tenth anniversary of the date of grant;
- the next 30% of the options between the second and tenth anniversary of the date of grant; and
- the remaining options between the third and tenth anniversary of the date of grant.

Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) as determined through use of the binomial option pricing model, at the date of grant. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest. The options vested immediately.

The binomial option pricing model applied to the grant of share options in respect of calculating the fair values. Key inputs to the model are as follows:

	Share options			
	11 January 2005	23 March 2006	23 February 2007	11 January 2008
Share price at grant	20.75p	93.25p	36.25p	22.25p
Option exercise price	21.15p	95.20p	32.65p	22.25p
Expected life of option	10 years	10 years	10 years	10 years
Expected volatility	60-65%	60-65%	60-65%	60-65%
Expected dividend yield	5.0%	5.0%	5.0%	5.0%

Volatility has been based on the historical trading performance of the Company and comparable companies. The risk free rate has been determined based on 10 year government bonds.

Total fair value as considered in the employee share-based compensation reserve for Initial Share Options was USD 680 thousand (2014: USD 1,235 thousand).

20.3 Directors Share Options

Share options granted to certain existing Directors of the Company on 31 October 2012 (Directors Share Options) were exercisable at any time between the commencement of the option period and third anniversary of the date of grant. Share options granted under this scheme were as follows:

	2015		2014	
	Number	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)
Outstanding at 1 January	1,750,000	20	2,000,000	20
Issued in the year	-	-	-	-
Exercised	-	-	(250,000)	-
Share consolidation	-	-	-	-
Outstanding at 31 December	1,750,000	20	1,750,000	20

During 2014 the vesting period of the remaining options was extended from 30 October 2015 to 30 October 2017. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) as determined through use of the Black-Scholes technique, at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest. The options vested immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (in '000s US dollars, unless otherwise stated)

The Black-Scholes formula is the option pricing model applied to the grant of share options in respect of calculating the fair values. Key inputs to the model are as follows:

	Share options 31 October 2012
Share price at grant	3.45p
Option exercise price	1.00p
Expected life of option	3 years
Expected volatility	216.1%
Expected dividend yield	0.0%
Risk free rate	0.49%
Fair value per share option	3.342p
Exchange rate used (USD:GBP)	1.62525

Volatility has been based on the Company's trading performance from 1 January 2011. The risk free rate has been determined based on 5 year government bonds.

Total fair value as considered in the employee share-based compensation reserve for Directors Share Options was USD 1,901 thousand (2014: USD 1,901 thousand).

20.4 Warrants

In August 2011, the Company granted 10,550,000 warrants with an exercise price of 5.0 pence, vesting from 2 August 2011 to 2 August 2014. After share consolidation in 2013 the number of warrants was 527,500.

515,000 warrants were exercised during the 12 month year ended 31 December 2014. 100,000 warrants were exercised on 5 June 2014; during July 2014 165,000 warrants were exercised; 250,000 warrants were exercised on 2 August 2014 which resulted in 515,000 shares being issued with the nominal value of \$US0.2 at a price of 1 GBP. During 2015 the remaining 12,500 outstanding warrants were expired.

21 Borrowings

	2015	2014
Non-revolving credit facility – current liability, as at 1 January	3,200	-
Interest accrued	4,295	3,239
Interest paid	(4,313)	(3,046)
Exchange difference	1,941	3,007
Non-revolving credit facility – current liability, as at 31 December	5,123	3,200
Non-revolving credit facility – non-current liability, as at 1 January	39,076	-
Diall acquisition	-	62,100
Drawdown	-	4,024
Repayment	(3,044)	-
Exchange difference	(10,715)	(27,048)
Non-revolving credit facility – non-current liability, as at 31 December	25,317	39,076

On 4 April 2014, Diall Alliance entered into a non-revolving credit facility agreement no 5878 with Sberbank of Russia OJSC with the maximum amount of the facility of RUB 2,400,000 thousand (USD 32,930 thousand at exchange rate at 31 December 2015). The full amount of the facility was drawn down in full in 2014. The maturity date is 30 April 2021, being the 7 year anniversary of the facility being entered into. Diall Alliance is obliged to repay the principal amount of the loan in 24 tranches commencing on 11 May 2015 and on a quarterly basis from then on with a final repayment tranche being payable on the maturity date. In 2015, Diall Alliance repaid RUB 180,000 thousand. The interest rate is 10.98% per annum. Sberbank may unilaterally amend the interest rate in the event of increases in refinancing rates of the Central Bank of Russia. Diall Alliance paid an upfront commission on the facility of 1% of the facility amount (RUB 24,000 thousand (USD 800 thousand at the transaction date exchange rate)) and there is a drawdown

charge of 0.25% per year on the balance of the facility amount not withdrawn by Diall Alliance within the established timeframe. Diall Alliance has the option to prepay the loan in whole or in part at any time, subject to the payment of a fee. Diall Alliance provided certain warranties and representations to Sberbank in the agreement. The agreement contains certain loan covenants and events of default which are customary for a facility of this type. In December 2015 the Company signed an amendment altering covenants. The Company is in compliance with these covenants. The loan is secured on the fixed assets of Diall Alliance, such security being granted pursuant to various pledge and mortgage deeds entered into by Diall Alliance on or about the date of the Sberbank Facility.

The outstanding amount of the facility as of 31 December 2015 was RUB 2,220,000 thousand (USD 30,440 thousand). The credit facility is measured at amortised cost, using the effective interest method.

22 Decommissioning and environmental restoration provision

The decommissioning and environmental restoration provision represents the net present value of the estimated future obligations for abandonment and site restoration costs which are expected to be incurred at the end of the production lives of the gas and oil fields which is estimated to be within 20 years.

	2015	2014
Provision as at 1 January	10,649	4,383
Additions	36	9,109
Unwinding of discount	1,206	559
Change in estimate of decommissioning and environmental restoration provision	(5,193)	2,953
Exchange difference	(1,786)	(6,355)
Provision as at 31 December	4,912	10,649

This provision has been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which the directors believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary dismantlement works required which will reflect market conditions at the relevant time. Furthermore, the timing is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil prices and future operating costs which are inherently uncertain.

The provision reflects two liabilities: one is to dismantle the property, plant and equipment assets and the other is to restore the environment. The decommissioning part of the provision is reversed when an oil well is abandoned and corresponding capitalised costs are expensed. The environmental part of the provision is reversed when the expenses on restoration are actually incurred.

The reversal of provision arises when the corresponding capitalised costs directly attributable to an exploration and evaluation asset are expensed as it is determined that a commercial discovery has not been achieved and the restoration of the corresponding environment has been made.

The decommissioning and environmental restoration provision as of 31 December 2015 decreased in comparison with 31 December 2014 due to the change in estimate of forecasted inflation rates. During 2015 the Company reconsidered the application of inflation rates used for the provision estimation and moved from the historical to the forecasting approach based on the forecast of the Ministry of Economic Development of the Russian Federation. The inflation rate used in the estimation of the provision was 7.4% in 2016 decreasing to 5.3% in 2036 (in 2014 the flat rate of 11.4% was applied based on an historical basis) based on the forecast of the Ministry of Economic Development of the Russian Federation. The discount rates used to determine the decommissioning and environmental restoration provision is based on the Russian Government Bond Rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (in '000s US dollars, unless otherwise stated)

23 Deferred tax liabilities

Movements in temporary differences during the year:

	31 December 2015	Recognised in profit or loss	Exchange difference	Acquisition of Royal Group	31 December 2014
Decommissioning provision	581	(514)	(215)	-	1,310
Other current assets	194	101	(49)	-	142
Tax loss carry-forwards	4,351	1,060	(1,197)	-	4,488
Deferred tax assets	5,126	647	(1,461)	-	5,940
Exploration and evaluation asset	(5,925)	(7)	1,545	-	(7,463)
Property, plant and equipment	(3,733)	(1,133)	1,169	-	(3,769)
Borrowings	(46)	18	13	-	(77)
Deferred tax liabilities	(9,704)	(1,122)	2,727	-	(11,309)
Net deferred tax liabilities	(4,578)	(475)	1,266	-	(5,369)

	31 December 2014	Recognised in profit or loss	Exchange difference	Acquisition of Royal Group	31 December 2013
Decommissioning provision	1,310	203	(769)	1,876	-
Other current assets	142	(16)	(91)	249	-
Tax loss carry-forwards	4,488	1,636	(2,460)	5,312	-
Deferred tax assets	5,940	1,823	(3,320)	7,437	-
Exploration and evaluation asset	(7,463)	(2,739)	4,601	(5,397)	(3,928)
Property, plant and equipment	(3,769)	(1,505)	2,043	(4,307)	-
Borrowings	(77)	13	50	(140)	-
Deferred tax liabilities	(11,309)	(4,231)	6,694	(9,844)	(3,928)
Net deferred tax liabilities	(5,369)	(2,408)	3,374	(2,407)	(3,928)

Deferred income tax assets are not recognised for mainly tax losses carried forward for SibGeCo to the extent that the realisation of the related tax benefit through future taxable profits are not probable. The Group has not recognised deferred income tax assets of USD 6,646 thousand (2014: USD 8,083 thousand).

The deferred tax assets expire in 2019-2025.

24 Other taxes payable

	2015	2014
VAT payable	628	816
Property tax	37	97
Mineral extraction tax	445	93
Other taxes payable	134	131
Total	1,244	1,137

25 Trade and other payables

	2015	2014
Trade payables	1,714	2,043
Accrued expenses	998	1,038
Payables to employees	236	19
Total	2,948	3,100

26 Operating leases

Operating lease payments are mainly rentals by the Group of land, office space and equipment required for use on a temporary basis. Leases are normally signed on a short term basis of one to two years with options to extend.

Lease payments under operating leases recognised in the statement of comprehensive income for the year amounted to USD 281 thousand (2014: USD 585 thousand).

At the reporting date the Group's outstanding commitments for future minimum lease payments under non-cancellable leases fall due as follows:

	2015	2014
Within one year	91	67
In two to five years	18	22
More than five years	82	105

27 Financial instruments and financial risk management

Overview of the Company's financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Liquidity risk;
- Market risk;
- Credit risk;
- Capital risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout this historical financial information.

The Company's risk management policies deal with identifying and analysing the risks faced by the Company, setting appropriate risk limits and controls, and monitoring risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its internal policies, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

27.1 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company monitors the risk of cash shortfalls by means of current liquidity planning. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. This approach is used to analyse payment dates associated with financial assets, and also to forecast cash flows from operating activities. The contractual maturities of financial liabilities presented including estimated interest payments.

Company's current liabilities exceed current assets at 31 December 2015 by USD 652 thousand. Starting from 2016 the Company budgeted 20% sales increase, negotiates with contractors the payment terms, which should lead to improvement of cash position and decrease of the liquidity risk.

	Contractual amount	Less than 1 year	1-5 years	Over 5 years
Financial liabilities as at 31 December 2015				
Borrowings	40,346	8,006	12,921	19,419
Trade and other payables	2,948	2,948	-	-
Total	43,294	10,954	12,921	19,419

	Contractual amount	Less than 1 year	1-5 years	Over 5 years
Financial liabilities as at 31 December 2014				
Unsecured borrowings	60,015	7,747	39,031	13,237
Trade and other payables	2,043	2,043	-	-
Total	62,058	9,790	39,031	13,237

27.2 Market risk

Market risk includes interest risk and foreign exchange risk.

(a) Interest risk

The Company has exposure to interest risk since Diall Alliance entered into a non-revolving credit facility agreement with Sberbank and according to the terms of the agreement Sberbank may unilaterally amend the interest rate in the event of increases in refinancing rates of the Central Bank of Russia. Sberbank hasn't amended interest rate by the reporting date.

(b) Foreign exchange risk and the effect of translation to presentational currency

The Company does not have any significant exposure to foreign currency risk as no significant sales, purchases and borrowings are denominated in a currency other than the functional currency of Diall and SibGeCo, which is the RUB.

The Group's operations are within the Russian Federation where all of its revenue, costs and financing from both Sberbank and intra-group lending are denominated in RUB. As a result there is no exposure at the operating subsidiary level to foreign exchange movements.

The Group does not currently enter into forward exchange contracts or otherwise hedge its potential foreign exchange exposure.

As noted above, the Company's operations are in the Russian Federation and its prime currency of operation in the region is the RUB. The RUB/USD exchange rate moved from 56.2584 at 31 December 2014 to 72.8827 as at 31 December 2015 and continues to fluctuate. When presenting financial statements in USD under IFRS, these movements are reflected at each asset and liability level with the net adjusting amount being reflected within Shareholders equity. Total translation reserve as at 31 December 2015 equals USD 99,888 thousand (31 December 2014: USD 74,434 thousand) and the effect of such recalculation into presentation currency of net assets amounts USD 25,454 thousand (2014: USD 74,927 thousand).

27.3 Credit risk

Credit risk arises principally from the Group's financial investments, trade and other receivables and cash and cash equivalents. It is the risk that the value of the Group's investments will not be recovered and the risk that the counterparty fails to discharge its obligation in respect of the Company's trade and other receivables and cash balances. The maximum exposure to credit risk equals the carrying value of these items in the financial statements.

Due to the nature of the Group's business, the Group is largely dependent on one customer (Gazprom Mezhregiongaz Saratov LLC) for a significant portion of revenues. Gazprom Mezhregiongaz Saratov LLC accounted for 80.7%, 78.5%, 71.4%, and 70.5% of its total revenue in fiscal 2015, 2014, 2013 and 2012, respectively. The loss or the insolvency of this customer for any reason, or reduced sales of our principal product, could significantly reduce the Group's ongoing revenue and/or profitability, and could materially and

adversely affect the Group's financial condition. The credit rating assigned to Gazprom by Standard & Poor's is BB+. To manage credit risk and exposure for the key customer, the Group have entered into a long term contract with Gazprom Mezhregiongaz Saratov LLC, effective till 31 December 2020. As for the smaller customers, the Group imposes minimum credit standards that the customers must meet before and during the sales transaction process.

Credit risk with cash and cash equivalents is reduced by placing funds with banks with acceptable credit ratings and indicated government support where applicable.

To limit exposure to credit risk on cash and cash equivalents Management's policy is to hold cash and cash equivalents in reputable financial institutions. During 2015 cash was held mainly with OAO Sberbank Rossii (rating Ba2.ru, Moody's).

	2015	2014
Ba2.ru, Moody's	5,806	9,289
Other	74	1,405
Total cash and cash equivalents	5,880	10,694

27.4 Capital risk

The Company considers its capital and reserves attributable to equity shareholders to be the Company's capital. In managing its capital, the Company's primary long-term objective is to provide a return for its equity shareholders through capital growth. Going forward the Company may seek additional investment funds and also maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Company to meet its working capital needs. Details of the Company's capital is disclosed in the statement of changes in equity.

There have been no other significant changes to the Company's management objectives, policies and processes in the year nor has there been any change in what the Company considers to be capital.

The Company is not subject to externally imposed capital requirements.

28 Commitments and contingencies

28.1 Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred at 31 December 2015 was USD 226 thousand (2014: USD 1,676 thousand).

28.2 Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not generally available. The Company's insurance currently includes cover for damage to or loss of assets, including business interruption insurance should an insurable incident result in a shut-down of the Western Plant for an extended period of time, insurance for out-of-control wells and environmental damage caused thereby, third party liability coverage (including employer's liability insurance) and directors and officers liability insurance, in each case subject to excesses, exclusions and limitations. However, there can be no assurance that such insurance will be adequate to cover losses or exposure for liability or that the Company will continue to be able to obtain insurance to cover such risks. Until the Company obtains adequate insurance coverage there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Company's operations and financial position.

28.3 Litigation

The Company was involved in a number of court procedures (both as a plaintiff and as a defendant) arising in the normal course of business. In the opinion of management there are no current legal proceedings or other claims outstanding which could have a material adverse effect on the results of operation financial position or cash flows of the Company and which have not been accrued or disclosed in these financial statements.

28.4 Taxation contingencies

Russian tax legislation which was enacted or substantively enacted at the end of the reporting period is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax non-compliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the relevant authorities. The impact of any such challenge cannot be reliably estimated; however, it may be material to the financial position and/or the overall operations of the Group.

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation official pronouncements and court decisions which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities which have the authority to impose severe fines penalties and interest charges. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However the interpretations of the relevant authorities could differ and the effect on this historical financial information if the authorities were successful in enforcing their interpretations could be significant.

28.5 Environmental matters

The Group's operations are in the upstream oil industry in the Russian Federation and its activities may have an impact on the environment. The enforcement of environmental regulations in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligation related thereto. The outcome of environmental liabilities under proposed or future legislation, or as a result of stricter interpretation and enforcement of existing legislation, cannot reasonably be estimated at present, but could be material.

Under the current levels of enforcement of existing legislation, management believes there are no significant liabilities in addition to amounts which are already accrued as a part of decommissioning provision and which would have a material adverse effect on the financial position of the Group.

29 Related party transactions

During 2014 operations with related parties were presented by transactions with ARA Holdings and Bandbear Limited, the entities with significant influence over the Group. Details of operations are provided in notes 9 and 17 to the financial statements. During 2015 there were no operations with related parties, except for key management remunerations.

The remuneration of key management comprises salary and bonuses in the amount USD 1,510 thousand (2014: USD 1,240 thousand).

30 Events after reporting date

In 2015 Rosnedra granted the Company a certificate confirming the discovery of the West Koltogor oil field. As a result the Company applied to Rosnedra for the hydrocarbons exploration and production license. Rosnedra approved the licensing in March 2016.

31 Availability of annual report and financial statements and General Meeting

Copies of the Company's annual report and financial statements will be sent to Registered Shareholders but will not be sent to holders of Depository Interests. The annual report and financial statements will be available for inspection at the Company's registered office and may also be viewed at the Company's website at: www.zoltav.com. Notice of a General Meeting will be sent to shareholders in due course.

"barrel" or "bbls"	a stock tank barrel, a standard measure of volume for oil, condensate and natural gas liquids, which equals 42 US gallons
"bcf"	billion cubic feet
"bcm"	billion cubic metres
"boe"	barrel of oil equivalent
"toe"	tonnes of oil equivalent
"/d"	per day
"mcf"	thousand cubic feet
"mcm"	thousand cubic metres
"mmbob"	million barrels of oil equivalent
"mmcf"	million cubic feet
"mmcm"	million cubic metres
"mmT"	million tonnes
"mT"	thousand tonnes
"mToe"	thousand tonnes of oil equivalent

