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ARTHUR  
ANDERSEN

Perenco UK Limited

Accounts 31 December 1997  
together with directors' and auditors' reports  
Registered number: 1421481



## Directors' report

For the year ended 31 December 1997

The directors present their annual report on the affairs of the company together with the accounts and auditors' report for the year ended 31 December 1997.

### Principal activities

The principal activities of the company comprise oil and gas exploration and production and the provision of technical and engineering services to the energy industry.

### Results and dividends

The results of the company for the year are set out in the profit and loss account on page 4. The directors recommend that no dividend be paid in respect of the year ended 31 December 1997 (1996 - £nil).

### Fixed assets

A summary of movements on fixed assets during the year is shown in note 9 to the accounts.

### Directors and their interests

The directors who held office during the year and subsequently are shown below.

R. Fox (resigned 31 December 1997)

P.C. Spink

A.P. Eager (appointed 31 December 1997)

The directors have no interests requiring disclosure.

### Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

## Directors' report (continued)

### Directors' responsibilities (continued)

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. 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.

### Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

130 Jermyn Street  
London  
SW1Y 4UJ

By order of the Board,

  
A. Eager

Secretary

6 April 1998

## ARTHUR ANDERSEN

## Auditors' report

London

To the Shareholders of Perenco UK Limited:

We have audited the accounts on pages 4 to 11 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 6 and 7.

**Respective responsibilities of directors and auditors**

As described on pages 1 and 2, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

**Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the company's state of affairs at 31 December 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen  
Chartered Accountants and Registered Auditors

1 Surrey Street  
London  
WC2R 2PS

6 April 1998

## Profit and loss account

For the year ended 31 December 1997

	Notes	1997 £'000	1996 £'000
Turnover	2	3,097	2,698
Cost of sales	3	(2,498)	(2,247)
Gross profit		599	451
Administrative expenses		(85)	(155)
Operating profit	4	514	296
Investment income	6	13	20
Interest payable	7	(607)	(1,354)
Loss on ordinary activities before and after taxation		(80)	(1,038)
Accumulated deficit, brought forward		(4,460)	(3,422)
Accumulated deficit, carried forward		(4,540)	(4,460)

The accompanying notes are an integral part of this profit and loss account.

There were no recognised gains or losses in either year other than as above.

## Balance sheet

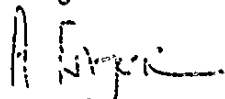
31 December 1997

	Notes	1997 £'000	1996 £'000
Fixed assets			
Tangible assets	9	7,529	7,546
Current assets			
Debtors	10	976	12,000
Cash at bank and in hand		284	111
		1,260	12,111
Creditors: Amounts falling due within one year	11	(7,519)	(17,729)
Net current liabilities		(6,259)	(5,618)
Total assets less current liabilities		1,270	1,928
Creditors: Amounts falling due after more than one year	12	(2,643)	(3,244)
Provisions for liabilities and charges	13	(67)	(44)
Net liabilities		(1,440)	(1,360)
Capital and reserves			
Called-up share capital	14	3,100	3,100
Profit and loss account		(4,540)	(4,460)
Shareholders' funds	15	(1,440)	(1,360)

Signed on behalf of the Board

A. Eager

Director



6 April 1998

The accompanying notes are an integral part of this balance sheet.

## Notes to accounts

For the year ended 31 December 1997

### 1 Accounting policies

The following principal accounting policies which have been applied consistently throughout the year and with the preceding year, were adopted in arriving at the financial information set out in these accounts.

#### *a) Basis of accounting*

The accounts have been prepared under the historical cost convention modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

#### *b) Joint operations*

The company's oil and gas activities are conducted principally as co-licensee in joint operations with other companies.

The accounts reflect the company's share of income and expenditure arising from these ventures.

#### *c) Turnover*

Turnover represents the company's invoiced sales of oil and gas, all of which arise in the United Kingdom.

#### *d) Exploration and development costs*

Oil and gas properties are carried in a fixed asset pool established through valuations in 1988 and 1989 with subsequent additions at cost.

### Capitalisation

Costs of acquisition, exploration, appraisal and development of oil and gas properties are capitalised under the principles of full cost accounting.

All costs, including geological, geophysical, engineering and general and administrative expenses directly related to these activities are capitalised in a full cost pool. Financing costs in respect of borrowings relating to these activities are capitalised. Interest costs are expensed insofar as they relate to borrowing associated with proved developed producing reserves.

Proceeds of disposal of licence interests are credited to the pool, and no gain or loss is recognised.

### Depreciation

All expenditure carried within the full cost pool is depreciated on a unit of production basis using the ratio of the production in the year to the estimated quantity of commercial reserves at the end of the year plus the production in the period. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the anticipated future field development costs at current year end unescalated prices.

Changes in cost and reserve estimates are dealt with prospectively

## Notes to accounts (continued)

### 1 Accounting policies (continued)

#### d) *Exploration and development costs (continued)*

##### *Ceiling test*

A ceiling test is carried out at each balance sheet date to assess whether the net book value of capitalised costs is covered by the anticipated and undiscounted future net revenues calculated at year end prices. Any deficiency arising under this comparison is provided to the extent that, in the view of the directors, it is considered to represent a permanent diminution in the value of the related assets.

#### e) *Office equipment and motor vehicles*

Depreciation on cost is provided on a straight line basis over the estimated useful lives of assets at rates between 25% and 33% per annum.

#### f) *Foreign currency*

Transactions denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated into sterling at the rate of exchange ruling on the balance sheet date, exchange differences being reflected in the profit and loss account.

#### g) *Deferred taxation*

Deferred taxation is provided at anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts to the extent that it is possible that a liability will crystallise in the future.

#### h) *Decommissioning costs*

Estimated decommissioning costs are provided field by field on a unit of production basis.

#### i) *Cash flow statement*

No cash flow statement has been prepared. The company's UK parent company, Perenco PLC, has prepared consolidated accounts which incorporate the results of the company and which include a consolidated cash flow statement prepared in accordance with Financial Reporting Standard No. 1 (Revised).

### 2 Turnover and loss on ordinary activities

The company's turnover and loss on ordinary activities before taxation for the year were derived from oil and gas production in the United Kingdom.



## Notes to accounts (continued)

## 3 Cost of sales

	1997 £'000	1996 £'000
Other operating costs	1,873	1,707
Royalties	95	83
Depletion and amortisation	506	436
Decommissioning	24	21
	<u>2,498</u>	<u>2,247</u>

## 4 Operating profit

	1997 £'000	1996 £'000
Operating profit is stated after charging:		
Depreciation	76	86
Other operating lease rentals	179	171
Auditors' remuneration and expenses		
- Audit fees	12	10
- Other fees (including taxation)	9	9
Staff costs (note 5)	<u>619</u>	<u>575</u>

## 5 Staff costs

	1997 £'000	1996 £'000
Wages and salaries	522	495
Social security costs	64	49
Other pension costs	33	31
	<u>619</u>	<u>575</u>

The average monthly number of persons employed by the company during the year was 17 (1996 - 16).

The directors did not receive any emoluments in respect of their services to the company in the year (1996 - nil)

## 6 Investment income

	1997 £'000	1996 £'000
Interest receivable and similar income	<u>13</u>	<u>20</u>

## Notes to accounts (continued)

## 7 Interest payable

	1997 £'000	1996 £'000
Interest payable to third parties	294	308
Interest on intercompany loans (note 11)	313	1,046
	<u>607</u>	<u>1,354</u>

## 8 Tax on profit on ordinary activities

There was no tax charge for the year. The company has unutilised tax losses carried forward of £7.4m (1996 - £7.1m).

## 9 Tangible fixed assets

	Oil and gas properties £'000	Office equipment and motor vehicles £'000	Total £'000
<b>Cost</b>			
As at 31 December 1996	16,055	653	16,708
Additions	363	202	565
Disposals	-	(9)	(9)
As at 31 December 1997	<u>16,418</u>	<u>846</u>	<u>17,264</u>
<b>Depreciation</b>			
As at 31 December 1996	8,630	532	9,162
Charge for the year	506	76	582
Disposals	-	(9)	(9)
As at 31 December 1997	<u>9,136</u>	<u>599</u>	<u>9,735</u>
Net book value at 31 December 1996	<u>7,425</u>	<u>121</u>	<u>7,546</u>
Net book value at 31 December 1997	<u>7,282</u>	<u>247</u>	<u>7,529</u>

The 'full cost pool' of oil and gas properties includes properties carried at valuations established by the directors in 1988 and 1989 in conjunction with corporate acquisitions by the company's UK parent company.

## Notes to accounts (continued)

## 10 Debtors

Amounts falling due within one year:

	1997 £'000	1996 £'000
Trade debtors	610	634
Due from group undertakings	240	11,292
Prepayments and accrued income	126	74
	<u>976</u>	<u>12,000</u>

## 11 Creditors: Amounts falling due within one year

	1997 £'000	1996 £'000
Current portion of long term bank loan (note 12)	597	410
Trade creditors	311	338
Amounts owed to group undertakings	6,084	16,660
VAT	32	69
Social security and PAYE	37	13
Accruals	458	239
	<u>7,519</u>	<u>17,729</u>

The company's UK parent company, Perenco PLC, has indicated to the directors that it will not require immediate repayment of the intercompany balance and will continue to make funds available to permit the company to continue as a going concern.

The amounts owed to the immediate parent company have no fixed repayment date. Interest is charged at a rate equivalent to Lloyds Bank PLC deposit rate plus 1%.

## 12 Creditors: Amounts falling due after more than one year

	1997 £'000	1996 £'000
Bank loan	<u>2,643</u>	<u>3,244</u>

The loan is secured against the North Yorkshire gas field and is repayable in instalments related to production levels over the life of the North Yorkshire gas field (estimated to end in 2002) and bears interest at UK LIBOR + 1%.

## Notes to accounts (continued)

## 13 Provisions for liabilities and charges

a) *Decommissioning costs*

	1997 £'000	1996 £'000
Beginning of year	44	23
Charge for the year	24	21
End of year	<u>68</u>	<u>44</u>

b) *Deferred taxation*

The full potential liability for deferred corporation tax, calculated on the liability method at 31%, arising from accelerated capital allowances, is fully offset by intercompany interest accruals and tax losses carried forward.

## 14 Called-up share capital

	1997 £'000	1996 £'000
<i>Authorised, allotted, called-up and fully paid</i> 3,100,000 ordinary shares of £1 each	<u>3,100</u>	<u>3,100</u>

## 15 Movement on shareholders' funds

The movement on shareholders' funds represents the loss for the year.

## 16 Capital commitments

At 31 December 1997 the company was contracted to nil expenditure (1996 - nil) on exploration and development activities.

## 17 Going concern

As at the year-end, the company had net current liabilities of £6,259,000 and net liabilities of £1,440,000.

The company's UK parent, Perenco PLC, has indicated its willingness to provide financial support to the company to enable it to meet its obligations as they fall due within the next twelve months. Accordingly, the accounts have been prepared on the going concern basis.

## 18 Ultimate parent company

The company's ultimate parent company is Perenco Holdings SA, registered in Panama. The accounts of that company are not available to the public.

The company's ultimate parent company in the UK is Perenco PLC, registered in England and Wales. Perenco PLC is the parent undertaking for the only group in which the results of Perenco UK Limited are consolidated in the UK. The consolidated accounts of this group are available to the public and may be obtained from 130 Jermyn Street, London SW1Y 4UJ.