

112354



Directors' Report

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 1997. Pages 2 to 13 are an integral part of this report.

Activities

The Group's principal activities are summarised on the inside front cover.

Results and Dividend

The results of the Group for the year ended 31 December 1997 are set out in the profit and loss account on Page 21.

The Directors do not propose to recommend the payment of a dividend (1996: £nil).

Donations

The Group made no political or charitable donations during the year ended 31 December 1997.

Subsequent Events

Details of post balance sheet events are set out in Note 22 to the financial statements.

Share Capital

The changes in the share capital of the Company are set out in Note 17(a) to the financial statements.

Creditor Payment Policy

It is Company policy to settle all debts with its creditors on a timely basis, taking account of the credit period given by each supplier. The number of days billings outstanding from trade suppliers at 31 December 1997 for the Company and Group was 42 and 45 days respectively.

Directors

The Directors of the Company during the year are shown on Page 4.

In accordance with the Company's Articles of Association, Mr JF Billington retires by rotation at the Annual General Meeting and, being eligible, will offer himself for re-election.

Directors' Interests in the Company

The Directors at 31 December 1997 had, according to the Register of Directors' interests maintained in accordance with Section 325 of the Companies Act 1985, the following interests in the share capital of the Company:

	At 31 December 1997		At 1 January 1997	
	Ordinary shares of 10p each	Share options	Ordinary shares of 10p each	Share options
Beneficial:				
JF Billington	9,358,724	453,703	9,358,724	453,703
JA Hoskinson	295,100	375,000	295,100	703,125
D Howard-Orchard	230,385	787,500	184,859	962,500
NJ Tamblyn	209,812	1,000,000	185,312	700,000
Non Beneficial:				
JA Hoskinson	198,750	-	198,750	-

Details of the share options to subscribe for the Company's ordinary shares are set out in the Remuneration Committee's Report and Note 17(b).

There were no changes in the Directors' registered interests in the share capital of the Company during the period 1 January 1998 to 20 April 1998. None of the Directors had any interest in the shares of any subsidiary undertaking at 31 December 1997 or since.

Substantial Shareholdings

At 20 April 1998 the Company was aware of the following holdings of 3% or more in its issued ordinary share capital.

	Number of Shares	%
Haut Terre Investments Ltd	8,329,158	21.42
Bank of Scotland Nominees Ltd	4,010,000	10.31
Ansbacher Nominees Ltd	2,025,460	5.21
Williams & Glyn's (IOM) Nominees Ltd	1,466,322	3.77

Other than the interests set out above the Directors are not aware of any other person with a beneficial holding or interest of 3% or more in the issued ordinary share capital of the Company. The Haut Terre Investments Ltd shares are included within the share interests of Mr JF Billington set out on Page 14.

Annual General Meeting

As at previous Annual General Meetings a resolution (number 5) will be proposed to renew the Directors' authority to allot relevant securities until the next following Annual General Meeting or, if earlier, the date 15 months after the passing of the resolution. The authority sought will be in respect of securities up to an aggregate nominal amount of £1,296,000 representing approximately 33% of the issued share capital of the Company at the date hereof. The Directors have no present intention of exercising this authority other than to satisfy the Company's obligations to issue shares on the exercise of share options.

As at last year's Annual General Meeting, in accordance with the limits prescribed by the organising bodies representing the interests of institutional shareholders, a special resolution (number 6) will be proposed to renew the power to allot for cash equity securities up to an aggregate nominal amount of £194,450 (representing 5% of the present issued share capital) until the next following Annual General Meeting or, if earlier, the date 15 months after the passing of the resolution.

The authority for the Company to purchase its own ordinary shares given last year expires at the Annual General Meeting and your Directors propose that it should be renewed and extended in the terms of Resolution 7 in respect of up to 3,891,895 ordinary shares. This figure represents approximately 10% of the issued share capital of the Company at the date hereof. The authority will expire at the Annual General Meeting to be held in 1999.

The Directors intend to use the authority now sought only if they are satisfied such purchases would be in the long term interests of shareholders and would result in an increase in earnings per share. They consider it prudent that they should be able to act at short notice and make such purchases should market conditions and the price of the ordinary shares so justify. No such purchases were made by the Company under the terms of the authority granted in 1997. The maximum price which may be paid for an ordinary share shall be an amount equal to 5% above the average of the middle market prices for the 10 dealing days prior to purchase.

Under Regulation 34 of the Uncertificated Securities Regulations 1995 only shareholders registered in the Register of Members 48 hours prior to the time of commencement of the Annual General Meeting will be entitled to attend and vote at such meeting.

CREST

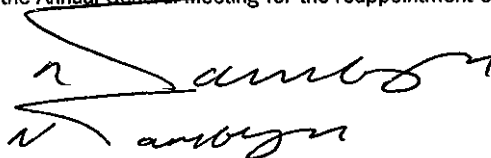
The Company's ordinary shares moved to CREST, the new settlement system for shares, during December 1996. The number of shareholders who now hold their shares in a dematerialised form on CREST has steadily increased and represents approximately 39% of the ordinary shares in issue.

Auditor

A resolution is to be proposed at the Annual General Meeting for the reappointment of KPMG Audit Plc as auditor of the Company.

By Order of the Board

NJ Tamblyn
50 Stratton Street
London W1X 6NX
20 April 1998



Corporate Governance

Code of Best Practice

The Company complies with the Code of Best Practice incorporated in the report of the Cadbury Committee on the Financial Aspects of Corporate Governance, save that:

- i. The Audit Committee does not comprise at least three non-executive directors given that the Company only has two non-executive directors. This matter remains under review and at an appropriate time an additional non-executive director will be appointed.
- ii. Mr JF Billington, Non-Executive Chairman does not have a formal fixed term contract, although the Board has agreed that all new non-executive directors will be appointed on formal fixed term contracts, as was the case with Mr Hoskinson's recent appointment.

Board Structure and Internal Controls

The Board normally meets at least monthly and has a formal schedule of matters reserved to it. In addition, the Audit and Remuneration Committees, comprising of Mr JF Billington and Mr JA Hoskinson, meet at least twice yearly.

The Directors acknowledge their responsibility for the Group's systems of internal control which are designed to allow the Board to monitor the Group's overall financial position and help to protect its assets. Such systems can provide only reasonable and not absolute assurance against material misstatement or loss. The principal procedures that have been established and which are considered appropriate for a Group of our size include the following:

- an organisational structure with clearly defined lines of responsibility;
- recruitment of appropriately qualified and experienced staff;
- Board approval of all major investments supplementing management approval and control of income and expenditure;
- close involvement of the executive directors and senior management in the day to day operations;
- production of budgets and forecasts together with other key management information including sensitivity and other risk analysis;
- monthly financial reporting comparing actual performance against both budgets and forecasts;
- regular reconciliations and approval controls over the Group's assets and liabilities;
- review of health and safety controls and environmental issues associated with the Group's oil and gas properties.

Corporate Governance Review

The Audit Committee reviews the effectiveness of internal control, along with the adequacy and scope of the external audit and compliance with regulatory and financial reporting requirements, with both management and the Auditor and has reported on it to the Board.

The auditors, KPMG Audit Plc, have confirmed that in their opinion, with respect to the Directors' statements on internal financial control detailed above and on going concern on Page 20, the Directors have provided the disclosures required by the Listing Rules of The London Stock Exchange and such statements are not inconsistent with the information of which they are aware from their audit work on the financial statements and that the Directors' statement on Page 20 appropriately reflects the Company's compliance with the other paragraphs of the Cadbury Code of Best Practice specified by the Listing Rules for their review. They have carried out their review in accordance with the relevant guidance issued by the Auditing Practices Board, which does not require them to perform any additional work necessary to express a separate opinion on the effectiveness of either the Group's system of internal financial control or Company's corporate governance procedures, or on the ability of the Group to continue in operational existence.

Remuneration Committee's Report

The Company's Remuneration Committee consists of myself and Mr Hoskinson. Whenever appropriate, independent advice is taken by the Committee. The Remuneration Committee has been constituted in accordance with Section A of the Listing Rules Best Practice provisions and has given full consideration to the provisions in Section B of the Code in determining the Directors' remuneration package.

The Committee has specific responsibility for determining the remuneration of each of the Executive Directors and in calculating the individual salary package particular attention is paid to ensuring that an appropriate balance is maintained between reward and performance taking into account the special factors which relate to natural resource companies whereby the Company itself is unable to influence the price of oil and gas, or predict the impact of severe weather patterns, mechanical failure, and the uncertainties associated with reservoir, geological and geophysical interpretations. Details of the emoluments paid to individual Directors are set out in the table below. The remuneration of Non-Executive Directors is determined by the Board.

Directors' Emoluments

	Salary & Fees £	Pension £	1997 Total £	1996 Total £
Executive Directors				
NJ Tamblyn	81,320	7,992	89,312	102,880
D Howard-Orchard	76,237	-	76,237	96,604
Sub Total	157,557	7,992	165,549	199,484
Non-Executive Directors				
JF Billington (Chairman)	-	-	-	27,500
JA Hoskinson*	20,348	-	20,348	56,562
AB Haywood (resigned 31.12.1996)	-	-	-	9,375
Sub Total	20,348	-	20,348	93,437
Total	177,905	7,992	185,897	292,921

*Executive Director in 1996

The Group continues not to provide cars or other similar benefits in respect of Directors and the Chairman, Mr JF Billington, provides his services without charge to the Group other than for his involvement in the Group Bonus Scheme.

The services of Mr D Howard-Orchard are provided through North Sea Hydrocarbons Ltd, a company of which he is a director and shareholder. The Company's agreement with North Sea Hydrocarbons Ltd is terminable by not less than 36 months written notice by either party.

Mr NJ Tamblyn's service agreement is terminable by not less than 24 months written notice by either party. The Company has since 1 July 1996 made contributions of 10% of Mr Tamblyn's salary to a money purchase personal pension scheme, payments during the year amounted to £7,992 (1996: £3,776).

Trojan Investments Ltd was paid for the services of Mr JA Hoskinson, a company of which he is a director and shareholder. The Company's agreement with Trojan Investments Ltd was terminable by not less than 36 months written notice by either party. With effect from 1 April 1997, Mr Hoskinson became a Non-Executive Director and the 3 year rolling contract at £31,892 per annum with Trojan Investments Ltd was replaced by a 2 year fixed

contract at £15,000 per year. Trojan Investments Ltd was paid £20,000 as compensation for the change of contract which was provided for in the year to 31 December 1996.

The services of Mr AB Haywood as a non-executive director were provided under an annual agreement, until his resignation on 31 December 1996.

The Committee is aware of the fact that it does not comply with the recommendations of the Best Practice Provisions concerning directors' contracts of employment, in that Mr Howard-Orchard, has a three year rolling contract of employment and Mr Tamblyn has a two year rolling contract. These contracts were in place before the publication of both the Cadbury and Greenbury Reports. The Remuneration Committee has reviewed the impact of these rolling contracts and has determined that at this time no change is required to the present arrangements due to the potential cost implications. The present policy of the Remuneration Committee provides that all future rolling contracts of employment for Directors shall not exceed one year and that fixed contracts shall not exceed three years. It will continue to review the present arrangements for Messrs Howard-Orchard and Tamblyn and should it be deemed appropriate the contracts will be amended as part of an overall salary review.

The Company operates a Bonus Pool for certain directors based on a minimum profit on ordinary activities before taxation of £570,000 for 1997. The participants of this scheme during 1997 were myself and Messrs Tamblyn and Howard-Orchard. Your Board of Directors consider that my involvement in the Bonus Scheme is appropriate, given that as detailed above, I receive no other fees or benefits from the Company. The Committee is aware that this fact could be viewed as affecting my objectivity due to my personal financial interest but do not believe this to be a problem in our particular circumstances.

As detailed in last year's report by the Remuneration Committee, the Group's Executive Bonus Scheme has been reviewed and as a result Bonus payments are awarded to directors based on the following criteria.

- The rules for determining the bonus pool have remained unchanged in that a bonus of up to 10% of the Group's profit on ordinary activities before taxation and bonuses is payable provided that a minimum profit of £570,000 is earned in the year to 31 December 1997. The minimum profit is revised annually for changes in the Retail Price Index as well as being adjusted to reflect changes in the share capital of the Company.
- The allocation of the Bonus Pool, to the extent one exists based on the above calculation, is at the discretion of the Remuneration Committee, but is based on achieving certain annually set targets. The targets for 1997 covered growth in production, reserves and evaluated net assets per share together with Agrigen Ltd reaching financial close.

Although the targets for both reserve growth and evaluated net assets per share were comfortably achieved and the level of profits exceeded the minimum level specified, the targets for both production growth and for Agrigen achieving financial close were not achieved. As such, the Remuneration Committee have decided not to award any bonuses in respect of 1997, but intend reviewing Messrs Tamblyn and Howard-Orchard's basic salary entitlement at 1 July 1998, in light of the progress being made and after due consideration of the salaries paid by comparable companies.

Directors' Interests in Share Option Scheme

The Company operates an Employee Share Option Scheme. Under the rules of this Scheme, up to 3,889,189 ordinary shares are available to be issued at the date of this report. At 31 December 1997 options had been granted under the rules of this Scheme on 3,116,203 ordinary shares (1996: 3,369,328) of which the following had been issued to directors who were in office at 31 December 1997.

Directors' Share Options

	At 1.1.97	Granted 29.10.97	Lapsed	Relinquished	At 31.12.97	Period during which options exercisable	Exercise Price
JF Billington	225,000	-	-	-	225,000	13.08.1995- 12.08.1999	17p
	228,703	-	-	-	228,703	14.06.1996- 13.06.2000	27p
	<u>453,703</u>	-	-	-	<u>453,703</u>		
JA Hoskinson	300,000	-	(300,000)	-	-	-	-
	178,125	-	-	(178,125)	-	-	-
	225,000	-	-	-	225,000	13.08.1995- 12.08.1999	17p
	-	150,000	-	-	150,000	29.10.2000- 28.10.2004	17p
	<u>703,125</u>	<u>150,000</u>	<u>(300,000)</u>	<u>(178,125)</u>	<u>375,000</u>		
D Howard-Orchard	400,000	-	(400,000)	-	-	-	-
	237,500	-	-	-	237,500	21.02.1995- 20.02.1999	42.5p
	225,000	-	-	-	225,000	13.08.1995- 12.08.1999	17p
	100,000	-	-	-	100,000	05.06.1999- 04.06.2003	15p
	-	225,000	-	-	225,000	29.10.2000- 28.10.2004	17p
	<u>962,500</u>	<u>225,000</u>	<u>(400,000)</u>	-	<u>787,500</u>		
NJ Tamblyn	200,000	-	-	-	200,000	13.08.1995- 12.08.1999	17p
	300,000	-	-	-	300,000	06.07.1998- 05.07.2002	15p
	200,000	-	-	-	200,000	05.06.1999- 04.06.2003	15p
	-	300,000	-	-	300,000	29.10.2000- 28.10.2004	17p
	<u>700,000</u>	<u>300,000</u>	-	-	<u>1,000,000</u>		
	<u>2,819,328</u>	<u>675,000</u>	<u>(700,000)</u>	<u>(178,125)</u>	<u>2,616,203</u>		

None of the directors exercised any options during the year.

Any proposed grant of new options to directors and senior employees is required to be approved by your Board of Directors based on the recommendations of the Remuneration Committee. The grant of new options, which are made strictly in compliance with the scheme rules, are made to help align the recipients interest with those of shareholders by motivating them to achieve long term capital growth in the Company's share price.

The Committee considers that the current arrangements are appropriate and take account of the necessary factors which affect both the individual and the Company.

John F Billington

Chairman, Remuneration Committee

20 April 1998

Director's Responsibilities for the Financial Statements

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

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

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 financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Auditor's Report to the members of United Energy plc

We have audited the financial statements on Page 21 to 36. We have also examined the amounts disclosed relating to emoluments, share options and directors pension entitlements which form part of the Remuneration Committee Report on Page 17.

Respective responsibilities of directors and auditor

As described above the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements 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 financial statements, and of whether the accounting policies are appropriate to the Group'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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 1997 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc

Chartered Accountants

Registered Auditor

London, 20 April 1998

Consolidated Profit and Loss Account for the Year Ended 31 December 1997

	Notes	1997 £'000	1996 £'000
Turnover	2	5,507	5,384
Cost of sales:			
Production costs		(1,760)	(1,664)
Depletion of oil and gas interests		(1,665)	(1,620)
		(3,425)	(3,284)
Gross Profit		2,082	2,100
Administrative expenses		(857)	(958)
Operating profit	2	1,225	1,142
Loss from interest in associated undertaking		(26)	(5)
Provision against investment		-	(40)
Interest receivable and similar income	3	23	20
Interest payable and other charges	4	(394)	(327)
Profit on ordinary activities before taxation	5	828	790
Taxation	8	(25)	-
Profit on ordinary activities after taxation	18(d)	803	790
Earnings per share	9	2.1p	2.0p

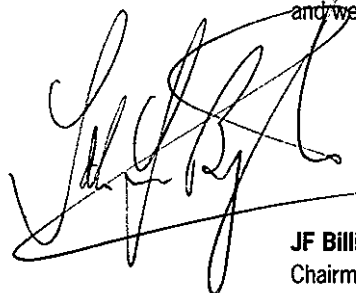
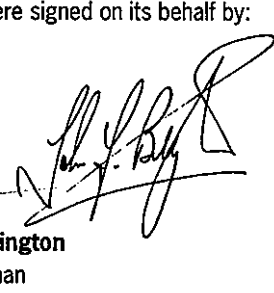
All items dealt with in arriving at the operating profit for 1997 and 1996 relate to continuing operations. The result as shown in the profit and loss account is not materially different from the result on an unmodified historic cost basis.

The notes on Pages 25 to 36 form part of these financial statements.

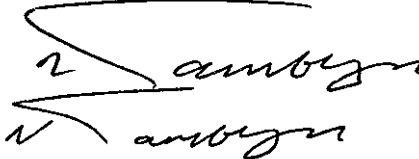
Consolidated Balance Sheet at 31 December 1997

	Notes	£'000	1997 £'000	£'000	1996 £'000
Fixed assets					
Intangible exploration assets	10(a)		188		363
Oil and gas interests	10(b)		10,628		7,608
Other tangible assets	10(b)		98		104
Investments	12(b)&(c)		389		255
			11,303		8,330
Current assets					
Debtors	13	1,137		1,186	
Cash at bank		691		705	
			1,828	1,891	
Creditors: amounts falling due within one year	14	(1,008)		(1,446)	
Net current assets			820		445
Total assets less current liabilities			12,123		8,775
Creditors: amounts falling due after more than one year	15	(5,683)		(3,365)	
Provisions for liabilities and charges	16	-		(21)	
Net assets			6,440		5,389
Capital and reserves					
Called up share capital	17(a)		3,889		3,879
Share premium account	18(b)		272		270
Other reserves: capital reserve	18(c)		717		729
Profit and loss account	18(d)		1,562		511
Shareholders' funds-equity			6,440		5,389

The financial statements on Pages 21 to 36 were approved by the Board of Directors on 20 April 1998 and were signed on its behalf by:

JF Billington
Chairman



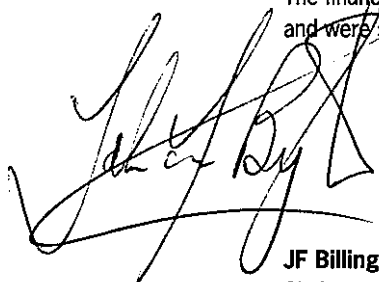
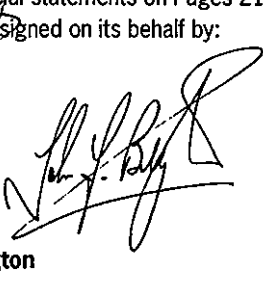
NJ Tamblyn
Chief Executive

The notes on Pages 25 to 36 form part of these financial statements.

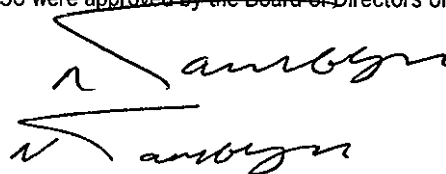
Company Balance Sheet at 31 December 1997

	Notes	£'000	1997 £'000	£'000	1996 £'000
Fixed assets					
Oil and gas interests	10(c)		40		58
Other tangible assets	10(c)		19		15
Investments in Group undertakings	12(a)		4,062		4,198
Other investments	12(b)&(c)		631		459
			4,752		4,730
Current assets					
Debtors	13	1,392		1,508	
Cash at bank		356		333	
			1,748	1,841	
Creditors: amounts falling due within one year	14	(1,656)		(1,714)	
Net current assets			92		127
Total assets less current liabilities			4,844		4,857
Creditors: amounts falling due after more than one year	15		(311)		(274)
Net assets			4,533		4,583
Capital and Reserves					
Called up share capital	17(a)		3,889		3,879
Share premium account	18(b)		272		270
Profit and loss account	18(d)		372		434
Shareholders' funds-equity			4,533		4,583

The financial statements on Pages 21 to 36 were approved by the Board of Directors on 20 April 1998 and were signed on its behalf by:

JF Billington
Chairman



NJ Tamblin
Chief Executive

The notes on Pages 25 to 36 form part of these financial statements.

Consolidated Cash Flow Statement for the Year Ended 31 December 1997

	Notes	1997 £'000	1996 £'000
Net cash inflow from operating activities	19(a)	2,851	2,767
Returns on investments and servicing of finance			
Interest received		23	19
Interest paid		(348)	(327)
Net cash outflow from returns on investments and servicing of finance		(325)	(308)
Taxation		(45)	-
Capital expenditure and financial investment			
Expenditure on oil and gas interests		(4,680)	(3,248)
Sale of oil and gas interests		190	2,028
Financing loans to associated undertakings		(121)	(240)
Purchases of other fixed assets		(21)	(88)
Sale of other fixed assets		2	6
Net cash (outflow) from capital expenditure and financial investment		(4,630)	(1,542)
Acquisitions and disposals			
Investment in associated undertakings		(51)	(198)
Net cash(outflow)/inflow before use of liquid resources and financing		(2,200)	719
Financing			
Issue of ordinary share capital	19(b)	12	200
Loans repaid	19(b)	(1,270)	(5,106)
Additional loans drawn	19(b)	3,444	4,351
Net cash inflow/(outflow) from financing		2,186	(555)
(Decrease)/increase in cash	19(c)	(14)	164

Consolidated Statement of Total Recognised Gains and Losses for the Year Ended 31 December 1997

	1997 £'000	1996 £'000
Profit for the financial year	803	790
Exchange difference on translation of overseas operations/investment	256	(603)
Exchange loss on related borrowings	(8)	(9)
Total recognised gains and losses relating to the year	1,051	178

Notes to the Financial Statements for the year ended 31 December 1997

1. Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation

The Group financial statements consolidate the financial statements of United Energy plc and all its subsidiary undertakings up to 31 December each year. The results of acquired subsidiary undertakings are included in the consolidated profit and loss account from the date of their acquisition as is the Group's share of the results of acquired associated companies.

A separate profit and loss account for the Company is not presented as permitted by Section 230 of the Companies Act 1985. The loss for the financial year dealt with in the financial statements of the holding company was £62,000 (1996: loss £340,000).

Associated companies

Investments in associated companies comprise all interests in companies which are not subsidiary companies and which are held for the long term and over which the Group is able to exercise significant influence. The Group's share of the profits or losses of associated companies is included in the financial statements from the date that they became associated companies. Any difference between the cost of the investment in an associated company and the Group's share of the fair value of its assets is written off against reserves.

Capital reserve on consolidation

The capital reserve arising on consolidation represents the excess of the fair value of the net assets acquired over the fair value of the consideration arising on the acquisition of AmBrit International PLC in February 1992, having applied the merger relief provisions of Section 131 of the Companies Act 1985, less the excess of the consideration paid for the investment in Agrigen Ltd over the fair value of the portion of the net assets acquired. The capital reserve is non-distributable.

Goodwill

Goodwill is written off against the capital reserve on consolidation in the year that it arises.

Turnover

Turnover comprises the value of sales of oil and gas produced from the Group's directly owned producing interests, net of sales taxes, together with other related income.

Oil and gas interests

The full cost method of accounting is used to record interests in oil and gas properties. Under this method the acquisition cost of leaseholds and licences, legal costs in establishing title, geological and geophysical costs, attributable overheads and other direct costs of exploration, appraisal and development of oil and gas reserves are capitalised and accumulated in a single full cost pool.

The costs of properties under appraisal, called intangible exploration assets, are assessed periodically to determine whether impairment has occurred or commerciality has been proven. When impairment has occurred, or when commerciality is determined and a decision to develop the field has been taken, these costs are transferred to tangible fixed assets.

1. Accounting policies (continued)

All tangible fixed assets and future development costs are depleted using the unit-of-production method, based on proved commercial reserves. Any changes in commercial reserve estimates are adjusted over the remaining life of the field from the start of the year. Any disposal proceeds are deducted from the cost pool.

At each year end the net aggregate carrying value of tangible oil and gas interests is reviewed and compared to the estimated undiscounted future net revenues from these assets. This estimate is made using unescalated average prices for the year (net of any production taxes), proved oil and gas reserves and includes any projected development and abandonment costs. Where, in the opinion of the Directors, there is a permanent shortfall between appraised value and capitalised costs, the difference is written-off through the profit and loss account as additional depletion.

Depreciation

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on a straight line basis to write off the cost of assets over their estimated useful lives at the following rates per annum:

Fixtures and fittings and motor vehicles	-	20 per cent
Leasehold Improvements	-	8.5 per cent

Abandonment

The Group provides, where appropriate, for abandonment costs in respect of each field, on a unit-of-production basis, based on proved commercial reserves. Any change in estimates is adjusted for from the start of the year. As potential plugging and abandonment liabilities for the US interests are fully offset by the potential salvage value from the equipment, no provision has been made for abandonment costs during the years ended 31 December 1997 and 1996.

Leases

All leases entered into by the Group are operating leases, and the rental charges are charged directly to the Profit and Loss account on a straight line basis over the life of the lease.

Foreign currency translation

Profit and loss accounts of overseas subsidiary undertakings are translated into sterling at average rates of exchange. The balance sheets of overseas undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves together with the differences between profit and loss accounts translated at average rates and at the balance sheet rate. All other translation differences are taken to the profit and loss account, with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against investments denominated in foreign currencies, which are taken directly to reserves together with the exchange difference on the carrying amount of the related investments.

Transactions by UK companies with third parties are translated into sterling at the exchange rate prevailing at the date of each transaction. Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates prevailing at the balance sheet date. Any exchange gain or loss is dealt with through the profit and loss account, except to the extent it represents a hedged position or is used to provide finance for a foreign investment, in which case it is taken to reserves.

Deferred taxation

Deferred taxation is provided on the liability method on all timing differences to the extent that they are expected to crystallise in the foreseeable future. It is calculated at the rate at which it is estimated that tax will be payable. No provision is made for the tax that would arise were accumulated profits of overseas subsidiaries remitted to the UK.

2. Geographical information

	Turnover		Operating profit		Assets employed	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000	1997 £'000	1996 £'000
United States of America	5,447	5,359	1,439	1,512	6,227	4,967
United Kingdom	60	25	(214)	(370)	213	422
	5,507	5,384	1,225	1,142	6,440	5,389

Turnover by destination is not materially different from turnover by origin. All turnover and operating profits are derived from the Group's oil and gas operations.

3. Interest receivable and similar income

	1997 £'000	1996 £'000
Interest receivable	14	20
Exchange gains	9	-
	23	20

4. Interest payable and other charges

	1997 £'000	1996 £'000
Interest payable on bank loans	394	321
Exchange losses	-	6
	394	327

5. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging/(crediting):

	1997 £'000	1996 £'000
Amortisation of oil and gas interests	1,665	1,620
Depreciation of tangible fixed assets	28	26
Auditor's remuneration - for audit work	30	34
Other fees paid to the auditor and its associates	8	16
Operating leases payments - property	61	58
Provision against investments	-	40
Exchange (gains)/losses	(9)	6

The auditor's remuneration for audit work includes £7,500 (1996:£8,500) in respect of the Company's audit.

6. Directors' emoluments

The total emoluments of the Directors of the Company were:

	1997 £'000	1996 £'000
Fees	11	9
Remuneration excluding performance related elements	167	172
Performance related elements	-	88
Pension contributions	8	4
Contract variation payment	-	20
	186	293

More detailed information concerning directors' emoluments is set out in the Report of the Remuneration Committee on pages 17 to 19.

7. Staff numbers and costs

The aggregate payroll costs of the Group including Directors comprised:

	1997 £'000	1996 £'000
Wages and salaries	539	555
Social Security costs	99	66
Employer's pension contributions	8	4
Contract variation payments	-	20
	646	645

The average number of persons, including Directors, employed by the Group during the year was 14 (1996: 13).

8. Taxation

No charge for UK corporation tax or US Federal income tax arises on the results for the year due to the availability of losses for taxation purposes. Alternative minimum US Federal Income Tax of £25,000 was due on the 1996 results and was provided for in the current year.

At 31 December 1997 the Group had net operating losses available for offset against future profits subject to United States Federal Tax of approximately £6 million, of which approximately £4.4 million are readily available for use against future trading profits, subject to certain conditions and time limits. In addition to these losses, the Group has losses in excess of £1.3 million in the UK which are available for use against future trading profits. Due to the availability of losses, the Group has no liability to deferred tax (1996: £nil).

9. Earnings per share

The calculation of earnings per share is based on the profit on ordinary activities after taxation of £803,000 (1996: £790,000) and on the weighted average number of 38,843,402 ordinary shares in issue during the year (1996: 38,592,296). Fully diluted earnings per share are not disclosed on the basis that they are not materially different from the basic earnings per share.

10. Group intangible exploration assets and tangible fixed assets

(a) Intangible exploration assets:

	£'000
At 1 January 1997	363
Additions	1,857
Transferred to tangible fixed assets	(2,047)
Exchange adjustments	15
At 31 December 1997	188

10. Group intangible exploration assets and tangible fixed assets (continued)

(b) Group tangible fixed assets:

	Oil & gas interests £'000	Leasehold improvements fixtures, fittings & motor vehicles £'000	Total £'000
Cost:			
At 1 January 1997	13,600	251	13,851
Exchange adjustments	650	7	657
Additions (Note 11)	2,456	21	2,477
Transfer from intangible exploration assets	2,047	-	2,047
Disposals	(185)	(32)	(217)
At 31 December 1997	18,568	247	18,815
Depletion and depreciation:			
At 1 January 1997	5,992	147	6,139
Exchange adjustments	283	4	287
Charge for the year	1,665	28	1,693
Disposals	-	(30)	(30)
At 31 December 1997	7,940	149	8,089
Net book value:			
At 31 December 1997	10,628	98	10,726
At 1 January 1997	7,608	104	7,712

At 1 January and 31 December 1997 the principal tangible oil and gas interests were located in the USA.

(c) Company tangible fixed assets

	Oil & gas interests £'000	Leasehold improvements fixtures & fittings £'000	Total £'000
Cost:			
At 1 January 1997	140	70	210
Additions	-	6	6
At 31 December 1997	140	76	216
Depreciation:			
At 1 January 1997	82	55	137
Charge for the year	18	2	20
At 31 December 1997	100	57	157
Net book value:			
At 31 December 1997	40	19	59
At 1 January 1997	58	15	73

11. Expenditure on oil and gas interests

Group expenditure on oil and gas interests during the year comprised:

	£'000
Producing interests purchased	1,789
Development expenditure	667
Producing and development expenditure	2,456
Exploration and appraisal	1,857
Total expenditure	4,313

12. Investments

(a) Investments in subsidiary undertakings

	Company	
	1997 £'000	1996 £'000
Cost of shares	2,634	2,634
Provision against subsidiary undertakings	(288)	(288)
	2,346	2,346
Amounts owed by subsidiary undertakings falling due after more than one year	1,716	1,852
	4,062	4,198

There have been no movements on the investments in subsidiary undertakings during the year, other than for movements in amounts falling due from subsidiary companies due after more than one year.

At 31 December 1997 the Company had the following principal subsidiary undertakings:

Name of Company	Country of incorporation and principal place of business	Proportion of ordinary shares held	Nature of business
AmBrit International PLC*	England	100%	Holding company
AmBrit Energy Corp.	USA	100%	Direct investment in oil and gas properties

*Owned directly by the Company

A complete list of Group companies will be included in the Company's Annual Return.

12. Investments (continued)

(b) Investment in associated undertakings

	Group		Company	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
At 1 January 1997	(4)	-	200	-
Additions	12	200	12	200
Goodwill written off	(12)	(199)	-	-
Group's share of deficit	(26)	(5)	-	-
	(30)	(4)	212	200
Loans to associated undertakings	361	240	361	240
Other	58	19	58	19
	389	255	631	459

The addition referred to above is in respect of the additional 40% acquired in October 1997, in Agrigen Ltd. As explained in the Review of Operations, this is held temporarily. Under FRS2 this would normally be included as a current asset investment. Since the amount of £12,000 is not material it has for convenience been treated along with the existing 30% holding. The Company also has options over the remaining 30% of Agrigen Ltd's share capital. Agrigen Ltd's principal business is to design and develop a non-fossil fuel fired power station in Northampton, England. The Company is incorporated in England. As more fully detailed in the Review of Operations on Page 10, planning permission for the power station site was denied in December 1997 and the Group is in the process of preparing its case for appeal.

(c) Other investments

	Group		Company	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Unquoted shares at cost	-	13	-	13
Loans	-	40	-	40
Provision against investment	-	(53)	-	(53)
	-	-	-	-

The other investments comprised the Company's investment in an Anglo-Vietnamese coal trading business. The business has ceased trading and the investment has been fully written off.

13. Debtors: amounts falling due within one year

	Group		Company	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Trade debtors	1,100	1,119	27	25
Amounts owed by subsidiary undertakings	-	-	1,357	1,470
Other debtors	8	67	8	13
Prepayments and accrued income	29	-	-	-
	1,137	1,186	1,392	1,508

14. Creditors: amounts falling due within one year

	Group		Company	
	1997	1996	1997	1996
	£'000	£'000	£'000	£'000
Trade creditors	632	1,021	19	29
Amounts owed to subsidiary undertakings	-	-	1,511	1,510
Accruals and deferred income	369	416	119	166
Taxation and social security	7	7	7	7
Other creditors	-	2	-	2
	1,008	1,446	1,656	1,714

15. Creditors: amounts falling due after more than one year

	Group		Company	
	1997	1996	1997	1996
	£'000	£'000	£'000	£'000
Bank loan (secured)	5,683	3,365	-	-
Amounts owed to subsidiary undertakings	-	-	311	274
	5,683	3,365	311	274
Borrowings at 31 December 1997 were repayable as follows:				
Between one and two years	-	-	-	-
Between two and five years	5,683	3,365	311	274
	5,683	3,365	311	274

The bank loans represent drawings against a £6.1 million facility of which a total of £5.7 million had been drawn at 31 December 1997. The undrawn facility of £0.4 million was available to be drawn at the year end based on the assets charged to the bank at that time. The loan is repayable by 31 December 2000. Interest is payable at a rate of ½% above US Prime Rate. The loan is secured on the Group's producing oil and gas assets located in the USA.

16. Provisions for liabilities and charges

	Group Litigation £'000
At 1 January 1997	21
Utilised during the year	(21)
At 31 December 1997	-

The litigation covered by the provision was settled during the year at a cost of £21,000 to the Group.

At 31 December 1997 the Company and the Group had no deferred taxation liability (1996: £nil).

17. Called up share capital

(a) Share capital

	1997 £'000	1996 £'000
Authorised:		
55,000,000 (1996: 55,000,000) ordinary shares of 10p each	5,500	5,500
Allotted, called up and fully paid:		
38,891,895 (1996: 38,791,895) ordinary shares of 10p each	3,889	3,879

The Company issued 100,000 ordinary shares of 10p each at 12p under the terms of the No 2 Executive Share Option Scheme to Mr Haywood, a former director, in June 1997.

(b) Share options

At 31 December 1997 the following options over the Company's ordinary shares were outstanding:

	Number of shares	Exercise price	Period during which options exercisable
(i) The United Energy plc, No.2 1990 Executive Share Option Scheme	237,500 875,000 228,703 300,000 300,000 350,000 825,000	42.5p 17p 27p 15p 15p 16p 17p	21.2.1995 - 20.2.1999 13.8.1995 - 12.8.1999 14.6.1996 - 13.6.2000 6.7.1998 - 5.7.2002 5.6.1999 - 4.6.2003 12.11.1999 - 11.11.2003 29.10.2000 - 28.10.2004
(ii) J M V Butterfield Trust	237,500	42.5p	21.2.1995 - 20.2.1999
(iii) A P O Alderton	225,000	32p	13.8.1995 - 12.8.1999

In addition to the option movements detailed in the Remuneration Committee Report, 150,000 share options were issued to senior members of US office staff at an exercise price of 17p, under the terms of the No 2 Executive Share Option Scheme. The only movements on options issued outside the rules of the No 2 Executive Share Options Scheme was 796,875 options which lapsed.

The mid-market price of the Company's ordinary shares at 31 December 1997 was 18.5p per share and the shares had traded in the range 16 to 24p per share during 1997.

18. Shareholders' funds

(a) Movement in shareholders' funds

	Group		Company	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Shareholders' funds at 1 January 1997	5,389	5,210	4,583	4,723
Profit/(loss) for the financial year	803	790	(62)	(340)
Goodwill written-off on acquisition in the year	(12)	(199)	-	-
Exchange adjustments	248	(612)	-	-
Share capital issued including share premium	12	200	12	200
Shareholders' funds at 31 December 1997	6,440	5,389	4,533	4,583

18. Shareholders' funds (continued)

(b) Share premium account

	Group and Company £'000
At 1 January 1997	270
Arising on issue of shares	2
	<hr/>
At 31 December 1997	272

(c) Other reserves: capital reserves

	Group £'000
At 1 January 1997	729
Goodwill written-off on acquisition in the year	(12)
	<hr/>
At 31 December 1997	717

The cumulative amount of goodwill written off against capital reserves at 31 December 1997 amounted to £211,000. In addition, goodwill of £3.1 million was not recognised on the acquisition of AmBrit International PLC in 1992 due to the application of the merger relief provisions of Section 131 of the Companies Act 1985.

(d) Profit and loss account

	Group £'000	Company £'000
At 1 January 1997	511	434
Profit/(loss) for the financial year	803	(62)
Exchange difference on translation of overseas operations/investments	256	-
Exchange losses on related loans/borrowings	(8)	-
	<hr/>	<hr/>
At 31 December 1997	1,562	372

19. Cash flow

(a) Reconciliation of operating profit to net cash inflow from operating activities:

	1997 £'000	1996 £'000
Operating profit	1,225	1,142
Depreciation	28	26
Amortisation of oil and gas interests	1,665	1,620
Decrease/(increase) in debtors	147	(160)
(Decrease)/increase in creditors	(193)	139
Litigation provision utilised	(21)	-
	<hr/>	<hr/>
Net cash inflow from operating activities	2,851	2,767

19. Cash flow (continued)

(b) Analysis of changes in finance during the year:

	Bank loans		Share capital (including share premium)	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
At 1 January 1997	3,365	4,477	4,149	3,949
Additional loans drawn	3,444	4,351	-	-
Loan repayments	(1,270)	(5,106)	-	-
Exchange adjustments	144	(357)	-	-
Issue of ordinary share capital for cash	-	-	12	200
At 31 December 1997	5,683	3,365	4,161	4,149

(c) Analysis of the balances of cash as shown in the balance sheet:

	1997 £'000	1996 £'000	1995 £'000	Change in 1997 £'000	Change in 1996 £'000
Cash at bank and in hand	691	705	541	(14)	164

(d) Analysis of movement in net debt

	1997 £'000	1996 £'000
At 1 January 1997		
Bank loans	(3,365)	(4,477)
Cash at bank	705	541
Net debt at 1 January 1997	(2,660)	(3,936)
Additional loans drawn	(3,444)	(4,351)
Loans repaid	1,270	5,106
Movement in cash at bank	(14)	164
Exchange adjustments	(144)	357
Net debt at 31 December 1997	(4,992)	(2,660)
Net debt at 31 December 1997 comprises:		
Bank loans	(5,683)	(3,365)
Cash at bank	691	705
	(4,992)	(2,660)

20. Lease commitments

The Group's annual commitments under non-cancellable operating leases, which are in respect of office space, are as follows:

	Group		Company	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Expiring between two and five years	42	38	11	-
Expiring after five years	-	11	-	11

21. Capital commitments and contingent liabilities

- (a) Group commitments for capital expenditure on oil and gas assets in respect of contracts placed for future expenditure not provided for in these financial statements at the year end amount to £160,000 (1996:Nil).
- (b) In connection with the agreement to acquire an additional 40% interest in Agrigen Ltd, the Company has undertaken to pay a total cash consideration of £225,000 conditional on the Nunn Mills Biomass Power Station project achieving financial close. In addition to the contingent consideration, the Company has options to acquire the remaining 30% of Agrigen Ltd's ordinary share capital at a cost of £300,000.
- (c) The Company has provided guarantees on the bank indebtedness of a US subsidiary; the amount guaranteed at the year end was £5.7 million (1996:£3.4 million).

22. Post balance sheet events

Subsequent to 31 December 1997 the Group has acquired oil and gas interests with a total value of £1.7 million. The most significant transaction was the acquisition of two fields in Chambers County, Texas at a cost of £1.4 million (\$2.35 million) announced on 25 March 1998. The acquisitions were financed out of the Group's available banking lines of credit with Bank One, Texas NA.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of United Energy plc will be held at the offices of Peel, Hunt & Company Limited, 62 Threadneedle Street, London EC2R 8HP on 11 June 1998 at 11.00 am for the purposes of:

Ordinary Business

1. Receiving and considering the financial statements for the year ended 31 December 1997 and the reports of the Directors and auditor thereon;
2. To reappoint KPMG Audit Plc as auditor;
3. To authorise the Directors to agree the auditor's remuneration; and
4. To re-elect as a Director Mr JF Billington who retires by rotation.

Special Business

As special business, to consider and if thought fit, to pass the following resolutions of which number 5 will be proposed as an Ordinary Resolution and numbers 6 and 7 will be proposed as Special Resolutions:

5. THAT the Directors be and they are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 ("the Act") to make allotments of relevant securities as defined in Section 80 (2) of the Act (in place of any such authorities previously granted all of which are hereby revoked and cancelled to the extent not previously utilised) up to an aggregate nominal amount of £1,296,000 for a period expiring (unless previously renewed varied or revoked by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company (or any adjournment thereof) or 15 months after the passing of this resolution (if earlier), except that the Company may, before the expiry of the authority contained in this resolution make an offer or agreement that would or might require relevant securities to be allotted after such authority expires and the Directors may allot relevant securities in pursuance of any such offer or agreement up to the maximum amount prescribed in this resolution as if the authority hereby conferred had not expired.
6. THAT the Directors be and they are hereby empowered to make allotments for cash of equity securities (as defined in Section 94 (2) of the Act) pursuant to the authority conferred upon them by the passing of resolution 5 above as if Section 89 (1) of the Act did not apply to any such allotment PROVIDED THAT the power conferred by this resolution shall:
 - (a) be limited to the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders and holders of any other shares or securities of the Company which by their terms entitle holders of such shares to participate in such rights issue where the equity securities respectively attributable to the interests of all ordinary shareholders and such holders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them or into which their shares or securities are to be deemed converted in calculating the extent of their participation but subject to such exclusions as the Directors may deem fit to deal with fractional entitlements or legal and practical difficulties arising under the laws of, or the requirements of, any regulatory body in any overseas territory;
 - (b) be limited to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £194,450; and
 - (c) expire at the conclusion of the next Annual General Meeting of the Company (or any adjournment thereof) or 15 months after the passing of this resolution (if earlier), unless renewed or extended prior to such time, except that the Company may, before the expiry of any power contained in this resolution, make an offer or agreement that would or might require equity securities to be allotted after such power expires and the Directors may allot equity securities in pursuance of any such offer or agreement up to the maximum amount prescribed in this resolution as if the power hereby conferred had not expired.

7. THAT the Company be and is hereby generally and unconditionally authorised pursuant to Section 166 of the Act to make one or more market purchases (within the meaning of Section 163 (3) of the Act) of ordinary shares of 10p each in the capital of the Company ("ordinary shares") subject to the following restrictions and provisions:
- (a) the maximum number of ordinary shares hereby authorised to be purchased shall be 3,891,895;
 - (b) the maximum price which may be paid for an ordinary share shall be an amount equal to 5% above the average of the middle market prices derived from the London Stock Exchange Daily Official List for the ten dealing days immediately preceding the day on which the ordinary share is purchased;
 - (c) the minimum price which may be paid for an ordinary share shall be 5p exclusive of expenses;
 - (d) unless previously renewed, revoked or varied the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 1999 or within fifteen months from the date of the passing of this resolution whichever shall be the earlier; and
 - (e) the Company may make a contract to purchase ordinary shares under this authority before the expiry of such authority and may make a purchase of ordinary shares pursuant to any such contract which purchase or contract would or might be executed wholly or partly after the expiration of such authority.

BY ORDER OF THE BOARD



NJ Tamblyn

Secretary

Registered office:

50 Stratton Street

London W1X 6NX

Dated: 11 May 1998

NOTES

(1) A member entitled to attend and vote at this Meeting is entitled to appoint one or more proxies to attend and on a poll to vote instead of the member. A proxy need not be a member of the Company. To be valid, proxy cards must be lodged not later than 48 hours before the time appointed for the Meeting at the offices of the Company's registrars, Independent Group Registrars Limited, Balfour House, 390/398 High Road, Ilford, Essex IG1 1NQ.

(2) The register of Directors' share interests and copies of the Directors' service agreements will be available for inspection at the Registered Office of the Company during normal business hours from the date hereof, and at the place of the Annual General Meeting from 15 minutes before the time appointed for the Meeting, until the end of the Meeting.

UNITED ENERGY

—plc—

FORM OF PROXY FOR USE BY HOLDERS OF ORDINARY SHARES at the Annual General Meeting to be held on 11 June 1998

I/We (name in full).....
(BLOCK CAPITALS PLEASE)

of.....
being (a) holder(s) of Ordinary Shares of 10p each of the above-named Company, hereby appoint the CHAIRMAN of the MEETING, or *(Note 6).....

to act as my/our proxy at the Annual General Meeting of the Company to be held at the offices of Peel, Hunt & Company Limited, 62 Threadneedle Street, London EC2R 8HP on Thursday, 11 June, 1998 at 11.00 a.m. and at any adjournment thereof, and to vote on my/our behalf in respect of the Resolutions set out in the notice convening the Meeting as directed below.

Ordinary Business	FOR	AGAINST
Reappointment of KPMG Audit Plc as auditor.		
Authority to the Directors to agree the auditor's remuneration.		
Re-election as a Director of Mr J F Billington who retires by rotation.		
Special Business		
Authority to allot relevant securities within the meaning of Section 80(2) of the Companies Act 1985 up to an aggregate nominal value of £1,296,000.		
Authority to the Directors to allot equity securities for cash pursuant to the authority granted by the preceding Resolution in connection with a rights issue or up to an aggregate nominal value of £194,450.		
Authority to purchase up to 3,891,895 Ordinary Shares representing approximately 10% of the Issued Ordinary Share capital of the Company.		

Please indicate with an X in the spaces provided how you wish your votes to be cast on a poll. Should this card be signed, but without a specific direction, the proxy will vote or abstain at his discretion.

Dated.....1998 Signature.....

NOTES:

1. A proxy need not be a member of the Company.
2. In the case of a corporation, this form of proxy must be executed either under its Common Seal or under the hand of an officer or attorney duly authorised in writing.
3. In the case of joint holders of any shares, any one of such persons may vote at the Meeting either in person or by proxy in respect of any such shares as if he were solely entitled thereto, but so that if more than one such joint holder be present at the Meeting personally or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority is determined by the order in which the names stand in the Register of Members in respect of the joint holding.
4. To be effective, this form of proxy must be lodged at the address overleaf not later than 48 hours before the time of the Meeting, or any adjournment thereof, together, if appropriate, with the power of attorney or other authority under which it is signed, or a notarially certified copy of such power of attorney.
5. Any alteration made in this form of proxy should be initialled by the person who signs it.
6. If it is desired to appoint as proxy any person other than the Chairman his/her name and address should be inserted in the relevant place, reference to the Chairman deleted and the alteration initialled.
7. In the case of joint holdings only one holder need sign this form of proxy but the name of all joint holders should be given.
8. Completion of this form of proxy will not prevent you from attending the Meeting and voting should you wish to do so.

Directors and Advisers

Directors	JF Billington* NJ Tamblyn D Howard-Orchard JA Hoskinson* * non-executive	(Chairman) (Chief Executive and Finance Director) (Group Technical Director) (Director)
Secretary	NJ Tamblyn	
Registered Office	50 Stratton Street London W1X 6NX	
Registered Number	1712354	
Auditor	KPMG Audit Plc Chartered Accountants 8 Salisbury Square London EC4Y 8BB	
Financial Advisers	Henry Ansbacher & Co Limited 13 Highfield Road, Edgbaston Birmingham B15 3DU	
Stockbrokers	Peel, Hunt & Company Limited 62 Threadneedle Street London EC2R 8HP	
Solicitors	Nabarro Nathanson 50 Stratton Street London W1X 6NX	
Petroleum Engineers	The Scotia Group, Inc Suite 1150, 4849 Greenville Avenue Dallas, Texas 75206 USA	
Registrars	Independent Registrars Group Limited Balfour House 390/398 High Road Ilford, Essex IG1 1NQ	
Principal Bankers	Bank One, Texas NA 1717 Main Street Dallas Texas 75201 USA Lloyds Bank plc 130 High Street Cheltenham Glos GL50 1EW	