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United Energy is an international energy Group specialising in development of proved and near proved oil and gas reserves in the USA and electricity generation from waste products in the UK.

United Energy continues to demonstrate sustained growth despite volatile product prices and is strongly focused on enhancing shareholder value.

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The Annual General Meeting of Shareholders

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 1997 at 11.00 am.

Oil and Gas Terms used in this Report

bbl	barrel
bbl/d	barrels of oil per day
mbbl	thousand barrels of oil
boe	barrels of oil equivalent
boepd	barrels of oil equivalent per day
mboe	thousand barrels of oil equivalent
mmboe	million barrels of oil equivalent
mscf	thousand standard cubic feet
mmscf	million standard cubic feet
mmbtu	million British thermal units



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COMPANIES HOUSE 31/05/97

Highlights

1996 Highlights

- Record Group profitability of £790,000.
- Turnover increased by 31% to £5.4 million.
- Oil & Gas production up by 6%.
- Operating cash flows per share increased by 33% to 7.2p.
- Evaluated net assets per share up by 73% to 28.1p.

Subsequent to Year End

- Closed acquisitions totalling \$1.2 million.
- Record daily production of over 1,700 boe.
- Three successful wells drilled, one on production, two being completed.

Profit and Loss Account

	1996	1995
	£'000	£'000
Turnover	5,384	4,125
Profit after taxation	790	111
Earnings per share	2.0p	0.3p

Cash Flow Statement

Net operating cash flow	2,767	1,902
Cash flow per share	7.2p	5.4p

Balance Sheet

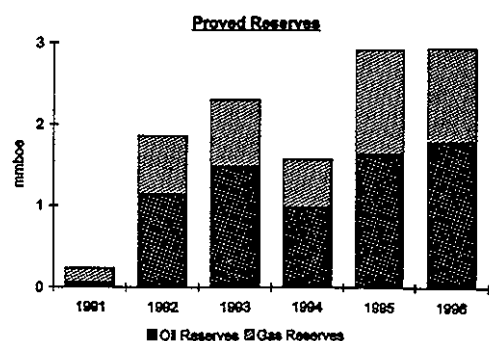
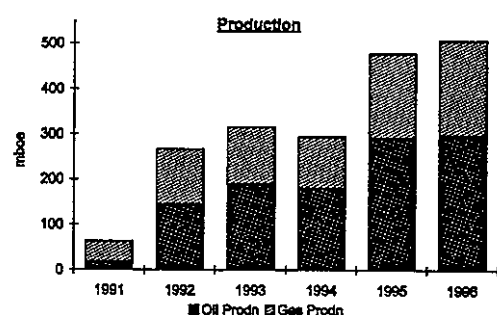
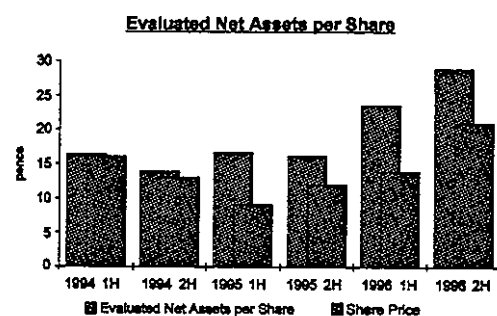
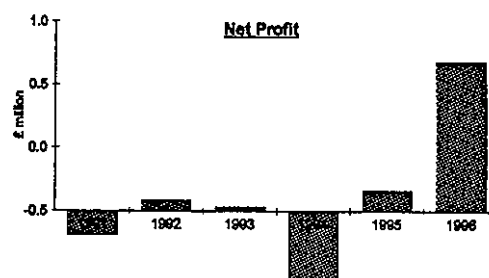
Shareholders' funds	5,389	5,210
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Production

Crude oil (mmbbl)	299	293
Natural gas (mmscf)	1,248	1,112
Average		
daily production (boepd)	1,384	1,310

Reserves, proven only

Crude oil (mmbbl)	1,800	1,656
Natural gas (mmscf)	6,905	7,639
Barrels of oil equivalent (mboe)	2,951	2,929



Chairman's Statement



We have had a record start to 1997 which will build on the progress made in previous years.

Dear Shareholder,

During the past year, we have continued to build on the strategy developed following my appointment as Chairman in July 1992. This strategic policy focused on developing the core business of oil and gas in the USA, in terms of both reserves and production volumes as well as the capability of the US management team. In addition, the Company would seek to offset some of the risk associated with volatile oil and gas prices by diversifying into niche opportunities in the wider energy sector. We describe in the following pages the new initiatives in these areas which we believe will continue to provide opportunities for significant growth.

Performance

I am very pleased with our strong performance this year. We returned a profit after taxation of £790,000, a seven fold increase on the previous year on turnover up 31% at £5.38 million. During the year, strong production and property disposals amounted to over 900 mboe, which were more than offset by reserve additions and improvements. Current production is at its highest level to date at over 1,700 boepd.

US Oil & Gas Operations

During 1996 we initiated an 8 well development drilling program to give exposure to higher risk/reward opportunities and I am pleased to report that this has been a success. We are continuing this program in 1997 with a further 12 to 15 wells planned.

Although the Group showed record production in 1996 we did not reach our goal by the year end as a consequence of being unable to make a material acquisition during the course of the year. A total of 66 deals were reviewed and bids valued at approximately £20 million were submitted to potential vendors. Whilst this was frustrating we have been careful to ensure that we do not make the mistake of overpaying for oil and gas properties simply for the sake of doing a deal. The difficulties relating to the present acquisition market in the United States are addressed in greater detail in the Management Report. Despite this disappointment we do expect to exceed 2,000 boepd during the first half of 1997 and we are continuing our efforts to secure a sizeable acquisition in order to achieve the growth we desire.

UK Power Generation

Progress has been made during the year on Agrigen's Nunn Mills Biomass Power Station, and we continue to be encouraged by the "waste to power" generation market. Once we have a reference plant in place, we are confident of our ability to replicate the process and expand into local and European markets, as proposed environmental legislation restricts the options for disposal of agricultural and domestic wastes.

People

Throughout the Company we have people who make things happen. The record performance for 1996 results from a combination of their successful efforts over a number of years. Without the loyalty and commitment of everyone working in the Company, it would not have been possible to achieve the results we have seen.

At the end of last year Tony Haywood resigned as a Director of United Energy plc in order to devote more time to his other business interests. I would like to thank Tony for his contribution and support since the take-over of AmBrit International PLC. Subsequent to the year end Tony Hoskinson has relinquished his position as Company Secretary and assumed a position as non-executive director. As a result of these changes we are looking to strengthen the Board in the near term with an additional non-executive director.

I am pleased to report that we have appointed Jim Buron to the position of President of AmBrit Energy Corp, thereby fulfilling a long standing aim of heading up our wholly owned subsidiary with local expertise. Jim joined AmBrit in July 1995 as Senior Vice President, Production and Operations. Further additions of both technical and accounting support staff during the year, have resulted in a strong operating team in Dallas which will permit the management of a significantly higher production and reserve base.

Share Price

Despite a worthwhile increase in the share price towards the end of 1996, your Board is still of the view that the shares are undervalued, particularly in light of the 25% discount to evaluated net assets per share, the cash flow multiple of three and the fact that the majority of other stocks in the sector trade at a premium to asset value. During the latter part of 1996 the UK management team gave a number of presentations to both London and regional brokers, as a result of which, we have seen greater liquidity in the stock and a narrowing of the spread. We will continue to work to raise the profile of the Company in the coming year.

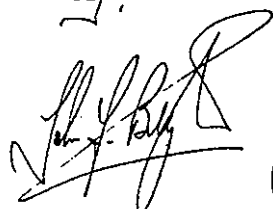
Outlook

We have had a record start to 1997 which will build on the progress made in previous years. The improved production, cash flows and earnings, together with the recently made acquisitions and drilling success, point toward a good year ahead.

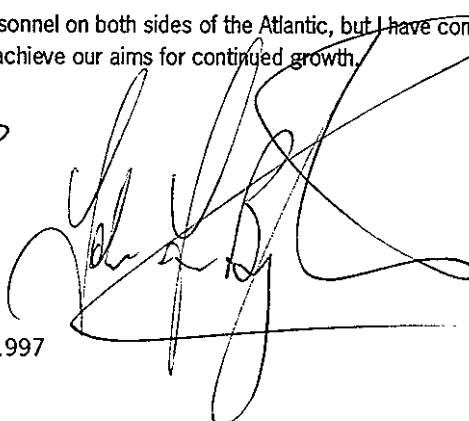
1997 will be an exciting and demanding year with a number of important goals to achieve. The targets for the Dallas team are a sizeable acquisition for AmBrit; a 25% increase in annual production through a combination of acquisitions, existing resource development and drilling; and an increase in the reserve base to over 4 million boe. In the UK we need to bring the Nunn Mills Biomass Power Station project to financial close during the summer of 1997, and substantially increase our interest in Agrigen, as well as identifying a follow up project.

These goals provide a challenge to personnel on both sides of the Atlantic, but I have confidence that everyone in the Company will strive to achieve our aims for continued growth.

Sincerely,



John F Billington Chairman 21 April 1997



Board of Directors



John F Billington

Non-Executive Chairman; joined the Board in December 1991 and was appointed Chairman in July 1992. John built up a company with almost 150 pharmacy and drugstore outlets as well as manufacturing and wholesaling activities; this business was sold to Lloyds Chemists plc in 1987. Age 52.



Nick Tamblyn

Chief Executive and Finance Director; was appointed to the Board in May 1992. Nick is a chartered accountant and joined the Company from KPMG where he was a Partner. Age 39.



Derek Howard-Orchard

Group Technical Director; joined the Board in February 1990. Derek is a petroleum engineer with 16 year's experience as a consultant to international oil and energy companies. He is a Director of the Group's US operations, spending a significant proportion of his time in the USA. Age 45.



Tony Hoskinson

Non-Executive Director; joined the Board in September 1989. Tony became a non-executive director in April 1997 having previously been Group Company Secretary. Age 55.

Tony Haywood Non-Executive Director; joined the Board in February 1992 and resigned December 1996. Tony is a geologist with 26 years world-wide experience. Age 51.

Management Report

Financial Review

Group Results

Turnover during 1996 increased by 31% to £5.38 million, resulting in a seven fold increase in profits to £790,000. Earnings per share increased to 2.0 pence from 0.3 pence.

Product prices showed significant gains over the year with the average oil price up 21% from 17.11 \$/bbl in 1995 to 20.72 \$/bbl in 1996 and average gas prices up 46% from 1.76 \$/mcf to 2.57 \$/mcf over the same period. Average prices increased further during the first quarter of 1997 to 20.76 \$/bbl and 2.80 \$/mcf respectively. However, spot prices have fallen sharply at the beginning of the second quarter to around 17.50 \$/bbl and 1.70 \$/mcf, but these pricing levels are still substantially above our break even point and will continue to contribute to strong cash flows.

Although gross profit in 1996 increased by 73%, it was held back by a £278,000 (20%) increase in production costs. The largest factor contributing to the increase in production costs was expenditure of £150,000 associated with mechanical failures in the Booth #1 and #2 and the Daigle wells, as reported at the half year. Overall, production costs amounted to £3.28 per boe in 1996 compared to £2.90 in the previous year. The Group depletion charge for the year was £3.20 per boe reflecting a nominal increase compared to £3.19 per boe in 1995.

Administration expenses increased by 34% over half of which was due to a number of non-recurring costs together with the provision for payment of an employee bonus. The one-off items included movement to the Full List, provision of the Free Share Sale Facility and a contract variation payment made in respect of a director. The underlying increase in expense largely reflected additions to the US staff team and the increased activity associated with the Dallas operations.

Interest charges fell by approximately 17% reflecting the lower gearing referred to in more detail below.

Based on the 1996 results, the Company is not proposing to pay a dividend. However, given the significant progress that has been and continues to be made, this matter will be kept under review during the current year. It was disappointing that the exercise to reduce the number of small shareholders only resulted in 439 taking advantage of the Free Share Sale Facility. Given that we presently have over 5,450 shareholders, we are continuing to look at methods to optimise the shareholder base.

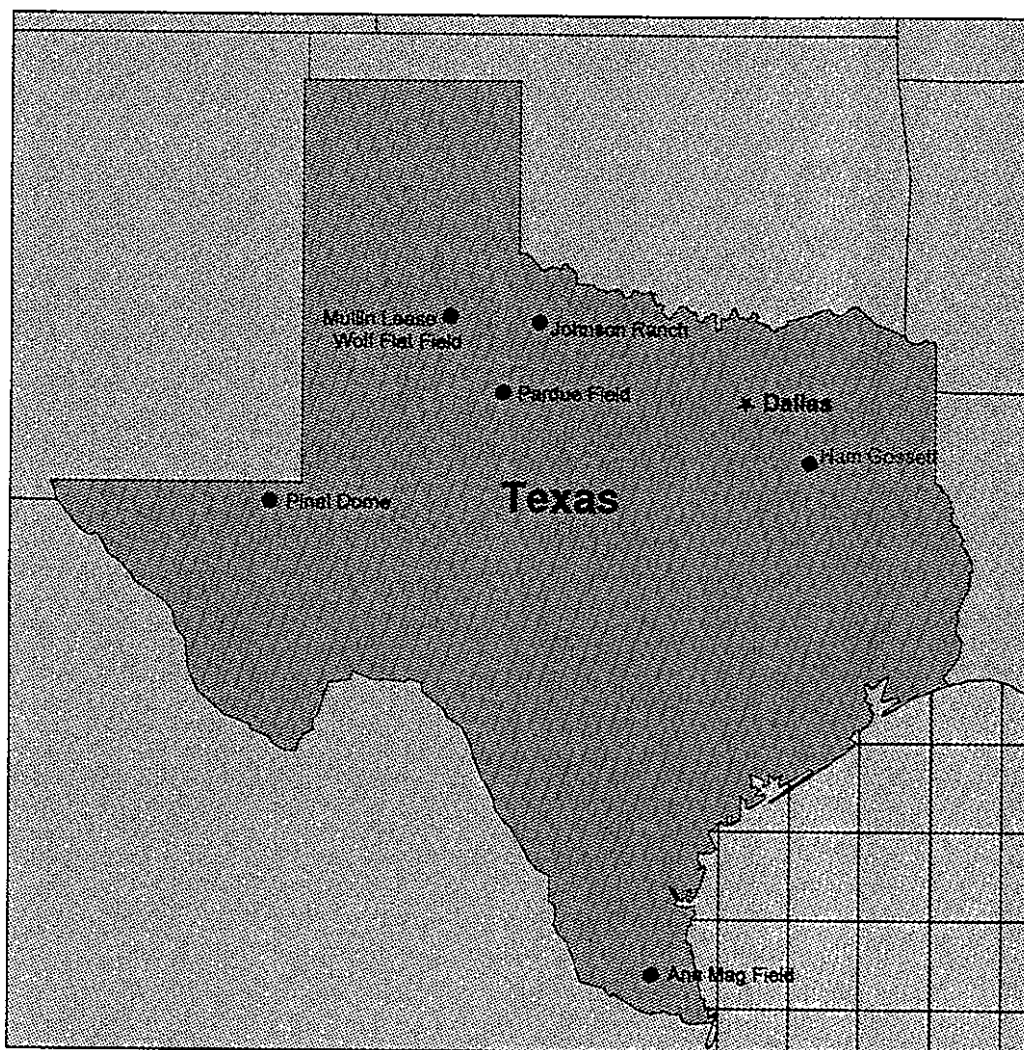
Other Financial Information

Cash flows from operations of £2.77 million were up 45% on the previous year's figures giving a cash flow per share of 7.2p (1995: 5.4p). In spite of higher production costs, gross cash flow per boe increased, as a result of the strong product prices, to £7.34 from £5.73 in 1995.

The net cash inflows from operating activities were fully invested in expenditure on oil and gas interests during the year. Total expenditure on oil and gas interests amounted to £3.25 million in 1996, compared to £5.25 million in 1995. Divestment receipts from oil and gas interests increased significantly from £0.34 million in 1995 to £2.03 million, primarily as a result of settlement of the CNG litigation contributing £1.34 million after the lawyers' contingency fees. As detailed in the 1995 Report and Accounts, the benefits arising from the CNG settlement have been recognised in these accounts as a deduction from the oil and gas interests cost pool on the Consolidated Balance Sheet, and not as a credit to the Profit and Loss Account. In addition, the Group invested £0.44 million inclusive of costs, into Agrigen of which £0.24 million was by way of a loan. Agrigen is accounted for as an associated Company in the Group Accounts.

Gearing, which was reduced from 91% at June 1995 to 76% at December 1995, has been further reduced during the year to just below 50% at 31 December 1996. This improvement, together with the strong borrowing base will support acquisitions in 1997 of around £3.5 million without recourse to funding from shareholders.

Against a two year history of stable dollar/sterling exchange rates, 1996 saw the year end exchange rate increase from \$1.55/£ to \$1.71/£, a movement of 10.3%. This held back the improvement in net assets per share as well as affecting gearing. With a view to eliminating the effect of short term profit and loss exchange fluctuations, the translation of the US results was changed to use average monthly rates rather than year end rates; the average exchange rate for 1996 was \$1.57/£. The Balance Sheet continues to be translated at the year end rate.



The evaluated net assets per share, using unescalated 12 month average product prices has increased by 73% to 28.1p. Using unescalated year end pricing, increases the evaluated net assets per share to 41.2p. Despite a marked increase in the share price during the latter part of 1996, the shares are currently trading in a range of 20 to 23p which represents a substantial discount to the evaluated net assets per share and a low cash flow multiple of 3.

Operational Review

During 1996, production increased by 6% to over 500,000 boe for the year. Second half production was 9% higher than in the first half, resulting in an average of 1,384 boepd. The annual increase was achieved despite the loss of 141 boepd as a result of property disposals, plus a further reduction as a result of unexpected early water production in the Daigle #3 well together with the loss of the Booth #1 well. In addition, production was adversely affected by the difficult acquisition market which contributed to the

absence of a significant property addition in 1996. A successful end to the 1996 development drilling program combined with the purchase of the Pardue Field and the first well of the 1997 drilling program coming on production, has pushed current production to record levels of over 1,700 boepd.

Development Drilling Program

The development drilling program, initiated during the first half of 1996, was designed to give the Company exposure to higher risk/reward opportunities. This program takes advantage of recent increases in technology, notably 3D seismic and horizontal drilling, to reduce the risk and enhance production. During the year a total of eight wells were drilled under this program at a cost of £1.37 million. Five out of the eight wells drilled were successful, adding proved reserves of over 340 mboe to AmBrit's interest with a value of £2.57 million, based on the year end reserve evaluation plus net cash flows received up until that date. In addition to the proved reserves, some 130 mboe of probable reserves have been attributed to these wells, which we do not value, but expect to be able to move into the proved category over the medium term.

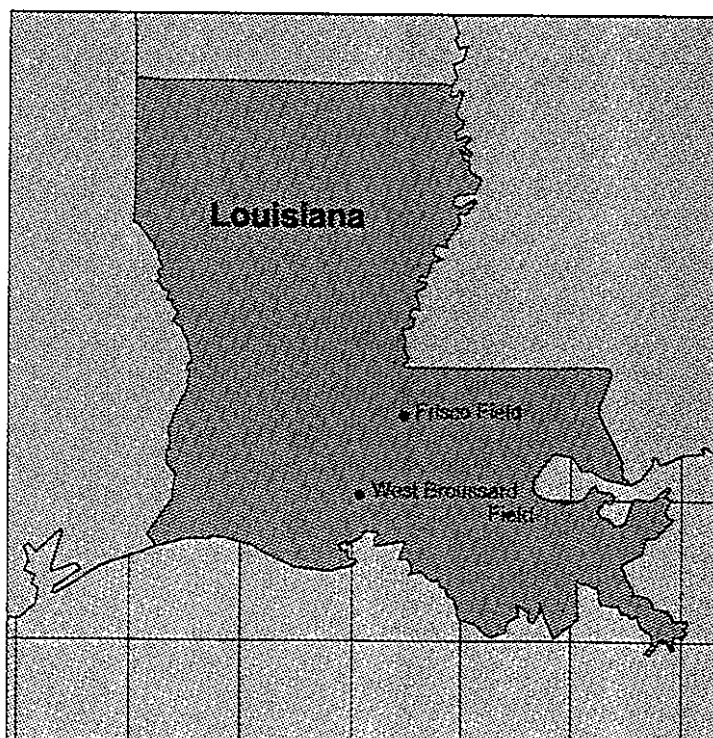
During 1997 we are proposing to drill some 12 to 15 wells under this program, three of which have already been drilled. The Vierson 30-9 #1 well, Jasper County, Mississippi, was successfully completed in the Cotton Valley Sands and is producing around 50 boepd to AmBrit's interest; there are additional sands within the well which should be productive and the success of this well has set up two offset locations. The Sullivan Deep "A" #1 well in the Ann Mag Field has encountered two prospective sands and is currently being completed. The Rio Pecos #47-2 well in the Pinal Dome Field proved to be a successful vertical well and we are now drilling a horizontal drainhole in one of the Cherry Canyon sands to enhance production. Should this horizontal drainhole be successful we will drill a similar lateral in the existing Rio Pecos #47-1 well, and the adoption of this approach across the field will benefit economic development.

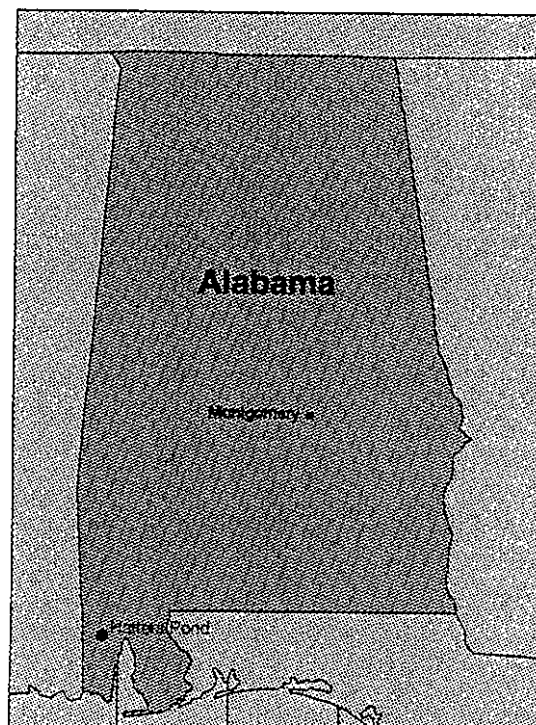
Key Property Review

The success of the development drilling program in the Ann Mag Field, Brooks County, Texas, has made this property the top producing area for AmBrit with some 380 boepd projected for 1997, before taking into account production from the Sullivan Deep "A" #1 well referred to above. A number of additional prospects remain to be drilled this year.

The AmBrit operated Frisco Field, Pointe Coupee Parish, Louisiana, continues to perform above predictions and is expected to contribute some 270 boepd to the Company's total production this year as the second largest producer for AmBrit. The Frisco Wilcox "C" waterflood is progressing satisfactorily, with implementation of the staged flood planned during the second half of 1997, although the process of unitisation has taken longer than initially expected.

The Pardue Field, Fisher County, Texas, acquired in March 1997, is contributing around 120 boepd net to AmBrit and is the third largest





producing area in AmBrit's portfolio. Prior to our acquisition the field had been neglected for some time and we are undertaking a detailed technical review ahead of an enhancement program.

The Mullin Lease in the Wolf Flat Field, Motley County, Texas, was acquired in late 1996 and following an enhancement program is the fourth largest producing area, with current net production of around 90 boepd. Additional upside potential exists on this lease which should be exploited this year.

The Hatters Pond Field, Mobile County, Alabama, is operated by Texaco and provides stable production projected to contribute over 70 boepd to AmBrit's interest as the fifth largest producing area.

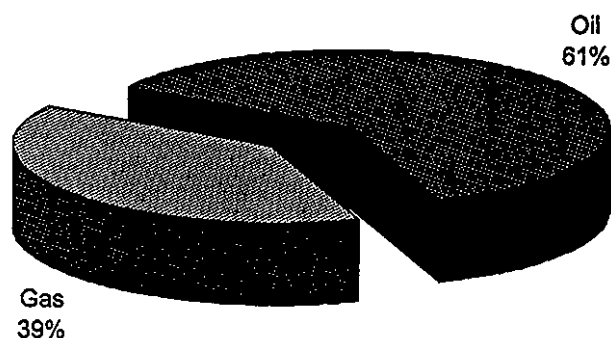
The West Broussard Field, Lafayette Parish, Louisiana, is operated by Exxon and continues to perform well. 1997 production is projected at 60 boepd and the property is the sixth largest producer for AmBrit.

The pilot phase of the Johnson Ranch Waterflood was successfully completed during 1996 and the installation of the first stage of the field wide flood commenced in February this year. We expect to see the benefits of this investment towards the end of 1997.

Reserves

The Group's 1996 year end proved reserves were estimated by Scotia Group, Inc. to be 1,799.7 mbbbls of oil and 6,904.5 mmscf of gas for a total of 2,950.5 mboe. Total proved reserves were up marginally against 1995 levels of 2,929.2 mboe, replacing production of over 500 mboe and disposals amounting to 413 mboe. The absence of a major acquisition in 1996 adversely impacted reserve growth.

Proved Reserves Distribution

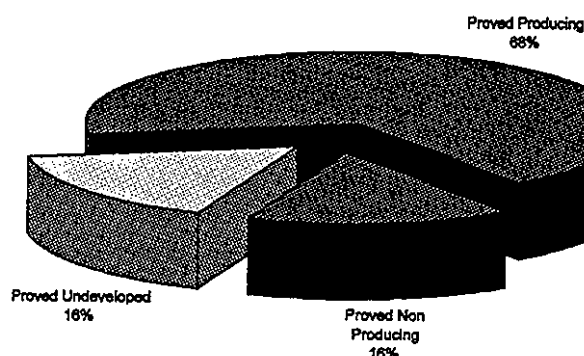


The reserve additions of 837 mboe were split 45% from property acquisitions and 55% from the development drilling program. Reserve improvements from existing properties totalled 104 mboe for the year but were adversely impacted by the loss of the Booth #1 well due to mechanical failure accounting for a loss of 145 mboe, and the premature water influx in the Daigle #3 well resulting in losses of over 60 mboe. Significant reserve gains were seen in the Frisco Field which continues to exceed predictions after the remedial works carried out following acquisition in 1995.

At the year end, proved reserves were split 61% oil and 39% gas reflecting a 4% shift towards oil against the 1995 figures; of these reserves, 68% were in the proved producing category. It remains the Group's policy to maintain parity between oil and gas and the above figures emphasise the necessity to increase gas reserves in 1997.

The appraised value of the Group's oil and gas reserves at 31 December 1996, on an unescalated basis using 12 month average prices, is up 40% on 1995 figures at £13.1 million. The bulk of this increase is

Proved Reserves Category Distribution



due to improved product prices with oil and gas prices up by 22% and 51% respectively. Using escalated pricing improves the appraised value by 21% to £15.9 million whilst the adoption of year end pricing on an unescalated basis increases this value to £18.7 million.

At year end 1996, the Group held interests in just over 500 wells and operated 81 of these with an average working interest of 77.4%. This reflects the Company's policy of achieving high ownership levels in properties it operates.

Agrigen

In January 1996, the Company announced the purchase of a 30% shareholding in Agrigen, which holds a NFF03 contract to supply 8.825 megawatts of electricity per hour from a poultry litter fired power station to be located at Nunn Mills, Northampton, for a consideration of £150,000. In addition, the Company made loans totalling £240,000 to Agrigen of which £40,000 was made during the year subsequent to the initial purchase of shares. Considerable progress has been made in negotiating various contracts, reviewing and optimising the design and preparing submissions for the necessary consents.

There have been a number of delays in the project, the most significant of which was our dissatisfaction with the preferred turnkey contractor's approach to the contract to build and commission the power station, as a result of which we decided to go back out to tender. Three parties were invited to tender and their responses are in the process of being reviewed and adjudicated. A preliminary review based on the technical and costing information received to date indicates that at least one of the responses will fully meet our requirements. We are hopeful that, providing this tendering process can be finalised smoothly, we will reach financial close in the summer of 1997 with first electricity sales during the first half of 1999.

Although the options we acquired over an additional 15% of the equity of Agrigen Limited were allowed to lapse we are seeking to increase our 30% interest to become a majority shareholder, in parallel with bringing the project to financial close.

Acquisitions and Disposals

We made two small acquisitions, each at around the \$1 million level during the year, but the major acquisition we are looking for remained elusive. There has been a significant change over recent years in the way companies divest their properties. The vast majority now favour marketing their property portfolios through a specialist broker who identifies and values all levels of reserves and potential upside, produces a comprehensive data and evaluation package, and solicits bids in the marketplace. This has resulted in a highly competitive bid market, with reduced potential for spotting hidden value, in which we have difficulty in justifying the prices paid for many of the properties.

During 1996 we acquired a 74.8% working interest in the Ham Gossett Field, Kaufman County, Texas, for \$0.75 million in cash and a 100% working interest in the Mullin Lease located in the Wolf Flat Field, Motley County, Texas, for \$1 million in cash. Within a month of acquiring the Mullin Lease we had worked over two wells to increase the pump capacity and boosted production by around 35%.

AmBrit purchased a majority interest in the Ham Gossett Field in April 1996 and had identified a number of projects which were expected to result in a significant increase in both production and reserves. During a series of workovers it was discovered that zones other than those documented in the statutory records had been perforated and produced which reduced our opportunities for recompletion. In addition, we discovered that with increased production volumes the salt water disposal facilities needed upgrading; rewiring of the emergency shutdown system was required; and new transformers were necessary to

stabilise the electricity supply and avoid spurious shutdowns. These problems have resulted in an increase in expenditure over that budgeted and less of an improvement than we had envisaged. However, we have now resolved the problems which contributed to excessive downtime in the field and have several low risk workovers planned to further enhance production.

Although our property portfolio was rationalised in late 1995, we have continued to dispose of non-core properties where offers have been received which are materially in excess of our internal values. During 1996 we sold our interests in the Lusk West Field, Lea County, New Mexico, to Parker & Parsley for a cash consideration of \$0.84 million. This property had net production of some 50 boepd and the sale funds were used to acquire the Mullin lease with net production, following two workovers, of well over twice this figure.

So far, in 1997 we have purchased a 100% working interest in the Pardue Field, Fisher County, Texas, for \$1.1 million and a majority working interest in three leases covering the West Fuller Field, Fremont County, Wyoming, for around \$100,000. The Pardue Field is currently producing in excess of 120 boepd to our net interest. The West Fuller Field contributes around 25 boepd but will also provide a number of development drilling locations to be exploited over the next few years.

Staff

We continue to maintain excellent staff continuity at AmBrit with no changes to the management team except for the promotion of Jim Buron to the position of President, effective 1 April 1997, fulfilling our desire to see our US operations headed up by a Dallas based US citizen. A number of changes were made to the support staff to strengthen the team given AmBrit's increasing role as operator. Subsequent to year end, we recruited a production and operations engineer which will assist Jim Buron in devoting more time to business development.



US Management Team: From left to right, Jim Buron, President; Jim Andress, Vice-President Engineering; Deborah Inzer, Senior Vice-President Finance; and Jacquie Bristol-Bilton, Vice-President Land and Legal

The existing UK management control of the US operations will remain in place with both Nick Tamblyn and Derek Howard-Orchard continuing to spend time at the US office. As a consequence of Jim Buron's promotion, Tom Carlson's consultancy agreement has been terminated although Tom is still maintaining his links with AmBrit with respect to the acquisition market. We have been very appreciative of the help and assistance provided by Tom Carlson over recent years.

Proved Oil and Gas Reserves

	Oil (mbbl)	Gas (mmscf)
Total proved reserves at 1 January 1996 as estimated by Scotia Group, Inc, and analysed as follows:		
- proved developed reserves	1,266.3	7,282.8
- proved undeveloped reserves	389.6	356.7
Total Proved Reserves at 1 January 1996	1,655.9	7,639.5
Changes during the year:		
- revisions	190.9	(522.4)
- production	(298.5)	(1,248.4)
- acquired in the year	427.3	2,458.6
- disposals	(175.9)	(1,422.8)
	1,799.7	6,904.5
Total proved reserves at 31 December 1996 as estimated by Scotia Group, Inc, and analysed as follows:		
- proved developed reserves	1,330.3	6,795.3
- proved undeveloped reserves	469.4	109.2

Estimation and Valuation of Proved Oil and Gas Reserves

The Reserve Estimation was performed by The Scotia Group, Inc, on all the Group's properties. Oil prices used for the evaluation were based on a 12 month average of West Texas Intermediate posted prices of 20.52 \$/bbl adjusted by lease for gravity and transportation fees. Similarly, gas prices are based on a 12 month average price for Texas Gulf Onshore Spot of 2.37 \$/mmbtu. Oil and gas prices, operating costs and capital expenditures are held constant for the economic life of the property.

As has been noted in previous Reports and Accounts, the basis for SEC evaluations employed by the majority of other oil and gas companies with predominantly US production is to use year end pricing. United Energy's position is that in most cases this presents a distorted view as year end product prices are usually favourably influenced by seasonal factors and the year's average product prices more accurately reflect the true position. Actual year end spot prices were 24.25 \$/bbl for West Texas Intermediate and 3.59 \$/mmbtu for Texas Gulf Onshore Spot gas. These values represent a significant increase over the average prices used for our reserve evaluation and had United Energy adopted this pricing regime the Appraised Value of Proved Oil and Gas Reserves on an unescalated basis would be £18.69 million.

The evaluation of Proved Oil and Gas Reserves (Escalated) was performed by the Group using production profiles determined by The Scotia Group, Inc, for the unescalated case, with oil and gas prices escalated at 6% per annum to a maximum of 40 \$/bbl and 4 \$/mmbtu respectively. Similarly, operating costs and capital expenditures are escalated at 4% per annum until the termination of the product price escalation.

The appraised value of proved oil and gas reserves is estimated by the Group to be equal to the estimated future net revenue discounted at 10% per annum. The Appraised Value on an unescalated basis as shown below, was calculated by The Scotia Group, Inc, using 12 month average oil and gas prices. Whilst the Appraised Value on an escalated basis was calculated by the Group using production profiles determined by The Scotia Group, Inc, for the unescalated case and 12 month average oil and gas prices escalated as described above.

Written down Book Value of Proved Oil and Gas Reserves	£ 7.61 million
Appraised Value of Proved Oil and Gas Reserves (Unescalated)	£13.12 million
Appraised Value of Proved Oil and Gas Reserves (Escalated)	£15.88 million

Directors' Report

The Directors present their report and the audited accounts of the Group for the year ended 31 December 1996.

Activities

The Company is the holding company of a Group whose principal activities are the development and production of oil and gas interests in the United States of America. The Directors intend to expand and develop these existing activities whilst seeking further opportunities for growth in the wider energy sector.

Review of Business

A review of the Group's progress, developments during the year and future prospects is contained in the Chairman's Statement on Pages 2 and 3 and the Management Report on Pages 5 to 10, both of which should be read in conjunction with this report.

Results and Dividend

The results of the Group for the year ended 31 December 1996 are set out in the profit and loss account on Page 19.

The Directors do not propose to recommend the payment of a dividend (1995: £nil).

Donations

The Group made no political or charitable donations during the year ended 31 December 1996.

Subsequent Events

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

Share Capital

The changes in the share capital of the Company are set out in Note 16 to the accounts.

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.

Directors

The Directors of the Company during the year were as follows:

JF Billington	(Chairman, Non-Executive)
NJ Tamblin	(Chief Executive and Financial Director)
D Howard-Orchard	(Group Technical Director)
JA Hoskinson	(Director)
AB Haywood	(Non-Executive, resigned 31 December 1996)

On 1 April 1997, Mr Tamblin assumed the role of Company Secretary along with his other responsibilities and Mr Hoskinson became a Non-Executive Director, having served as Company Secretary prior to this date.

In accordance with the Company's Articles of Association, Mr JA Hoskinson retires by rotation at the Annual General Meeting and, being eligible, will offer himself for re-election. The services of Mr Hoskinson are provided through Trojan Investments Ltd which has an agreement with the Company which is for a fixed period of 2 years from 1 April 1997.

Directors' Interests in the Company

The Directors at 31 December 1996 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 1996			At 1 January 1996		
	Ordinary shares of 10p each	Warrants	Share options	Ordinary shares of 10p each	Warrants	Share options
Beneficial:						
JF Billington	9,358,724	-	453,703	5,773,329	890,410	453,703
JA Hoskinson	295,100	-	703,125	295,100	15,962	703,125
D Howard-Orchard	184,859	-	962,500	124,850	4,452	862,500
NJ Tamblyn	185,312	-	700,000	144,312	-	500,000
Non Beneficial:						
JA Hoskinson	198,750	-	-	198,750	24,444	-

Details of the share options and warrants to subscribe for the Company's ordinary shares are set out in Note 16 to the accounts. The warrants expired on 11 February 1996.

There were no changes in the Directors' registered interests in the share capital of the Company during the period 1 January 1997 to 21 April 1997. None of the Directors had any interest in the shares of any subsidiary undertaking at 31 December 1996 or since.

Substantial Shareholdings

At 21 April 1997 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	21.47
Ansbacher Nominees Ltd	2,025,460	5.22
Bank of Scotland Nominees Ltd	1,660,000	4.27
Roy 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 above.

Directors' Interests in Transactions

Other than as set out in Note 5 there were no disclosable contracts or arrangements involving the Directors during the year ended 31 December 1996.

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 £1,293,000 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 £193,950 (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 3,879,189 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 1998.

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 1996. 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.

Free Share Sale Facility and Stockbroker Arrangement

During a limited period in 1996, a free share sale facility was made available to eligible shareholders whose registered shareholding on 29 April 1996 was less than 1,000 shares whereby they could sell their shares without dealing expenses.

This offer was taken up by 439 shareholders which was disappointing given the large number of small shareholdings with a value which is insufficient to cover the dealing cost.

Your Company remains mindful of the large number of remaining small shareholders but given the modest take-up of the facility last year, does not propose repeating the arrangement at this time but will keep the position under review.

Transition to the Official List

Following publication of the 1995 Report and Accounts the Company applied and was admitted to the Official List of the London Stock Exchange. Dealings commenced on 3 June 1996.

CREST

The Company's ordinary shares have 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 32% of the ordinary shares in issue.

Auditors

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

Corporate Governance

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 Company has only two non-executive directors and not the minimum of three recommended by the Code. This matter is actively under review and the Board expects to appoint an additional non-executive director during the current year.
- 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.

The Board normally meets at least monthly and has a formal schedule of matters reserved to it. In addition, the Audit and Remuneration Committees, which following the resignation of Mr AB Haywood now comprise 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

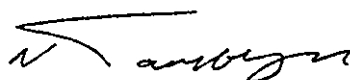
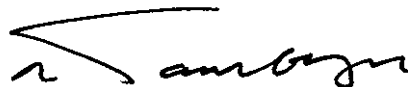
loss. The principal procedures that have been established and which are considered appropriate for a Group of our size include the following:

- 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 budget 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.

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 Auditors 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 18, 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 accounts; and that the Directors' statement on Page 14 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 corporate governance procedures, or on the ability of the Group to continue in operational existence.

By Order of the Board

NJ Tamblin
50 Stratton Street
London W1X 6NX
21 April 1997

Remuneration Committee's Report

The Company's Remuneration Committee consisted solely of the two non-executive directors, Mr Haywood and myself, until Mr Haywood's resignation on 31 December 1996. Mr Hoskinson was appointed to the Committee following his move to Non-Executive Director on 1 April 1997. Throughout this period the Committee has been chaired by myself. 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.

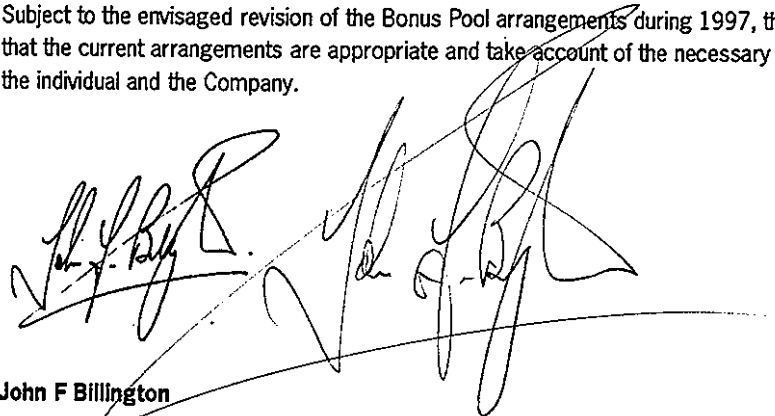
The Committee has specific responsibility for determining the remuneration of each of the Executive Directors and in calculating the individual salary package particular attention is paid to ensuring that an appropriate balance is maintained between reward and performance taking into account the special 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 Note 5 to the accounts. The remuneration of Non-Executive Directors is determined by the Board.

The Committee is aware of the fact that it does not comply with the recommendations of the Report concerning directors' contracts of employment, in that Mr Howard-Orchard, has a three year rolling contract of employment. This contract was in place before the publication of both the Cadbury and Greenbury Reports. Following the creation of the Remuneration Committee it reviewed the impact of this rolling contract and determined that no change was, at that time required, and on further review in each subsequent year it has not believed that it is necessary to alter 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 two years and fixed contracts shall not exceed three years. It will continue to review the present arrangements for Mr Howard-Orchard and, when appropriate, the contract 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 £554,000 for 1996. The participants of this scheme during 1996 were myself and Messrs Tamblin, Howard-Orchard and Hoskinson. Your Board of Directors consider that my involvement in the Bonus Scheme is appropriate, given that as detailed in Note 5 to the accounts, I receive no other fees or benefits from the Company. Mr Hoskinson's involvement in the scheme ceased when he became a Non-Executive Director. As the Group's profits exceeded for the first time the minimum profit on ordinary activities before taxation of £554,000 set by the Scheme rules, a bonus of 10% of the Group's profit before bonuses is payable, amounting to approximately £88,000. The Bonus Scheme has been in existence since 1991 and it has been decided by the Remuneration Committee that the Scheme should be revised during the current year to reflect the on-going and significant progress that has been made in recent years. Details of the allocation of the 1996 Bonus Pool are set out in Note 5 to the accounts, these allocations were made by the Remuneration Committee taking into account individual performance during the year.

The Company also operates an Employee Share Option Scheme. Under the rules of this Scheme, up to 3,900,000 ordinary shares are available to be issued at the date of this report. A total of 3,369,328 ordinary shares have been issued, of which 650,000 were issued during 1996, 200,000 to Mr Tamblin and 100,000 to Mr Howard-Orchard, with the balance of 350,000 issued to the four senior US employees of AmBrit Energy Corp. This represents the first involvement of the US staff in the Employee Share Option Scheme and reflects their very important contribution during 1996 to the Group. Full details of the options issued under the Employee Share Option Scheme are set out in Note 16(b).

Subject to the envisaged revision of the Bonus Pool arrangements during 1997, the Committee considers that the current arrangements are appropriate and take account of the necessary factors which affect both the individual and the Company.

A large, stylized handwritten signature in black ink, likely belonging to John F Billington, is written over the text and extends across the signature line.

John F Billington
Chairman, Remuneration Committee

21 April 1997

Directors' Responsibilities Statement

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 Group and of the profit or loss 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;
- prepare the accounts 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 accounts 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 accounts.

Auditors' Report to the members of United Energy plc

We have audited the accounts on Pages 19 to 34.

Respective responsibilities of directors and auditors

As described above the Company's directors are responsible for the preparation of 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 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 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 financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 1996 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

Chartered Accountants

Registered Auditor

London, 21 April 1997

KPMG Audit Plc.

Consolidated Profit and Loss Account for the Year Ended 31 December 1996

	Notes	1996 £'000	1995 £'000
Turnover	2	5,384	4,125
Cost of sales:			
Production costs		(1,664)	(1,386)
Depletion of oil and gas interests and abandonment		(1,620)	(1,527)
		(3,284)	(2,913)
Gross profit		2,100	1,212
Administrative expenses		(958)	(715)
Operating profit	2	1,142	497
Loss from interests in associated undertaking		(5)	-
Provision against investment		(40)	(13)
Interest receivable		20	20
Interest payable and other charges	3	(327)	(393)
Profit on ordinary activities before taxation	4	790	111
Taxation	7	-	-
Profit on ordinary activities after taxation	17(d)	790	111
Earnings per share	8	2.0p	0.3p

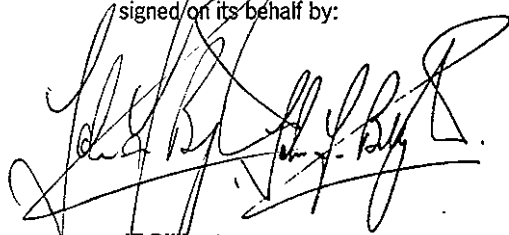
All items dealt with in arriving at the operating profit for 1996 and 1995 relate to continuing operations. The result as shown in the profit and loss account is not materially different from the result on an unmodified historic cost basis.

The notes on Pages 23 to 34 form part of these accounts.

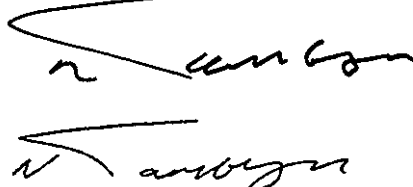
Consolidated Balance Sheet at 31 December 1996

	Notes	1996 £'000	1995 £'000
Fixed assets			
Intangible exploration assets	9(a)	363	13
Oil and gas interests	9(b)	7,608	8,896
Other tangible assets	9(b)	104	57
Investments	11(b)&(c)	255	61
		8,330	9,027
Current assets			
Debtors	12	1,186	1,080
Cash at bank		705	541
		1,891	1,621
Creditors: amounts falling due within one year	13	(1,446)	(940)
Net current assets		445	681
Total assets less current liabilities		8,775	9,708
Creditors: amounts falling due after more than one year	14	(3,365)	(4,477)
Provisions for liabilities and charges	15	(21)	(21)
Net assets		5,389	5,210
Capital and reserves			
Called up share capital	16(a)	3,879	3,705
Share premium account	17(b)	270	244
Other reserves: capital reserve	17(c)	729	928
Profit and loss account	17(d)	511	333
Shareholders' funds-equity		5,389	5,210

The accounts on Pages 19 to 34 were approved by the Board of Directors on 21 April 1997 and were signed on its behalf by:



JF Billington
Chairman



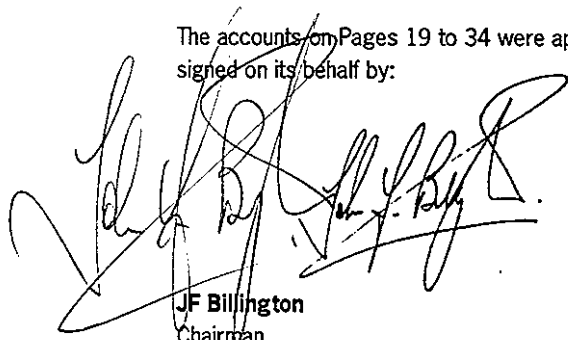
NJ Tamblin
Chief Executive

The notes on Pages 23 to 34 form part of these accounts.

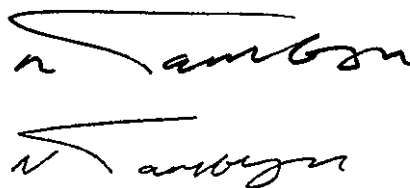
Company Balance Sheet at 31 December 1996

	Notes	£'000	1996 £'000	£'000	1995 £'000
Fixed assets					
Oil and gas interests	9(c)		58		77
Other tangible assets	9(c)		15		11
Investments in Group undertakings	11(a)		4,198		2,814
Other investments	11(b)&(c)		459		61
			4,730		2,963
Current assets					
Debtors	12	1,508		3,201	
Cash at bank		333		165	
			1,841	3,366	
Creditors: amounts falling due within one year	13	(1,714)		(1,606)	
Net current assets			127		1,760
Total assets less current liabilities			4,857		4,723
Creditors: amounts falling due after more than one year	14		(274)		-
Net assets			4,583		4,723
Capital and Reserves					
Called up share capital	16(a)		3,879		3,705
Share premium account	17(b)		270		244
Profit and loss account	17(d)		434		774
Shareholders' funds-equity			4,583		4,723

The accounts on Pages 19 to 34 were approved by the Board of Directors on 21 April 1997 and were signed on its behalf by:



JF Billington
Chairman



NJ Tamblin
Chief Executive

The notes on Pages 23 to 34 form part of these accounts.

Consolidated Cash Flow Statement for the Year Ended 31 December 1996

	Notes	1996 £'000	1995 £'000
Net cash inflow from operating activities	18(a)	2,767	1,902
Returns on investments and servicing of finance			
Interest received	19	20	
Interest paid	(327)	(393)	
Net cash (outflow) from returns on investments and servicing of finance		(308)	(373)
Investing activities			
Expenditure on oil and gas interests	(3,248)	(5,248)	
Sale of oil and gas interests	2,028	340	
Purchase of associated undertakings	(438)	-	
Purchases of other fixed assets	(88)	(24)	
Sale of other fixed assets	6	-	
Net cash (outflow) from investing activities		(1,740)	(4,932)
Net cash inflow/(outflow) before financing		719	(3,403)
Financing			
Issue of ordinary share capital	18(b)	200	-
Loans repaid	18(b)	(5,106)	(922)
Additional loans drawn	18(b)	4,351	4,305
Net cash (outflow)/inflow from financing		(555)	3,383
Increase/(decrease) in cash and cash equivalents	18(c)	164	(20)

Consolidated Statement of Total Recognised Gains and Losses for the Year Ended 31 December 1996

	1996 £'000	1995 £'000
Profit for the financial year	790	111
Exchange difference on translation of overseas operations/investment	(603)	36
Exchange (loss)/gain on related borrowings	(9)	12
Total recognised gains and losses relating to the year	178	159

Notes to the Accounts for the year ended 31 December 1996**1. Accounting policies****Accounting convention**

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

Basis of consolidation

The Group accounts consolidate the accounts 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 are 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 accounts of the holding company was £340,000 (1995: loss £121,000).

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 accounts 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 in January 1996. The capital reserve is non-distributable.

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.

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

1. Accounting policies (continued)

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 1996 and 1995.

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

Since 1 January 1996 average rates of exchange have been used to translate the profit and loss accounts of overseas subsidiary undertakings; the balance sheets of overseas undertakings continue to be translated at the rate of exchange ruling at the balance sheet date. Using average exchange rates to translate the 1995 results does not result in any material change to those results, given that the year end exchange rate and average exchange rates in 1995 were approximately the same. The impact on the 1996 results has been to improve profit on ordinary activities after taxation by approximately £80,000. 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	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000	1996 £'000	1995 £'000
United States of America	5,359	4,068	1,512	645	4,967	4,350
United Kingdom	25	57	(370)	(148)	422	860
	5,384	4,125	1,142	497	5,389	5,210

Turnover by destination is not materially different from turnover by origin.

3. Interest payable and other charges

	1996 £'000	1995 £'000
Interest payable on bank overdraft and other loans wholly repayable within five years	321	390
Other charges	6	3
	327	393

4. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging:

	1996 £'000	1995 £'000
Amortisation of oil and gas interests	1,620	1,527
Depreciation of tangible fixed assets	26	24
Auditors' remuneration - for audit work	34	32
- non audit work	16	47
Operating leases payments - property	58	53
Provision against investments	40	13
Exchange losses	6	1

5. Directors' emoluments

The remuneration of the Directors comprised:

	Salary & Fees £	Pension £	Contract Variation Payments & Other Benefits £	Bonus Pool £	1996 Total £	1995 Total £
Executive Directors						
NJ Tambllyn	71,604	3,776	-	27,500	102,880	62,133
D Howard-Orchard	69,104	-	-	27,500	96,604	62,133
JA Hoskinson	31,062	-	20,000	5,500	56,562	30,208
Sub Total	171,770	3,776	20,000	60,500	256,046	154,474
Non-Executive Directors						
JF Billington (Chairman)	-	-	-	27,500	27,500	-
AB Haywood	9,375	-	-	-	9,375	7,500
Sub Total	9,375	-	-	27,500	36,875	7,500
Total	181,145	3,776	20,000	88,000	292,921	161,974

5. Directors' emoluments (continued)

The emoluments of the Directors excluding pensions contributions and compensation for contractual changes fell within the following ranges:

	1996 Number	1995 Number
£ nil - £ 5,000	-	1
£ 5,001 - £ 10,000	1	1
£25,001 - £ 30,000	1	-
£30,001 - £ 35,000	-	1
£35,001 - £ 40,000	1	-
£60,001 - £ 65,000	-	2
£95,001 - £100,000	2	-

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. Details of the Directors share options are set out in Note 16(b).

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 Tamblin'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 Tamblin's salary to a money purchase personal pension scheme, payments during the year amounted to £3,776 (1995: £Nil).

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. In addition to his director's fees, Mr Haywood received £10,375 for geological services provided during the year (1995: £Nil).

6. Staff numbers and costs

The aggregate payroll costs of the Group including Directors comprised:

	1996 £'000	1995 £'000
Wages and salaries	555	436
Social Security costs	66	57
Employer's pension contributions	4	-
Contract variation payments	20	-
	645	493

The average number of persons, including Directors, employed by the Group during the year was 13 (1995: 13).

7. 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.

At 31 December 1996 the Group had net operating losses available for offset against future profits subject to United States Federal Tax of approximately £5.3 million, of which approximately £3.2 million are readily

7. Taxation (continued)

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 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 (1995:£nil).

8. Earnings per share

The calculation of earnings per share is based on the profit on ordinary activities after taxation of £790,000 (1995: £111,000) and on the weighted average number of 38,592,296 ordinary shares in issue during the year (1995: 35,445,901). Fully diluted earnings per share are not disclosed on the basis that they are not materially different from the basic earnings per share.

9. Group intangible exploration assets and tangible fixed assets

(a) Intangible exploration assets:

	£'000
At 1 January 1996	13
Additions	1,756
Transferred to tangible fixed assets	(1,373)
Exchange adjustments	(33)
At 31 December 1996	363

(b) Group tangible fixed assets:

	Oil & gas interests £'000	Leasehold improvements fixtures, fittings & motor vehicles £'000	Total £'000
Cost:			
At 1 January 1996	13,929	187	14,116
Exchange adjustments	(1,555)	(18)	(1,573)
Additions (Note 10)	1,939	88	2,027
Transfer from intangible exploration assets	1,373	-	1,373
Disposals	(2,086)	(6)	(2,092)
At 31 December 1996	13,600	251	13,851
Depletion and depreciation:			
At 1 January 1996	5,033	130	5,163
Exchange adjustments	(661)	(9)	(670)
Charge for the year	1,620	26	1,646
At 31 December 1996	5,992	147	6,139
Net book value:			
At 31 December 1996	7,608	104	7,712
At 1 January 1996	8,896	57	8,953

At 1 January and 31 December 1996 the principal tangible oil and gas interests were located in the USA.

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

(c) Company tangible fixed assets

	Oil & gas interests £'000	Leasehold improvements fixtures & fittings £'000	Total £'000
Cost:			
At 1 January 1996	140	63	203
Additions	-	7	7
At 31 December 1996	140	70	210
Depreciation:			
At 1 January 1996	63	52	115
Charge for the year	19	3	22
At 31 December 1996	82	55	137
Net book value:			
At 31 December 1996	58	15	73
At 1 January 1996	77	11	88

10. Expenditure on oil and gas interests

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

	£'000
Producing interests purchased	1,201
Development expenditure	738
Producing and development expenditure	1,939
Exploration and appraisal	1,756
Total expenditure	3,695

11. Investments

(a) Investments in subsidiary undertakings

	Company	
	1996 £'000	1995 £'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	1,852	468
	4,198	2,814

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.

11. Investments (continued)

At 31 December 1996 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.

(b) Investment in associated undertakings

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
At 1 January 1996	-	-	-	-
Additions	200	-	200	-
Goodwill written off	(199)	-	-	-
Group's share of deficit	(5)	-	-	-
	(4)	-	200	-
Loans to associated undertakings	240	-	240	-
Other	19	-	19	-
	255	-	459	-

The investment in associated undertakings comprises the Company's 30% investment in the ordinary shares of Agrigen Ltd which was acquired in January 1996. 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.

(c) Other investments

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Unquoted shares at cost	13	13	13	13
Loans	40	61	40	61
Provision against investment	(53)	(13)	(53)	(13)
	-	61	-	61

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.

12. Debtors: amounts falling due within one year

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Trade debtors	1,119	1,027	25	54
Amounts owed by subsidiary undertakings	-	-	1,470	3,141
Other debtors	67	18	13	6
Prepayments and accrued income	-	35	-	-
	1,186	1,080	1,508	3,201

13. Creditors: amounts falling due within one year

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Trade creditors	1,021	774	29	34
Amounts owed to subsidiary undertakings	-	-	1,510	1,506
Accruals and deferred income	416	158	166	57
Taxation and social security	7	6	7	6
Other creditors	2	2	2	3
	1,446	940	1,714	1,606

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

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Bank loan (secured)	3,365	4,477	-	-
Amounts owed to subsidiary undertakings	-	-	274	-
	3,365	4,477	274	-
Borrowings at 31 December 1996 were repayable as follows:				
Between one and two years	-	-	-	-
Between two and five years	3,365	4,477	274	-
	3,365	4,477	274	-

The bank loans represent drawings against a £5.85 million facility of which a total of £3.36 million had been drawn at 31 December 1996. Of the undrawn facility, £1.1 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.

15. Provisions for liabilities and charges

There was no movement on the Group provisions for liabilities and charges during the year which are in respect of litigation.

	Group Litigation £'000
At 1 January 1996 and 31 December 1996	21

At 31 December 1996 the Company and the Group had no deferred taxation liability (1995: £nil).

16. Called up share capital

(a) Share capital

	1996 £'000	1995 £'000
Authorised:		
55,000,000 (1995: 55,000,000) ordinary shares of 10p each	5,500	5,500
Allotted, called up and fully paid:		
38,791,895 (1995: 37,052,568) ordinary shares of 10p each	3,879	3,705

As announced to shareholders on 29 January 1996, the Company issued 1,739,132 ordinary shares of 10p each at 11.5p, representing the mid market price at the date of grant, to help fund the share purchase and related loan to Agrigen Ltd. Of these shares, 869,566 were issued to Haut Terre Investments Ltd, a company controlled by Mr JF Billington and 869,566 to Mr Billington's wife.

At 31 December 1995 there were 1,838,745 warrants outstanding to subscribe for ordinary shares of 10p each. The final subscription period was the 42 days commencing 31 December 1995 and expired on 11 February 1996, during this period 195 warrants were exercised at the exercise price of 40p each, resulting in 195 ordinary shares of 10p each being issued. The subscription rights of all warrants that remained outstanding after that date have now lapsed.

(b) Share options

The maximum number of options available for issue by the Company under the Rules of the United Energy plc No.2 Executive Share Option Scheme is 3,879,189 shares. At 31 December 1996 options had been granted under the rules of this Scheme on 3,369,328 ordinary shares (1995: 2,719,328) of which the following had been issued to directors who were in office at 31 December 1996.

Exercise Price	40p	42.5p	17p	27p	15p	15p	
Date of Grant:	10.8.90	21.2.92	13.8.92	14.6.93	6.7.95	5.6.96	Total
JF Billington	-	-	225,000	228,703	-	-	453,703
JA Hoskinson	300,000	178,125	225,000	-	-	-	703,125
D Howard-Orchard	400,000	237,500	225,000	-	-	100,000	962,500
NJ Tamblin	-	-	200,000	-	300,000	200,000	700,000
	700,000	415,625	875,000	228,703	300,000	300,000	2,819,328

The exercise dates of the options issued to directors can be determined from the table of options detailed below.

The mid-market price of the Company's ordinary shares at 31 December 1996 was 18.5 pence per share and the shares had traded in the range 11 to 19 pence per share during 1996. No options were exercised or lapsed during the year, the only movement is detailed in the table above.

16. Called up share capital (continued)

At 31 December 1996 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	700,000	40p	10.8.1993 - 9.8.1997
No.2 1990 Executive	415,625	42.5p	21.2.1995 - 20.2.1999
Share Option Scheme	975,000	17p	13.8.1995 - 12.8.1999
	100,000	12p	4.11.1995 - 3.11.1999
	228,703	27p	14.6.1996 - 13.6.2000
	300,000	15p	6.7.1998 - 5.7.2002
	300,000	15p	5.6.1999 - 4.6.2003
	350,000	16p	12.11.1999 - 11.11.2003
(ii) J M V Butterfield Trust	400,000	40p	10.8.1993 - 9.8.1997
	237,500	42.5p	21.2.1995 - 20.2.1999
(iii) A P O Alderton	396,875	32p	10.8.1993 - 9.8.1997
	225,000	32p	13.8.1995 - 12.8.1999

17. Shareholders' funds

(a) Movement in shareholders' funds

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Shareholders' funds at 1 January 1996	5,210	4,678	4,723	4,471
Profit/(loss) for the financial year	790	111	(340)	(121)
Goodwill written-off on acquisition in the year	(199)	-	-	-
Exchange adjustments	(612)	48	-	-
Share capital issued including share premium	200	373	200	373
Shareholders' funds at 31 December 1996	5,389	5,210	4,583	4,723

(b) Share premium account

	Group and Company £'000
At 1 January 1996	244
Arising on issue of shares	26
At 31 December 1996	270

(c) Other reserves: capital reserves

	Group £'000
At 1 January 1996	928
Goodwill written-off on acquisition in the year	(199)
At 31 December 1996	729

17. Shareholders' funds (continued)

(d) Profit and loss account

	Group £'000	Company £'000
At 1 January 1996	333	774
Profit/(loss) for the financial year	790	(340)
Exchange difference on translation of overseas operations/investments	(603)	-
Exchange losses on related loans/borrowings	(9)	-
At 31 December 1996	511	434

18. Cash flow

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

	1996 £'000	1995 £'000
Operating profit	1,142	497
Depreciation	26	24
Amortisation of oil and gas interests	1,620	1,527
Exchange differences	(32)	12
Increase in debtors	(48)	(616)
Increase in creditors	59	458
Net cash inflow from operating activities	2,767	1,902

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

	Bank loans		Share capital (including share premium)	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
At 1 January 1996	4,477	1,087	3,949	3,576
Additional loans drawn	4,351	4,305	-	-
Loan repayments	(5,106)	(922)	-	-
Exchange adjustments	(357)	7	-	-
Shares issued in connection with acquisitions	-	-	-	373
Issue of ordinary share capital for cash	-	-	200	-
At 31 December 1996	3,365	4,477	4,149	3,949

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

	1996 £'000	1995 £'000	1994 £'000	Change in 1996 £'000	Change in 1995 £'000
Cash at bank and in hand	705	541	561	164	(20)

19. Lease commitments

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

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Expiring 1998 - 2001	38	40	-	-
Expiring after 2001	11	11	11	11

20. Capital commitments

There were no capital commitments contracted at 31 December 1996 (1995: £nil).

21. Contingent liabilities

The Company has provided guarantees on the bank indebtedness of a US subsidiary; the amount guaranteed at the year end was £3.37 million (1995: £4.48 million).

22. Post balance sheet events

Subsequent to 31 December 1996 the Group has acquired oil and gas interests with a total value of £700,000. The most significant transaction was the acquisition of the Pardue Field properties at a cost of £640,000 (\$1.1 million) announced on 4 March 1997. 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 1997 at 11.00 am for the purposes of:

Ordinary Business

1. Receiving and considering the accounts for the year ended 31 December 1996 and the reports of the Directors and auditors thereon;
2. To reappoint KPMG Audit Plc as auditors;
3. To authorise the Directors to fix the auditors' remuneration; and
4. To re-elect as a Director Mr Hoskinson who retires by rotation.

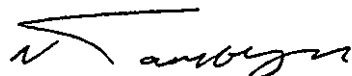

Special Business

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 conditionally 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 £1,293,000 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 £193,950; 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 3,879,189;
 - (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 1998 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 Tambllyn

Secretary

Registered office:

50 Stratton Street

London W1X 6NX

Dated: 7 May 1997

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.

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	
Auditors	KPMG Audit Plc Chartered Accountants 8 Salisbury Square London EC4Y 8BB	
Financial Advisers	Henry Ansbacher & Co Limited One Mitre Square London EC3A 5AN	
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 1 Butler Place Caxton Street London SW1H 0PR	