

1712354

UNITED ENERGY plc

REPORT & ACCOUNTS 1994



Directors and Advisers

Directors	JF Billington*	(Chairman)
	D Howard-Orchard	(Joint Chief Executive & Technical Director)
	NJ Tamblyn	(Joint Chief Executive & Finance Director)
	JA Hoskinson	(Director and Secretary)
	AB Haywood*	(Director)
	* non-executive	
Secretary	JA Hoskinson	
Registered Office	50 Stratton Street London W1X 6NX	
Registered Number	1712354	
Auditors	KPMG	
	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	Netherland, Sewell & Associates, Inc.	
	4500 Thanksgiving Tower	
	1601 Elm Street	
	Dallas Texas 75201 USA	
Registrars	Independent Registrars Group Limited	
	Broseley House	
	Newlands Drive	
	Witham Essex CM8 2UL	
Principal Bankers	Bank One Texas NA	
	1717 Main Street	
	Dallas Texas 75201 USA	
	Lloyds Bank plc	
	1 Butler Place	
	Caxton Street	
	London SW1H 0PR	

Financial Highlights

	1994 £'000	1993 £'000
Profit and Loss Account		
Turnover	2,520	3,003
(Loss)/profit for the financial year	(379)	23
(Loss)/earnings per share	(1.1p)	0.1p
Cashflow Statement		
Net operating cashflow	932	1,226
Balance Sheet		
Shareholders' funds	4,678	5,352

Financial Calendar 1995

1 June	Annual General Meeting
September	Announcement of Interim results for 1995
31 December	Year End

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Chairman's Statement

Dear Shareholder

I am pleased to report that the Company now differs markedly from the entity which is the subject of this Report and Accounts.

The recently announced acquisition of the Woodbine and Renown properties, which is the subject of a separate circular to be mailed to shareholders shortly, will increase our reserve base by 110% to around 3,290 mboe and daily production by 120% from 640 boepd at the end of 1994 to over 1,400 boepd in 1995. The production increase should add an estimated \$2.7 million to net operating cashflows in 1995 with no material increase in operating overhead. This represents a significant move forward for the Company in line with our stated strategy of increasing our US oil and gas investment and we believe that these acquisitions will substantially enhance our operating performance.

The continued decline in product prices made 1994 another difficult year for oil and gas production companies. The average price received for US oil production has fallen by 18% since 1992, the year in which we acquired AmBrit International PLC, with 7 percentage points of this fall occurring in the past year. Gas prices have shown a similar trend with average received prices for US production declining by 14% since 1992. In real terms, dollar oil prices are less today than they were in the early 1970's.

Against this background turnover for the year is down by 16% to £2.52 million (1993 £3.00 million) due predominately to the decline in oil and gas prices and loss of production as a result of the sale of Humbly Grove. Consequently, the Group made a loss of £379,000 as compared to a profit of £23,000 in 1993. The areas of cost under our control were below those for 1993 but the benefit of this could not offset such a fall in turnover.

Towards the end of the year, we sold our UK interests to Cairn Energy Onshore for £1.4 million in cash with effect from 1 July 1994. The sale proceeds exceeded the book value of the assets at 30 June 1994 by approximately £300,000. The majority of the proceeds of the sale have been used, together with the gearing afforded by our US banking facilities, to acquire the Woodbine and Renown properties.

During 1994 we have seen a significant improvement in the quality of the deals reviewed by the Dallas office and submitted offers on 14 properties totalling over \$28 million. A number of these were unsolicited offers which remain to be followed up. In the wider energy sector we reviewed a number of ventures in power generation under the Non Fossil Fuel Order as well as coal mining/trading opportunities overseas, but, as yet, have not found a transaction which offered adequate returns at an acceptable level of risk. In November 1994, we acquired at minimal cost the right to participate in a Far Eastern coal mining/trading opportunity contingent upon its successful development. It is too early to assess whether this opportunity will result in a more material investment.

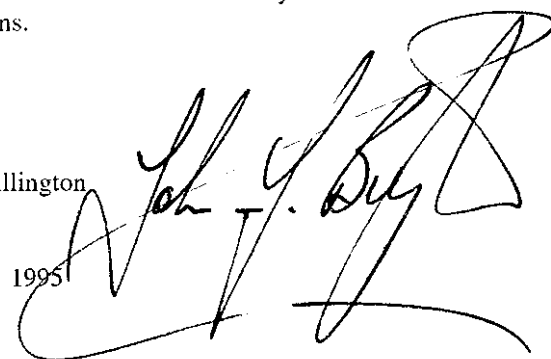
The CNG litigation has a trial date set for September 1995. Our attorneys continue to believe that the case has substantial merit and are devoting significant time to the case with three partners involved on a regular basis. The attorneys are retained on a contingency basis and the downside for the Group is minimal.

Looking forward, the mild winter in North America has resulted in weak gas prices which are unlikely to increase until later in 1995. However, the Woodbine and Renown acquisitions should strengthen significantly the Group's operating and cashflow performance and our long standing banking relationship in the US should allow further acquisitions in 1995. The Dallas team has identified other potential acquisitions which will be pursued during the coming year, together with opportunities in the wider energy sector.

This year has started well for your Company and it is the Board's intention to build further on the enhanced base created by our recent acquisitions.

John F Billington
Chairman

27 March 1995



Review of Operations

Financial Overview

Production levels in 1994 decreased by 6% to 296 mboe as compared to 315 mboe in 1993, this reduction primarily resulted from lower UK production due to natural declines and the sale of Humbly Grove. As a result US production accounted for 81% of the Group's 1994 production compared to 77% in 1993.

Turnover fell by 16% from £3.00 million to £2.52 million, largely due to lower average pricing. Production costs, administrative costs and interest payable all fell during 1994 as compared to 1993, but these falls did not offset the £483,000 reduction in turnover. As such a loss before tax of £379,000 was incurred compared to a profit before tax of £23,000 in 1993. As reported in the half year results, oil prices were significantly below those experienced in 1993, and although some improvement was noted in the second half of 1994, the average price received for 1994 of US\$15.60/bbl remained well below the US\$16.66/bbl received during 1993. Although gas prices remained relatively stable during the first half of 1994, prices had already started to weaken at the time of the interim announcement. This situation deteriorated further during the second half of the year with the result that the average price received for 1994 declined from US\$2.14/mcf to US\$2.07/mcf.

Cash inflows from operations at £0.93 million as compared to £1.23 million in 1993 were 24% lower than in prior years. This decrease was the direct result of the loss for the year. Net gearing was significantly reduced to 11% at 31 December 1994 as compared to 37% in 1993, having benefited from the sale of Humbly Grove which was completed in November 1994.

Net assets per share of 13.9p on a book basis are down on last year's 15.9p and on an evaluated basis are 13.9p as compared to 19.8p as at 31 December 1993. Of the 5.9p decrease in evaluated net assets per share, 4.4p is attributable to loss for the year, pricing and exchange losses, 1.2p is attributable to the sale of the UK assets, with the balance attributable to other factors.

Reserves

The Group's year-end 1994 proved reserves are estimated to be 982.7 mbbbls of oil and 3,525.8 mmscf of gas, representing approximately 1,570.2 mboe. This compares to the Group's 1993 year end reserves of 2,301.2 mboe and reflects a diminution of reserves amounting to 731 mboe. The sale of Humbly Grove accounts for 449 mboe with 1994 production accounting for a further 296 mboe offset by acquisitions net of other minor property sales. Downward reserve revisions of 46.5 mboe were predominately due to the reduction in average oil and gas prices since 1993.

The appraised value of the Group's oil and gas reserves on an unescalated basis has fallen from £8.21 million at 31 December 1993 to £5.15 million, as a result of the sale of Humbly Grove and the fall in average oil and gas prices referred to above. During the year the West Texas Intermediate average oil price fell from 16.93 \$/bbl in 1993 to 15.63 \$/bbl in 1994, which is significantly below the 1992 average price of 19.83 \$/bbl. Similarly, the average Texas Gulf Onshore gas price declined from 2.03 \$/mmbtu in 1993 to 1.81 \$/mmbtu in 1994. For comparison, the estimated appraised value on an unescalated basis using 1993 prices is some £1.14 million higher at £6.29 million.

At 31 December 1994 the Group had interests in 485 gross wells (70.3 net) with an average ownership interest of 14.5%.

Key Property Review

We have continued to pursue the Group's strategy as noted in the 1993 Annual Report & Accounts. Details of the activity on our key properties is set out below:

Humbly Grove & Herriard

During the year the Group sold its 12.5% working interest in this property along with its remaining interests in the UK to Cairn Energy Onshore Limited for £1.4 million in cash.

The price realised from this sale was some £300,000 above our book value at 30 June 1994 and at a premium to our appraised value based on 1994 average oil prices which included full value for the drilling program planned for the fourth quarter of 1994, the predicted outcome of which was far from certain. In accordance with the Group's accounting policies, proceeds arising from the disposal of the UK oil and gas interests have been fully offset against the book value of the Group's oil and gas interests and as such, the surplus does not appear within the Profit and Loss Account.

North Texas

Our interest in this area consisted of a 25% working interest in the Johnson Ranch and James Fields located in Foard and Cottle Counties, Texas. As stated previously, most of the development potential in this area is confined to the Johnson Ranch field. In line with the Group's policy of rationalising its property portfolio, our interest in the James Field was sold during the year at a premium over our appraised value. Some 8 development wells were drilled at Johnson Ranch during the year all of which are commercially productive. We intend to review the installation of a small pilot waterflood towards the middle of 1995 to test the feasibility and effectiveness of waterflooding this property. Burnett Oil farmed-in to some prospective acreage in the northern area of our interests and drilled a successful well which tested at 900 mcf/d. We receive a 1.875% overriding royalty interest in this well with the option to convert it to a 6.25% working interest after payout. In addition, we are progressing negotiations with another party who wish to farm-in to the prospective acreage in the southeast corner of our lease.

We continue to pursue a more favourable gas market which will assist in economic development of the gas reserves on Johnson Ranch, but have been held back by the operator's delay's in issuing a revised gas transportation contract.

Larto Lake

This property is located in Catahoula Parish, Louisiana and is operated by AmBrit Energy Corp, our wholly owned US subsidiary. There are 3 wells producing from the 5200 ft Wilcox reservoir which is supported by a strong natural water drive. During the year we submitted an offer for an additional interest of around 20% in this property, but the offer was deemed insufficient and the vendor withdrew the interest from sale.

As noted last year the 4 wells producing from the WX F Unit partial water drive reservoir were approaching the latter stages of their economic life. During the year we evaluated the installation of electric submersible pumps in these wells to increase produced volumes but the economic benefit was marginal. We are currently investigating using remedial acid stimulation to enhance production.

Hatters Pond

The Group holds a 0.66% working interest in the Hatters Pond Unit in Alabama, which is operated by Texaco. Early in the year we made an unsolicited offer to purchase the interests of a third party in the field which was rejected. During 1994 this property has produced above expectations resulting in an increase in assigned reserves.

Hilliard

Maverick Properties Inc successfully drilled and completed their farm-in well in April 1994 but, as yet, the well is not on production as Maverick are waiting for a pipeline to be laid. Electric logs indicate that there are 4 potential pay horizons in the Middle Wilcox formation over which we have undiluted rights. We have also received a request from Hunt Oil who wish to farm-in to deeper rights on a 90 acre lease out of our 320 acre Wheelock unit. We continue to pursue increasing our interests in this package of properties.

SE Perkins & State Skinner

During 1994 we acquired a 50% working interest in each of these waterflood units located in Payne and Pawnee Counties, Oklahoma. The acquisition added a total of 90.2 mboe to our reserves and 52 boepd to our daily production for a consideration of \$475,000.

CNG Litigation

We are pleased with the progress that continues to be made on our ongoing litigation against CNG. Considerable work has been done by our new attorneys since their appointment at the end of 1993.

Based on the work performed to date, the Directors continue to believe that the Group's case against CNG is well founded and are hopeful that a favourable outcome to our claim can be achieved during 1995. A trial date has been set for September 1995.

Acquisitions

With the objective of improving the flow of potential transactions, in May 1994 we appointed Mr Tom Carlson as a deal finder on a part time basis. Mr Carlson has spent his working life in the oil business having established and developed his own company prior to selling out in 1986. He is a prominent figure in Dallas oil and gas circles having served as an Officer and Director of the Dallas Petroleum Club as well as Vice President, Director and Member of the Executive Committee of the Independent Petroleum Association of America. Since his appointment the quality and quantity of our US deal flow has improved significantly and we have selected some 20 property groups for detailed evaluation. Of these 20 property groups, we submitted offers on 14 amounting to \$28 million.

Two property groups, Woodbine and Renown, on which we have been working since early 1994 have been acquired for a total cost of approximately \$8.00 million. These acquisitions will increase our reserve base by 110% to around 3,290 mboe and increase daily production by 120% to over 1,400 boepd in 1995 and are more fully described in the Circular to be mailed to Shareholders on 29 March 1995.

In the wider energy sector, we reviewed a number of opportunities during 1994. These included various non fossil fuel power projects, small power generation plants in China, a coal mining venture in Wales and a coal mining and trading venture in the Far East. None of the projects reviewed, with the possible exception of the Far Eastern opportunity, offered adequate returns at an acceptable level of risk. In November 1994, we acquired at minimal cost the right to participate in the Far Eastern opportunity contingent upon its successful development. We are firmly of the view that investment in the wider energy sector is important and, although we have not yet identified a suitable transaction, we will continue our search for opportunities in 1995.

Staff

The teams on both sides of the Atlantic have worked hard this year and shown a strong commitment to building the Group. There have been no changes to our Dallas team, other than the appointment of Mr Carlson referred to above, and it is pleasing that their loyalty and significant contribution has been rewarded by the two recent acquisitions.

Proved Oil and Gas Reserves

	Oil (mbbl)	Gas (mmscf)
Net proved reserves for key properties at 1 January 1994, as estimated by Netherland, Sewell & Associates, Inc:		
- proved developed reserves	906.4	3,061.4
- proved undeveloped reserves	493.1	58.2
 Net proved reserves remaining properties at 1 January 1994, as estimated by United Energy's in-house engineers:		
- proved developed reserves	84.1	1,786.1
- proved undeveloped reserves	-	-
 Net proved reserves for all properties at 1 January 1994:		
- proved developed reserves	990.5	4,847.5
- proved undeveloped reserves	493.1	58.2
 Total Proved Reserves at 1 January 1994	1,483.6	4,905.7
 Changes during the year:		
- revisions	(67.7)	127.2
- production	(182.5)	(679.4)
- acquired in the year	81.2	54.1
- disposals	(331.9)	(881.8)
 Net proved reserves at 31 December 1994 as estimated by Netherland, Sewell & Associates, Inc:		
- proved developed reserves	685.8	3,291.4
- proved undeveloped reserves	296.9	234.4
 Total proved reserves at 31 December 1994	982.7	3,525.8

Estimation and Valuation of Proved Oil & Gas Reserves

The 1994 Reserve Estimation and Valuation was performed by Netherland, Sewell and Associates Inc on all the Group's properties. The 1993 Reserve Estimation and Evaluation was split into two parts. Netherland, Sewell and Associates Inc, estimated the reserves and future net revenue for the Group's key properties which contain approximately 83% of the Group's reserves. The remainder of the Group's properties were evaluated by United Energy's in-house engineers using the same parameters as Netherland, Sewell and Associates Inc.

Oil prices used for the evaluation were based on a 12 month average of West Texas Intermediate posted prices of 15.63 \$/bbl adjusted by lease for gravity and transportation fees with the exception of the Greek properties which used a 12 month average of received prices. Similarly, gas prices are based on a 12 month average price for Texas Gulf Onshore Spot of 1.81 \$/mmbtu. Oil and gas prices, operating costs and capital expenditures are held constant for the economic life of the property.

The evaluation of Proved Oil & Gas Reserves (Escalated) was performed by Netherland, Sewell and Associates Inc, with oil & 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 (unescalated and escalated) shown below was calculated by Netherland, Sewell and Associates Inc.

Written down Book Value of Proved Oil and Gas Reserves	£5.17 million
Appraised Value of Proved Oil & Gas Reserves (Unescalated)	£5.15 million
Appraised Value of Proved Oil & Gas Reserves (Escalated)	£6.45 million

REPORT OF THE DIRECTORS

The Directors present their report and the audited accounts of the Group for the year ended 31 December 1994.

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 and Europe. 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 Page 3 and the Review of Operations on Pages 4 to 6, 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 1994 are set out in the profit and loss account on Page 14.

The Directors do not propose to recommend the payment of a dividend (1993: £nil).

Fixed Assets

The changes in the fixed assets of the Group are set out in Notes 9, 10 and 11(b) to the accounts.

Share Capital

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

Directors

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

JF Billington	(Chairman, Non-Executive)
D Howard-Orchard	(Joint Chief Executive)
NJ Tamblyn	(Joint Chief Executive)
JA Hoskinson	
AB Haywood	(Non-Executive)

In accordance with the Company's Articles of Association Mr J F 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 1994 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:

Beneficial:	At 31 December 1994			At 1 January 1994		
	Ordinary shares of 10p each	Warrants	Share options	Ordinary shares of 10p each	Warrants	Share options
JF Billington	5,773,329	890,410	453,703	5,773,329	890,410	453,703
AB Haywood	70,312	-	200,000	70,312	-	200,000
JA Hoskinson	295,730	15,962	703,125	295,730	15,962	703,125
D Howard-Orchard	69,850	4,500	862,500	69,850	4,500	862,500
NJ Tamblyn	77,000	-	200,000	77,000	-	200,000
Non Beneficial:						
JA Hoskinson	173,750	74,444	-	173,750	74,444	-

Details of the share options and warrants to subscribe for the Company's ordinary shares are set out in Note 16 to the accounts.

There were no changes in the Directors' registered interests in the share capital of the Company during the period 1 January 1995 to 27 March 1995. None of the Directors had any interest in the shares of any subsidiary undertaking at 31 December 1994 or since.

Substantial Shareholdings

At 27 March 1995 the Company was aware of the following other holdings of 3% or more in its ordinary shares.

	Number of Shares	%
Ansbacher Nominees Limited	2,025,460	6.02
West Ashby Investments Limited	1,846,263	5.48
London & Manchester Group plc	1,750,500	5.20
Abacus (Nominees) Limited	1,465,572	4.35
APO Alderton	1,425,006	4.23
Phildrew Nominees Ltd	1,016,576	3.02

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.

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 1994.

Tax Status

In the opinion of the Directors the Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

Increase of Share Capital, Share Allotment and Pre-emption Rights

At this year's Annual General Meeting the Directors are proposing a resolution to increase the Company's authorised share capital to £5,500,000 (an increase of 22.2%) by the creation of 10,000,000 new ordinary shares of 10p each. This will preserve some flexibility for the future. As at previous general meetings a resolution 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 £1,122,092.60 (11,220,926 shares representing 33.33% of the Company's present issued share capital). Although the Directors will be issuing up to 3,389,785 shares as consideration for the Woodbine and Renown acquisitions, referred to in the Review of Operations above, on or before 28 April 1995 (pursuant to the authority granted to them at last year's Annual General Meeting) they have no present intention of exercising the authority sought at this year's Annual General Meeting other than to satisfy the Company's obligations to issue shares in respect of share options and warrants.

As at previous general meetings, in accordance with the limits prescribed by the organising bodies representing the interests of institutional shareholders, a special resolution will be proposed to renew the Directors' power to allot equity securities for cash, other than by way of rights issue pro-rata to existing shareholders, of up to an aggregate nominal amount of £168,313.90 (1,683,139 shares 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.

Auditors

On 6 February 1995 our auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Corporate Governance

The Company complies with those paragraphs of the Code of Best Practice incorporated in the report of the Cadbury Committee on the Financial Aspects of Corporate Governance which are currently applicable, save that:-

- i. The Company only has two non-executive directors and not the minimum of three recommended by the Code. The Board believes that the extra cost of a third non-executive director is not presently warranted by a Group of United Energy's size, although this matter will be kept under review in the light of future Group developments.
- ii. The present non-executive directors do not have formal fixed term contracts, although the Board has agreed that all new non-executive directors will be appointed on formal fixed term contracts currently envisaged not to exceed two years.

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 comprise Mr J F Billington and Mr A B Haywood, meet at least twice yearly.

Corporate Governance (cont'd)

In November 1994, guidance was published on compliance with Section 4.6 of the Cadbury Code (which requires that directors should report that the business is a going concern, with supporting assumptions or qualifications as necessary). The Company has complied with this new guidance and has concluded that 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.

The auditors, KPMG, have confirmed that in their opinion: with respect to the Directors' statement on going concern in the preceding paragraph, the Directors have provided the disclosures required by paragraph 4.6 of the Code (as supplemented by the related guidance for directors) and the statement is not inconsistent with the information of which they are aware from their audit work on the financial statements; and that the Directors' statement on the above appropriately reflects the Company's compliance with the other paragraphs of the Code in force specified by the Listing Rules for their review. They have carried out their review in accordance with the Bulletin 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 the Company's system of corporate governance procedures, or on the ability of the Group to continue in operational existence.

Board of Directors

J F Billington Non-Executive Chairman joined the Board in December 1991 and was appointed Chairman in July 1992. John Billington 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. He holds a number of other directorships. Age 50.

D Howard-Orchard Joint Chief Executive and Technical & Operations Director joined the Board in February 1990. Derek Howard-Orchard is a petroleum engineer with 16 year's experience as a consultant to international oil and energy companies. He is President of the Group's US operations, spending a significant proportion of his time in the USA. Age 43.

N J Tamblyn Joint Chief Executive & Finance Director was appointed to the Board in May 1992. Nick Tamblyn is a chartered accountant and joined the Company from KPMG where he was a Partner. Age 37.

J A Hoskinson Director and Secretary joined the Board in September 1989 and is responsible for the Company's statutory obligations and shareholder liaison. Age 53.

A B Haywood Non-Executive Director joined the Board of AmBrit as Technical Director in 1989 and joined the Board of United Energy on AmBrit's acquisition in February 1992. He became a Non-Executive Director in October 1992. Tony Haywood is a geologist with 25 years worldwide experience. Age 49.

Directors' Responsibilities Statement

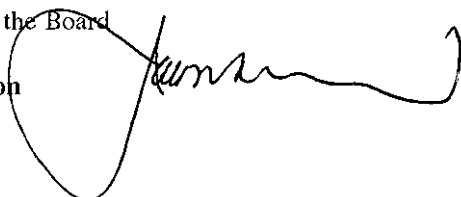
Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss for that period. In preparing those accounts, the directors are required to:-

- 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.

By Order of the Board

JA Hoskinson
Secretary



50 Stratton Street
London W1X 6NX
27 March 1995

Report of the Auditors

To the members of United Energy plc

We have audited the accounts on Pages 14 to 32.

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

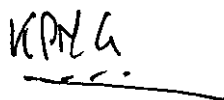
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by 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 accounts give a true and fair view of the state of affairs of the Company and the Group as at 31 December 1994 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors



London, 27 March 1995

**Consolidated Profit and Loss Account
for the Year Ended 31 December 1994**

	Notes	1994 £'000	1993 £'000
Turnover	2	2,520	3,003
Cost of sales:			
Production costs		(865)	(908)
Depletion of oil and gas interests		(1,035)	(1,066)
Abandonment		(9)	(12)
		(1,909)	(1,986)
Gross profit		611	1,017
Administrative expenses		(786)	(791)
Operating (loss)/profit		(175)	226
Loss on disposal of freehold		(24)	-
Interest receivable		3	3
Interest payable and other charges	3	(183)	(206)
(Loss)/profit on ordinary activities before taxation	4	(379)	23
Taxation	7	-	-
(Loss)/profit on ordinary activities after taxation	17	(379)	23
(Loss)/earnings per share	8	(1.1p)	0.1p

All items dealt with in arriving at the operating profit for 1994 and 1993 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.

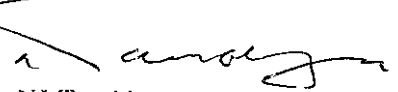
The notes on Pages 18 to 32 form part of these accounts.

Consolidated Balance Sheet at 31 December 1994

	Notes	1994		1993	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible exploration assets	9(a)		13		240
Oil and gas interests	9(b)		5,173		7,100
Other tangible assets	9(b)		57		329
Investments	11(b)		73		-
			<u>5,316</u>		<u>7,669</u>
Current assets					
Debtors	12	464		667	
Cash at bank		561		631	
		<u>1,025</u>		<u>1,298</u>	
Creditors: amounts falling due within one year	13	(555)		(1,115)	
Net current assets			<u>470</u>		<u>183</u>
Total assets less current liabilities			<u>5,786</u>		<u>7,852</u>
Creditors: amounts falling due after more than one year	14		(1,087)		(2,261)
Provisions for liabilities and charges	15		(21)		(239)
Net assets			<u>4,678</u>		<u>5,352</u>
Capital and reserves					
Called up share capital	16		3,366		3,366
Share premium account			210		210
Other reserves: capital reserve			928		928
Profit and loss account	17(b)		174		848
Shareholders' funds-equity			<u>4,678</u>		<u>5,352</u>

The accounts on Pages 14 to 32 were approved by the Board of Directors on 27 March 1995 and were signed on its behalf by:


JF Billington
Chairman


NJ Tamblyn
Joint Chief Executive

The notes on Pages 18 to 32 form part of these accounts.

Company Balance Sheet at 31 December 1994

	Notes	1994		1993	
		£'000	£'000	£'000	£'000
Fixed assets					
Oil and gas interests	9(c)		100		115
Other tangible assets	9(c)		9		260
Investments in Group undertakings	11(a)		2,346		2,346
Other investments	11(b)		73		-
			<u>2,528</u>		<u>2,721</u>
Current assets					
Debtors	12	3,069		3,185	
Cash at bank		418		-	
		<u>3,487</u>		<u>3,185</u>	
Creditors: amounts falling due within one year	13	(1,543)		(429)	
			<u>1,944</u>		<u>2,756</u>
Net current assets					
			<u>1,944</u>		<u>2,756</u>
Total assets less current liabilities					
			<u>4,472</u>		<u>5,477</u>
Creditors: amounts falling due after more than one year	14		-		(926)
Provisions for liabilities and charges	15		(1)		(19)
			<u>(1)</u>		<u>(19)</u>
Net assets					
			<u>4,471</u>		<u>4,532</u>
Capital and Reserves					
Called up share capital	16		3,366		3,366
Share premium account			210		210
Profit and loss account	17(b)		895		956
			<u>4,471</u>		<u>4,532</u>
Shareholders' funds-equity					
			<u>4,471</u>		<u>4,532</u>

The accounts on Pages 14 to 32 were approved by the Board of Directors on 27 March 1995 and were signed on its behalf by:

JF Billington
Chairman

NJ Tambllyn
Joint Chief Executive

The notes on Pages 18 to 32 form part of these accounts.

**Consolidated Cash Flow Statement
for the Year Ended 31 December 1994**

	Notes	1994 £'000	1993 £'000
Net cash inflow from operating activities	18(a)	932	1,226
Returns on investments and servicing of finance			
Interest received and other income		3	3
Interest paid		(183)	(206)
		<hr/>	<hr/>
Net cash outflow from returns on investments and servicing of finance		(180)	(203)
Investing activities			
Expenditure on oil and gas interests		(905)	(798)
Sale of oil and gas interests		1,354	34
Other investments		(73)	-
Purchases of other fixed assets		(11)	(29)
Sale of other fixed assets		217	4
		<hr/>	<hr/>
Net cash inflow/(outflow) from investing activities		582	(789)
		<hr/>	<hr/>
Net cash inflow before financing		1,334	234
Financing			
Loans repaid	18(b)	(1,443)	(705)
Additional loans drawn	18(b)	369	698
		<hr/>	<hr/>
Net cash outflow from financing		(1,074)	(7)
		<hr/>	<hr/>
Increase in cash and cash equivalents	18(c)	260	227
		<hr/>	<hr/>

**Consolidated Statement of Total Recognised Gains and Losses
for the Year Ended 31 December 1994**

	1994 £'000	1993 £'000
(Loss)/profit for the financial year	(379)	23
Exchange difference on translation of overseas operations/investment	(335)	132
Exchange gain/(loss) on related borrowings	40	(13)
	<hr/>	<hr/>
Total recognised gains and losses relating to the year	(674)	142
	<hr/>	<hr/>

**Notes to the Accounts
for the year ended 31 December 1994**

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.

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 £61,000 (1993: profit £1,693,000).

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. 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.

Production costs

Production costs include the Group's share of the benefit arising from electricity generation and from the use of facilities for the transportation of oil from fields in which it does not have a direct interest.

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.

1. Accounting Policies (continued)

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
Freehold buildings	-	2 per cent

No depreciation is provided on freehold land.

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.

Leases

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

Foreign currency translation

The accounts of overseas subsidiary 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. 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 (Loss)/Profit		Net - Assets Employed	
	1994 £'000	1993 £'000	1994 £'000	1993 £'000	1994 £'000	1993 £'000
United States of America	2,068	2,328	(125)	96	4,105	4,424
United Kingdom	452	675	(50)	130	573	928
	<hr/> 2,520	<hr/> 3,003	<hr/> (175)	<hr/> 226	<hr/> 4,678	<hr/> 5,352

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

3. Interest payable and other charges

	1994 £'000	1993 £'000
Interest payable on bank overdraft and other loans wholly repayable within five years	176	192
Interest payable on bank loan repayable after more than five years	4	14
Other charges	3	-
	<hr/> 183	<hr/> 206

4. (Loss)/profit on ordinary activities before taxation

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

	1994 £'000	1993 £'000
Amortisation of oil and gas interests	1,035	1,066
Depreciation of tangible fixed assets	39	41
Auditors' remuneration - for audit work	30	35
- non audit work	15	14
Operating leases payments - property	38	39
Loss on disposal of freehold	24	-

5. Directors' emoluments

The remuneration of the Directors comprised:

	1994 £'000	1993 £'000
Fees as Directors	8	1
Remuneration as executives	149	167
Social security costs	6	8
Compensation for loss of office	-	30
	<hr/> 163	<hr/> 206

The emoluments of the Directors fell within the following ranges:

	1994 Number	1993 Number
£ nil - £ 5,000	1	1
£ 5,001 - £10,000	1	1
£15,001 - £20,000	-	1
£25,001 - £30,000	1	1
£50,001 - £55,000	-	1
£55,001 - £60,000	-	1
£60,001 - £65,000	2	-
	<hr/> 1994 £	<hr/> 1993 £
Included above are emoluments in respect of:		
The Chairman	-	-
The highest paid Director	60,279	56,648

The Group continues to make no provision for pension contributions or cars in respect of Directors and the present Chairman provides his services without charge to the Group. Details of the Directors share options are set out in Note 16(c), no additional options having been issued to the Directors during the year.

The services of Mr D Howard-Orchard are provided through North Sea Hydrocarbons Ltd, a company of which he is a director and shareholder, and payments excluding reimbursement of expenses amounted to £60,279 (1993: £56,648). The Company's agreement with North Sea Hydrocarbons Ltd is terminable by not less than 36 months written notice by either party.

Mr N J Tamblin's service agreement entitles him to an annual salary of £60,279, the agreement is terminable by not less than 24 months written notice by either party.

Trojan Investments Ltd was paid for the services of Mr JA Hoskinson, a company of which he is a director and shareholder, and payments excluding reimbursement of expenses amounted to £29,305 (1993: £28,755). The Company's agreement with Trojan Investments Ltd is terminable by not less than 36 months written notice by either party.

The services of Mr A B Haywood, as a non-executive director are provided under an annual agreement at a cost of £7,500 per annum.

6. Staff numbers and costs

The aggregate payroll costs of the Group including Directors comprised:

	1994 £'000	1993 £'000
Salaries	270	295
Fees	97	95
Social Security costs	44	47
Redundancy costs	-	33
	<hr/> 411	<hr/> 470

The average number of persons, including Directors, employed by the Group during the year was 12 (1993: 12).

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 1994 the Group had net operating losses available for offset against future profits subject to United States Federal Tax of approximately £5.7 million, of which approximately £3.2 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 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 (1993: £nil).

8. (Loss)/earnings per share

The calculation of earnings per share is based on the loss on ordinary activities after taxation of £379,000 (1993: profit - £23,000) and on the weighted average number of 33,662,772 ordinary shares in issue during the year (1993: 33,662,166).

9. Group Intangible Exploration Assets and Tangible Fixed Assets

(a) Intangible exploration assets:

	£'000
At 1 January 1994	240
Additions (Note 10)	36
Disposals	(257)
Exchange adjustments	(6)
At 31 December 1994	<hr/> 13

(b) Group tangible fixed assets:

	Oil & gas interests £'000	Leasehold improvements fixtures, fittings & motor vehicles £'000	Freehold land & buildings £'000	Total £'000
Cost:				
At 1 January 1994	9,693	157	249	10,099
Exchange adjustments	(512)	(5)	-	(517)
Additions (Note 10)	780	11	-	791
Disposals	(1,306)	-	(249)	(1,555)
At 31 December 1994	8,655	163	-	8,818
Depletion and depreciation:				
At 1 January 1994	2,593	70	7	2,670
Exchange adjustments	(146)	(2)	-	(148)
Charge for the year	1,035	38	1	1,074
Disposals	-	-	(8)	(8)
At 31 December 1994	3,482	106	-	3,588
Net book value:				
At 31 December 1994	5,173	57	-	5,230
At 1 January 1994	7,100	87	242	7,429

Tangible oil & gas interests are located:

	1994 £'000	1993 £'000
United States	5,073	5,868
United Kingdom	-	1,117
Greece	100	115
	5,173	7,100

(c) Company tangible fixed assets

	Oil & gas interests £'000	Leasehold improvements fixtures & fittings £'000	Freehold land & buildings £'000	Total £'000
Cost:				
At 1 January 1994	140	32	249	421
Additions	-	1	-	1
Disposals	-	-	(249)	(249)
Transfer Intra Group	-	27	-	27
At 31 December 1994	140	60	-	200
Depreciation:				
At 1 January 1994	25	14	7	46
Charge for the year	15	10	-	25
Disposals	-	-	(7)	(7)
Transfer Intra Group	-	27	-	27
At 31 December 1994	40	51	-	91
Net book value:				
At 31 December 1994	100	9	-	109
At 1 January 1994	115	18	242	375

10. Expenditure on oil and gas interests

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

	£'000
Producing interests purchased	320
Development	460
Producing and development (Note 9(b))	780
Exploration and appraisal (Note 9(a))	36
Total expenditure	816

11. a. Investments in subsidiary undertakings

Company:	1994 £'000	1993 £'000
Cost of shares	2,634	2,634
Provision against subsidiary undertakings	(288)	(288)
	<hr/> 2,346	<hr/> 2,346
Movements in the year comprise		
Additional investment in subsidiary undertaking	-	282
Exchange adjustment	-	6
Transfer of an investment to a Group Company	-	(172)
(Decrease)/increase in loans to subsidiary undertakings	-	(582)
Movement on provision	-	207
	<hr/> -	<hr/> (259)

At 31 December 1994 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 Resources Ltd	England	100%	Direct investment in oil and gas properties
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.

On 30 November 1994, AmBrit Resources Ltd disposed of substantially all its trading assets, comprising of its entire portfolio of UK oil and gas licences, to Cairn Energy Onshore Limited.

b. Other Investments

	Group		Company	
	1994	1993	1994	1993
	£'000	£'000	£'000	£'000
Unquoted shares at cost	12	-	12	-
Loans	61	-	61	-
	73	-	73	-

The other investments comprise the Company's investment in an Anglo-Vietnamese coal trading business.

12. Debtors: amounts falling due within one year

	Group		Company	
	1994	1993	1994	1993
	£'000	£'000	£'000	£'000
Trade debtors	408	515	38	59
Amounts owed by subsidiary undertakings	-	-	3,026	3,117
Other debtors	43	54	5	9
Prepayments and accrued income	13	98	-	-
	464	667	3,069	3,185

13. Creditors: amounts falling due within one year

	Group		Company	
	1994	1993	1994	1993
	£'000	£'000	£'000	£'000
Bank overdraft (Note 14)	-	330	-	330
Bank loan repayable within one year (Note 14)	-	13	-	13
Trade creditors	403	626	26	36
Amounts owed to subsidiary undertakings	-	-	1,467	-
Taxation and social security	5	3	5	3
Other creditors	7	4	2	4
Accruals and deferred income	140	139	43	43
	555	1,115	1,543	429

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

	Group		Company	
	1994 £'000	1993 £'000	1994 £'000	1993 £'000
Bank loan (secured)	1,087	2,256	-	149
Amounts owed to subsidiary undertakings	-	-	-	777
Other creditors	-	5	-	-
	1,087	2,261	-	926

Borrowings at 31 December 1994 were repayable as follows:

Between one and two years	1,087	13	-	13
Between two and five years	-	2,146	-	39
After five years	-	97	-	97
	1,087	2,256	-	149

Within one year (Note 13)

Bank overdraft	-	330	-	330
Bank loan	-	13	-	13
	1,087	2,599	-	492

Other than as detailed below the bank loans represent drawings against a £6.41 million facility of which a total of £1.09 million had been drawn at 31 December 1994. Of the undrawn facility, £1.26 million was available to be drawn at the year end based on the assets charged to the bank at that time. The facility is repayable by 31 December 1996. Interest is payable at rates of between 1% and 1.5% above US Prime Rate. The loan is secured on the Group's producing oil and gas assets located in the USA.

At 31 December 1993 borrowings of £162,000 (of which £13,000 was repayable within one year) were secured by a fixed charge over the Company's freehold land and buildings. Interest was chargeable at 2% above Base Rate with the loan repayable over a 12 year period. The property was sold during 1994 and the borrowings repaid from the proceeds.

15. Provisions for liabilities and charges

The movement on the provisions for liabilities and charges during the year was:

	Group			Company
	Abandonment £'000	Litigation £'000	Total £'000	Litigation £'000
At 1 January 1994	200	39	239	19
Provided during the year	9	-	9	-
Utilised during the year	-	(18)	(18)	(18)
Released on disposal	(209)	-	(209)	-
At 31 December 1994	-	21	21	1

At 31 December 1994 the Company and the Group had no deferred taxation liability (1993: £nil).

16. Called up share capital

(a) Share capital

	1994 £'000	1993 £'000
Authorised:		
45,000,000 (1993: 45,000,000) ordinary shares of 10p each	4,500	4,500
Allotted, called up and fully paid:		
33,662,780 (1993: 33,662,765) ordinary shares of 10p each	3,366	3,366

During the year the Company issued 15 ordinary shares of 10p each upon the exercise of 15 warrants at the exercise price of 40p each.

(b) Warrants

At 31 December 1994 there were 1,838,748 (1993: 1,838,763) warrants outstanding to subscribe for ordinary shares of 10p each. Each warrant is exercisable at a subscription price of 40p per share during the subscription periods.

The warrant subscription periods are (i) the periods of 42 days commencing on the date falling one day after the posting of the annual report and accounts of the Company or the interim results of the Company in any of the years 1991 to 1995 inclusive; and (ii) 31 December 1995.

(c) 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 3,366,278 shares (plus 10% of any warrants converted in the current conversion period). At 31 December 1994 options had been granted on the following bases:

Exercise Price Date of Grant:	40p 10.8.90	42.5p 21.2.92	17p 13.8.92	12p 4.11.92	27p 14.6.93	Total
JF Billington	-	-	225,000	-	228,703	453,703
AB Haywood	-	-	100,000	100,000	-	200,000
JA Hoskinson	300,000	178,125	225,000	-	-	703,125
D Howard-Orchard	400,000	237,500	225,000	-	-	862,500
NJ Tamblyn	-	-	200,000	-	-	200,000
	700,000	415,625	975,000	100,000	228,703	2,419,328

It became apparent that certain of the options granted to Mr J F Billington on 14 June 1993 were outside the rules of the scheme. These options have been scaled down with Mr Billington's agreement to comply with the scheme rules. The option position has been adjusted to reflect the scaled down position.

The mid-market price of the Company's ordinary shares at 31 December 1994 was 14 pence per share and the shares had traded in the range 13 to 22 pence per share during 1994.

At 31 December 1994 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	700,000 415,625 975,000 100,000 228,703	40p 42.5p 17p 12p 27p	10.8.1993 - 9.8.1997 21.2.1995 - 20.2.1999 13.8.1995 - 12.8.1999 4.11.1995 - 3.11.1999 14.6.1996 - 13.6.2000
(ii) J M V Butterfield Trust	400,000 237,500	40p 42.5p	10.8.1993 - 9.8.1997 21.2.1995 - 20.2.1999
(iii) A P O Alderton	396,875 225,000	32p 32p	10.8.1993 - 9.8.1997 13.8.1995 - 12.8.1999

17. Shareholders' Funds

a) Movement in shareholders' funds

	Group		Company	
	1994	1993	1994	1993
	£'000	£'000	£'000	£'000
Shareholders' funds at 1 January 1994	5,352	5,210	4,532	2,839
(Loss)/profit for the financial year	(379)	23	(61)	1,693
Other recognised gains and losses for the year	(295)	119	-	-
Shareholders' funds at 31 December 1994	4,678	5,352	4,471	4,532

b) Profit and loss account

	Group	Company
	£'000	£'000
At 1 January 1994	848	956
Loss for the financial year	(379)	(61)
Exchange difference on translation of overseas operations/investments	(335)	-
Exchange gains on related borrowings	40	-
At 31 December 1994	174	895

18. Cash Flow

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

	1994	1993
	£'000	£'000
Operating (loss)/profit	(175)	226
Depreciation	39	41
Amortisation of oil and gas interests	1,035	1,066
Abandonment provision	9	12
Exchange differences	(27)	8
Decrease in debtors	203	106
Decrease in creditors	(134)	(183)
Movement in other provisions	(18)	(50)
Net cash inflow from operating activities	932	1,226

b) Analysis of changes in finance during the year:

	Bank loans		Share Capital (including share premium)	
	1994 £'000	1993 £'000	1994 £'000	1993 £'000
At 1 January 1994	2,269	2,234	3,576	3,576
Additional loans drawn	369	698	-	-
Loan repayments	(1,443)	(705)	-	-
Exchange adjustments	(108)	42	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,087	2,269	3,576	3,576
	<hr/>	<hr/>	<hr/>	<hr/>

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

	1994 £'000	1993 £'000	Change in year £'000
Cash at bank and in hand	561	631	(70)
Bank overdrafts	-	(330)	330
	<hr/>	<hr/>	<hr/>
	561	301	260
	<hr/>	<hr/>	<hr/>

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	
	1994 £'000	1993 £'000	1994 £'000	1993 £'000
Expiring 1996 - 1999	29	3	-	-
Expiring after 1999	11	11	11	11
	<hr/>	<hr/>	<hr/>	<hr/>

20. Capital commitments

There were no capital commitments contracted or authorised at 31 December 1994 (1993: £nil).

21. Contingent liabilities

- (a) Cottesloe Property Company Limited
As referred to in the 1991, 1992 and 1993 Reports and Accounts, Cottesloe Property Company Limited is claiming unquantified damages relating to an investment of approximately US\$250,000 in the Falcon-Andrau Energy Inc. 1984 Exploration Program No.1. The Plaintiff has not pursued the action since commencing proceedings several years ago and the Directors of United Energy plc, having taken legal advice, continue to believe that the Company is not liable in respect of these claims.
- (b) The Company has provided guarantees on the bank indebtedness of a US subsidiary; the amount guaranteed at the year end was £1.09 million (1993: £2.10 million)
- (c) The Group is the subject of other claims, non of which are material and the Directors believe, having taken advice, have any reasonable prospect of success.

22. Post balance sheet events

On 16 March 1995, the Company announced that its wholly-owned US subsidiary AmBrit Energy Corp Inc had entered into two conditional agreements, the first to acquire various oil and gas assets from Woodbine Petroleum Inc ("Woodbine") for a cash consideration of US\$4.2 million. The second to acquire interests in oil and gas properties from Renown Petroleum Inc and Cutoff Investments LP for a consideration to be satisfied by the issue of up to 3.39 million new ordinary shares and the payment of US\$3.01 million in cash. The cash funding for these acquisitions is being provided by the Group's US dollar bank facilities.

Both agreements were conditional on satisfactory title to the oil and gas properties being acquired. Closing has now taken place on the Woodbine acquisition without adjustment to the consideration.

Further details of these acquisitions is contained in the separate Circular to be mailed to shareholders on 29 March 1995.

Glossary of Oil and Gas Terms used in this Report

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

Proved reserves

Proved reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved reserves are limited to those quantities of oil and gas which can be expected, with little doubt, to be recoverable commercially at current prices and costs, under existing regulatory practices and with existing conventional equipment and operating methods.

Proved developed producing reserves

Proved developed producing reserves are those reserves which are expected to be produced from existing completion intervals now open for production in existing wells.

Proved developed non-producing reserves

Proved developed non-producing reserves are (1) those reserves expected to be produced from existing completion intervals in existing wells, but due to pending pipeline connections or other mechanical or contractual requirements hydrocarbon sales have not yet commenced, and (2) other non-producing reserves which exist behind the casing of existing wells, or at minor depths below the present bottom of such wells, which are expected to be produced through these wells in the predictable future, where the cost of making such oil and gas available for production should be relatively small compared to the cost of a new well.

Proved undeveloped reserves

Proved undeveloped reserves are those reserves which are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required for recompletion. Proved reserves on undrilled acreage are limited to those drilling units offsetting productive units that are reasonably certain of production when drilled.

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 1 June 1995 at 11.00 a.m for the purposes of:

Ordinary Business

1. Receiving and considering the accounts for the year ended 31 December 1994 and the reports of the Directors and auditors thereon;
2. To re-appoint KPMG as auditors;
3. To authorise the Directors to fix the auditors' remuneration; and
4. To re-elect as a Director Mr J F Billington who retires by rotation.

Special Business

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

5. THAT the authorised share capital of the Company be increased from £4,500,000 to £5,500,000 by the creation of 10,000,000 ordinary shares of 10p each.
6. 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 £1,122,092.60 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.
7. 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 6 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 £168,313.90; 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.

BY ORDER OF THE BOARD



JA HOSKINSON
Secretary

Registered office:
50 Stratton Street
London W1X 6NX

Dated: 24 April 1995

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 less than 48 hours before the time appointed for the Meeting at the offices of the Company's registrars, Independent Group Registrars Limited, Broseley House, Newlands Drive, Witham, Essex CM8 2UL.

(2) 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.