

# Owl Creek Investments Limited

## Directors' report and financial statements

For the year ended 31 December 2000

Registered Number: 1878917



## Directors' report and financial statements

<i>Contents</i>	<i>Page</i>
Directors' report	1
Statement of Directors' responsibilities	2
Auditors' report	3
Profit and loss account	4
Statement of total recognised gains and losses	5
Reconciliation of movements in shareholders' funds	5
Balance sheet	6
Notes	7 - 11

# Owl Creek Investments Limited

## Directors' report

The Directors present their report and the audited financial statements of Owl Creek Investments Limited (the Company) for the year ended 31 December 2000.

### Principal activities

The principal activities of the Company are the development and production of oil and gas in North America.

### Results and dividends

The Company made a loss after tax of £1,760,000 (1999: profit of £17,000) which is to be transferred to reserves. The Directors do not recommend the payment of a dividend (1999: nil).

### Business review

The Company sold substantially all of its North American interests during the year, and sales income has declined significantly as a result. The Company recorded a £1,722,000 operating loss for 2000 (1999: profit of £2,000).

### Directors and Directors' interests

The Directors who held office during the year were as follows:

P Davison  
RA Franklin  
CJ McDowell

The Directors have no direct interest in shares or debentures of the Company or of its subsidiaries. All the Directors of the Company at 31 December 2000 were Directors of the ultimate parent undertaking, Paladin Resources plc, and their interests are disclosed in the financial statements of that company.

### Auditors

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. Ernst & Young LLP have been re-appointed as the Company's auditor in accordance with the elective resolution passed by the Company under section 386 Companies Act 1985.

By order of the Board



**Sally C Powell**  
*Company Secretary*

11 October 2001

# Owl Creek Investments Limited

## Statement of Directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company 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 which enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors confirm that they have complied with these requirements and, as the ultimate parent undertaking, Paladin Resources plc, intends to provide such funds as are necessary for the Company to continue in existence for the foreseeable future, continue to prepare the accounts on a going concern basis.

# Owl Creek Investments Limited

## Report of the Auditors to the members of Owl Creek Investments Limited

We have audited the financial statements on pages 4 to 11, which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

### Respective responsibilities of directors and auditors

As described on page 2, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

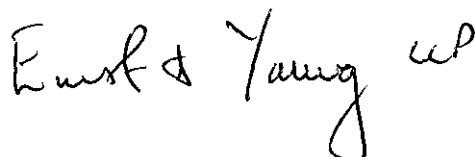
### Basis of opinion

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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

### Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
London

11 October 2001

# Owl Creek Investments Limited

## Profit and loss account

*for the year ended 31 December 2000*

	Notes	2000 £000	1999 £000
Turnover	2	11	121
Cost of sales		(127)	(119)
Write off of fixed asset investments		(1,109)	-
Write off of amounts due from subsidiary undertakings		(497)	-
		<hr/>	<hr/>
Operating (loss)/profit		(1,722)	2
Interest payable and similar items	5	(38)	15
		<hr/>	<hr/>
(Loss)/profit on ordinary activities before taxation	3	(1,760)	17
Taxation on ordinary activities	6	-	-
		<hr/>	<hr/>
(Loss)/profit for the financial year	12	(1,760)	17
		<hr/>	<hr/>

The results for the year relate wholly to discontinued activities.

# Owl Creek Investments Limited

## Statement of total recognised gains and losses for the financial year ended 31 December 2000

	2000 £000	1999 £000
(Loss)/profit for the financial year	(1,760)	17
Exchange adjustments on foreign currency net investments	-	42
	<hr/>	<hr/>
	(1,760)	59
	<hr/>	<hr/>

## Reconciliation of movements in shareholders' funds for the financial year ended 31 December 2000

	2000 £000	1999 £000
(Loss)/profit for the financial year	(1,760)	17
Exchange adjustments on foreign currency net investments	-	42
	<hr/>	<hr/>
Net (reduction)/increase in shareholders' funds	(1,760)	59
Opening shareholders' funds	2,803	2,744
	<hr/>	<hr/>
Closing shareholders' funds	1,043	2,803
	<hr/>	<hr/>

# Owl Creek Investments Limited

## Balance sheet

at 31 December 2000

	Note	2000 £000	2000 £000	1999 £000
<b>Fixed assets</b>				
Tangible assets	7	-	-	148
Investments	8	-	-	1,109
			-	1,257
<b>Current assets</b>				
Debtors	9	1,185		1,689
<b>Creditors: amounts falling due within one year</b>	10	(142)		(143)
<b>Net current assets</b>			1,043	1,546
<b>Net assets</b>			1,043	2,803
<b>Capital and reserves</b>				
Called up share capital	11	-	-	-
Capital redemption reserve	12		7,478	7,478
Profit and loss account	12		(6,435)	(4,675)
<b>Shareholders' funds - equity</b>			1,043	2,803

These financial statements were approved by the Board of Directors on 11 October 2001 and were signed on its behalf by:



C J McDowell  
Finance Director



# Owl Creek Investments Limited

## Notes

*(forming part of the financial statements)*

### 1 Accounting Policies

#### *Basis of preparation*

The financial statements have been prepared under the historical cost convention and in accordance with all applicable UK accounting standards, and accounting policies have been applied consistently.

#### *Accounting convention*

The Company has adopted FRS15 (Tangible fixed assets) for the year ended 31 December 2000 and the accounting policy concerning accounting for the cost, valuation and depreciation of fixed assets has been expanded accordingly. The standard has had no effect on the current or prior years, because the Company's policy on the capitalisation of costs is in accordance with the standard. The Company also adopted FRS16 (Current Tax) and FRS18 (Accounting Policies); these result in no changes to existing Company policies and have no effect on the Company for the current or prior years.

The financial statements fall within the scope of the SORP "Accounting for Oil and Gas Exploration, Development, Production and Decommissioning activities" issued by the Oil Industry Accounting Committee. The financial statements have been prepared in accordance with the provisions of the SORP currently in effect.

FRS19 (Deferred Tax) was also issued during 2000 and requires full provision rather than partial provision to be made for differences in recognition of profits for tax and accounting purposes. Given the current uncertainty surrounding certain aspects of the new standard and in particular the option to discount the impact of the differences, the Company does not propose to implement the standard early and it is currently expected that the standard will be adopted in 2002.

#### *Cashflow Statement*

Under FRS 1 the Company is exempt from the requirement to prepare a cashflow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

#### *Related Parties*

As the Company is a wholly owned subsidiary of Paladin Resources plc, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Paladin Resources plc, within which the Company is included, can be obtained from Princes House, 38 Jermyn Street, London SW1Y 6DN.

#### *Foreign currencies*

Assets and liabilities of foreign branches are translated into sterling at closing rates of exchange. Income statements are translated at average rates of exchange prevailing during the year. Exchange differences resulting from the translation at closing rates are dealt with in reserves.

Realised exchange differences and unrealised translation differences on short term monetary assets or liabilities are taken to the profit and loss account.

# Owl Creek Investments Limited

## Notes (continued)

### *Oil and gas interests*

Oil and gas properties are accounted for using the full cost method of accounting, under which expenditure relating to exploration, appraisal and development of oil and gas interests is capitalised. Costs relating to evaluated properties are amortised on a unit of production basis over proved and probable reserves. Such calculation takes account of estimates of the future costs of development relating to those reserves

### *Other fixed assets*

Depreciation is provided on all tangible fixed assets, other than long leasehold properties, at rates calculated to write off the cost, less estimated residual value, over their estimated useful economic lives.

### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes, to the extent such timing differences are expected to reverse in the future, without replacement.

## 2 Turnover/segmental information

Turnover was derived in North America, and represents the sales value of the Company's share of oil and gas produced in the year.

## 3 (Loss)/profit before tax

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

	Year ended 31 December 2000 £000	Year ended 31 December 1999 £000
Depletion and depreciation	119	42

Auditors' remuneration has been paid by the parent company on the Company's behalf.

## 4 Directors and employees

The Directors received no remuneration for their services to the Company during the year (1999: nil). The Company has no employees (1999: nil).

# Owl Creek Investments Limited

## Notes (continued)

### 5 Interest payable and exchange differences

	Year ended 31 December 2000 £000	Year ended 31 December 1999 £000
Exchange (losses)/gains on foreign currency	(38)	15
	<u>(38)</u>	<u>15</u>

### 6 Taxation

No provision has been made for deferred tax as timing differences are not expected to reverse in the foreseeable future. There are no potential deferred tax liabilities at the end of 2000 (1999: nil).

### 7 Tangible fixed assets

	Evaluated oil and gas assets £000	Equipment £000	Total £000
<i>Cost</i>			
At 31 December 1999	1,403	17	1,420
Disposal proceeds	(73)	-	(73)
Additions	33	-	33
Exchange adjustments	108	1	109
Sale of assets	(1,471)	(18)	(1,489)
	<u>-</u>	<u>-</u>	<u>-</u>
<b>At 31 December 2000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Depreciation</i>			
At 31 December 1999	1,255	17	1,272
Charge for period	119	-	119
Exchange adjustments	97	1	98
Sale of assets	(1,471)	(18)	(1,489)
	<u>-</u>	<u>-</u>	<u>-</u>
<b>At 31 December 2000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Net book value</i>			
<b>At 31 December 2000</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<u>-</u>	<u>-</u>	<u>-</u>
<b>At 31 December 1999</b>	<b>148</b>	<b>-</b>	<b>148</b>
	<u>148</u>	<u>-</u>	<u>148</u>

# Owl Creek Investments Limited

## Notes (continued)

### 8 Fixed asset investments

	Subsidiary Undertakings £000
At 31 December 1999	1,109
Amounts written off investments	(1,109)
	<hr/>
At 31 December 2000	-
	<hr/>

Details of the principal subsidiary undertaking of the Company at 31 December 2000 are as follows:

Subsidiary Undertaking	%	Country of incorporation	Class of shares held	Principal activities
Melinga Oil and Gas, Inc.	100	USA	Common	Oil & gas development and production

### 9 Debtors

	2000 £000	1999 £000
Trade debtors	-	37
Amounts due from parent undertaking	1,185	517
Amounts due from fellow subsidiary undertakings	-	1,135
	<hr/>	<hr/>
	1,185	1,689
	<hr/>	<hr/>

### 10 Creditors: amounts falling due within one year

Trade creditors	-	1
Amounts due to fellow subsidiary undertakings	142	142
	<hr/>	<hr/>
	142	143
	<hr/>	<hr/>

# Owl Creek Investments Limited

## Notes (continued)

### 11 Called up share capital

	2000 £	1999 £
<i>Authorised</i>		
140,000,000 ordinary shares of 5p each	7,000,000	7,000,000
100 'A' ordinary shares of \$1 each	68	68
	<hr/>	<hr/>
	7,000,068	7,000,068
	<hr/>	<hr/>
	2000 £	1999 £
<i>Allotted and fully paid</i>		
100 'A' ordinary shares of \$1 issued	68	68
	<hr/>	<hr/>

### 12 Reserves

	Capital redemption reserve £000	Profit and loss account £000
At beginning of year	7,478	(4,675)
Retained loss for the year	-	(1,760)
	<hr/>	<hr/>
At end of year	7,478	(6,435)
	<hr/>	<hr/>

### 13 Ultimate parent undertaking

The Company's ultimate parent undertaking is Paladin Resources plc, a company incorporated and registered in Scotland. The largest and smallest group in which the results of the Company are consolidated is that headed by Paladin Resources plc. The audited consolidated financial statements of Paladin Resources plc can be obtained from Princes House, 38 Jermyn Street, London SW1Y 6DN. No other group financial statements include the results of the Company.