

# **Cieco UK Limited**

**Annual Report and Accounts for  
the year ended 31 December 1995**

**Company Registration Number : 2669936**



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# **Cieco UK Limited**

## **Report of the directors**

The Directors submit their annual report and audited accounts for the year ended 31 December 1995.

## **Principal activities and business review**

The principal activities of the Company are oil and gas exploration, development and production.

The Company has equity interests in the Hutton (8.63%); North West Hutton (25.77%) and Hudson (25.77%) oilfields together with associated interests in pipeline and terminal facilities and attendant exploration acreage. At the year end the Company's average production entitlement from these interests was some 13,500 barrels of oil per day.

Production from the Hutton; North West Hutton and Hudson fields is transported through the Brent System pipeline and the Sullom Voe terminal.

In the report for 1994 we noted an extension to the Hutton Field had been discovered. Further evaluation disclosed that the reservoir, which is on the westerly edge of the field, also extended into both the North West Hutton field area and the acreage between the two fields. The whole of the accumulation has been designated "Q West".

Following protracted discussions between the two field groups an agreement has been concluded under which the exploitation of the area is wholly vested in the Hutton field participants. In exchange the North West Hutton participants, who do not participate in any costs, have a net entitlement to oil produced from the area. This agreement further provides that certain production which had initially been attributed solely to the Hutton participants will be reimbursed by them to North West Hutton participants beginning in January 1996.

The initial development plan has been approved by the authorities who have also redefined the boundary of the North West Hutton field to be contiguous with the existing Hutton field boundary in the Q West area. Implementation of the initial phase of the development plan commenced with the drilling of a second well which was successfully completed during the fourth quarter of the year.

The North West Hutton field is approaching the end of its economic life and studies previously initiated to establish the optimum method of abandonment, having due regard to environmental and safety considerations, continued throughout the year. In parallel with those studies there is ongoing reservoir work to arrest the rate of production decline and the use of enhanced operating methods further to extend the producing life of the field.

These efforts have resulted in the overall field production for the year matching that for the preceding year.

## **Cieco UK Limited**

The Hudson field is being exploited by two distinct phases of development in which production from phase one was via a floating production and offtake system. This phase ceased in January 1995 upon the commencement of phase two production via a sub-sea template, with associated pipeline and umbilical control systems. The construction and installation of these facilities was largely during 1994 and in January 1995 they were tied in to the Shell operated Tern platform facilities from where oil is exported via the Brent System pipeline.

As a result of the excellent performance of the current Hudson wells, the intention to drill a further production well has been deferred and this is now scheduled for the second half of 1996.

Through our field interests we derive an equity in the transportation facilities comprising the Brent System pipeline and associated Sullom Voe terminal. The existing agreements for the operation of these facilities expire in the year 2000 and we are currently engaged, with other participants, in considering the options open to us for the continuance of operations beyond that date. This is a complex subject involving a wide range of participants and interested parties and the negotiations will inevitably be protracted.

In addition to our existing interests we continue actively to develop our knowledge of our core Northern North Sea area. This has involved entering into regional studies both jointly and for our sole account. An example of this is an in depth study into the exploration and appraisal potential within our core area. This study, which was completed in early 1996, is intended to lead to the identification of value adding prospects which, if outside our current acreage, may present farm in opportunities. With a view to replacing our reserves over the shorter term and broadening our asset base a range of acquisition opportunities were evaluated during the year. In the event none of these met our overall technical and investment criteria.

In parallel with attending to the performance of our assets we have also been carefully monitoring our financial exposures and the overall performance of the Oil Industry. Our assessment of this situation has led us to conclude that it would be prudent to carry out a measure of hedging against the forward oil price in order to provide a platform to protect the Company against any extreme price fluctuations. It is our opinion that the costs of this exercise, compared to any potential downside, are limited enough to justify the adoption of this measure, subject to ongoing review.

### **Outlook**

The Company will maintain its ongoing efforts to monitor the performance of the existing asset base in order to ensure the remaining potential of the fields and surrounding exploration acreage is fully exploited. This work continues to generate a range of significant contributions to the value of our interests.

As has been noted above, the development plan for the Q West extension to the Hutton Field has already been initiated and this will be complemented by further infill drilling in the main field area during 1996.

## **Cieco UK Limited**

The continuing performance of the North West Hutton reservoir, as against predicted expectations, has led to the initiation of a programme of low cost well intervention work which it is expected will continue during 1996.

Last year's report noted our expectation that a significant prospect adjacent to the Hudson Field would be evaluated by the drilling of an exploration well. The well remains pending as a result of protracted negotiations to ensure offtake facilities are available in the event of a discovery. Successful conclusion of these negotiations are expected to lead to drilling later in 1996.

Our Company has now been in existence in its present form for close to four years. The time is now considered opportune for us to reappraise our internal organisation as we seek to re-position ourselves for the demands of the UKCS, and other areas, in the second half of the current decade. With this in mind your Board is in the process of reassessing our resource position against the options open to us, with the objective of consolidating our unique position within the Industry. We also wish to ensure we have the organisation in place to continue to add value to our current assets as well as to enable us to evaluate and exploit additional investment opportunities. It is also our intention to safeguard and develop our existing good reputation within our various partnership groups which has been brought about by our contributions to the management of our joint assets.

### **Results**

The Company's profit and loss account is as detailed on page 7.

The turnover of the Company during the period derived from its producing field interests as detailed above.

The loss for the year attributable to the shareholders is £905,000 (1994 : £2,544,000 Loss) which has been transferred from reserves. The directors do not propose to declare a dividend for the year (1994: Nil).

### **Fixed assets**

The movements in fixed assets are as detailed in note 10 to the accounts.

### **Directors**

Mr S Morita, Mr T Kikuyama and Mr P Breeze all served throughout the year; Mr S Morita also as Chairman and Mr T Kikuyama also as Secretary.

Mr K C Hirose resigned as Director and Managing Director of the Company and Mr T Akiyama was appointed as Director and Managing Director of the Company with effect 21 April 1995.

Mr S Morita is also a Director of the Company's immediate parent undertaking, which is Cieco North Sea Ltd., a company incorporated in Japan.

## **Cieco UK Limited**

### **Directors' interests in shares**

The register kept by the Company for the purpose of Section 325 of the Companies Act 1985 shows that the directors in office at 31 December 1995 had the undermentioned interests in the share capital of the company.

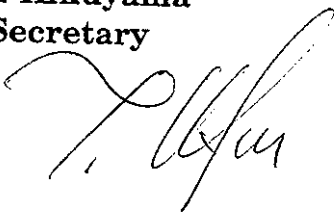
Mr T Akiyama holds 1 share which is held in trust as a nominee share on behalf of Cieco North Sea Ltd. None of the other directors hold any interests in the shares of the company. Directors interests in the shares of other group companies are disclosed in the accounts of the ultimate holding company.

### **Auditors**

In accordance with Section 385 of the Companies Act 1985, a special resolution concerning the re-appointment of KPMG and the fixing of their remuneration will be proposed at the forthcoming annual general meeting.

By order of the Board

**T Kikuyama**  
**Secretary**



Austin Friars House  
2-6 Austin Friars  
London  
EC2N 2HE

21st March 1996

## **Cieco UK Limited**

### **Directors' Statement of Responsibilities**

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

- select suitable accounting policies and 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 company will continue in business.

The directors are responsible for maintaining 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 company and to prevent and detect fraud and other irregularities.

## **Cieco UK Limited**

### **Report of the auditors, KPMG, to the members of Cieco UK Limited**

We have audited the financial statements on pages 7 to 19.

#### **Respective responsibilities of directors and auditors**

As described on page 5 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 the company's affairs as at 31 December 1995 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

**KPMG**

**21st March 1996**

Chartered Accountants  
Registered Auditors  
London



# Cieco UK Limited

## Profit and loss account for the year ended 31 December 1995

	Notes	1995 £000	1994 £000
Turnover:			
continuing operations	2	53,817	41,647
Cost of sales	3	(26,553)	(21,895)
Depletion	4	(21,422)	(19,574)
<b>Gross profit</b>		<b>5,842</b>	<b>178</b>
Administrative expenses		(753)	(683)
Other operating income		460	-
<b>Operating profit / (loss) :</b>			
continuing operations	5	5,549	(505)
Other interest receivable and similar income	7	2,154	917
Interest payable and similar charges	8	(3,608)	(493)
<b>Profit / (Loss) on ordinary activities before taxation</b>		<b>4,095</b>	<b>(81)</b>
Tax on profit / (loss) on ordinary activities	9	(5,000)	(2,463)
<b>Retained loss for the financial year</b>		<b>(905)</b>	<b>(2,544)</b>
<b>Profit and loss account brought forward</b>		<b>(2,421)</b>	<b>123</b>
<b>Profit and loss account carried forward</b>		<b>(3,326)</b>	<b>(2,421)</b>

Apart from the above, there were no other recognised gains or losses during the year (1994 : Nil).

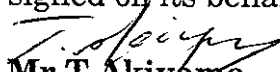
The result as shown in the profit and loss account is not materially different from the result on an unmodified historic cost basis.

# Cieco UK Limited

## Balance sheet as at 31 December 1995

	Notes	1995 £000	1994 <i>restated</i> Note 1 £000
<b>Fixed assets</b>			
Oil and gas assets	10	75,968	91,574
Other tangible assets	10	50	68
<b>Total</b>		<b>76,018</b>	<b>91,642</b>
<b>Current assets</b>			
Stocks	11	780	723
Debtors	12	7,658	5,694
Cash at bank & in hand		16,273	22,541
<b>Total</b>		<b>24,711</b>	<b>28,958</b>
<b>Current liabilities</b>			
Creditors; amounts falling due within one year	13	(10,652)	(9,552)
<b>Net current assets</b>		<b>14,059</b>	<b>19,406</b>
<b>Total assets less current liabilities</b>		<b>90,077</b>	<b>111,048</b>
Creditors; amounts falling due after more than one year	14	(48,794)	(68,794)
<b>Provisions for liabilities and charges</b>	15	<b>(22,421)</b>	<b>(22,624)</b>
<b>Net assets</b>		<b>18,862</b>	<b>19,630</b>
<b>Capital and reserves</b>			
Called-up share capital	16	22,188	22,051
Profit and loss account		(3,326)	(2,421)
<b>Shareholders' funds</b>	17	<b>18,862</b>	<b>19,630</b>

These accounts were approved by the board of directors on 21st March 1996, and were signed on its behalf by:

  
**Mr T Akiyama**  
**Managing Director**

# Cieco UK Limited

## Cash flow statement for the year ended 31 December 1995

	Notes	1995 £000	1994 £000
<b>Operating activities</b>			
Net cash inflow from operating activities	18	23,322	17,472
<b>Returns on investments and servicing of finance</b>			
Interest received		1,679	825
Interest paid		(3,647)	-
Net cash (outflow)/inflow from returns on investments and servicing of finance		(1,968)	825
<b>Taxation</b>			
UK Corporation tax paid		(1,513)	(375)
<b>Investing activities</b>			
Purchase of tangible fixed assets		(5,823)	(17,756)
Abandonment costs incurred		(967)	(692)
Net cash outflow from investing activities		(6,790)	(18,448)
<b>Net cash inflow/(outflow) before financing</b>		13,051	(526)
<b>Financing</b>			
Issue of ordinary share capital		137	-
Loan from Parent Company		-	16,085
Repayment of Loan from Parent Company		(20,000)	-
<b>Net cash (outflow)/inflow from financing activities</b>	18	(19,863)	16,085
<b>(Decrease)/increase in cash and cash equivalents</b>	18	(6,812)	15,559

# **Cieco UK Limited**

## **Notes to the accounts**

For the year ended 31 December 1995.

### **Note 1. Principal accounting policies**

#### **i) Accounting convention**

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

#### **ii) Joint ventures**

The Company's exploration, development and production activities are generally conducted in joint ventures with other companies. The accounts reflect the relevant proportions of production, capital expenditure and operating costs applicable to the company's interests. The effects of redeterminations of equity interests in joint ventures are accounted for when the outcome of the redetermination is known. In the case of producing fields, adjustments to past production entitlements arising therefrom are accounted for in the manner agreed with co-venturers, usually by means of adjustments to future production entitlements.

#### **iii) Change in accounting classification**

During 1995 the Company reclassified overlifts to be within creditors and underlifts to be within debtors. Previously overlifts and underlifts were recorded within oil and product stocks.

Accordingly, the 1995 overlift of £360,000 has been included within creditors and, to facilitate comparison, the 1994 underlift of £1,900,000 has been reclassified within debtors.

#### **iv) Oil and gas exploration and development activities**

Exploration, appraisal and development costs are accounted for under the full cost pool policy as set out in the Statement of Recommended Practice "accounting for oil and gas exploration and development activities" as published by the Oil Industry Accounting Committee.

All costs associated with exploring for and developing oil and gas reserves are capitalised, irrespective of the success or failure of specific parts of the overall exploration activity. Costs are accumulated in cost pools, with a separate pool established for each country of operation. Costs are generally written off based on the "unit-of-production basis" that is against income arising from the production of the reserves attributable to that pool. Costs recognised in the calculation are the undepleted balance, including capitalised interest on financing for development purposes during the period prior to commencement of production, together with estimated future development costs.

## **Cieco UK Limited**

Interest on borrowings to finance fixed asset expenditure is capitalised during the period prior to commencement of production from those facilities, except to the extent that such capitalisation would necessitate a provision under a ceiling test calculation, calculated as follows.

The net amounts at which fields, either in production, under or being considered for development, are recorded in the accounts, are assessed on a pool by pool basis against the likely future net revenues to be derived from the estimated remaining commercial reserves. A provision is made where the directors are of the opinion that the recorded amounts are unlikely to be fully recovered from future net revenues.

### **v) Commercial reserves**

Commercial reserves are proven and probable reserves that are the estimated quantities of crude oil, natural gas and gas liquids which geological, geophysical and engineering data demonstrate to be recoverable from known reservoirs in future years and which are considered commercially producible.

### **vi) Abandonment**

Licensees are required to restore oil and gas field sites at the end of the producing lives of the fields to a condition acceptable to the relevant authorities. Provision for such costs is made on a unit-of-production basis over the life of each field to meet the expected costs of the assumed abandonment programme. The estimates of these costs are based on price levels ruling at the balance sheet date.

### **vii) Depletion and depreciation**

Those costs that have been capitalised, together with anticipated future development costs of fields in production calculated at price levels ruling at the balance sheet date, are depleted on a unit-of-production basis. Depletion is calculated by reference to the proportion that production for the year bears to the total of the estimated remaining commercial reserves as at the end of the period.

Other fixed assets, less estimated disposal values where significant, are depreciated on a declining basis over their estimated economic lives.

### **viii) Effect of changing estimates**

Changes in estimates affecting unit-of-production calculations for abandonment and petroleum revenue tax are accounted for prospectively over the estimated remaining commercial reserves of each field.

Changes in estimates affecting unit-of-production calculations for depletion is accounted for prospectively over the estimated remaining commercial reserves of the pool.

## **Cieco UK Limited**

### **ix) Turnover**

Turnover represents the invoiced value of petroleum products sold during the year, including the value of royalty oil taken in kind where applicable.

### **x) Overlift and underlift**

Lifting or offtake arrangements are frequently such that an imbalance between cumulative production entitlement and cumulative sales at the reporting date occur. Where material, an adjustment at market value in respect of overlift or underlift is recorded against cost of sales and creditors or debtors as applicable.

### **xi) Stocks**

The company's share of material and supplies, such as drill-pipe, well casing and field production and maintenance material, are included in current assets at the lower of cost and net realisable value.

### **xii) Royalties**

Royalties are charged to the profit and loss account in the period for which they are payable.

### **xiii) Deferred taxation**

Provision is made for petroleum revenue tax, where required, over the expected life of each field on a unit-of-production basis taking into account the estimated benefit of uplift, oil allowance, safeguard and abandonment costs. Provision is made for deferred UK corporation tax in respect of accelerated depreciation and other timing differences which are considered likely to reverse in due course.

### **xiv) Foreign currencies**

Transactions denominated in foreign currencies are translated into sterling and recorded at the relevant rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated into sterling at the rates of exchange ruling at the balance sheet date.

Foreign exchange gains and losses are recognised in the profit and loss account for the year.

### **xv) Pension costs**

Pension costs are accounted for as incurred.

### **xvi) Leases**

The cost of the property lease is charged to the profit and loss account on a straight line basis over the life of the lease.

## Cieco UK Limited

### Note 2. Turnover

All the Company's activities are currently within the United Kingdom and consequently no segmental analysis is required. Similarly as only one depletion pool is operated, profits and net operating assets are not analysed by geographical area.

### Note 3. Cost of sales

Included in cost of sales are :-	1995	1994
	£000	£000
Operating costs	22,530	21,839
Government royalty	999	680
Provision for abandonment	764	817

### Note 4. Depletion

The charge to the accounts has been arrived at in accordance with the accounting policies set out in Note 1. paragraph iv).

In accordance with those policies a ceiling test as at the accounting date, based on a crude oil price of \$19.05 per bbl., demonstrated that a surplus of future net revenues (including future capital expenditure associated with those revenues) over the net fixed asset expenditure recorded in the accounts existed at that date.

### Note 5. Operating profit / (loss)

Included in operating profit / (loss) are :-	1995	1994
	£000	£000
Operating leases		
Office rental	32	32
Depreciation of other tangible fixed assets	23	28
Auditors remuneration - statutory audit	10	10
- other services	54	39

Included within administrative expenses are the following transactions:-

Charges of £50,000 from Cieco North Sea Ltd, the parent company, for support services primarily of a legal and technical nature.

Charges of £75,000 from Itochu Petroleum Co., (U.K.) Ltd (IPC), for treasury, payroll, and management services. IPC is a 100% subsidiary of the Itochu Corporation as is Itochu Oil Exploration Co., Ltd, which in turn is a 40% shareholder of Cieco North Sea Ltd. The Managing Director of Cieco UK Limited and another Director, who also serves as the Company Secretary, are both employees of IPC.

## Cieco UK Limited

### Note 6. Directors and employees

Directors emoluments (including pension contributions)	1995 £000	1994 £000
As Directors	95	-
As Fees	-	-
Total	<u>95</u>	<u>-</u>

The emoluments (excluding pension contributions) of the chairman and the highest paid director were Nil and £82,000 respectively. (1994: Nil and Nil)

The emoluments (excluding pension contributions) of the directors (including the chairman) were within the following ranges:	1995	1994
£0 - £5,000	3	3
£80 - £85,000	<u>1</u>	<u>-</u>

No emoluments were paid to the three directors in the £0 - £5,000 range detailed above.

During the period the average number of employees in the company was 4 (1994 : 4).

Amounts paid by the company in respect of these employees were as follows:

	1995 £000	1994 £000
Wages and salaries	210	198
Social security costs	22	22
Pension contributions	23	27
Total	<u>255</u>	<u>247</u>

### Note 7. Other interest receivable and similar income

	1995 £000	1994 £000
Bank interest receivable	1,555	828
Other interest receivable	55	89
Effect of foreign exchange rates changes	544	-
Total	<u>2,154</u>	<u>917</u>



## Cieco UK Limited

### Note 8. Interest payable and similar charges

	1995 £000	1994 £000
Interest on loans from parent company	4,364	4,117
Other interest payable	4	-
Effect of foreign exchange rates changes	-	493
Interest on development project capitalised	(760)	(4,117)
<b>Total</b>	<b>3,608</b>	<b>493</b>

### Note 9. Tax on profit on ordinary activities

	1995 £000	1994 £000
Petroleum Revenue Tax - Deferred	-	758
Corporation tax at 33%	5,000	1,705
	<b>5,000</b>	<b>2,463</b>

### Note 10. Fixed Assets

	Exploration expenditure £000	Development expenditure £000	Other £000	Total £000
Balance brought forward	13,177	110,389	119	123,685
Additions	7	5,049	5	5,061
Interest capitalised	-	760	-	760
<b>Balance as at 31 December 1995</b>	<b>13,184</b>	<b>116,198</b>	<b>124</b>	<b>129,506</b>
<b>Depletion and depreciation</b>				
Balance brought forward	1,588	30,404	51	32,043
Charge for the year	4,115	17,307	23	21,445
<b>Balance as at 31 December 1995</b>	<b>5,703</b>	<b>47,711</b>	<b>74</b>	<b>53,488</b>
<b>Net book value as at 31 December 1995</b>	<b>7,481</b>	<b>68,487</b>	<b>50</b>	<b>76,018</b>
Net book value as at 31 December 1994	11,589	79,985	68	91,642

Exploration Expenditure has been included as tangible assets, in accordance with the accounting policies set out in Note 1. paragraph (iv).

# Cieco UK Limited

## Note 11. Stocks

	1995	1994 <i>restated</i>
	£000	£000
Materials and consumables	780	723

## Note 12. Debtors: amounts recoverable within one year

	1995	1994 <i>restated</i>
	£000	£000
Trade debtors	6,232	3,870
Other debtors	936	1,282
Prepayments and accrued income	490	542
Total	7,658	5,694

## Note 13. Creditors: amounts falling due within one year

	1995	1994
	£000	£000
Creditors: amounts falling due within one year comprised:		
Trade creditors	3,138	4,859
Other creditors, including tax and social security:		
Current corporation tax	5,346	1,860
Accruals and deferred income	2,151	2,819
Other creditors	17	14
Total	10,652	9,552

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

	1995	1994
	£000	£000
Loan from Parent Company	48,794	68,794

The above loan provided part payment for both the acquisition and the future development expenditures of the Hudson Field. The loan is interest bearing at a fixed rate of 6.4% per annum. An advance repayment of £20 million in respect of the capital element was made in December 1995. Both the interest and capital elements of the loan are repayable in semi annual instalments, with further capital repayments commencing on 25 September 1996. The whole amount of the loan will be repaid by 25 September 1998.

# Cieco UK Limited

## Note 15 Provision for liabilities and charges

	Abandonment provision	
	1995	1994
	£000	£000
Balance brought forward	21,866	21,741
Charged to profit and loss account	764	817
Costs incurred	(967)	(692)
Balance carried forward	<u>21,663</u>	<u>21,866</u>

	Petroleum Revenue Tax provision	
	1995	1994
	£000	£000
Balance brought forward	758	-
Charged to profit and loss account - Deferred Tax Provision	-	758
Balance carried forward	<u>758</u>	<u>758</u>

## Note 16. Called up share capital

The share capital of the company at 31 December 1995 was as follows:

	1995	1994
	£000	£000
<b>a) Authorised:</b>		
50,000,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

### b) Allotted, called up and fully paid:

22,187,897 ordinary shares at £1 each (1994 - 22,050,897)

### c) Ordinary shares:

	Number of Shares	Nominal Value £000
At 31 December 1994	22,050,897	22,051
Shares issued during the year for cash at par value	137,000	137
<b>At 31 December 1995</b>	<u><b>22,187,897</b></u>	<u><b>22,188</b></u>

## Cieco UK Limited

### Note 17. Reconciliation of movements in shareholders funds

	1995	1994
	£000	£000
Shareholders funds at 1 January 1995	19,630	22,174
New share capital issued	137	-
Retained loss for the year	(905)	(2,544)
Shareholders funds at 31 December 1995	<u>18,862</u>	<u>19,630</u>

### Note 18. Cash flow statement

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

	1995	1994
	£000	<i>restated</i> £000
Operating profit/(loss)	5,549	(505)
Depletion and depreciation	21,445	19,602
Provision for abandonment	764	817
(Increase)/decrease in stocks	(57)	287
Increase in debtors	(2,033)	(674)
Decrease in creditors	(2,346)	(2,055)
Net cash inflow from operating activities	<u>23,322</u>	<u>17,472</u>

#### b) Analysis of changes in cash and cash equivalents during the period:

	£000
Balance of cash at bank and in hand at 1 January 1995	22,541
Net cash outflow before adjustment for the effect of foreign exchange rate changes	(6,812)
Effect of foreign exchange rate changes	544
Balance of cash at bank and in hand at 31 December 1995	<u>16,273</u>

#### c) Analysis of changes in financing during the year

	Share Capital £000	Loans £000
Balance at 1 January 1995	22,051	68,794
Cash outflows from financing	-	(20,000)
Cash inflows from financing	137	-
Balance at 31 December 1995	<u>22,188</u>	<u>48,794</u>

## Cieco UK Limited

### Note 19. Commitments

Subsequent to the year end, capital commitments approved, but not contracted for or accrued in the accounts were estimated to be £0.5 million. This is in respect of planned drilling activities, the details of which are contained within the report of the directors.

Future lease commitments made under operating leases, are analysed as follows:

Operating Lease for Office:

	£000
Due within two years:	107
Due between two to five years:	160
Due greater than five years:	820
<b>Total</b>	<b>1,087</b>

### Note 20. Pension scheme

The company participates in Group Pension Schemes operated by Itochu Europe PLC. As of 1 July 1995, a Group Personal Pension scheme was introduced for all new employees. A number of existing staff decided to withdraw from the defined benefit type scheme and transferred to the Personal Pension Scheme. The company contributes a percentage of salary to an individuals scheme.

Mr P Breeze remains in a Group defined benefit type scheme.

	1995	1994
	£000	£000
The charge for the period was	23	29

### Note 21. Ultimate parent company and parent undertaking of larger group of which company is a member.

The immediate and ultimate parent company, for which consolidated accounts are not prepared, is Cieco North Sea Ltd, a company incorporated in Japan. Cieco North Sea Ltd is owned jointly by the Japan National Oil Corporation (50%), Itochu Oil Exploration Co., Ltd (40%) and Taiyo Oil Development Co., Ltd (10%).

## Cieco UK Limited

### Oil and gas reserve statistics (Unaudited)

The net proven and probable oil and gas reserves to which the company has an equity entitlement are :-

	United Kingdom
	Crude oil mmbbls
Balance at 1 January 1995	21.45
Revisions to previous estimates	0.66
Extensions and Discoveries	1.88
Production	(4.92)
Net proven and probable reserves as at 31 December 1995	<u>19.07</u>

Note: Crude oil includes natural gas liquids, mmbbls means million barrels.