

Registered No SC238015

Energy North Sea Limited

Report and Financial Statements

31 December 2007

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COMPANIES HOUSE

Registered No SC238015

Directors

W Foster (resigned 31/3/2008)
M Inoue (resigned 25/4/2007)
S Sato (resigned 3/7/2007)
K Tanaka (resigned 31/3/2008)
T Shikamura (appointed 3/7/2007)
H Toyota (appointed 3/7/2007, resigned 31/3/2008)
G Nienow (appointed 31/3/2008)
K Uchida (appointed 31/3/2008)

Secretary

T Nishimura (resigned 25/4/2007)
K Uchida (appointed 25/4/2007)

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Bankers

Mizuho Corporate Bank Limited
River Plate House
7 11 Finsbury Circus
London
EC2M 7DH

Solicitors

Robert Tapp
The Grange, High Street
West Meon, Petersfield
Hampshire
GU32 1LN

Registered office

Johnstone House
52 54 Rose Street
Aberdeen
AB10 1UD

Directors' report

The directors present their report and financial statements for the year ended 31 December 2007

Results and dividends

The profit for the year after taxation, amounted to \$37,508,005 (2006 – \$11,757,969) The directors do not recommend the payment of any dividends

Principal activities and review of the business

The company is engaged in the production of oil and gas through participation in the Magnus, East Foinaven and MonArb area non operated fields located in the United Kingdom North Sea It is the intention of the directors that the above business of the company will continue for the foreseeable future

The company's key financial and other performance indicators during the year were as follows

	2007	2006	Change
	\$	\$	%
Turnover	212,967,515	188,165,374	+13%
Profit before tax	69,969,482	25,567,968	+174%
Profit after tax	37,508,005	11,757,969	+219%

Turnover was higher due to an increase in average realised oil price of \$73 per barrel (2006 \$66 per barrel) during the year Production was marginally lower due to planned maintenance shutdowns

Profit before tax was higher due to a decrease in losses on derivative hedging instruments

Development of the Wood field was completed during the year and production commenced in December 2007

During the year the company participated in the successful drilling of the Cayley gas condensate discovery allocated in the vicinity of the Monarb fields Appraisal drilling has continued into 2008 and pre development studies are being conducted in 2008

Principal risks and uncertainties

The United Kingdom North Sea is the core area for operations The company is seeking to expand its business against the background of a highly competitive bidding market

The company is exposed to fluctuations in commodity prices The company uses derivative financial instruments to reduce its exposure to changes in commodity prices

The company's revenue is earned primarily in US dollars which is also its functional currency The company is exposed to currency translation risk for costs incurred in currencies other than in US dollar, primarily certain operating and administrative expenses denominated in UK pounds sterling

Other uncertainties include decommissioning which is further explained in note 13 to the accounts

Events since the balance sheet date

There were no post balance sheet events for which disclosure is required

Directors' report (continued)

Directors

The directors at 31 December 2007 are listed on page 1

There are no directors' interests requiring disclosure under the Companies Act 1985

Creditors' policy

The company's policy in respect of payment for goods and services is to settle the terms of payments when agreeing the contractual terms of supply and to ensure that suppliers are aware of these terms, by their inclusion in contractual documents. The company endeavours to pay all items properly charged in accordance with the agreed terms and other legal obligations. The company's average creditors payment period at 31 December 2007 was 30 days (2006 – 30 days)

Political and charitable contributions

The company made no political contributions during the year. No donations were made to UK charities

Disclosure of information to auditors

So far as each person who was a director at the date of approving the report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

By order of the board



K Uchida
Director

31 March 2008

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report

to the members of Energy North Sea Limited

We have audited the company's financial statements for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

Independent auditor's report

to the members of Energy North Sea Limited (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

31 March 2008

Profit and loss account

for the year ended 31 December 2007

	Notes	2007 \$	2006 \$
Turnover	2	212,967,515	188,165,374
Cost of sales		(112,492,934)	(91,591,314)
Gross profit		<u>100,474,581</u>	<u>96,574,060</u>
Administrative expenses		(4,263,616)	(5,818,903)
Other operating expenses		(9,004,640)	(49,050,499)
Operating Profit	3	<u>87,206,325</u>	<u>41,704,658</u>
Interest receivable	6	1,032,369	1,788,777
Interest payable and similar charges	7	(18,269,212)	(17,925,467)
		<u>(17,236,843)</u>	<u>(16,136,690)</u>
Profit on ordinary activities before taxation		<u>69,969,482</u>	<u>25,567,968</u>
Taxation	8	(32,461,477)	(13,809,999)
Profit on ordinary activities after taxation		<u><u>37,508,005</u></u>	<u><u>11,757,969</u></u>

Statement of total recognised gains and losses

For the year ended 31 December 2007

All gains and losses have been recognised in the profit and loss account. There are no other recognised gains and losses in the current year or prior year.

Balance sheet

at 31 December 2007

	Notes	2007 \$	2006 \$
Fixed assets			
Tangible Fixed Assets	9	401,859,034	295,122,300
Current assets			
Debtors	10	25,097,947	23,841,219
Cash at bank		12,620,265	11,264,541
		37,718,212	35,105,760
Creditors: amounts falling due within one year	11	139,670,211	121,791,533
Net current liabilities		(101,951,999)	(86,685,773)
Total assets less current liabilities		299,907,035	208,436,527
Creditors amounts falling due after more than one year	12	145,570,684	145,162,148
Provisions for liabilities and charges	13	137,880,045	84,326,078
Net assets (liabilities)		16,456,306	(21,051,699)
Capital and reserves			
Called up share capital	15	922,300	922,300
Profit and loss account	16	15,534,006	(21,973,999)
Equity shareholders' funds		16,456,306	(21,051,699)

Approved by the Board of Directors on
and signed on their behalf by



T Shikamura
Director

31 March 2008

Notes to the financial statements

at 31 December 2007

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention, in US dollars, and in accordance with applicable UK accounting standards. The company has elected, under FRS1 (revised), not to present a cash flow statement in these financial statements as the parent undertaking Marubeni Corporation, a company registered in Japan, has published a group cash flow statement.

The directors consider it appropriate to prepare the accounts on a going concern basis, since the parent undertaking agreed to provide sufficient finance, whether directly or through one of its subsidiaries to enable the company to meet its liabilities as they fall due for the foreseeable future.

In addition to the requirements of these accounting standards, the accounting for exploration and production activities is governed by the Statements of Recommendation Practice ('SORP') 'Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities' issued by the UK Oil Industry Accounting Committee on 7 June 2001.

These accounts have been prepared in accordance with the SORP's provisions except

- a) The SORP recommends that oil and gas reserve quantities be disclosed. The directors have elected not to publish this information for the company.

Fixed assets

i) Exploration and appraisal expenditure

Exploration expenditure comprises all costs associated with the acquisition of new acreage, the drilling of exploratory wells and other costs incurred in evaluating the commercial viability of hydrocarbon deposits.

Appraisal expenditure comprises costs incurred in the survey, exploration and appraisal of license areas not yet under development or in production.

Exploration and appraisal expenditure is classified as an intangible fixed asset until a decision is reached concerning the commercial viability of the field to which it relates. Expenditure is then either written off or transferred to tangible fixed assets. General seismic and other expenditure not connected with a specific exploration license is written off to the profit and loss account immediately. Exploration expenditure written off is classified within cost of sales.

ii) Development expenditure

Development expenditure comprises all costs including financing costs, exploration and appraisal expenditure incurred in bringing a field to commercial production and is classified as a tangible asset. No depletion is charged in respect of development expenditure. Once a field achieves commercial production, development expenditure is transferred to production assets.

iii) Production assets

Expenditure on production assets represents the company's share of total expenditure on the exploration, appraisal and development of oil and gas fields which are currently in commercial production. This expenditure includes costs of capital assets, financing costs (where identifiable with specific developments), plus for depletion calculation purposes only, any anticipated future development expenditure and is stated at cost. Production assets are depleted by field on a unit of production basis, in the proportion of actual production for the period to the total estimated remaining commercial reserves (proven and probable) for the field on an entitlement basis. The remaining commercial reserves figure is that estimated at the end of a period plus the production during the period.

iv) Impairment of assets

The company undertakes a review for impairment of fixed assets if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. To the

Notes to the financial statements

at 31 December 2007

1. Accounting policies (continued)

iv) *Impairment of assets (continued)*

extent that the carrying amount exceeds the recoverable amount, that is the higher of net realisable value and value in use, the fixed asset is written down to its recoverable amount. The value in use is determined from estimated discounted future net cash flows.

v) *Other tangible assets*

Depreciation is provided on all other tangible assets at rates which are calculated to write off the cost of the assets evenly over their estimated useful economic lives as follows:

Furniture and fittings	5 years
Computers	3 years

Underlift and overlift

Under and over lifts of oil and gas in jointly owned operations are reflected by adjusting cost of sales and working capital balances. Underlift and overlift are recorded at market value at the end of the year.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the asset concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,
- deferred tax assets are recognized only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Petroleum revenue tax (PRT)

The charge for petroleum revenue tax is calculated using the unit of production method over the expected lives of each PRT paying field. The resulting charge is classified within cost of sales.

Foreign currencies

Transactions in currencies other than US dollars are recorded at the average monthly rate ruling at the date of the transaction.

Monetary assets and liabilities in currencies other than US dollars are translated into US dollars at closing rates of exchange. All other amounts are valued at the exchange rate ruling at the date of the transaction. All exchange gains and losses on settlement or translation at closing rates of exchange of monetary assets and liabilities are included in the determination of profit or loss for the period.

Operating lease agreements

Rentals under operating leases are charged against income as incurred.

Notes to the financial statements

at 31 December 2007

1. Accounting policies (continued)

Pension costs

Contributions to personal and defined contribution schemes are charged to operating profit as incurred. The company has no defined benefit pension obligations.

Decommissioning

The company makes full provision for the future costs of decommissioning oil and gas production facilities on a discounted basis on the acquisition or installation of those facilities. The amount recognised is the present value of the estimated future expenditure determined in accordance with the local conditions and requirements. A corresponding tangible fixed asset of an amount equivalent to the provision is also created. This is subsequently depreciated as part of the capital costs of the production and transportation facilities. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the fixed asset.

Derivative instruments

The company uses derivative financial instruments ("derivatives") to reduce certain of its exposures to changes in commodity prices and currency exchange rates and to reduce or adjust certain of its exposures to changes in interest rates. The company considers that its derivative instruments are used solely to hedge price exposures on its underlying oil production. More specifically:

- i) for commodity price contracts, the derivative instrument must be in respect of expected production volumes for the relevant period and the contract must reduce the company's exposure to the risk of commodity price movements,
- ii) for currency contracts, the instrument must relate to all or part of a future receipt, payment or obligation of reasonably certain amount and timing, be in the same currency as the hedged item and reduce the risk of currency exchange movements to the companies' operations, and
- iii) for interest rate contracts, the instrument must be related to an asset or liability of the company.

Gains or losses in the value of the derivatives are deferred to match the recognition of the items being hedged. Gains and losses on commodity price derivatives are reflected in other operating expenses. Prior to lifting, gains and losses on commodity contracts are reflected in cost of sales and underlift/overlift. Hedging gains and losses are allocated to production on a first in first out basis.

Gains and losses on currency contracts are recorded against the related underlying transaction or balance. Interest rate differentials under swap agreements are recognized as finance costs in the same period as the hedged items.

2. Turnover

Turnover which is stated net of value added tax, comprises amounts invoiced to third parties, all of which falls within the UK geographical area.

Turnover is attributable to one continuing activity, the production of oil and natural gas. Generally, revenues from the production of oil and natural gas relating to properties in which the company has an interest with other producers are recognised on the basis of the company's working interests in those properties (the entitlement method).

Notes to the financial statements

at 31 December 2007

3. Operating profit

This is stated after charging

	2007 \$	2006 \$
Auditors' remuneration audit services	69,902	51,966
Depreciation of owned fixed assets	38,271,929	26,776,493
Currency exchange loss	915,349	3,089,402
Loss on derivative instruments	9,004,640	49,050,499

4. Staff costs

There were no employees during the year (2006 nil)

5. Directors' emoluments

No emoluments were paid to the directors in respect of their services to the company in 2007 (2006 – nil)
The director W Foster is a senior executive of, and is remunerated by Marubeni North Sea Ltd and received no remuneration for services to this company. The directors K Tanaka, S Sato, T Shikamura and H Toyota are senior executives of, and are remunerated by Marubeni Corporation Tokyo and received no remuneration for services to this company.

6. Interest receivable

	2007 \$	2006 \$
Bank interest receivable	1,031,132	1,788,777
Other interest receivable	1,237	
	<u>1,032,369</u>	<u>1,788,777</u>

7. Interest payable and similar charges

	2007 \$	2006 \$
Bank loans	11,208,535	11,134,155
Group interest payable and similar charges	3,550,645	3,378,097
Interest on other financial liabilities	1,057,567	561,711
Finance charges on decommissioning	2,452,465	2,851,504
	<u>18,269,212</u>	<u>17,925,467</u>

Notes to the financial statements

at 31 December 2007

8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2007	2006
	\$	\$
<i>Current tax</i>		
UK corporation tax		
Adjustments in respect of prior periods		2,547,486
Total current tax		2,547,486
<i>Deferred tax</i>		
Origination and reversal of timing difference	28,008,734	17,621,483
Adjustments in respect of prior periods	4,452,743	(6,358,970)
Total deferred tax	32,461,477	11,262,513
Tax on profit on ordinary activities	32,461,477	13,809,999

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the effective combined corporation tax rate of 50% (2006 – 50%) comprising the standard rate of corporation tax in the UK of 30% (2006 – 30%) and the supplementary corporation tax rate of 20% (2006 – 20%) The differences are reconciled below

	2007	2006
	\$	\$
Profit on ordinary activities before tax	69,969,482	25,567,698
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 50% (2006 50%)	34,984,741	12,783,984
Expenses not deductible for tax purposes	3,064,258	2,845,811
Other timing differences	526,587	540,722
Accelerated capital allowances	(64,327,916)	(67,353,807)
Tax underprovided in previous years		2,547,486
Unrelieved tax losses and other deductions	25,752,330	51,183,290
Total current tax		2,547,486

Notes to the financial statements

at 31 December 2007

8. Tax (continued)

(c) Factors that may affect future tax charges

Based on current capital investment plans, the company expects to continue to be able to claim capital allowances at about the same level as in the current year. The company has tax losses that have not been recognised as deferred tax assets. If these losses are utilised in the future, they may reduce the company's tax charge. The government increased the rate of supplementary corporation tax to 20% from 1 January 2006.

(d) Deferred tax

The deferred tax included in the balance sheet is as follows

	2007 <i>Unprovided</i> \$	2007 <i>Provided</i> \$	2006 <i>Unprovided</i> \$	2006 <i>Provided</i> \$
Capital allowances		145,731,203		81,437,320
Other timing differences		(678,323)		(2,176,326)
Tax losses carried forward & other deductions	(8,728,286)	(83,596,420)	(8,909,548)	(60,869,308)
Loss surrendered by group relief		10,807,886		
Transfer of rolled over gain from fellow subsidiary		12,155,253		11,950,663
Provision for deferred tax	(8,728,286)	84,419,599	(8,909,548)	30,342,349

\$8,728,286 (2006: \$8,909,548) of losses brought forward have not been provided for as there is uncertainty as to whether such amounts will be realised.

At 1 January 2007	30,342,349	19,079,836
Loss surrendered by group relief	21,615,773	
Deferred tax charge in profit and loss account	32,461,477	11,262,513
At 31 December 2007	84,419,599	30,342,349

Notes to the financial statements

at 31 December 2007

9. Tangible fixed assets

	<i>Exploration and Production oil and gas assets</i>	<i>Fixtures and Fittings</i>	<i>Total</i>
	\$	\$	\$
Cost			
At 1 January 2007	376,277,178	94,277	376,371,455
Additions	145,008,663		145,008,663
At 31 December 2007	521,285,841	94,277	521,380,118
Depreciation			
At 1 January 2007	81,154,878	94,277	81,249,155
Provided during the year	38,271,929		38,271,929
At 31 December 2007	119,426,807	94,277	119,521,084
Net book value			
At 31 December 2007	401,859,034		401,859,034
At 1 January 2007	295,122,300		295,122,300

10. Debtors

	2007	2006
	\$	\$
Trade debtors	20,754,116	15,616,126
Underlift	2,644,778	7,381,122
Prepayments and accrued income	711,166	832,046
Other debtors	982,857	6,895
Amounts due from fellow subsidiary	5,030	5,030
	25,097,947	23,841,219

Notes to the financial statements

at 31 December 2007

11. Creditors: amounts falling due within one year

	2007	2006
	\$	\$
Trade creditors	23,639,804	19,912,751
Overlift	23,806,033	8,292,678
Other taxation and social security		18,628
Accruals and deferred income	13,562,176	18,206,267
Amounts due to fellow subsidiary	78,546,503	73,883,089
Other creditors	115,695	1,478,120
	<u>139,670,211</u>	<u>121,791,533</u>

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

	2007	2006
	\$	\$
Finance debt		
Bank loans	147,000,000	147,000,000
	<u>147,000,000</u>	<u>147,000,000</u>
	2007	2006
	\$	\$
Amounts falling due		
in one year or on demand		
in more than one year but not more than two years		
in more than two years but not more than five years	147,000,000	147,000,000
in more than five years		
	<u>(1,429,316)</u>	<u>(1,837,852)</u>
Less issue costs		
	<u>145,570,684</u>	<u>145,162,148</u>

The loan is repayable in June 2011. The effective interest rate varies between LIBOR + 1% to 1.4% dependant on utilisation. The interest rate as at 31 December 2007 was 6.20625% (2006 – 6.65438%).

The company became a borrower under a \$560million Senior Borrowing Base Revolving Facility on 18 January 2005 under which the company can utilise loans and letters of credit. As at 31 December 2007 the company had borrowed \$147 million and there are £31.3 million letters of credit outstanding. The final maturity of the facility is 30 June 2011. The facility together with any liabilities under certain hedging instruments, which the company has entered into, are secured by Scottish law bond & floating charge, English law fixed and floating charge over the company's entire undertaking and assets, as well as certain rights under contracts and petroleum licences, and a charge over specified bank accounts, in each case in favour of the Mizuho Corporate Bank Limited as security trustee of the facility.

Notes to the financial statements

at 31 December 2007

13. Provisions for liabilities and charges

	2007	2006
	\$	\$
Decommissioning costs	52,030,998	49,578,533
Deferred petroleum revenue tax	1,429,448	4,405,196
Deferred corporation tax	84,419,599	30,342,349
	<u>137,880,045</u>	<u>84,326,078</u>

The movement in the decommissioning provision during the current year is as follows

	2007	2006
	\$	\$
At 1 January 2007	49,578,533	41,112,631
Increase relating to revision of estimate		5,614,398
Unwinding of discount	2,452,465	2,851,504
At 31 December 2007	<u>52,030,998</u>	<u>49,578,533</u>

The company makes full provision for the future costs of decommissioning oil and gas production facilities on a discounted basis on the acquisition or installation of those facilities. The provision has been estimated using cost estimates based on existing technology discounted to their present value using a discount rate of 5%. These costs are expected to be incurred over the next 10 to 15 years. The provision is based on the best estimate of future costs and the economic lives of the facilities and pipelines. There is uncertainty regarding both the amount and timing of incurring these costs.

14. Contingent liability

There were contingent liabilities at 31 December 2007 in respect of guarantees and indemnities entered into as part of the \$560million Senior Borrowing Base Revolving Facility. As at 31 December 2007 the maximum draw down available under this facility was \$448 million. The loan facility can be drawn against by the following companies: Marubeni Oil and Gas UK Limited, Marubeni Oil and Gas US and Energy North Sea Limited. The lenders have full title guarantee charges over the shares of the company and fixed and floating charges over all assets owned by the company. At 31 December 2007, the total draw down was \$147 million and £31.7 million letters of credit of which the company had borrowed \$147 million and utilised £31.3 million letters of credit.

Notes to the financial statements

at 31 December 2007

19. Ultimate parent company

The ultimate parent undertaking of the group of undertakings for which group financial statements are drawn up, and of which the company is a member, is Marubeni Corporation, a company registered in Japan. Copies of Marubeni Corporation financial statements can be obtained from the Energy North Sea Limited registered office.

The smallest group for which group financial statements are drawn up, and of which the company is a member, is Marubeni North Sea Limited. Copies of the Marubeni North Sea Limited financial statements can be obtained from the Energy North Sea Limited registered office.