

ARTHUR  
ANDERSEN

ARTHUR ANDERSEN & Co. SC

**Perenco UK Limited**  
(formerly Kelt UK Limited)

Accounts 31 December 1995  
together with directors' and auditors' reports  
Registered number: 1421481



## Directors' report

For the year ended 31 December 1995

The directors present their annual report on the affairs of the company together with the accounts and auditors' report for the year ended 31 December 1995.

### Principal activities

The principal activities of the company comprise oil and gas exploration and production and the provision of technical and engineering services to the energy industry.

### Results and dividends

The results of the company for the year are set out in the profit and loss account on page 5. The directors recommend that no dividend be paid in respect of the year ended 31 December 1995 (1994 - £nil).

On 4 August 1995 the company changed its name from Kelt UK Limited to Perenco UK Limited.

### Fixed assets

A summary of movements on fixed assets during the year is shown in note 9 to the accounts.

During the year the company sold its 36.875% interest in Hatfield Moor to Edinburgh Oil and Gas Ltd for £515,000. The deal was completed on 23 October 1995.

Also during the year the company's 5% interest in P683 & P891 was sold to Arco for £350,000 on 21 December 1995.

### Directors and their interests

The directors who held office during the year and subsequently are shown below.

R. Fox

B. James

R.E Jones

P.C. Spink

The interests in the shares and share options of group companies held by the directors who were also directors of the UK parent company, Perenco PLC (formerly Kelt Energy PLC), are disclosed in the report and accounts of that company.

## Directors' report (continued)

### Directors and their interests (continued)

During 1995 the following share options in Perenco PLC, granted to directors under its Executive Share Option Scheme, were cancelled:

	Number of options			Exercise price	Exer
	At 1 January 1995	During the year Cancelled	At 31 December 1995		
B. James	75,000	(75,000)	-	20p	Mar 1996 t
	50,000	(50,000)	-	11p	Mar 1995 t
R.E. Jones	100,000	(100,000)	-	20p	Feb 1996 t
	50,000	(50,000)	-	11p	Mar 1995 t
	2,000	(2,000)	-	37p	Nov 1992 t

### Directors' 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 and loss of the company 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; and
- 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 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 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.

## Directors' report (continued)

### Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

130 Jermyn Street  
London  
SW1Y 4UJ

By order of the Board,



A. Eager

Secretary

8 October 1996

## Auditors' report

London

To the Shareholders of Perenco UK Limited (formerly Kelt UK Limited):

We have audited the accounts on pages 5 to 14 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 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 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 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 company's state of affairs 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.

*Arthur Andersen*

Arthur Andersen  
Chartered Accountants and Registered Auditors

1 Surrey Street  
London  
WC2R 2PS

8 October 1996

## Profit and loss account

For the year ended 31 December 1995

	Notes	1995 £'000	1994 £'000
Turnover	2	2,592	1,851
Cost of sales	3	<u>(2,131)</u>	<u>(1,544)</u>
Gross profit		461	307
Administrative expenses		<u>(172)</u>	<u>(195)</u>
Operating profit	4	289	112
Investment income	6	12	19
Interest payable	7	<u>(1,497)</u>	<u>(1,150)</u>
<b>Loss on ordinary activities before and after taxation</b>		(1,196)	(1,019)
Accumulated deficit, brought forward		<u>(2,226)</u>	<u>(1,207)</u>
Accumulated deficit, carried forward		<u>(3,422)</u>	<u>(2,226)</u>

The accompanying notes are an integral part of this profit and loss account.

There were no recognised gains or losses in either year other than as above.

# Balance sheet

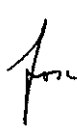

31 December 1995

	Notes	1995 £'000	1994 £'000
<b>Fixed assets</b>			
Tangible assets	9	<u>7,028</u>	<u>7,655</u>
<b>Current assets</b>			
Debtors	10	13,441	15,966
Cash at bank and in hand		<u>248</u>	<u>9</u>
		13,689	15,975
<b>Creditors: Amounts falling due within one year</b>	11	<u>(17,337)</u>	<u>(22,741)</u>
<b>Net current liabilities</b>		<u>(3,648)</u>	<u>(6,766)</u>
<b>Total assets less current liabilities</b>		<u>3,380</u>	<u>889</u>
<b>Creditors: Amounts falling due after more than one year</b>	12	(3,679)	-
Provisions for liabilities and charges	13	<u>(23)</u>	<u>(15)</u>
<b>Net (liabilities) assets</b>		<u>(322)</u>	<u>874</u>
<b>Capital and reserves</b>			
Called-up share capital	14	3,100	3,100
Profit and loss account		<u>(3,422)</u>	<u>(2,226)</u>
<b>Shareholders' funds</b>	15	<u>(322)</u>	<u>874</u>

Signed on behalf of the Board

R. Fox

Director



8 October 1996

The accompanying notes are an integral part of this balance sheet.

## Notes to accounts

For the year ended 31 December 1995

### 1 Accounting policies

The following principal accounting policies which have been applied consistently throughout the year and with the preceding year, were adopted in arriving at the financial information set out in these accounts.

#### *a) Basis of accounting*

The accounts have been prepared under the historical cost convention modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

#### *b) Joint operations*

The company's oil and gas activities are conducted principally as co-licensee in joint operations with other companies.

The accounts reflect the company's share of income and expenditure arising from these ventures.

Under the provisions of Financial Reporting Standard No 5, the working capital balances of the joint ventures for which Perenco UK Limited is the operator are shown gross.

#### *c) Turnover*

Turnover represents the company's invoiced sales of oil and gas, all of which arise in the United Kingdom.

#### *d) Exploration and development costs*

Oil and gas properties are carried in a fixed asset pool established through valuations in 1988 and 1989 with subsequent additions at cost.

### Capitalisation

Costs of acquisition, exploration, appraisal and development of oil and gas properties are capitalised under the principles of full cost accounting.

All costs, including geological, geophysical, engineering and general and administrative expenses directly related to these activities are capitalised in a full cost pool. Financing costs in respect of borrowings relating to these activities are capitalised. Interest costs are expensed insofar as they relate to borrowing associated with proved developed producing reserves.

Proceeds of disposal of licence interests are credited to the pool, and no gain or loss is recognised.



## Notes to accounts (continued)

### 1 Accounting policies (continued)

#### d) *Exploration and development costs (continued)*

##### Depreciation

All expenditure carried within the full cost pool is depreciated on a unit of production basis using the ratio of the production in the year to the estimated quantity of commercial reserves at the end of the year plus the production in the period. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the anticipated future field development costs at current year end unescalated prices.

Changes in cost and reserve estimates are dealt with prospectively.

##### Ceiling test

A ceiling test is carried out at each balance sheet date to assess whether the net book value of capitalised costs is covered by the anticipated and undiscounted future net revenues calculated at year end prices. Any deficiency arising under this comparison is provided to the extent that, in the view of the directors, it is considered to represent a permanent diminution in the value of the related assets.

#### e) *Office equipment and motor vehicles*

Depreciation on cost is provided on a straight line basis over the estimated useful lives of assets at rates between 25% and 33% per annum.

#### f) *Foreign currency*

Transactions denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated into sterling at the rate of exchange ruling on the balance sheet date, exchange differences being reflected in the profit and loss account.

#### g) *Deferred taxation*

Deferred taxation is provided at anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts to the extent that it is possible that a liability will crystallise in the future.

#### h) *Abandonment provision*

Estimated abandonment costs are provided field by field on a unit of production basis.

#### i) *Stocks*

Stocks of oil are stated at the lower of cost and net realisable value.

#### j) *Cash flow statement*

No cash flow statement has been prepared. The company's UK parent company, Perenco PLC, has prepared consolidated accounts which incorporate the results of the company and which include a consolidated cash flow statement prepared in accordance with Financial Reporting Standard No. 1 (note 17).

## Notes to accounts (continued)

### 2 Turnover and loss on ordinary activities

The company's turnover and loss on ordinary activities before taxation for the year were derived from oil and gas production in the United Kingdom.

### 3 Cost of sales

	1995 £'000	1994 £'000
Purchase of crude oil for resale	-	634
Other operating costs	1,586	649
Royalties	77	6
Depletion and amortisation	436	235
Abandonment	32	20
	<u>2,131</u>	<u>1,544</u>

### 4 Operating profit

	1995 £'000	1994 £'000
Operating profit is stated after (crediting):		
Profit on disposal of fixed assets	-	(5)
And after charging:		
Depreciation	91	94
Hire of plant and machinery	26	59
Other operating lease rentals	169	204
Auditors' remuneration and expenses		
- Audit fees	21	20
- Other fees (including taxation)	8	55
Staff costs (note 5)	<u>733</u>	<u>1,233</u>

### 5 Staff costs

	1995 £'000	1994 £'000
Wages and salaries	624	1,025
Social security costs	65	99
Other pension costs	44	109
	<u>733</u>	<u>1,233</u>

The average number of persons employed by the company during the year was 19 (1994 - 37).

## Notes to accounts (continued)

### 5 Staff costs (continued)

The employee costs shown above include the following remuneration in respect of directors.

	1995 £'000	1994 £'000
Emoluments, including pension contributions	<u>164</u>	<u>191</u>

The directors' remuneration shown above (excluding pension contributions) included:

Highest paid director	<u>92</u>	<u>90</u>
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The company has no chairman.

Directors received emoluments (excluding pension contributions) in respect of their services to the company in the following ranges:

	1995 Number	1994 Number
£ 0 - £ 5,000	2	2
£ 20,001 - £ 25,000	-	1
£ 55,001 - £ 60,000	1	1
£ 85,001 - £ 90,000	-	1
£ 90,001 - £ 95,000	<u>1</u>	<u>-</u>

### 6 Investment income

	1995 £'000	1994 £'000
Interest receivable and similar income	<u>12</u>	<u>19</u>

### 7 Interest payable

	1995 £'000	1994 £'000
Interest payable to third parties	347	-
Interest on intercompany loans (note 10)	1,150	1,194
Less amounts capitalised	-	(44)
	<u>1,497</u>	<u>1,150</u>

## Notes to accounts (continued)

### 8 Tax on profit on ordinary activities

There was no tax charge for the year. The company has unutilised tax losses carried forward.

### 9 Tangible fixed assets

	Oil and gas properties £'000	Office equipment and motor vehicles £'000	Total £'000
<b>Cost</b>			
As at 31 December 1994	15,233	770	16,003
Additions	636	106	742
Disposals	(842)	(145)	(987)
As at 31 December 1995	<u>15,027</u>	<u>731</u>	<u>15,758</u>
<b>Depreciation</b>			
As at 31 December 1994	7,758	590	8,348
Charge for the year	436	91	527
Disposals	-	(145)	(145)
As at 31 December 1995	<u>8,194</u>	<u>536</u>	<u>8,730</u>
Net book value at 31 December 1994	<u>7,475</u>	<u>180</u>	<u>7,655</u>
Net book value at 31 December 1995	<u>6,833</u>	<u>195</u>	<u>7,028</u>

The 'full cost pool' of oil and gas properties includes properties carried at valuations established by the directors in 1988 and 1989 in conjunction with corporate acquisitions by the company's UK parent company.

## Notes to accounts (continued)

### 10 Debtors

Amounts falling due within one year:

	1995 £'000	1994 £'000
Trade debtors	1,021	387
Due from group undertakings	12,367	15,494
Prepayments and accrued income	53	85
	<u>13,441</u>	<u>15,966</u>

Subsequent to 31 December 1995 the company has assigned the amounts, of approximately £12 million, due from other group companies, to the immediate parent company in exchange for an equivalent reduction in amounts due to the parent company (note 11).

### 11 Creditors: Amounts falling due within one year

	1995 £'000	1994 £'000
Current portion of long term bank loan	487	-
Trade creditors	424	112
Amounts owed to group undertakings	16,099	22,465
VAT	40	12
Social security and PAYE	23	27
Accruals	264	125
	<u>17,337</u>	<u>22,741</u>

The company's UK parent company, Perenco PLC, has indicated to the directors that it will not require repayment of the intercompany balance and will continue to make funds available to permit the company to continue as a going concern.

The amounts owed to the immediate parent company have no fixed repayment date. Interest is charged at a rate equivalent to Lloyds Bank PLC deposit rate plus 1%.

### 12 Creditors: Amounts falling due after more than one year

	1995 £'000	1994 £'000
Bank loan	<u>3,679</u>	<u>-</u>

The loan is repayable in instalments related to production levels over the life of the North Yorkshire gas field (estimated at 6 years) and bears interest at UK LIBOR + 1%.

## Notes to accounts (continued)

### 13 Provisions for liabilities and charges

#### a) Abandonment costs

	1995 £'000	1994 £'000
Beginning of year	15	522
Disposals in year	(24)	(527)
Charge for the year	32	20
End of year	<u>23</u>	<u>15</u>

#### b) Deferred taxation

The full potential liability for deferred corporation tax, calculated on the liability method at 33%, arising from accelerated capital allowances, is fully offset by intercompany interest accruals and tax losses carried forward.

### 14 Called-up share capital

	1995 £'000	1994 £'000
<i>Authorised, allotted, called-up and fully paid</i>		
3,100,000 ordinary shares of £1 each	<u>3,100</u>	<u>3,100</u>

### 15 Movement on shareholders' funds

	1995 £'000	1994 £'000
Beginning of year	874	(1,107)
Share capital issued	-	3,000
Loss for the year	(1,196)	(1,019)
End of year	<u>(322)</u>	<u>874</u>

On 31 May 1994 the company issued 3,000,000 Ordinary shares of £1 each to its immediate parent company for cash consideration.

## Notes to accounts (continued)

### 16 Capital commitments

At 31 December 1995 the company was committed to the following expenditure (Perenco UK Limited share) on exploration and development activities:

	1995 £'000	1994 £'000
Contracted	648	401
Authorised but not contracted for	984	1,705
	<u>1,632</u>	<u>2,106</u>

### 17 Going concern

As at the year end, the company had net current liabilities of £3,648,000 and net liabilities of £322,000.

The company's UK parent, Perenco PLC, has indicated its willingness to provide financial support to the company to enable it to meet its obligations as they fall due within the next twelve months. Accordingly, the accounts have been prepared on the going concern basis.

### 18 Ultimate parent company

The company's ultimate parent company is Perenco Holdings SA, registered in Panama. The accounts of this company are not available to the public.

The company's ultimate parent company in the UK is Perenco PLC, registered in England and Wales. Perenco PLC is the parent undertaking for the only group in which the results of Perenco UK Limited are consolidated in the UK. The consolidated accounts of this group are available to the public and may be obtained from 130 Jermyn Street, London SW1Y 4UJ.