

PERENCO U.K. LIMITED

(formerly Kelt U.K. Limited)

ACCOUNTS - 31 DECEMBER 1994

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

The company's registered number is 1421481



PERENCO U.K. LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1994

The directors submit their annual report on the affairs of the company together with the accounts and auditors' report for the year ended 31 December 1994.

On 4th August 1995 the company changed its name from Kelt U.K. Limited to Perenco U.K. Limited.

PRINCIPAL ACTIVITY

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 4. The directors recommend that no dividend be paid in respect of the year ended 31 December 1994 (9 months to 31 December 1993-£Nil).

FIXED ASSETS

A summary of movements of fixed assets during the year is shown in Note 8 to the accounts.

With an effective date of 1st April 1994 Perenco UK Ltd. sold its interests in the Southern England oilfields to Cairn Energy Plc for £6.7 million whilst at the same time purchasing 14.25% of the Ryedale gasfield for £2.5 million. The deal was completed on 31st May 1994.

During the year Perenco UK Ltd. assigned to Perenco Gas Ltd. its 25.37% interest in Caythorpe gasfield and 10.50% of its interest in Ryedale gasfield (purchased from Cairn Energy Plc) for a total consideration of £3.2 million.

DIRECTORS AND THEIR INTERESTS

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

R D Barrett (Resigned 31 May 1994)
R Fox
B James
R E Jones
P C Spink

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

DIRECTORS' REPORT (Continued)

At 31 December 1994 the following share options had been granted to directors under the Executive Share Option Scheme:

	Exercise Price	Exercise Period	31/12/94 Number	31/12/93 Number
B James	20p	Mar 1996 to Feb 2003	75,000	75,000
	11p	Mar 1995 to Mar 2002	50,000	50,000
R E Jones	20p	Feb 1996 to Feb 2003	100,000	100,000
	11p	Mar 1995 to Mar 2002	50,000	50,000
	37p	Nov 1992 to Nov 1999	2,000	2,000

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial period which 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting and financial reporting 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.

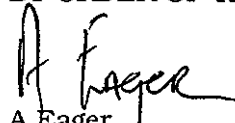
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

17th October 1995

Auditors' report to the Shareholders of Perenco U.K. Limited (formerly Kelt U.K. Limited)

We have audited the accounts on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 to 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 1994 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

17 October 1995

PERENCO U.K. LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1994

	<u>Notes</u>	<u>Year to</u> <u>31/12/94</u> <u>£'000s</u>	<u>9 months to</u> <u>31/12/93</u> <u>£'000s</u>
TURNOVER	2	1,851	5,119
Cost of sales	3	<u>(1,544)</u>	<u>(3,733)</u>
GROSS PROFIT		307	1,386
Administrative expenses		<u>(195)</u>	<u>(446)</u>
OPERATING PROFIT	4	112	940
Interest receivable		19	6
Interest payable	6	<u>(1,150)</u>	<u>(1,038)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION		(1,019)	(92)
ACCUMULATED DEFICIT, brought forward		<u>(1,207)</u>	<u>(1,115)</u>
ACCUMULATED DEFICIT, carried forward		(2,226)	(1,207)
		=====	=====

There were no recognised gains or losses other than as shown above.

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

PERENCO U.K. LIMITED

BALANCE SHEET - 31 DECEMBER 1994

	<u>Notes</u>	<u>31/12/94</u> <u>£'000s</u>	<u>31/12/93</u> <u>£'000s</u> (restated)
FIXED ASSETS			
Tangible assets	8	<u>7,655</u>	<u>14,369</u>
CURRENT ASSETS			
Stocks		-	20
Debtors	9	15,966	14,405
Cash at bank		<u>9</u>	<u>345</u>
		15,975	14,770
CREDITORS:			
Amounts falling due within one year	10	<u>(22,741)</u>	<u>(9,711)</u>
NET CURRENT ASSETS		<u>6,766</u>	<u>5,059</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		889	19,428
CREDITORS:			
Amounts falling due after more than one year	11	-	(20,013)
PROVISIONS FOR LIABILITIES AND CHARGES	12	<u>(15)</u>	<u>(522)</u>
NET ASSETS (LIABILITIES)		874	(1,107)
		=====	=====
CAPITAL AND RESERVES			
Called-up share capital	13	3,100	100
Profit and loss account		<u>(2,226)</u>	<u>(1,207)</u>
Shareholders' funds	14	874	(1,107)
		=====	=====

SIGNED ON BEHALF OF THE BOARD

R. Fox - Director

17th October 1995

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

PERENCO U.K. LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994

1. STATEMENT OF ACCOUNTING POLICIES

The following principal accounting policies, which have been applied consistently throughout the year and with preceding years (other than as indicated in (b) below), 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

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

The accounts reflect Kelt U.K.'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 U.K. is the operator are shown gross. The 31 December 1993 balance sheet has been restated to reflect this change in presentation.

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 nor loss is recognised.

PERENCO U.K. LIMITED

NOTES TO THE ACCOUNTS (continued)

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

d) Exploration and development costs (cont'd)

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 foreign currency are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in 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 financial statements to the extent that it is possible that a liability will crystallise in the future.

PERENCO U.K LIMITED
NOTES TO THE ACCOUNTS (continued)

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

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, prepared a consolidated cash flow statement in accordance with Financial Reporting Standard No. 1.

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. Turnover includes £1,051,000 (9 months to 31/12/93 - £2,631,000) in respect of brokerage sales of third party oil.

3. COST OF SALES

	Year to <u>31/12/94</u> £'000s	9 months to <u>31/12/93</u> £'000s
Purchase of crude oil for resale	634	2,358
Other operating costs	649	746
Royalties	6	10
Depletion and amortisation	235	571
Abandonment	<u>20</u>	<u>48</u>
	<u>1,544</u>	<u>3,733</u>

4. OPERATING PROFIT

	Year to <u>31/12/94</u> £'000s	9 months to <u>31/12/93</u> £'000s
Operating Profit is stated after crediting:		
Profit on disposal of fixed assets	5	6
And after charging:		
Depreciation	94	93
Hire of plant and machinery	59	67
Other operating lease rentals	204	302
Auditors' remuneration and expenses		
- Audit fees	20	25
- Other fees (including tax)	55	8
Staff costs (Note 5)	1,233	1,562
	=====	=====

PERENCO U.K. LIMITED

NOTES TO THE ACCOUNTS (continued)

5. STAFF COSTS	<u>Year to</u> <u>31/12/94</u> £'000's	<u>9 months to</u> <u>31/12/93</u> £'000's
Wages and salaries	1,025	1,305
Social security costs	99	127
Other pension costs	<u>109</u>	<u>130</u>
	1,233	1,562
	=====	=====

The average number of persons employed by the company during the year was 37 (9 months to 31/12/93 - 69).

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

Emoluments, including pension contributions	191	187
	===	===

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

Highest paid director	90	70
	===	===

The company has no chairman.

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

	<u>Number</u>	<u>Number</u>
£0 - £5,000	2	2
£5,001 - £10,000	-	-
£20,001 - £25,000	1	-
£45,001 - £50,000	-	2
£55,001 - £60,000	1	-
£70,001 - £75,000	-	1
£85,001 - £90,000	1	-
	=	=

PERENCO U.K. LIMITED

NOTES TO THE ACCOUNTS (continued)

	<u>Year to</u> <u>31/12/94</u> £'000's	<u>9 months to</u> <u>31/12/93</u> £'000's	
6. INTEREST PAYABLE			
Interest to third parties	-	1	
Interest on intercompany loans (Note 10)	1,194	1,056	
Less amounts capitalised	<u>(44)</u>	<u>(19)</u>	
	<u>1,150</u>	<u>1,038</u>	
7. TAX ON LOSS ON ORDINARY ACTIVITIES			
There was no tax charge for the year (9 months to 31/12/93 - £Nil) as the company has unutilised tax losses carried forward.			
8. TANGIBLE FIXED ASSETS			
	<u>Oil and gas</u> <u>properties</u> £000's	<u>Office equipment</u> <u>and motor vehicles</u> £000's	<u>Total</u> £000's
COST OR VALUATION			
At 31 December 1993	21,559	1,009	22,568
Additions	3,872	5	3,877
Disposals	<u>(10,198)</u>	<u>(244)</u>	<u>(10,442)</u>
As at 31 December 1994	15,233 =====	770 =====	16,003 =====
DEPRECIATION			
At 31 December 1993	7,523	676	8,199
Charge for the year	235	94	329
Disposals	<u>-</u>	<u>(180)</u>	<u>(180)</u>
As at 31 December 1994	7,758 =====	590 =====	8,348 =====
NET BOOK VALUE			
At 31 December 1994	7,475 =====	180 =====	7,655 =====
NET BOOK VALUE			
At 31 December 1993	14,036 =====	333 =====	14,369 =====

Expenditure capitalised during the year includes interest of £44,000 (9 months to 31/12/93 - £19,000).

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.

PERENCO U.K. LIMITED

NOTES TO THE ACCOUNTS (continued)

9. DEBTORS

Amounts falling due within one year	<u>31/12/94</u> £'000s	<u>31/12/93</u> £'000s (restated)
Trade debtors	387	1,953
Due from group undertakings	15,494	12,291
Prepayments and accrued income	<u>85</u>	<u>161</u>
	15,966	14,405
	=====	=====

Subsequent to 31 December 1994 the company has assigned the amounts, of approximately £15 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 10).

10. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>31/12/94</u> £'000s	<u>31/12/93</u> £'000s (restated)
Trade creditors	112	1,244
Amounts owed to group undertakings	22,465	8,048
VAT	12	142
Social security and PAYE	27	84
Accruals	<u>125</u>	<u>193</u>
	22,741	9,711
	=====	=====

The company's UK parent company, Perenco PLC, has indicated to the Directors that there is no intention to require repayment of intercompany balances and that funds will continue to be made available to the company to permit it 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%.

PERENCO U.K. LIMITED

NOTES TO THE ACCOUNTS (continued)

11. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>31/12/94</u> £'000s	<u>31/12/93</u> £'000s
Amounts owed to immediate parent company	-	20,013
	=====	=====

Amounts owed to immediate parent company have been reclassified as amounts falling due within one year under the terms of FRS4.

12. PROVISIONS FOR LIABILITIES AND CHARGES

Abandonment Costs

	<u>31/12/94</u> £000's	<u>31/12/93</u> £000's
Beginning of period	522	474
Disposals in period	(527)	-
Charge for the period	<u>20</u>	<u>48</u>
End of period	15	522
	=====	===

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.

13. CALLED-UP SHARE CAPITAL

	<u>31/12/94</u> £'000s	<u>31/12/93</u> £'000s
Authorised, allotted, called-up and fully paid - Ordinary shares of £1 each	3,100	100
	=====	===

PERENCO U.K. LIMITED

NOTES TO THE ACCOUNTS (continued)

14. MOVEMENT ON SHAREHOLDERS' FUNDS

	<u>31/12/94</u> £000's	<u>31/12/93</u> £000's
Beginning of period	(1,107)	(1,015)
Share capital issued	3,000	-
Loss for the period	<u>(1,019)</u>	<u>(92)</u>
End of period	874 =====	(1,107) =====

On 31st May 1995 the company issued 3,000,000 Ordinary shares of £1 each to its immediate parent company for cash consideration.

15. CAPITAL COMMITMENTS

At 31 December 1994 the company was committed to the following expenditure (Kelt U.K. share) on exploration and development activities:

	<u>31/12/94</u> £'000s	<u>31/12/93</u> £'000s
Contracted	401	1,068
Authorised but not contracted for	<u>1,705</u>	<u>510</u>
	2,106 =====	1,578 =====

16. ULTIMATE PARENT COMPANY

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