ARTHUR ANDERSEN

Perenco UK Limited

Accounts 31 December 1996
together with directors' and auditors' reports

Registered number: 1421481

Directors' report

For the year ended 31 December 1996

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 1996.

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 4. The directors recommend that no dividend be paid in respect of the year ended 31 December 1996 (1995 - £nil).

Fixed assets

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

Directors and their interests

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

R. Fox	
B. James	(retired 16 September 1996)
R.E Jones	(retired 31 May 1996)
P.C. Spink	

The directors have no interests requiring disclosure.

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.

Directors' report (continued)

Directors' responsibilities (continued)

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

A. Eager

Secretary

30 April 1997

Auditors' report

London

To the Shareholders of Perenco UK Limited:

We have audited the accounts on pages 4 to 12 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on pages 1 and 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 1996 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

30 April 1997

Profit and loss account

For the year ended 31 December 1996

	Notes	1996 £'000	1995 £'000
Turnover	2	2,698	2,592
Cost of sales	3	(2,247)	(2,131)
Gross profit		451	461
Administrative expenses		(155)	(172)
Operating profit	4	296	289
Investment income	6	20	12
Interest payable	7	(1,354)	(1,497)
Loss on ordinary activities before and after taxation		(1,038)	(1,196)
Accumulated deficit, brought forward		(3,422)	(2,226)
Accumulated deficit, carried forward		(4,460)	(3,422)

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 1996

	Notes	1996 £'000	1995 £'000
Fixed assets			
Tangible assets	9	7,546	7,028
Current assets			
Debtors	10	12,000	13,441
Cash at bank and in hand		111	248
		12,111	13,689
Creditors: Amounts falling due within one year	11	(17,729)	(17,337)
Net current liabilities		(5,618)	(3,648)
Total assets less current liabilities		1,928	3,380
Creditors: Amounts falling due after more than one year	12	(3,244)	(3,679)
Provisions for liabilities and charges	13	(44)	(23)
Net liabilities		(1,360)	(322)
Capital and reserves			
Called-up equity share capital	14	3,100	3,100
Profit and loss account		(4,460)	(3,422)
Total equity shareholders' funds	15	(1,360)	(322)

Signed on behalf of the Board

R. Fox Director

30 April 1997

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

Notes to accounts

For the year ended 31 December 1996

1 Accounting policies

The following principal accounting policies, which have been applied consistently throughout the year and 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.

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.

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.

Notes to accounts (continued)

1 Accounting policies (continued)

d) Exploration and development costs (continued)

<u>**Ceiling test**</u>

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) Decommissioning costs

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

i) Cash flow statement

Under the provision of Financial Reporting Standard No. 1 (reissued), the company has not prepared a cash flow statement because its immediate parent company, Perenco PLC, has prepared consolidated accounts which include the results of the company for the year and are publicly available.

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

	1996 £'000	1995 £'000
Operating costs	1,707	1,586
Royalties	83	77
Depletion and amortisation	436	436
Decommissioning	21	32
	2,247	2,131

4 Operating profit

	1996 £'000	1995 £'000
Operating profit is stated after charging:		
Depreciation	86	91
Hire of plant and machinery	14	26
Other operating lease rentals	171	169
Auditors' remuneration and expenses		
- Audit fees	10	21
- Other fees (including taxation)	9	8
Staff costs (note 5)	575	733

5 Staff costs

	1996 £'000	1995 £'000
Wages and salaries	495	624
Social security costs	49	65
Other pension costs	31	44
	575	733

The average number of persons employed by the company during the year was 16 (1995 - 19).

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

	1996 £'000	1995 £'000
Emoluments, including pension contributions	-	164

Notes to accounts (continued)

5 Staff costs (continued)

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

	1996 £'000	1995 £'000
Highest paid director	-	92

The company has no chairman.

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

	1996 Number	1995 Number
£ 0 - £ 5,000	4	2
£ 55,001 - £ 60,000	-	1
£ 90,001 - £ 95,000	-	1

6 Investment income

	1996 £'000	1995 £'000
Interest receivable and similar income	20	12

7 Interest payable

	1996 £'000	1995 £'000
Interest payable to third parties	308	347
Interest on intercompany loans (note 11)	1,046	1,150
	1,354	1,497

8 Tax on profit on ordinary activities

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

Notes to accounts (continued)

9 Tangible fixed assets

	Oil and gas properties £'000	Buildings, office equipment and motor vehicles £'000	Total £'000
Cost			
As at 31 December 1995	15,027	731	15,758
Additions	1,028	30	1,058
Disposals	-	(108)	(108)
As at 31 December 1996	16,055	653	16,708
Depreciation			
As at 31 December 1995	8,194	536	8,730
Charge for the year	436	86	522
Disposals	-	(90)	(90)
As at 31 December 1996	8,630	532	9,162
Net book value at 31 December 1995	6,833	195	7,028
Net book value at 31 December 1996	7,425	121	7,546

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.

10 Debtors

Amounts falling due within one year:

	1996 £'000	1995 £'000
Trade debtors	634	1,021
Due from group undertakings	11,292	12,367
Prepayments and accrued income	74	53
	12,000	13,441

Notes to accounts (continued)

11 Creditors: Amounts falling due within one year

	1996 £'000	1995 £'000
Current portion of long term bank loan (note 12)	410	487
Trade creditors	338	424
Amounts owed to group undertakings	16,660	16,099
VAT	69	40
Social security and PAYE	13	23
Accruals	239	264
	17,729	17,337

The company's UK parent company, Perenco PLC, has indicated to the directors that it will not require immediate 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

	1996 £'000	1995 £'000
Bank loan	3,244	3,679

The loan is secured against the North Yorkshire gas field and is repayable in instalments related to production levels over the life of the North Yorkshire gas field (estimated to end in 2002) and bears interest at UK LIBOR + 1.75%.

13 Provisions for liabilities and charges

a) Decommissioning costs

	1996 £'000	1995 £'000
Beginning of year	23	15
Disposals in year	-	(24)
Charge for the year	21	32
End of year	44	23

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 tax losses carried forward.

Notes to accounts (continued)

14 Called-up equity share capital

	1996 £'000	1995 £'000
Authorised, allotted, called-up and fully paid		
3,100,000 ordinary shares of £1 each	3,100	3,100

15 Movement on equity shareholders' funds

The movement on equity shareholders' funds represent the loss for the year.

16 Capital commitments

At 31 December 1996 the company was committed to the following expenditure on exploration and development activities (Perenco UK Limited share):

	1996 £'000	1995 £'000
Contracted	-	648
Authorised but not contracted for	3,554	984
	3,554	1,632

17 Going concern

As at the year end, the company had net current liabilities of £5,618,000 and net liabilities of £1,360,000.

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 that 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 smallest group in which the results of Perenco UK 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.