

PCO TRADING LIMITED

Report and Accounts

Year ended 31 December 2003



PCO TRADING LIMITED

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DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2003.

RESULTS AND DIVIDENDS

For the year to 31 December 2003 the Company made a profit after tax of £23,211 (2002 – loss of £28,156).

The directors do not recommend the payment of a dividend (2002 – £Nil).

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the Company is the purchase of crude oil and liquid petroleum gas from its fellow subsidiary Premier Oil Exploration Limited and the sale thereof to third parties. No change is envisaged in the coming year.

DIRECTORS AND THEIR INTERESTS

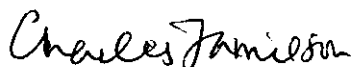
The directors who served the Company during the year 31 December 2003 were as follows:

C J A Jamieson
J A van der Welle

No director had a disclosable interest in the shares of the company at 31 December 2003. At the year end the directors were also directors of the ultimate parent company, Premier Oil plc, in whose accounts their interests in the share capital of that company and other group companies are shown.

By order of the Board

C J A Jamieson
DIRECTOR



14 September 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

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 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; 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PCO TRADING LIMITED

We have audited the accounts for the year ended 31 December 2003 which comprise Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 10. These accounts have been prepared on the basis of 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 auditors' 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

As described in the Statement of Directors' Responsibilities, the Company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the Company 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.

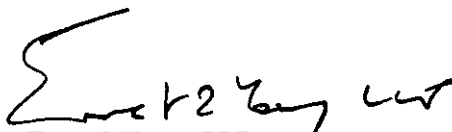
Basis of audit opinion

We conducted our audit in accordance with 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 state of affairs of the Company as at 31 December 2003 and of the profit of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP

Registered Auditor

London

14.9.04

PCO Trading Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2003

	<i>Notes</i>	<i>2003 £000</i>	<i>2002 £000</i>
TURNOVER	2	34,122	41,551
Cost of sales		<u>(33,599)</u>	<u>(40,975)</u>
GROSS PROFIT		523	576
Distribution costs	3	<u>(523)</u>	<u>(632)</u>
OPERATING PROFIT / (LOSS)	4	–	(56)
Exchange gain		<u>23</u>	<u>28</u>
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		23	(28)
Tax on profit / (loss) on ordinary activities	5	<u>–</u>	<u>–</u>
PROFIT / (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		23	(28)
RETAINED LOSS BROUGHT FORWARD		<u>(231)</u>	<u>(203)</u>
RETAINED LOSS CARRIED FORWARD		<u><u>(208)</u></u>	<u><u>(231)</u></u>

The operating profit arises wholly on continuing activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains and losses in the year other than the gain of £23,211 (2002 – loss of £28,156).

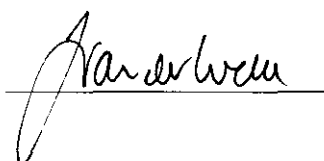
PCO Trading Limited

BALANCE SHEET as at 31 December 2003

	<i>Notes</i>	<i>2003 £000</i>	<i>2002 £000 restated</i>
CURRENT ASSETS			
Debtors	6	10,514	10,210
CREDITORS: amounts falling due within one year	7	(10,722)	(10,411)
NET LIABILITIES		<u>(208)</u>	<u>(231)</u>
CAPITAL AND RESERVES			
Share capital	8	—	—
Profit and loss account	9	(208)	(231)
EQUITY SHAREHOLDER'S FUNDS		<u>(208)</u>	<u>(231)</u>

Approved by the Board on 14 September 2004
and signed on its behalf by:

J A van der Welle
DIRECTOR



PCO Trading Limited

NOTES TO THE ACCOUNTS at 31 December 2003

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

The accounts are prepared on a going concern basis because the ultimate parent company has agreed to provide funds, sufficient in the opinion of the directors, to enable the company to meet its liabilities as they fall due.

Foreign currency

All monetary assets and liabilities denominated in foreign currencies are retranslated into sterling at the rates of exchange ruling at the year end. Transactions denominated in foreign currencies are recorded at the rate ruling at the date of transactions. All exchange differences are reported in the profit and loss account.

Related party transactions

The directors have taken advantage of the exemption in paragraph 3(c) of FRS 8 – 'Related Party Disclosures' from disclosing details of transactions with its ultimate parent, subsidiaries and fellow subsidiary companies.

Cash flow statement

The directors have taken advantage of the exemption in paragraph 5(a) of FRS 1 (revised) 1996 from producing a cash flow statement.

Comparative figures

Certain comparative figures in 2002 have been restated to conform to the 2003 presentation.

2. TURNOVER

Turnover represents sales of oil and gas net of VAT and trade discounts contracted in the UK.

3. DISTRIBUTION COSTS

Distribution costs represent the cost of transporting crude oil from its point of purchase to the point of sale.

4. OPERATING PROFIT/(LOSS)

The audit fee was borne by the ultimate parent company. No staff were employed during the year (2002 – Nil).

The directors received no remuneration for their services to the Company (2002 –£Nil). This was borne by the ultimate parent company.

5. TAXATION

	2003	2002
	\$000	\$000
Profit/(loss) on ordinary activities before tax	23	(28)
Profit/(loss) on ordinary activities before tax @ 30%	7	(8)
Effects of:		
Losses brought forward	(7)	–
Losses surrendered to group companies	–	8
Current tax charge for period	–	–

PCO Trading Limited

NOTES TO THE ACCOUNTS at 31 December 2003

6. DEBTORS

	2003 £000	2002 £000 (restated)
Trade debtors	10,514	10,210
	<u>10,514</u>	<u>10,210</u>

7. CREDITORS: amounts falling due within one year

	2003 £000	2002 £000 (restated)
Amounts owed to fellow subsidiary undertakings	10,722	10,441
	<u>10,722</u>	<u>10,441</u>

8. SHARE CAPITAL

	2003 £	2002 £
Authorised, allotted, called up and fully paid: 100 ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

9. RECONCILIATION OF SHAREHOLDER'S FUNDS

There are no changes in shareholder's funds other than movements in the retained loss for the current and previous years as shown in the profit and loss account.

10. ULTIMATE PARENT COMPANY

The Company's ultimate parent company and controlling party is Premier Oil plc (formerly Premier Oil Group plc), a company registered in Scotland. It is a parent undertaking of the largest and the smallest group of which the company is a member and for which group accounts are prepared. Copies of the group accounts are available from Premier Oil plc, 23 Lower Belgrave Street, London, SW1W 0NR.