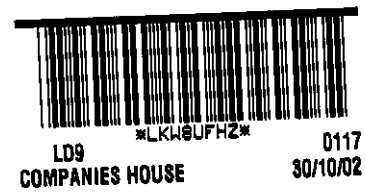


PCO TRADING LIMITED

Report and Accounts

Year ended 31 December 2001



INDEX

	Page
DIRECTORS' REPORT	1
DIRECTORS' RESPONSIBILITIES	2
AUDITORS' REPORT	3
PROFIT AND LOSS ACCOUNT	4
STATEMENT OF RECOGNISED GAINS AND LOSSES	4
BALANCE SHEET	5
NOTES TO THE ACCOUNTS	6-7

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2001.

RESULTS AND DIVIDENDS

The company made a loss of £9,636 for the year to 31 December 2001 (2000 – loss of £18,385).

The directors do not recommend the payment of a dividend (2000 – £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 2001 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 2001. At the year end the directors were also directors of the ultimate parent undertaking, Premier Oil plc, in whose accounts their interests in the share capital of that company and other group undertakings are shown.

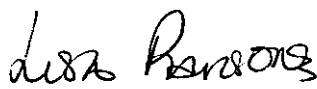
AUDITORS

On 28 June 2001, Ernst & Young, the company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001.

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

L Parsons
SECRETARY



23 September 2002

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 company's accounts for the year ended 31 December 2001, which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses and the related notes 1 to 10. These accounts have been prepared on the basis of the accounting policies set out therein.

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 accounts, 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 United Kingdom 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 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered Auditor
London

23 September 2002

PCO Trading Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2001

	<i>Notes</i>	<i>2001</i> £	<i>2000</i> £
TURNOVER	2	48,116,563	43,067,795
Cost of sales		(47,609,094)	(42,455,285)
GROSS PROFIT		507,469	612,510
Distribution costs	3	(507,469)	(612,510)
Operating and administration expenses		(60)	(17)
OPERATING LOSS	4	(60)	(17)
Interest receivable		98	249
Exchange loss		(9,674)	(18,617)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(9,636)	(18,385)
Tax on loss on ordinary activities	5	—	—
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(9,636)	(18,385)
RETAINED LOSS BROUGHT FORWARD		(193,097)	(174,712)
RETAINED LOSS CARRIED FORWARD		(202,733)	(193,097)

The operating losses 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 loss of £9,636 (2000 – loss of £18,385).

PCO Trading Limited

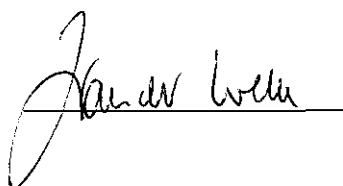
BALANCE SHEET

at 31 December 2001

	Notes	2001 £	2000 £
CURRENT ASSETS			
Debtors	6	5	2,406,474
Cash at bank and in hand		10,249	9,993
TOTAL CURRENT ASSETS		<u>10,254</u>	<u>2,416,467</u>
CREDITORS: amounts falling due within one year	7	(212,887)	(2,609,464)
NET LIABILITIES		<u>(202,633)</u>	<u>(192,997)</u>
CAPITAL AND RESERVES			
Share capital	8	100	100
Profit and loss account	9	(202,733)	(193,097)
SHAREHOLDERS' FUNDS		<u>(202,633)</u>	<u>(192,997)</u>

Approved by the Board on 23 September 2002
and signed on its behalf by:

J A van der Welle
DIRECTOR



NOTES TO THE ACCOUNTS
at 31 December 2001

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with generally accepted accounting principles of the Island of Jersey.

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.

Stocks

Stocks are valued at the lower of cost and net realisable value. Under and over lifts of crude oil are recorded at market value.

Related party transactions

The directors have taken advantage of the exemption in paragraph 3(c) of Financial Reporting Standard 1 (revised) 1997 from producing a statement of cash flow.

Statement of cash flows

The directors have taken advantage of the exemption in paragraph 5 (a) of FRS 1 (revised) 1997 from producing a statement of cash flows.

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 LOSS

The audit fee was borne by the parent undertaking. No staff were employed during the year (2000 – £nil). The directors received no remuneration for their services to the company (2000 – £nil). This was borne by the ultimate parent undertaking.

5. TAXATION

No tax liability arises due to the availability of group relief.

6. DEBTORS

	2001	2000
	£	£
Trade debtors	5	–
Amounts owed by fellow subsidiary undertakings	100	2,406,474
	<u>105</u>	<u>2,406,474</u>

PCO Trading Limited

NOTES TO THE ACCOUNTS at 31 December 2001

7. CREDITORS: amounts falling due within one year

	2001	2000
	£	£
Amounts owed to parent undertakings	212,887	1,620,496
	<u>212,887</u>	<u>2,414,969</u>

8. SHARE CAPITAL

	2001	2000
	£	£
Authorised, allocated, called up and fully paid: 100 ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

9. RECONCILIATION OF SHAREHOLDERS' FUNDS

There were no movements in shareholders' funds other than the loss for the year of £9,636 (2000 – loss of £18,385).

10. ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking and controlling party is Premier Oil plc, a company registered in Scotland. Premier Oil plc is a parent undertaking of the largest and 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.