

**Report and Accounts**

*Statoil (U.K.) Limited*

**31 December 1997**



# Statoil (U.K.) Limited

Registered No. 1285743

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## **DIRECTORS**

J N Vold (Chairman)  
G Jøssang  
R M Larsen  
E Sætre  
K Hausken  
T I Willumsen

## **SECRETARY**

A J Saul

## **AUDITORS**

Ernst & Young  
Becket House  
1 Lambeth Palace Road  
London SE1 7EU

## **BANKERS**

Citibank NA  
336 Strand  
London  
WC2R 1HB

## **SOLICITORS**

Lovell White Durrant  
21 Holborn Viaduct  
London EC1A 2DY

## **REGISTERED OFFICE**

Statoil House  
11a Regent Street  
London SW1Y 4ST

# Statoil (U.K.) Limited

## DIRECTORS' REPORT

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The directors submit their annual report and group accounts for the year ended 31 December 1997.

### RESULTS AND DIVIDENDS

The results for the year are shown in the profit and loss account. The directors do not recommend the payment of a dividend and the retained loss is transferred to reserves.

### PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

#### *Exploration and production*

Statoil (U.K.) Limited was awarded licences for 9 of the 25 tranches allocated by the Department of Trade and Industry in the 17th Seaward Licensing Round. Eight of the licences awarded are in the Atlantic Margin, and in four of those licences the company will be acting as operator. The ninth award, also as operator, is in the North Sea.

The company strengthened its position in the UK continental shelf by acquiring equity in selected core areas and disposing of assets outside of those areas. In two separate transactions, a 25% stake in the Jupiter gas field in the southern North Sea was acquired from BP. Statoil (U.K.) now has a 30% interest in that field. A 12% interest in the Alba field was acquired from Chevron (U.K.) Limited making Statoil (U.K.) Limited the second largest partner in that field with an equity interest of 17%. An 8% interest in Block 3/28a was also acquired from Texaco Britain Limited. The company's 45% interest in the Hyde field was disposed of to BP, and the interests held in Blocks 30/2c and 21/14a were disposed of to Texaco.

Two dry wells were drilled on the Chevron operated Licence P.907, block 205/10. As a consequence the company has written down half of the value attributed to that block and has also written down the entire value in the neighbouring block 206/6, Licence P.914. Both blocks were acquired as part of the Aran Energy plc acquisition in 1995.

Oil and gas production averaged 21,600 barrels of oil equivalent per day.

#### *Marketing services – crude oil and oil products*

Statoil (U.K.) Limited has continued to assist its Norwegian parent undertaking with its activities in marketing crude oil and also markets equity volumes owned by the Statoil (U.K.) group.

#### *Natural Gas*

In a very competitive gas market Alliance Gas Limited, the group's gas marketing subsidiary, attracted significant new business during 1997. Net volumes supplied by Alliance Gas to the industrial and commercial sector increased and the company reported an operating profit for the year. The company also carried out a restructuring of its business processes.

The group continues to pursue business opportunities in equity gas and gas supply.

# Statoil (U.K.) Limited

## DIRECTORS' REPORT

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### DIRECTORS AND THEIR INTERESTS

The directors during the year ended 31 December 1997 were as follows:

J N Vold	(Chairman)
F R Kulås	
B Rugland	(resigned 2 September 1997)
R M Larsen	
E Sætre	(appointed 10 October 1997)
E Øverland	(resigned 10 October 1997)
K Hausken	
T I Willumsen	

F R Kulås held one share as a non-beneficial interest in the company throughout the year but no other director had any interest in the shares of the company during the year.

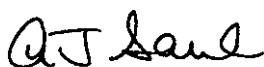
Changes to the board of directors since 31 December 1997 are as follows:

F R Kulås	(resigned 1 February 1998)
G Jøssang	(appointed 1 February 1998)

### AUDITORS

A resolution to reappoint Ernst & Young as auditors will be placed before the members at the Annual General Meeting.

By order of the board



Secretary 25.9.98

## Statoil (U.K.) Limited

### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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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 group and of the profit or loss of the group 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 group will continue in business.

The directors confirm that they have complied with the above requirements in preparing the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**REPORT OF THE AUDITORS**  
to the members of Statoil (U.K.) Limited

We have audited the accounts on pages 6 to 27, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 10, 11 and 12.

**Respective responsibilities of directors and auditors**

As described on page 4, 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 group'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 and of the group as at 31 December 1997 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young*

Ernst & Young  
Registered Auditor  
London

*25 September 1998*

# Statoil (U.K.) Limited

## GROUP PROFIT AND LOSS ACCOUNT for the year ended 31 December 1997

			1997	Restated 1996
	Notes		£000	£000
<b>TURNOVER</b>				
– continuing operations	2	318,970	158,896	
– discontinued operation		8,191	47,080	
<b>COST OF SALES</b>				
– continuing operations	3	(293,897)	(149,502)	
– discontinued operation		(4,345)	(61,244)	
<b>GROSS PROFIT/(LOSS)</b>		28,919	(4,770)	
Other operating expense – ordinary		(29,545)	(15,482)	
Other operating expense – exceptional	4	18,589	(26,638)	
Foreign exchange gains/(losses)		(133)	2,213	
<b>OPERATING PROFIT/(LOSS) BEFORE ASSOCIATE INCOME</b>	5	17,830	(44,677)	
Income from interests in associated undertakings		5,404	3,150	
<b>OPERATING PROFIT/(LOSS)</b>				
– continuing operations		19,388	(27,363)	
– discontinued operations		3,846	(14,164)	
Exceptional items	8	873	(20,654)	
<b>OPERATING PROFIT/(LOSS) AFTER EXCEPTIONAL ITEMS</b>		24,107	(62,181)	
Interest receivable	9	3,639	2,345	
Income from investments	10	–	27	
Interest payable and similar charges	11	(9,683)	(14,744)	
Other income	12	1,033	6,218	
		(5,011)	(6,154)	
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		19,096	(68,335)	
Tax on profit/(loss) on ordinary activities	13	(10,079)	(9,836)	
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>		9,017	(78,171)	
<b>RETAINED PROFIT/(LOSS) FOR THE YEAR</b>		9,017	(78,171)	

Comparative figures for 1996 have been restated to reflect the discontinuation of certain activities and to adjust the presentation of operating costs in line with current statutory reporting requirements. The retained loss for the period is unchanged.

Movements on reserves are set out in note 27.

The notes on pages 10 to 27 form part of these accounts.

# Statoil (U.K.) Limited

## GROUP RECONCILIATION OF SHAREHOLDERS' FUNDS for the year ended 31 December 1997

	1997 £000	1996 £000
Total recognised gains/(losses)	7,785	(80,531)
Other movements in capital and reserves:		
New shares issued	—	30,000
Bonus share issue	771	—
Release of finance charge on redeemable preference shares	—	(5,478)
Goodwill written off	—	2,015
Release of provisions/reorganisation	—	(2,584)
Total movements during the year	8,556	(56,578)
Shareholders' funds at 1 January	158,660	215,238
Shareholders' funds at 31 December	167,216	158,660

## GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1997 £000	1996 £000
Profit/(loss) for the financial year	9,017	(78,171)
Exchange differences on retranslation of net assets of associated and subsidiary undertakings	(1,232)	(2,360)
Total recognised gain/(loss) relating to the year	7,785	(80,531)

The notes on pages 10 to 27 form part of these accounts.

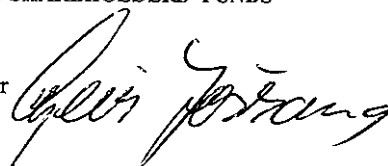


# Statoil (U.K.) Limited

## GROUP BALANCE SHEET at 31 December 1997

	Notes	1997 £000	1996 £000
<b>FIXED ASSETS</b>			
Intangible assets	14	3,688	4,120
Tangible assets	15	282,682	259,921
Investments	16	2,905	2,718
		<u>289,275</u>	<u>266,759</u>
<b>CURRENT ASSETS</b>			
Stocks	17	4,824	4,943
Debtors	18	48,148	89,715
Cash at bank and in hand		10,143	43,958
		<u>63,115</u>	<u>138,616</u>
<b>CREDITORS: amounts falling due within one year</b>	19	(91,280)	(109,373)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>(28,165)</u>	<u>29,243</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>261,110</u>	<u>296,002</u>
<b>CREDITORS: amounts falling due after more than one year</b>	20	(84,549)	(110,808)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	24	(9,344)	(26,534)
		<u>(93,893)</u>	<u>(137,342)</u>
		<u>167,217</u>	<u>158,660</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	26	239,610	239,610
Goodwill write off reserve	27	(10,022)	(10,022)
Foreign exchange reserve	27	(3,592)	(2,360)
Profit and loss account	27	(58,779)	(68,568)
<b>EQUITY SHAREHOLDERS' FUNDS</b>	28	<u>167,217</u>	<u>158,660</u>

Director

 25.09.98

The notes on pages 10 to 27 form part of these accounts.

# Statoil (U.K.) Limited

## BALANCE SHEET at 31 December 1997

	Notes	1997 £000	1996 £000
<b>FIXED ASSETS</b>			
Tangible assets	14	27,209	51,948
Investments	15	266,654	266,654
		<u>293,863</u>	<u>318,602</u>
<b>CURRENT ASSETS</b>			
Debtors	18	32,569	51,536
Cash at bank and in hand		2,788	8,238
		<u>35,357</u>	<u>59,774</u>
<b>CREDITORS: amounts falling due within one year</b>	19	(69,007)	(22,602)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>(33,650)</u>	<u>37,172</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>260,213</u>	<u>355,774</u>
<b>CREDITORS: amounts falling due after more than one year</b>	20	(72,798)	(156,791)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	24	(234)	(1,480)
		<u>(73,032)</u>	<u>(158,271)</u>
		<u>187,181</u>	<u>197,503</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	26	239,610	239,610
Profit and loss account	27	(52,429)	(42,107)
<b>EQUITY SHAREHOLDERS' FUNDS</b>	28	<u>187,181</u>	<u>197,503</u>

Director

*Per Jørgen* 25.09.98

The notes on pages 10 to 27 form part of these accounts.

# Statoil (U.K.) Limited

## NOTES TO THE ACCOUNTS at 31 December 1997

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### 1. ACCOUNTING POLICIES

#### *Accounting convention*

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

#### *Leasing commitments*

Assets held under finance leases are capitalised in the balance sheet and are depreciated over the primary lease term.

The corresponding lease commitment is capitalised in the balance sheet as a liability. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of capital payments outstanding.

#### *Basis of consolidation*

The group accounts consolidate the accounts of the company and its subsidiary undertakings and include the group's share of post acquisition profits of Aran Energy plc. No separate profit and loss account is presented for the company, as provided by section 230, Companies Act 1985.

Undertakings, other than subsidiary undertakings, in which the group has an investment representing not less than 20% of the voting rights, are treated as associated undertakings. The group accounts include the appropriate share of these undertakings' results and reserves based on accounts to 31 December 1997.

Depending on the circumstances, goodwill will be either taken directly to reserves or capitalised and amortised over its useful life.

#### *Production and exploration costs*

All direct and indirect costs related to licence and data acquisition, geological and geophysical work and unsuccessful exploration drilling are expensed as incurred. The cost of exploration acreage acquired from other companies has been capitalised. Producing interests are capitalised on the basis of the costs of acquisition. At the end of each year, ceiling tests are carried out to determine whether a permanent diminution in the value of the assets has occurred.

#### *Depreciation*

The capitalised costs of the producing fields are depreciated on a unit of production basis. Depreciation is calculated with reference to the proportion that production for the period bears to the total of the estimated remaining commercial reserves at the beginning of the period.

Other fixed tangible assets are depreciated by equal monthly instalments over their estimated useful economic lives as follows:

Leasehold premises and capitalised refurbishments	—	period of lease
Fixtures, fittings and office equipment	—	5 years
Motor vehicles	—	4 years

#### *Abandonment provision*

Provision for the estimated cost of abandonment and removal of production and associated facilities of the producing fields is made over the life of the field on a unit of production basis consistent with that used to calculate the charge for depreciation.

# Statoil (U.K.) Limited

## NOTES TO THE ACCOUNTS at 31 December 1997

### 1. ACCOUNTING POLICIES (continued)

#### *Deferred taxation*

Deferred taxation is provided using the liability method on all timing differences, including those relating to pensions and other post retirement benefits, to the extent that they are expected to reverse in the foreseeable future without being replaced, calculated at the rate at which it is anticipated that the timing differences will reverse.

#### *Stock*

With the exception of under and over liftings of crude oil, stock principally comprise oil and oil products, and are stated at the lower of first-in, first-out cost and net realisable value. Cost includes all expenditure incurred in bringing each product to its present location and condition. Net realisable value is based on estimated normal selling price less further costs expected to be incurred on disposal. Provision is made for obsolete, slow moving or defective items where appropriate. Under and over liftings of crude oil are stated at market value at the balance sheet date. Gas storage is valued at period end spot prices.

#### *Petroleum revenue tax*

In determining the charge to the profit and loss account, allowances in respect of capitalised expenditure, provisions for abandonment and site restoration expenditure are allocated on a unit of production basis over the reserves of the fields. The benefits of uplift on the field costs, safeguard and oil allowance are taken when they arise.

#### *Foreign currency transactions*

##### *Group*

Foreign currency transactions are converted at exchange rates ruling at the transaction date. Foreign denominated current assets and current liabilities are translated at exchange rates ruling at the balance sheet date. Resulting exchange gains and losses on the retranslation of opening net assets at the closing exchange rate will be taken to reserves. Realised exchange gains and losses are included in the profit/(loss) on ordinary activities.

##### *Company*

Foreign currency transactions are converted at exchange rates ruling at the transaction date. Foreign denominated current assets and current liabilities are translated at exchange rates ruling at the balance sheet date. Resulting exchange gains and losses are included in the profit/(loss) on ordinary activities.

#### *Pension costs*

Pension costs are recognised on a systematic basis so that the costs of providing retirement benefits to employees are evenly matched so far as is possible to the service lives of the employees concerned. Any excess or deficiency of the actuarial value of assets over the actuarial value of the liabilities of the pension scheme is allocated over the average remaining service lives of current employees.

#### *Leased assets*

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

#### *Research and development*

Research and development expenditure is written off as incurred.

#### *Take or pay contracts*

Where prepayments are made to external suppliers under Take or Pay obligations for gas not taken they are treated as prepayments and included within debtors. Where necessary, a provision is made against these contracts which represents the directors' estimate of the difference between the payment for gas not taken and the estimated net realisable value of that gas when taken.

# Statoil (U.K.) Limited

## NOTES TO THE ACCOUNTS at 31 December 1997

### 1. ACCOUNTING POLICIES (continued)

#### *Long-term sales contracts*

Provision is made for the net present value of any expected losses on long-term sales contracts. The provision is based on the difference between the contracted sales price and the expected weighted average cost of gas.

#### *Financial instruments*

All derivatives, which are held for trading purposes only, are marked to market and all gains and losses recognised in the income statement.

Transactions entered into by the company as part of its gas trading activities are recognised in the financial statements wherever a firm contractual commitment to buy or sell gas exists at the balance sheet date.

Profits or losses on all open positions at the balance sheet date are determined by reference to market value at the balance sheet date or, where appropriate, the contracted value at which the position will be realised.

#### *Cash flow statement*

Under the provisions of Financial Reporting Standard No. 1 (Revised 1997), the group has not prepared a cash flow statement because its parent undertaking, Den norske stats oljeselskap a.s has prepared group accounts which include the results of the group for the period and which contain a cash flow statement.

### 2. TURNOVER

Turnover represents the amounts derived from the sales of hydrocarbons and services stated net of value added tax.

The group operates in one principal area of activity, oil and gas activities. All turnover originates in the United Kingdom.

### 3. COST OF SALES

	1997 £000	1996 £000
Field operating costs	24,615	22,975
Exploration costs	23,184	11,705
Depreciation, depletion & amortisation	21,198	56,067
Provision for abandonment	600	826
UK Government royalties	1,152	1,828
Gas purchases	198,691	46,642
Carriage costs	23,869	9,332
Storage costs	588	127
	<u>293,897</u>	<u>149,502</u>

# Statoil (U.K.) Limited

## NOTES TO THE ACCOUNTS at 31 December 1997

### 4. OTHER OPERATING EXPENSE - EXCEPTIONAL

	1997 £'000	1996 £'000
Provisions for Take or Pay contracts (i)	2,140	(10,000)
Provisions against long term sales contracts (ii)	14,267	(14,745)
Losses incurred on sales contracts (iii)	2,182	(1,893)
	<u>18,589</u>	<u>(26,638)</u>

#### *Exceptional operating expenses*

- (i) *Provisions for Take or Pay contracts*: this represents the net present value of the anticipated liability relating to Take or Pay gas purchase contracts in existence at 31 December 1997. The provision has been made using the estimated future weighted average cost of gas across the estimated lives of the supplying fields. All assumptions have been made using the most recent available data as at 31 December 1997.
- (ii) *Provisions for long term sales contracts*: these figures represent the difference in net present value terms between the actual value of sales contracts which exist as at 31 December 1997 and the revenues which would be generated by sales at the predicted spot market price. All assumptions have been made using the most recent available data as at 31 December 1997.
- (iii) *Losses on sales contracts*: this represents the realised losses for the year ended 31 December 1997 on two sales contracts. The future liability on these contracts is included as part of the provision described in (ii) above.

### 5. OPERATING PROFIT/(LOSS) BEFORE ASSOCIATE INCOME

This is stated after charging:

	1997 £000	1996 £000
Depreciation – owned assets	23,606	56,067
– assets under finance leases	34	–
Amortisation of goodwill	432	180
Auditors' remuneration – audit fee	173	142
– non-audit fee	177	94
Hire of equipment	182	22
Operating lease rentals – land & buildings	2,666	1,060
– other	413	170
Abandonment provision	(82)	826
Loss on disposal of fixed assets	1,105	–
Research and development	–	51
	<u>–</u>	<u>–</u>

### 6. DIRECTORS' EMOLUMENTS

	1997 £000	1996 £000
Emoluments	249	177
	<u>–</u>	<u>–</u>

None of the directors, apart from the highest paid director received any emoluments during the year.

# Statoil (U.K.) Limited

## NOTES TO THE ACCOUNTS at 31 December 1997

### 7. STAFF COSTS

	1997 £000	1996 £000
Wages and salaries	6,817	6,069
Social security costs	852	486
Other pension costs	1,493	573
	<u>9,162</u>	<u>7,128</u>

The average number of employees during the year was 168 (1996 – 98). All employees are employed in operative and direct support functions.

### 8. EXCEPTIONAL ITEMS

	1997 £000	Restated 1996 £000
Provision for the estimated financial impact of reorganising the group's gas distribution and production operations	–	10,573
(Profit)/Loss on disposal of fixed assets	(873)	–
Reorganisation	–	12,256
Release of intercompany debt of Alliance Gas Limited	–	(2,175)
	<u>(873)</u>	<u>20,654</u>

The comparative column has been restated to recognise that the loss on the sale of a shipping asset in 1996 has been disclosed as discontinued operations in 1997.

### 9. INTEREST RECEIVABLE

	1997 £000	1996 £000
Bank deposit interest	2,913	1,249
Intercompany interest	302	917
Other interest	424	179
	<u>3,639</u>	<u>2,345</u>

### 10. INCOME FROM UNLISTED INVESTMENTS

	1997 £000	1996 £000
Dividend from Norse Pipeline Limited	–	27

# Statoil (U.K.) Limited

## NOTES TO THE ACCOUNTS at 31 December 1997

### 11. INTEREST PAYABLE AND SIMILAR CHARGES

	1997 £000	As restated 1996 £000
Bank interest	2,195	5,629
Finance charges payable under finance leases	36	—
Intercompany interest and financial costs on loans repayable within one year	4,400	7,658
Intercompany interest and financial costs on loans repayable in two to five years	2,913	1,455
Interest payable on late taxes	3	—
Other interest and financial costs on loans repayable within one year	136	2
	<u>9,683</u>	<u>14,744</u>

### 12. OTHER INCOME

	1997 £000	1996 £000
Release of provision for preference dividend	—	5,478
Inducement to sign a new lease	—	500
Rent Receivable	1,033	240
	<u>1,033</u>	<u>6,218</u>

### 13. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

The taxation charge is made up as follows:

	1997 £000	1996 £000
Based on the loss for the year:		
Corporation tax at 31% (1996 – 33%)	13	—
PRT	8,750	8,450
Corporation tax under provided in prior years	142	—
Associated undertakings	1,174	1,377
	<u>10,079</u>	<u>9,827</u>
Advance corporation tax	—	5
Deduction of income tax at source	—	4
	<u>10,079</u>	<u>9,836</u>



Statoil (U.K.) Limited

NOTES TO THE ACCOUNTS  
at 31 December 1997

14. INTANGIBLE FIXED ASSETS

	<i>Goodwill</i> <i>£000</i>
Cost:	
At 1 January 1997 and 31 December 1997	4,300
Amortisation:	
At 1 January 1997	180
Provided during the year	432
At 31 December 1997	612
Net book value:	
At 31 December 1997	3,688
At 31 December 1996	4,120

Goodwill is being written off in equal instalments over its estimated life of 10 years.

NOTES TO THE ACCOUNTS

at 31 December 1997

15. FIXED ASSETS

Group

	Freehold land and buildings £000	Fields in production and development £000	Exploration acreage £000	Downstream activities £000	Short leasehold premises £000	Capitalised refurbish- ments £000	Office equipment £000	Motor vehicles £000	Total £000
Cost:									
At 31 December 1996	1,370	298,569	41,027	1,000	1,125	2,150	4,306	461	350,008
Restatement/reallocation of fair values	-	-	-	-	-	-	-	-	-
Transfers	-	4,300	(4,300)	-	-	-	-	-	-
Additions during year	-	61,515	5,439	-	-	312	2,846	168	70,280
Disposals	-	(56,856)	(9,557)	(1,000)	-	-	(165)	(38)	(67,616)
At 31 December 1997	1,370	307,528	32,609	-	1,125	2,462	6,987	591	352,672
Depreciation:									
At 31 December 1996	-	89,210	-	-	-	-	795	81	90,086
Provided during the year	-	22,472	-	-	56	107	902	103	23,640
Disposals	-	(43,657)	-	-	-	-	(47)	(32)	(43,736)
At 31 December 1997	-	68,025	-	-	56	107	1,650	152	69,990
Net book value:									
At 31 December 1997	1,370	239,503	32,609	-	1,069	2,355	5,337	439	282,682
At 31 December 1996	1,370	209,359	41,027	1,000	1,125	2,150	3,511	380	259,922

Included in the amounts for office equipment are assets under finance leases with a net book value of £1,421,000.

NOTES TO THE ACCOUNTS  
at 31 December 1997

15. FIXED ASSETS (continued)

Company

	Fields in production and development £000	Exploration acreage £000	Short leasehold premises £000	Capitalised refurbish- ments £000	Office equipment £000	Motor vehicles £000	Total £000
Cost:							
At 31 December 1996	115,587	3,806	1,125	2,150	2,016	307	124,991
Additions during year	110	4,084	-	312	2,662	167	7,335
Disposals	(68,764)	(3,557)	-	-	-	(22)	(72,343)
At 31 December 1997	46,933	4,333	1,125	2,462	4,678	452	59,983
Depreciation:							
At 31 December 1996	72,294	-	-	-	653	97	73,044
Provided during the year	5,235	-	56	107	406	103	5,907
Disposals	(46,160)	-	-	-	-	(17)	(46,177)
At 31 December 1997	31,369	-	56	107	1,059	183	32,774
Net book value:							
At 31 December 1997	15,564	4,333	1,069	2,355	3,619	269	27,209
At 31 December 1996	43,293	3,806	1,125	2,150	1,363	210	51,947

Included in the amounts for office equipment are assets under finance leases with a net book value of £1,267,000.

# Statoil (U.K.) Limited

## NOTES TO THE ACCOUNTS at 31 December 1997

### 16. INVESTMENTS

#### Group

	1997 £000	1996 £000
Associated undertakings (a)	2,905	2,718
<i>Company</i>		
	1997 £000	1996 £000
Subsidiary undertaking (b)	252,079	252,079
Associated undertakings (c)	14,575	14,575
	266,654	266,654
(a) <i>Associated undertakings</i>		
	1997 £000	1996 £000
At 1 January 1997	2,718	7,227
Share of profits of associated undertakings	5,000	2,817
Loss on restructuring	—	(1,768)
Movement of associate to subsidiary	—	(3,456)
Dividends received (net of ACT)	(4,826)	(2,003)
Exchange differences on retranslation	13	(99)
At 31 December 1997	2,905	2,718

The group's share of post acquisition retained profits of associated undertakings at 31 December 1997 is £3,164,908 (1996 – £2,035,165).

# Statoil (U.K.) Limited

## NOTES TO THE ACCOUNTS at 31 December 1997

### 16. INVESTMENTS (continued) *Company (continued)*

Details of the investments in which the group and the company holds more than 10% of the nominal value of any class of share capital are as follows:

#### (b) *Subsidiary undertakings*

All held by the company unless indicated:

<i>Name of company</i>	<i>Holding</i>	<i>% held</i>	<i>Nature of business</i>	<i>Country of registration or incorporation</i>
Aran Energy plc	Ordinary shares	100%	Oil and gas exploration and production	Ireland
Petrolex PLC	Ordinary shares	100%	Hydrocarbon exploration and production	England and Wales*
Statoil Exploration (UK) Limited	Ordinary shares	100%	Hydrocarbon exploration and production	England and Wales
Petrolex (Nederland) BV	Ordinary shares	100%	Hydrocarbon exploration	Netherlands*
Aran Oil Limited	Ordinary shares	100%	Holding company - Sale of oil products	Ireland*
Alliance Gas Limited	Ordinary shares	100%	Gas marketing	England and Wales
Gas Marketing Services Limited	Ordinary shares	50%	Gas marketing	England and Wales
Aran Aker Limited**	Ordinary shares	60%	Dormant company	Ireland*
Lassimista	Ordinary shares	100%	Holding company	Ireland

\* Shares held by a subsidiary company.

\*\* Aran Aker Limited has not been included into the group accounts. It's omission has no material effect on the group financial statements.

#### (c) *Associated undertakings*

All held by the company unless indicated:

<i>Name of company</i>	<i>Holding</i>	<i>% held</i>	<i>Nature of business</i>	<i>Country of registration or incorporation</i>
Mabanaft Limited	Ordinary shares	35%	Trading in oil products	England and Wales
Norsea Limited	Ordinary shares	22%	Terminal balances	England and Wales

# Statoil (U.K.) Limited

## NOTES TO THE ACCOUNTS at 31 December 1997

### 17. STOCKS

These consist principally of hydrocarbons.

### 18. DEBTORS

	<i>Group</i>		<i>Company</i>	
	<i>1997</i>	<i>1996</i>	<i>1997</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade debtors	7,906	13,543	1,109	2,933
Amount due from ultimate parent undertaking	4,077	29,976	3,056	33,568
Amount due from associated undertakings	1,143	—	1,143	—
Amount due from fellow subsidiary undertakings	296	410	21,158	7,262
Other debtors	7,556	8,062	3,797	4,258
Prepayments	23,484	34,345	676	506
Petroleum revenue tax recoverable	1,709	—	447	—
Corporation tax recoverable	1,183	2,296	1,183	2,297
VAT	794	1,083	—	712
	<u>48,148</u>	<u>89,715</u>	<u>32,569</u>	<u>51,536</u>

Amounts falling due after more than one year included above are:

	<i>Group</i>		<i>Company</i>	
	<i>1997</i>	<i>1996</i>	<i>1997</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Other debtors	10	10	10	10
	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>

### 19. CREDITORS: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>1997</i>	<i>1996</i>	<i>1997</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank loans and overdrafts	30,281	829	30,000	—
Obligations under finance leases (note 21)	471	30	433	—
Trade creditors	3,189	2,922	1,060	612
Amount due to ultimate parent undertaking	16,729	12,058	13,255	865
Amount due to fellow subsidiary undertakings	345	28,335	14,452	—
Petroleum revenue tax	1,695	378	—	378
Royalty	743	1,243	—	—
Other creditors	169	1,109	169	889
Other taxation and social security	476	1,002	476	306
Accruals	36,374	61,467	8,363	19,552
VAT	808	—	799	—
	<u>91,280</u>	<u>109,373</u>	<u>69,007</u>	<u>22,602</u>

# Statoil (U.K.) Limited

## NOTES TO THE ACCOUNTS at 31 December 1997

### 20. CREDITORS: amounts falling due after one year

	<i>Group</i>		<i>Company</i>	
	<i>1997</i>	<i>1996</i>	<i>1997</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank loans (a)	–	30,000	–	30,000
Obligations under finance leases (note 21)	1,009	78	972	–
Amounts owed to ultimate parent undertaking (b)	83,530	80,730	29,000	55,200
Amounts due to fellow subsidiary undertakings	10	–	42,826	71,591
	<u>84,549</u>	<u>110,808</u>	<u>72,798</u>	<u>156,791</u>
<i>(a) Bank loans</i>				
	<i>Group</i>		<i>Company</i>	
	<i>1997</i>	<i>1996</i>	<i>1997</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts falling due:				
In one year or less	30,000	–	30,000	–
Between one and two years	–	30,000	–	30,000
Total borrowings	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>
Creditors: amounts falling due within one year	<u>(30,000)</u>	<u>–</u>	<u>(30,000)</u>	<u>–</u>
	<u>–</u>	<u>30,000</u>	<u>–</u>	<u>30,000</u>

This amount is repayable in 1998. Security is given by the ultimate parent undertaking.

# Statoil (U.K.) Limited

## NOTES TO THE ACCOUNTS at 31 December 1997

### 20. CREDITORS: amounts falling due after one year (continued)

#### (b) Amounts owed to ultimate parent undertaking

	Group		Company	
	1997	1996	1997	1996
	£000	£000	£000	£000
Amounts falling due:				
In one year or less	16,729	12,058	29,000	—
Between one and two years	83,530	—	—	—
Between two and five years	—	80,730	—	55,200
Total borrowings	100,259	92,788	29,000	55,200
Creditors: amounts falling due within one year	(16,729)	(12,058)	(29,000)	—
	83,530	80,730	—	55,200

A loan of £55,200,000 which was repayable by 2001 was partly repaid in 1997. The remaining balance of £29,000,000 has been reclassified as due in 1998 pending conversion into equity.

### 21. OBLIGATIONS UNDER FINANCE LEASES

	Group		Company	
	1997	1996	1997	1996
	£000	£000	£000	£000
Amounts falling due:				
Within one year or less	517	50	467	—
Within two and five years	1,090	95	1,045	—
	1,607	144	1,512	—
Less: Finance charges allocated to future periods	127	36	107	—
	1,480	108	1,405	—
Analysed as follows:				
Current obligations (note 19)	471	30	433	—
Non-current obligations (note 20)	1,009	78	972	—
	1,480	108	1,405	—



# Statoil (U.K.) Limited

## NOTES TO THE ACCOUNTS at 31 December 1997

### 22. DEFERRED TAXATION

As at 31 December 1997 no provision is made for deferred taxation as in the director's opinion, the level of corporation tax losses carried forward is sufficient to ensure that no reversal of timing differences will occur in the foreseeable future. The potential amount of deferred corporation tax at a rate of 33% not shown in the accounts at 31 December 1997 amounted to a liability of £4.3million (1996 – £5.1million).

The potential amount of deferred petroleum revenue tax at the rate of 50% not shown in the accounts at 31 December 1997 amounted to an asset of £3.2million (1996 – £2.9million).

### 23. LEASE OBLIGATIONS

At 31 December 1997, there is a commitment to make annual payments under operating leases amounting to:

<i>Group</i>	<i>Land and buildings</i>		<i>Other</i>	
	<i>1997</i>	<i>1996</i>	<i>1997</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases due to expire:				
Within one year	638	–	391	212
Between two and five years	432	200	90	84
After more than five years	1,943	1,943	–	–

### 24. PROVISIONS FOR LIABILITIES AND CHARGES

<i>Group</i>	<i>1997</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>
<i>Abandonment</i>		
Opening balance	1,789	963
Provided during year	(783)	826
Closing balance	1,006	1,789
<i>Take or Pay/Onerous Contracts</i>		
Opening balance	24,745	–
Provided during year	(16,407)	24,745
Closing balance	8,338	24,745
<i>Deferred taxation</i>		
Opening balance	–	5,099
Provided during year	–	(5,099)
Closing balance	–	–

# Statoil (U.K.) Limited

## NOTES TO THE ACCOUNTS at 31 December 1997

### 24. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

	1997 £000	1996 £000
<i>Group (continued)</i>		
<i>Reorganisation</i>		
Opening balance	—	14,000
(Provided)/released during year	—	(14,000)
Closing balance	—	—
	9,344	26,534
<i>Company</i>		
	1997 £000	1996 £000
<i>Abandonment</i>		
Opening balance	1,480	963
Provided during year	(1,246)	517
Closing balance	234	1,480
<i>Reorganisation</i>		
Opening balance	—	14,000
(Provided)/released during the year	—	(14,000)
Closing balance	—	—
	234	1,480

### 25. PENSION COMMITMENT

The company operates a defined benefit pension scheme which is funded by contributions to a separately administered trust fund.

The pension cost for the company was £1,132 (1996 – £573). The pension cost is assessed in accordance with the advice of an independent qualified actuary using the attained age method. The latest actuarial assessment of the scheme was at 1 July 1996.

The following assumptions were used:

Investment return	8 1/2 % per annum compound
Rate of salary increases	7% per annum compound
Rate of pension increases	5% per annum compound
Mortality	PMA 80 (males ) and FPA 80 (females)
Retail price index	5% per annum compound

At the date of the latest actuarial valuation, the market value of the fund was £4,354,000 and the value of the assets was sufficient to cover 133% of the benefits due to members in respect of ranking service to the date of valuation, revalued at 5% compound from the valuation date to normal retirement date of the benefit accrued after 30 June 1987 and at 7 1/2 % of the benefit accrued before 30 June 1987. The surplus is being eliminated by means of a contribution holiday for employees.

# Statoil (U.K.) Limited

## NOTES TO THE ACCOUNTS at 31 December 1997

### 26. SHARE CAPITAL

	1997 No.	Authorised 1996 No.	Allotted, called up and fully paid 1997 £000	1996 £000
Ordinary shares of £1 each	247,610	247,610	239,610	239,610

### 27. RESERVES

	Group Foreign exchange reserve £000	Goodwill write off reserve £000	Group profit and loss account £000	Company profit and loss account £000
At 1 January 1997	(2,360)	(10,022)	(68,568)	(42,107)
Prior year adjustment	-	-	-	(2,868)
Bonus share issue	-	-	771	-
At 1 January 1997 restated	(2,360)	(10,022)	(67,797)	(44,975)
Exchange differences on retranslation	(1,232)	-	-	-
Retained profit/(loss) for the year	-	-	9,017	(7,454)
At 31 December 1997	(3,592)	(10,022)	(58,780)	(52,429)

### 28. SHAREHOLDERS' FUNDS

Group	1997 £000	1996 £000
Equity		
Ordinary shares of £1 each	239,610	239,610
Profit and loss reserves at 31 December 1997	(58,780)	(68,568)
Goodwill write off reserve	(10,022)	(10,022)
Foreign exchange reserve	(3,592)	(2,360)
	167,216	158,660
Company		
	1997 £000	1996 £000
Equity	239,610	239,610
Reserves at 31 December 1997	(52,429)	(42,107)
	187,181	197,503

# Statoil (U.K.) Limited

## NOTES TO THE ACCOUNTS at 31 December 1997

### 29. COMMITMENTS

*Exploration, appraisal and development activities*

At 31 December 1997 the company had specific commitments as follows:

	1997 £000	1996 £000
Contracted	74,490	43,181

The group is further committed to participate in various exploration programmes, the precise cost of which cannot be accurately determined at the balance sheet date.

### 30. CONTINGENT LIABILITY

Statoil (U.K.) Limited entered into agreements, prior to 1997 with the suppliers of gas to its associated company Gas Marketing Services Limited previously Alliance Gas Limited, whereby it guaranteed due and punctual payment or discharge of 40% of the cost of the gas purchased by the company from those suppliers. In the opinion of the directors the estimated cost of this arrangement was fully provided for via the provision for the impact of the restructuring of the group's gas distribution and production operations.

### 31. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption supplied by Financial Reporting Standard 8 from disclosing transactions with other group members qualifying as related parties.

The loan to Mr M J Whelan, a former director of Aran Energy plc was repaid in full during the year.

### 32. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking of the company is Den norske stats oljeselskap a.s, incorporated in Norway. Copies of its group accounts, which include the company, are available from the company's registered office. It is also the parent undertaking of the smallest and largest group of which the company is a member and for which group accounts are prepared.