

**Directors' Report and Financial  
Statements**

*Statoil (U.K.) Limited*

**31 December 2001**



# Statoil (U.K.) Limited

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Registered No. 1285743

## **DIRECTORS**

R Bjørnson  
G Jøssang  
E Sætre  
P Mellbye  
T I Willumsen

## **SECRETARY**

A J Saul

## **AUDITORS**

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

## **BANKERS**

The Chase Manhattan Bank  
100 Wood St  
London  
EC2V 7EN

## **SOLICITORS**

Lovell White Durrant  
21 Holborn Viaduct  
London EC1A 2DY

## **REGISTERED OFFICE**

Statoil House  
11a Regent Street  
London SW1Y 4ST

## DIRECTORS' REPORT

The directors present their annual report and group financial statements for the year ended 31 December 2001.

### RESULTS AND DIVIDENDS

The profit for the year, after taxation amounted to £42,043,000 (2000 - £40,030,000). The directors do not recommend the payment of a dividend and the retained profit is transferred to reserves.

### PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

#### *Exploration and production*

During 2001, production from Alba (17% equity share), Dunlin (28.76%), Merlin (2.35%), Schiehallion (5.88%) and Jupiter (30%) averaged 30,771 barrels of oil equivalent per day, some 3% above budget but down from 33,595 in 2000.

Board approval for the Alba Extreme South development project and the development of the Caledonia field, both operated by Chevron, was given in June 2001. Both projects commenced in 4Q 2001 with target first production in 4Q 2002.

In the North Sea, Statoil (U.K.) Limited ("Statoil") participated in an exploration well drilled by Agip in 18th Round Licence P976 (Statoil 30%) in Quadrant 8. In the Atlantic Margin, Statoil was awarded 19th Round Block 176/25 with Phillips as operator.

Statoil now holds an interest in 27 licences and is the operator on 7 of those licences.

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

Statoil has continued to assist its Norwegian parent undertaking with its activities in marketing crude oil, and also markets equity volumes owned by the Statoil UK group.

#### *Natural Gas*

Alliance Gas Limited ("AGL") ceased to trade as Alliance Gas Limited with effect from 1 October 2001. The trade of this business merged with its parent company Statoil (UK) Limited.

### DIRECTORS AND THEIR INTERESTS

The directors during the year ended 31 December 2001 were as follows:

R Bjørnson	(Appointed 15 June 2001)	
G Jøssang		
E Sætre		
P Mellbye		
T I Willumsen		
R Hubbard	(Appointed 29 January 2001)	(Resigned 18 June 2001)

### CHARITABLE DONATIONS AND POLITICAL CONTRIBUTIONS

UK charitable donations in 2001 amounted to £5,180 (2000 - £24,160). No contributions were made to a political party during the year.

DIRECTORS' REPORT

**POST BALANCE SHEET EVENTS**

From 17th April 2002 companies that operate in the North Sea will be subject to a supplementary charge on their profits in respect of ring fence trades, at a rate of 10 per cent. The supplementary charge will be assessed on the basis of ring fence profits as computed for corporation tax, but without any deduction for financing costs. Any royalties or PRT payable will be allowed as a deduction against chargeable profits for supplementary charge purposes as they are for corporation tax.

Also there is a 100 per cent first year allowance for most North Sea capital expenditure incurred on or after 17 April 2002. This enhanced allowance will apply for both corporation tax and the supplementary charge.

On 6th September 2002, Alliance Gas Limited changed its name to Statoil Gas Trading.

**AUDITORS**

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

By order of the Board



Secretary

Date

30/10/2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE  
FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 group and to enable them to ensure that the financial statements 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.

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF STATOIL (U.K.) LIMITED**

We have audited the group's financial statements for the year ended 31 December 2001, which comprise Consolidated Profit and Loss Account, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Total Recognized Gains and Losses, Reconciliation of Consolidated Shareholders' Funds and the related notes 1 to 29. These financial statements 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 financial statements in accordance with applicable United Kingdom law and accounting standards.

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

We report to you our opinion as to whether the financial statements 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 group 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 2001 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 2002*

Ernst & Young LLP  
Registered Auditor  
London

Date *30 October 2002*

# Statoil (U.K.) Limited

## GROUP PROFIT AND LOSS ACCOUNT for the year ended 31 December 2001

	Notes	2001 £000	2000 £000
<b>TURNOVER</b>	2	1,996,943	1,270,879
<b>COST OF SALES</b>		(1,918,000)	(1,170,889)
<b>GROSS PROFIT</b>		78,943	99,990
Other operating expense		(15,747)	(23,996)
Foreign exchange gains		46	1,172
<b>OPERATING PROFIT BEFORE ASSOCIATE INCOME</b>	3	63,242	77,166
Income from interests in associated undertakings		10,537	9,535
<b>OPERATING PROFIT</b>		73,779	86,701
Exceptional items	4	(2,009)	—
<b>OPERATING PROFIT AFTER EXCEPTIONAL ITEMS</b>		71,770	86,701
Interest receivable	7	2,294	3,142
Interest payable and similar charges	8	(4,292)	(11,861)
Other income	9	1,264	1,210
		(734)	(7,509)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		71,036	79,192
Tax on profit on ordinary activities	10	(28,993)	(39,162)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		42,043	40,030
<b>RETAINED PROFIT FOR THE YEAR</b>		42,043	40,030

Statoil has exercised its right under the Companies Act 1985, to calculate but not publish the company profit and loss. Profit for 2001 £20,903,000 (2000 - £70,867,000)

Movements on reserves are set out in note 23.

Notes 1 to 29 form part of these accounts.



# Statoil (U.K.) Limited

## GROUP RECONCILIATION OF SHAREHOLDERS' FUNDS for the year ended 31 December 2001

	<i>2001</i> <i>£000</i>	<i>2000</i> <i>£000</i>
Total recognised gains	42,032	40,032
Other movements in capital and reserves:	20,000	—
Total movements during the year	62,032	40,032
Shareholders' funds at 1 January	219,864	179,832
Shareholders' funds at 31 December	281,896	219,864

## GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2001

	<i>2001</i> <i>£000</i>	<i>2000</i> <i>£000</i>
Profit for the financial year	42,043	40,030
Exchange differences on retranslation of net assets of associated and subsidiary undertakings	(11)	2
Total recognised gain relating to the year	42,032	40,032

# Statoil (U.K.) Limited

## GROUP BALANCE SHEET at 31 December 2001

		2001	2000
	Notes	£000	restated £000
<b>FIXED ASSETS</b>			
Intangible assets	11	–	2,398
Tangible assets	12	239,564	254,585
Investments	13	11,361	3,685
		<u>250,925</u>	<u>260,668</u>
<b>CURRENT ASSETS</b>			
Stocks	14	2,706	827
Debtors	15	188,602	227,752
Cash at bank and in hand		1,348	18,834
		<u>192,656</u>	<u>247,413</u>
<b>CREDITORS: amounts falling due within one year</b>	16	(114,328)	(202,007)
<b>NET CURRENT ASSETS</b>		<u>78,328</u>	<u>45,406</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>329,253</u>	<u>306,074</u>
<b>CREDITORS: amounts falling due after more than one year</b>	17	–	(45,392)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	20	(47,357)	(40,817)
		<u>(47,357)</u>	<u>(86,209)</u>
		<u>281,896</u>	<u>219,864</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	22	353,610	333,610
Goodwill write off reserve	23	(9,085)	(9,085)
Foreign exchange reserve	23	(3,642)	(3,631)
Profit and loss account	23	(58,987)	(101,030)
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>281,896</u>	<u>219,864</u>

Director



Date

30/10/02

# Statoil (U.K.) Limited

## BALANCE SHEET at 31 December 2001

	Notes	2001 £000	2000 £000 <i>Restated</i>
<b>FIXED ASSETS</b>			
Intangible assets	11	(18,723)	(21,916)
Tangible assets	12	239,564	254,400
Investments	13	64,445	64,445
		<u>285,286</u>	<u>296,929</u>
<b>CURRENT ASSETS</b>			
Stocks	14	2,706	827
Debtors	15	188,373	100,673
Cash at bank and in hand		1,334	17,654
		<u>192,413</u>	<u>119,154</u>
<b>CREDITORS: amounts falling due within one year</b>	16	(122,269)	(59,451)
<b>NET CURRENT ASSETS</b>		<u>70,144</u>	<u>59,703</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>355,430</u>	<u>356,632</u>
<b>CREDITORS: amounts falling due after more than one year</b>	17	(42,826)	(94,028)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	20	(47,357)	(38,260)
		<u>(90,183)</u>	<u>(132,288)</u>
		<u>265,247</u>	<u>224,344</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	22	353,610	333,610
Profit and loss account	23	(88,363)	(109,266)
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>265,247</u>	<u>224,344</u>

Director



Date

30/10/02

NOTES TO THE FINANCIAL STATEMENTS  
at 31 December 2001

1. ACCOUNTING POLICIES

*Accounting convention*

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

In preparing the financial statements for the current year the group had adopted FRS 18 'Accounting Policies' and the transitional arrangements of FRS 17 'Retirement Benefits'.

*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 financial statements consolidate the financial statements 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 2001.

Depending on the circumstances, goodwill is capitalised and amortised over its useful life.

*Production and exploration costs*

Statoil accounts for production and exploration costs as a successful efforts company and thus 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. The group undertakes a review for impairment of a fixed asset if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. To the extent that the carrying amount exceeds the recoverable amount that is the higher of net realisable value and value in use, the fixed asset is written down to its recoverable amount. The value in use is determined from estimated discounted future net cash flows.

*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

NOTES TO THE FINANCIAL STATEMENTS  
at 31 December 2001

1. ACCOUNTING POLICIES (continued)

*Decommissioning provision*

Provision for decommissioning is recognised in full at the commencement of oil and natural gas production. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding tangible fixed asset is also created of an amount equal to the provision. This is subsequently depreciated as part of the capital costs of the production and transportation facilities. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the fixed asset.

*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 lifting's 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 lifting's of crude oil are transferred to debtors/creditors at the balance sheet date. Gas storage is valued at period end spot prices.

The implementation of FRS 18 caused a restatement of the 2000 stock and trade debtor balances as shown in both the group and company statement. The restatement had no effect on profit or loss.

*Petroleum revenue tax*

In determining the charge to the profit and loss account, allowances in respect of capitalised expenditure, provisions for decommissioning 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. The accounts contain the transitional requirements specified within FRS17.

NOTES TO THE FINANCIAL STATEMENTS  
at 31 December 2001

1. **ACCOUNTING POLICIES** (continued)

*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.

*Goodwill*

*Group*

Positive goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

*Company*

Negative goodwill arising on the transfer of business between group companies is released to the profit and loss account in the periods in which the corresponding producing fields are recovered, either through depreciation or sale.

*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.

*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 1996), the group has not prepared a cash flow statement because its parent undertaking, Statoil ASA, has prepared group accounts which include the results of the group for the period and which contain a cash flow statement.

# Statoil (U.K.) Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2001

### 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. An analysis of turnover by geographical market is given below:

	2001 £000	2000 £000
United Kingdom	1,904,068	1,123,791
Other	92,875	147,088
	<u>1,996,943</u>	<u>1,270,879</u>

### 3. OPERATING PROFIT BEFORE ASSOCIATE INCOME

This is stated after charging:

	2001 £000	2000 £000
Depreciation		
– owned assets	44,846	45,447
– capitalised decommissioning costs	2,055	2,120
– assets under finance leases	307	342
Amortisation of goodwill	430	430
Auditors' remuneration		
– audit fee	163	136
– non-audit fee	108	23
Operating lease rentals		
– land & buildings	5,728	3,098
– other	1,299	1,144
(Profit)/Loss on disposal of fixed assets	56	(1,108)
Loss on trading (i)	8,543	–
	<u>          </u>	<u>          </u>

(i) Losses incurred due to the collapse of Enron on uncompleted sales and purchases and the associated costs of closing out and re-establishing new counter parties for forward contracts.

# Statoil (U.K.) Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2001

### 4. EXCEPTIONAL ITEMS

	<i>2001</i> <i>£000</i>	<i>2000</i> <i>£000</i>
Impairment of goodwill see note 11 (i)	1,968	–
Loss on disposal of fixed assets (ii)	41	–
	<u>2,009</u>	<u>–</u>

(i) As at 1 October 2001 the Alliance Gas Limited brand name was no longer used as a trading name, hence the associated goodwill failed an impairment test and was accordingly written off.

(ii) Loss on disposal of fixed assets including software licences and one car.

### 5. DIRECTORS' EMOLUMENTS

	<i>2001</i> <i>£000</i>	<i>2000</i> <i>£000</i>
Emoluments	<u>330</u>	<u>224</u>

The amounts in respect of the highest paid director are as follows:

Emoluments	<u>196</u>	<u>224</u>
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### 6. STAFF COSTS

	<i>2001</i> <i>£000</i>	<i>2000</i> <i>£000</i>
Wages and salaries	9,672	9,303
Social security costs	1,556	1,115
Other pension costs	1,206	1,869
	<u>12,434</u>	<u>12,287</u>

The average number of employees during the year was 141 (2000 – 201). All employees are employed in operative and direct support functions.



# Statoil (U.K.) Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2001

### 7. INTEREST RECEIVABLE

	<i>2001</i> <i>£000</i>	<i>2000</i> <i>£000</i>
Bank deposit interest	750	956
Intercompany bank interest	1,525	1,824
Other interest	19	362
	<u>2,294</u>	<u>3,142</u>

### 8. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>2001</i> <i>£000</i>	<i>2000</i> <i>£000</i>
Bank interest	15	1,085
Finance charges payable under finance leases	9	51
Intercompany bank interest payable	688	—
Long term intercompany loan interest	1,744	5,829
Interest payable on late taxes	85	29
Other interest and financial costs	1,751	3,529
Notional interest arising on discounted items	—	1,338
	<u>4,292</u>	<u>11,861</u>

### 9. OTHER INCOME

	<i>2001</i> <i>£000</i>	<i>2000</i> <i>£000</i>
Rent receivable	1,241	1,208
Other income	23	2
	<u>1,264</u>	<u>1,210</u>

NOTES TO THE FINANCIAL STATEMENTS  
at 31 December 2001

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge is made up as follows:

	2001 £000	2000 £000
PRT	(1,909)	12,859
Corporation tax at 30 %	29,592	6,730
Associated undertakings	2,862	2,867
Deferred tax	426	17,431
	<u>30,971</u>	<u>39,887</u>
Sale of tax losses	(1,978)	(725)
	<u>28,993</u>	<u>39,162</u>

11. INTANGIBLE FIXED ASSETS

	Group Goodwill £000	Company Negative Goodwill £000	Company Goodwill*
Cost:			
At 31 December 2000	4,300	(33,549)	—
Additions	—	—	6,760
At 31 December 2001	<u>4,300</u>	<u>(33,549)</u>	<u>6,760</u>
Amortisation:			
At 31 December 2000	1,902	(11,633)	—
Provided during the year	430	(3,193)	—
Written down	1,968	—	6,760
At 31 December 2001	<u>4,300</u>	<u>(14,826)</u>	<u>6,760</u>
Net Book Value:			
At 31 December 2001	—	(18,723)	—
At 31 December 2000	<u>2,398</u>	<u>(21,916)</u>	<u>—</u>

\*As at 1 October 2001 the Alliance Gas Limited brand name was no longer used as a trading name, hence the associated goodwill failed an impairment test and was accordingly written off.

# Statoil (U.K.) Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2001

### 12. FIXED ASSETS

#### Group

	<i>Fields in production and development £000</i>	<i>Short leasehold premises £000</i>	<i>Other fixed assets £000</i>	<i>Total £000</i>
Cost:				
At 31 December 2000	428,724	1,125	9,281	439,130
Additions during the year	31,294	–	999	32,293
Disposals	–	–	(512)	(512)
At 31 December 2001	460,018	1,125	9,768	470,911
Depreciation:				
At 31 December 2000	179,428	225	4,892	184,545
Provided during the year	45,932	56	1,222	47,210
Disposals	–	–	(408)	(408)
At 31 December 2001	225,360	281	5,706	231,347
Net book value:				
At 31 December 2001	234,658	844	4,062	239,564
At 31 December 2000	249,296	900	4,389	254,585

Assets disposed of during the year consisted of company cars, office furniture and intangible software.

Included in fields in production and development are the following amounts relating to capitalised decommissioning costs:

	<i>£000</i>
Cost	26,265
Depreciation	(9,039)
Net book value at 31 December 2001	17,226

Included in other fixed assets are assets under finance leases with a net book value of £423,509 (2000 - £749,827).

NOTES TO THE FINANCIAL STATEMENTS  
at 31 December 2001

12. **FIXED ASSETS** (continued)

*Company restated*

	<i>Fields in production and development Restated £000</i>	<i>Short leasehold premises £000</i>	<i>Other fixed assets £000</i>	<i>Total Restated £000</i>
Cost:				
At 31 December 2000	339,722	1,125	8,181	349,028
Prior year transfers	49,332	—	—	49,332
At 31 December 2000 restated	389,054	1,125	8,181	398,360
Additions during the year	31,291	—	998	32,289
Transfers	—	—	48	48
Disposals	—	—	(512)	(512)
At 31 December 2001	420,345	1,125	8,715	430,185
Depreciation:				
At 31 December 2000	135,634	225	3,977	139,836
Prior year transfers	4,124	—	—	4,124
At 31 December 2000 restated	139,758	225	3,977	143,960
Provided during the year	45,929	56	1,084	47,069
Disposals	—	—	(408)	(408)
At 31 December 2001	185,687	281	4,653	190,621
Net book value:				
At 31 December 2001	234,658	844	4,062	239,564
At 31 December 2000	249,296	900	4,204	245,400

Assets disposed of during the year consisted of company cars, office furniture and intangible software.

**Note**

In addition as a result of the internal restructuring prior to 2001 the Schiehallion asset is now held by Statoil and thus all assets relating to it should also be presented in the Company only balance sheet.

# Statoil (U.K.) Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2001

### 12. FIXED ASSETS (continued)

#### *Company restated*

Included in fields in production and development are the following amounts relating to capitalised decommissioning costs:

	£000
Cost	26,265
Depreciation	(9,039)
Net book value at 31 December 2001	17,226

Included in other fixed assets are assets under finance leases with a net book value of £423,509 (2000 - £730,725).

### 13. INVESTMENTS

#### *Group*

	2001 £000	2000 £000
Associated undertakings (a)	11,361	3,685
<i>Company</i>		
	2001 £000	2000 £000 <i>Restated</i>
Subsidiary undertaking (b) and note 24	51,503	51,503
Additions to Investments - AGL	20,000	—
Write down of Investments - AGL	(20,000)	—
	51,503	51,503
Associated undertakings (c)	12,942	12,942
	64,445	64,445
(a) <i>Associated undertakings</i>		
	2001 £000	2000 £000
At 1 January 2001	3,685	2,261
Share of profits of associated undertakings	7,676	6,668
Dividends received (net of ACT)	—	(5,244)
At 31 December 2001	11,361	3,685

## Statoil (U.K.) Limited

### NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

#### 13. 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 (Renamed Statoil Gas Trading Limited on the 6 <sup>th</sup> September 2002)	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*
Lassemista Limited	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.

During the year Aran Onshore Holdings Limited and Aran Onshore limited, both subsidiaries of Lassemista Limited were liquidated.

# Statoil (U.K.) Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2001

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

#### (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>
Norsea Pipeline Limited	Ordinary shares	22%	Oil and gas terminal operations	England and Wales

### 14. STOCKS

These consist principally of hydrocarbons.

The restatement of under/over lifted oil stock balances are transferred to debtors/creditors in line with FRS 18 'Accounting Policies'.

### 15. DEBTORS

	<i>2001</i>	<i>Group 2000 restated</i>	<i>2001</i>	<i>Company 2000 restated</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade debtors	149,636	43,709	149,636	29,416
Amount due from ultimate parent undertaking	35,104	2,934	35,104	1,913
Amount due from fellow subsidiary undertakings	575	720	637	62,324
Other debtors	2,264	2,570	2,263	1,580
Prepayments	431	170,808	431	801
Climate change levy	302	—	302	—
VAT	290	7,011	—	4,639
	<u>188,602</u>	<u>227,752</u>	<u>188,373</u>	<u>100,673</u>

# Statoil (U.K.) Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2001

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

		<i>Group</i>		<i>Company</i>
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank loans and overdrafts	10,002	32,803	10,002	—
Obligations under finance leases (note 18)	100	133	100	133
Trade creditors	21,194	638	21,194	638
Amount due to ultimate parent undertaking	1,843	14,191	1,843	4,604
Amount due to fellow subsidiary undertakings	4,927	9,771	12,874	14,011
Petroleum revenue tax	335	5,049	335	5,049
Corporation tax	19,703	5,034	19,703	5,034
Royalty	1,172	1,269	1,172	1,269
Other creditors	3,842	25,124	3,842	25,124
Other taxation and social security	10,122	2,198	10,122	2,191
Accruals	41,036	105,797	41,030	1,398
VAT	52	—	52	—
	<u>114,328</u>	<u>202,007</u>	<u>122,269</u>	<u>59,451</u>

#### Payment Terms:

Payments are made within creditor payment terms, usually 30 days.



# Statoil (U.K.) Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2001

### 17. CREDITORS: amounts falling due after more than one year

		<i>Group</i>		<i>Company</i>
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Obligations under finance leases (note 18)	–	100	–	100
Amounts owed to ultimate parent undertaking (a)	–	17,364	–	17,364
Amounts due to fellow subsidiary undertakings (b)	–	40,166	42,826	88,802
Total borrowings	–	57,530	42,826	106,166
Creditors: amounts falling due within one year	–	(12,138)	–	(12,138)
	–	45,392	42,826	94,028

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

		<i>Group</i>		<i>Company</i>
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts falling due:				
In one year or less	–	4,604	–	4,604
Between one and two years	–	3,190	–	3,190
Between two and five years	–	9,570	–	9,570
Total borrowings	–	17,364	–	17,364
Creditors: amounts falling due within one year	–	(4,604)	–	(4,604)
	–	12,760	–	12,760

NOTES TO THE FINANCIAL STATEMENTS  
at 31 December 2001

17. **CREDITORS:** amounts falling due after more than one year (continued)

(b) *Amounts owed to fellow subsidiary undertakings*

	<i>Group</i>		<i>Company</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts falling due:				
In one year or less	–	7,534	–	7,534
Between one and two years	–	7,534	–	7,534
Between two and five years	–	25,098	42,826	73,734
Total borrowings	–	40,166	42,826	88,802
Creditors: amounts falling due within one year	–	(7,534)	–	(7,534)
	–	32,632	42,826	81,268

18. **OBLIGATIONS UNDER FINANCE LEASES**

	<i>Group</i>		<i>Company</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts falling due:				
Within one year or less	118	142	118	142
Within two and five years	–	118	–	118
	118	260	118	260
Less: Finance charges allocated to future periods	(18)	(27)	(18)	(27)
	100	233	100	233
Analysed as follows:				
Current obligations (note 16)	100	133	100	133
Non-current obligations (note 17)	–	100	–	100
	100	233	100	233

NOTES TO THE FINANCIAL STATEMENTS  
at 31 December 2001

19. LEASE OBLIGATIONS

At 31 December 2001, 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>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases due to expire:				
Within one year	489	367	101	60
Between two and five years	–	–	112	17
After more than five years	2,622	2,312	1,125	1,034
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

<i>Company</i>	<i>Land and buildings</i>		<i>Other</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases due to expire:				
Within one year	489	367	101	60
Between two and five years	–	–	112	17
After more than five years	2,622	2,312	1,125	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

# Statoil (U.K.) Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2001

### 20. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Group £000</i>	<i>Company £000</i>
<i>Decommissioning</i>		
At 31 December 2000	23,639	23,639
Arising in year	8,202	8,202
Release of provision	—	—
At 31 December 2001	31,841	31,841
<i>Take or Pay/Onerous Contracts</i>		
At 31 December 2000	2,557	—
Arising in year	—	1,130
Release of provision	(2,093)	(666)
At 31 December 2001	464	464
<i>Deferred Tax/PRT</i>		
At 31 December 2000	14,621	14,621
Arising in year	431	431
Release of provision	—	—
At 31 December 2001	15,052	15,052
	<u>47,357</u>	<u>47,357</u>

#### *Decommissioning provision*

Provision has been made for the estimated net present cost of decommissioning production and transportation facilities at the end of their producing lives. The timing of decommissioning payments are dependent on the lives of a number of fields but are anticipated to occur between 2010 and 2022.

#### *Take or Pay/Onerous Contracts*

The average purchase cost of gas under long-term gas purchase contracts is now in excess of the cost of gas on the short-term spot markets. Provision has been made for the estimated net present cost of the difference between future gas purchase costs and the estimated future cost of these gas volumes on the spot market. The provision will be released to match the lifting pattern of gas over the remaining life of the field, which is anticipated to cease production in 2007.

#### *Deferred Tax/PRT*

As at 31 December 2001 a provision was made for deferred taxation as in the director's opinion, the level of corporation tax losses carried forward was not sufficient to ensure that the reversal of timing differences will not occur in the foreseeable future. The potential amount of deferred corporation tax at a rate of 30% not shown in the accounts at 31 December 2001 is nil (2000 – nil).

The potential amount of deferred petroleum revenue tax at the rate of 50% not shown in the accounts at 31 December 2001 is nil (2000 – nil).

NOTES TO THE FINANCIAL STATEMENTS  
at 31 December 2001

**21. 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 £1,947,000 (2000 – £1,869,000). 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 30 June 2001.

The following figures have been prepared in compliance with the transitional provisions of FRS 17 – ‘Retirement Benefits’ by a qualified independent actuary on the basis of the membership data current as at 31 December 2001.

*The principle financial assumptions adopted for this actuarial valuation were:*

Rate of increase in salaries	5.00% per annum
Rate of increase of RPI pensions in payment	2.50% per annum
Discount rate	5.80% per annum
Inflation assumption	2.50% per annum

*Market value of the scheme's assets and liabilities at 31 December 2001:*

	<i>Expected rate of return</i>	<i>Assets £000</i>
<i>Assets</i>		
Equities	6.75%	13,435
Property	6.25%	637
Bonds	5.25%	1,700
Cash	4.00%	572
Total market value of assets		16,344
Actuarial value of liability		(22,024)
Recoverable (deficit) in the schemes		(5,680)
Related deferred tax asset/(liability)		–
Net pension (liability)		(5,680)

The actuarial assessment of the Schemes' funded status under FRS 17 effectively excludes any possibility of future investment gains relative to the returns currently available on corporate bonds; in particular, no allowance is made for 'equity out performance'. In practice, the Scheme invests in both equities and bonds and the future funding of the Scheme will continue to have regard to the statutory obligations in respect of the MFR and to conventional funding assessments. In respect of the latter, the Scheme actuary has confirmed his opinion that the shortfall of assets below liabilities on the Schemes' funding basis as at year-end was some £2,600,000. No payments were made in respect of under funded pensions other than those disclosed above.

NOTES TO THE FINANCIAL STATEMENTS  
at 31 December 2001

22. SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>No.</i>	<i>No.</i>	<i>£000</i>	<i>£000</i>
Ordinary shares of £1 each	361,610	341,610	353,610	333,610

The directors passed a resolution during the year to increase the authorised and allotted share capital by an additional £20,000,000. The reason being to manage future cash flow commitments within the group.

23. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

<i>Group</i>	<i>Share capital</i>	<i>Foreign exchange reserve</i>	<i>Goodwill write off reserve</i>	<i>Profit and loss account</i>	<i>Total shareholder funds</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January 2000	333,610	(3,633)	(9,085)	(141,060)	179,832
Exchange differences on retranslation	–	2	–	–	2
Retained profit for the year	–	–	–	40,030	40,030
At 1 January 2001	333,610	(3,631)	(9,085)	(101,030)	219,864
Exchange differences on retranslation	–	(11)	–	–	(11)
Retained profit for the year	–	–	–	42,043	42,043
Additions	20,000	–	–	–	20,000
At 31 December 2001	353,610	(3,642)	(9,085)	(58,987)	281,896

# Statoil (U.K.) Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2001

### 23. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES (continued)

<i>Company</i>	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total shareholder funds</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January 2000	333,610	(34,755)	298,855
Prior year adjustment note 24	–	(145,378)	(145,378)
Retained profit for the year	–	70,867	70,867
At 1 January 2001	333,610	(109,266)	224,344
Retained profit for the year	–	20,903	20,903
Additions	20,000	–	20,000
At 31 December 2001	353,610	(88,363)	265,247

### 24. PRIOR YEAR ADJUSTMENT

#### *(a) Permanent diminution in value of fixed assets investments*

Due to the internal restructuring of assets prior to 1 January 2001, the decision was made to write down the carrying value of the investment in subsidiaries. The adjusted value reflects the carrying value of the net book assets of the subsidiaries.

	<i>£000</i>
Investments in subsidiaries 1 January 2000	242,089
Permanent diminution in value of fixed assets investments	(190,586)
Investments in subsidiaries 31 December 2000 (refer to note 13)	51,503

# Statoil (U.K.) Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2001

### 24. PRIOR YEAR ADJUSTMENT (continued)

#### *(b) Transfer of group asset*

	2000 £000 <i>Fields in Production and development</i>
Cost :	
Transfer at 1 January and 31 December	49,332
Depreciation:	
Transfer at 1 January	4,124
Net book value:	
31 December 2000	45,208

#### *Movement in reserves note 23*

Investments in subsidiaries	(190,586)
Transfer of assets	45,208
Total movement – note 23	(145,378)

### 25. COMMITMENTS

#### *Exploration, appraisal and development activities*

At 31 December 2001 the group and company had specific commitments as follows:

	2001 £000	2000 £000
Contracted	50,500	18,241

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.

### 26. CONTINGENT LIABILITY

Statoil entered into agreements, prior to 1999 with the suppliers of gas to its associated company Gas Marketing Services Limited, whereby it guaranteed due and punctual payment or discharge of the cost of the gas purchased by the company from those suppliers. These contracts were subsequently assumed by the company's subsidiary company, Alliance Gas Limited. On October 1 2001 Statoil reassumed these contracts as part of the merger with its subsidiary Alliance Gas Limited. Provision has been made for potential losses arising under these arrangements (note 21) and in opinion of the directors no further provision is required in respect of these obligations.



NOTES TO THE FINANCIAL STATEMENTS  
at 31 December 2001

**27. RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemption supplied by Financial Reporting Standard No. 8 from disclosing transactions with other group members qualifying as related parties.

**28. POST BALANCE SHEET EVENTS**

From 17th April 2002 companies that operate in the North Sea will be subject to a supplementary charge on their profits in respect of ring fence trades, at a rate of 10 per cent. The supplementary charge will be assessed on the basis of ring fence profits as computed for corporation tax, but without any deduction for financing costs. Any royalties or PRT payable will be allowed as a deduction against chargeable profits for supplementary charge purposes as they are for corporation tax.

Also there is a 100 per cent first year allowance for most North Sea capital expenditure incurred on or after 17 April 2002. This enhanced allowance will apply for both corporation tax and the supplementary charge.

On 6th September 2002, Alliance Gas Limited changed its name to Statoil Gas Trading.

**29. ULTIMATE PARENT UNDERTAKING**

The ultimate parent undertaking of the company is Statoil ASA., 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.

The ultimate controlling party is the Norwegian government.