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TULLOW UK GAS LIMITED

ABBREVIATED ACCOUNTS

YEAR ENDED 31ST DECEMBER 2000



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TULLOW UK GAS LIMITED
ABBREVIATED ACCOUNTS
YEAR ENDED 31ST DECEMBER 2000

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TULLOW UK GAS LIMITED

AUDITORS' REPORT TO TULLOW UK GAS LIMITED

PURSUANT TO PARAGRAPH 24 OF SCHEDULE 8 TO THE COMPANIES ACT 1985

We have examined the abbreviated accounts on pages 4 to 9, together with the financial statements of Tullow UK Gas Limited prepared under section 226 of the Companies Act 1985 for the year ended 31st December 2000.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with Schedule 8 to the Companies Act 1985. It is our responsibility to form an independent opinion as to the company's entitlement to the exemptions claimed in the directors' statement on page 6 and whether the abbreviated accounts have been properly prepared in accordance with that Schedule.

Basis of opinion

We have carried out the procedures we considered necessary to confirm, by reference to the audited financial statements, that the company is entitled to the exemptions and that the abbreviated accounts have been properly prepared from those financial statements. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the company is entitled under sections 246 and 247 of the Companies Act 1985 to the exemptions conferred by Section A of Part 111 of Schedule 8 to that act, in respect of the year ended 31st December 2000, and the abbreviated accounts on pages 3 to 8 have been properly prepared in accordance with that Schedule.

..... continued

PURSUANT TO PARAGRAPH 24 OF SCHEDULE 8 TO THE COMPANIES ACT 1985

Other Information

"We have audited the financial statements on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

As described on page 3 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 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 Company's circumstances, consistently applied and adequately disclosed.

Opinion

5th September 2001

We certify that this is a true copy of the Auditors' Special Report issued to the Directors on 12th April 2001.

A. L. S. Bowen
Thomas Study

Director

Secretary

TULLOW UK GAS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE SHAREHOLDERS' 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 as at the end of the period and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to :-

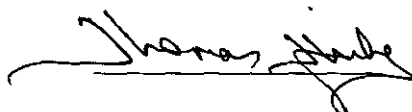
- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 financial statements comply with the Companies Acts 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.

On Behalf of the Board



Director



Director

TULLOW UK GAS LIMITED

STATEMENT OF ACCOUNTING POLICIES

YEAR ENDED 31ST DECEMBER 2000

The principal accounting policies of the Company are as follows:

Basis of Accounting

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

The Company is engaged in oil and gas exploration and development through unincorporated joint ventures. The company consolidates its share of the results and net assets of these joint ventures. In addition where the Company acts as operator to the joint venture, the gross liabilities and receivables (including amounts due or from non-operating partners) of the joint venture are included in the Company's Balance Sheet.

Turnover

Turnover represents the sales value, net of VAT and overriding royalties on an entitlement basis supplied to external customers.

Foreign Currencies

Sterling is the reporting currency of the Company. Transactions in foreign currencies are recorded at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated into sterling at the balance sheet date with a corresponding credit or charge to the profit and loss account.

Cost Of Exploration

The Company adopts the successful efforts method of accounting for exploration and appraisal costs. All pre-licence, licence acquisition, exploration and appraisal costs are initially capitalised as intangible fixed assets in cost centres by well, field or area as appropriate pending determination of commercial reserves. Directly attributable administration costs and interest payable are capitalised insofar as they relate to specific exploration and development activities.

These costs are then written off unless commercial reserves have been established or the determination process has not been completed.

Following the discovery of a commercially viable field the attributable costs are transferred to tangible fixed assets in single field cost centres.

Commercial Reserves

Commercial reserves are proven and probable oil and gas reserves, as defined in the UK Statement of Recommended Practice 'Accounting for oil and gas exploration, development, production and decommissioning activities'.

TULLOW UK GAS LIMITED

STATEMENT OF ACCOUNTING POLICIES

YEAR ENDED 31ST DECEMBER 2000

Depletion and Amortisation - Discovery Fields

All expenditure carried within each field is amortised from the commencement of production, on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of commercial reserves at the end of the period plus the production in the period, on a field by field basis. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Where there has been a change in economic conditions that indicates a possible impairment in a discovery field, the recoverability of the net book value relating to that field is assessed by comparison with the estimated discounted future net cash flows based on management's expectations of future oil and gas prices and future costs. Any impairment identified is charged to the profit and loss account as additional depreciation, depletion and amortisation. Where conditions giving rise to an impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the profit and loss account.

Decommissioning

Provision for decommissioning is recognised in full at the commencement of oil and gas production. The amount recognised is the the present value of estimated future expenditure determined in accordance with local conditions and requirements. A corresponding tangible fixed asset of an amount equal to the provision is also created. This is subsequently amortised on a unit of production basis. Changes in the the estimates of commercial reserves or decommissioning cost estimates are dealt with prospectively.


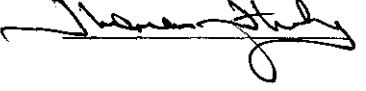
Deferred Taxation

Deferred taxation is provided under the liability method on all material timing differences to the extent that a liability is expected to arise in the foreseeable future.

TULLOW UK GAS LIMITEDBALANCE SHEET AS AT 31ST DECEMBER 2000

	<u>NOTES</u>	<u>2000</u> <u>£</u>	<u>1999</u> <u>£'000</u>
FIXED ASSETS			
Tangible	2	5,838,234	5,689,286
CURRENT ASSETS			
Debtors	3	417,538	426,158
Cash at Bank and in Hand		136,549	257,843
		<u>554,087</u>	<u>684,001</u>
CREDITORS (Amounts falling due within one year)			
Trade and Other Creditors	4	1,136,024	538,972
Bank Loans and Overdrafts	5	966,000	966,000
		<u>2,102,024</u>	<u>1,504,972</u>
NET CURRENT LIABILITIES		<u>(1,547,937)</u>	<u>(820,971)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,290,297</u>	<u>4,868,315</u>
CREDITORS (Amounts falling due after more than one year)			
Parent Company	6	3,885,241	3,194,289
Bank Loans	5	3,323,000	3,289,000
Provision for Charges	7	91,993	91,993
		<u>6,300,234</u>	<u>6,575,282</u>
NET ASSETS		<u>(2,009,937)</u>	<u>(1,706,967)</u>
CAPITAL AND RESERVES			
Called Up Share Capital	8	3,100,000	3,100,000
Profit and Loss Account	9	(5,109,937)	(4,806,967)
SHAREHOLDERS FUNDS		<u>(2,009,937)</u>	<u>(1,706,967)</u>

The company has taken advantage of the exemptions conferred by Section A of Part 111 of Schedule 8 to the Companies Act, 1985 and, in the directors' opinion, the company is entitled to those exemptions on the grounds that it is a small company within the definitions of that Act.

 Director
 Director

The notes on pages 7 to 9 form part of these abbreviated accounts.

TULLOW UK GAS LIMITEDNOTES ON THE ABBREVIATED ACCOUNTSYEAR ENDED 31ST DECEMBER 2000**NOTE 1. PARENT COMPANY**

The company is a wholly owned subsidiary of Tullow Oil Plc which is incorporated in Ireland.

NOTE 2. TANGIBLE FIXED ASSETS

	Exploration and Development Discovery Fields £
Cost	
At 31st December 1999	6,532,060
Additions	589,213
Disposals	-
At 31st December 2000	<u>7,121,273</u>
Amortisation and Depreciation	
At 31st December 1999	842,774
Charged to Profit and Loss Account	440,265
Disposals	-
At 31st December 2000	<u>1,283,039</u>
Net Book Value	
At 31st December 2000	<u>5,838,234</u>
At 31st December 1999	<u>5,689,286</u>

NOTE 3. DEBTORS

(Amounts falling due within one year)

	2000 £	1999 £
Trade Debtors	105,306	212,010
Other Debtors and Prepayments	194,540	126,267
Prepayments and Accrued Income	117,692	87,881
	<u>417,538</u>	<u>426,158</u>

TULLOW UK GAS LIMITED
NOTES ON THE ABBREVIATED ACCOUNTS
YEAR ENDED 31ST DECEMBER 2000

NOTE 4. TRADE AND OTHER CREDITORS	2000	1999
(Amounts falling due within one year)	£	£
Trade Creditors	312,908	96,871
VAT	13,590	30,872
Accruals	809,526	411,229
	<u>1,136,024</u>	<u>538,972</u>

NOTE 5. BANK LOANS	2000	1999
(Amounts falling due within one year)	£	£
Term Loan	<u>966,000</u>	<u>966,000</u>
(Amounts falling due after more than one year)		
Term Loan - One to two Years	966,000	966,000
- Three to Five Years	1,357,000	2,015,000
- After Five Years	-	308,000
	<u>2,323,000</u>	<u>3,289,000</u>

The bank borrowings are secured as follows:

- (a) Pledge over the issued share capital of the company.
- (b) First floating charge over the assets of the company.
- (c) Guarantee by Tullow Oil plc (registered in Ireland).

NOTE 6. PARENT COMPANY	2000	1999
	£	£
Amount due to Tullow Oil Plc	<u>3,885,241</u>	<u>3,194,289</u>

The Directors have received assurances from Tullow Oil plc that no repayment of the parent company loan will be required in excess of the Company's free cash balances in order that the Company can continue as a going concern.

NOTE 7. PROVISIONS FOR LIABILITIES AND CHARGES	2000	1999
	£	£
Decommissioning Costs		
Balance at beginning of Year	91,993	91,993
Charge for Year	-	-
	<u>91,993</u>	<u>91,993</u>

At 31st December 2000 the provision for the decommissioning of the Company's natural gas facilities at the end of their economic lives was £91,993. The provision has been estimated using existing technology at current prices. The costs are expected to be incurred over the next 25 years.

TULLOW UK GAS LIMITEDNOTES ON THE ABBREVIATED ACCOUNTSYEAR ENDED 31ST DECEMBER 2000

NOTE 8. CALLED UP SHARE CAPITAL	2000 £	1999 £
Authorised, Allotted and Fully Paid		
3,100,000 Ordinary Shares of £1 Each	<u>3,100,000</u>	<u>3,100,000</u>
NOTE 9. PROFIT AND LOSS ACCOUNT	2000 £	1999 £
At 1st January	(4,806,967)	(4,552,472)
Loss for Year	<u>(302,970)</u>	<u>(254,495)</u>
At 31st December	<u>(5,109,937)</u>	<u>(4,806,967)</u>

NOTE 10. APPROVAL OF FULL FINANCIAL STATEMENTS

The full financial statements were approved by the Directors on 12th April 2000.
