

TULLOW UK GAS LIMITED
ABBREVIATED ACCOUNTS
YEAR ENDED 31ST DECEMBER 2001

1421481

INDEX

	<u>PAGE</u>
AUDITORS' SPECIAL REPORT	1/2
STATEMENT OF DIRECTOR'S RESPONSIBILITIES FOR THE SHAREHOLDERS' FINANCIAL STATEMENTS	3
STATEMENT OF ACCOUNTING POLICIES	4/5
BALANCE SHEET	6
NOTES ON THE ABBREVIATED ACCOUNTS	7/9



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 2001.

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 2001, and the abbreviated accounts on pages 3 to 8 have been properly prepared in accordance with that Schedule.

..... continued

TULLOW UK GAS LIMITED

AUDITORS' REPORT TO TULLOW UK GAS LIMITED

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

... continued

Other Information

On the 5th April 2002 we reported, as auditors of Tullow UK Gas Limited, to the members on the financial statements prepared under section 226 of the Companies Act 1985 for the year ended 31st December 2001, and our audit report was as follows:

'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.

Respective Responsibilities of Directors and Auditors

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.

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 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.

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 the Company's affairs at 31st December, 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act, 1985."

Robert J. Kidney, F.C.

21st June 2002

Robert J. Kidney & Co.,
Chartered Accountants,
Registered Auditors,
11 Adelaide Road,
Dublin 2.

We certify that this is a true copy of the Auditors' Special Report issued to the Directors on 5th April 2002.

And J. Heary
Shane [Signature]

Director

Secretary

TULLOW UK GAS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

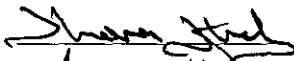
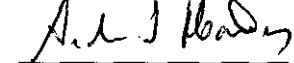
FOR THE SHAREHOLDERS' FINANCIAL STATEMENTS

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 2001

The principal accounting policies of the Company are as follows:

Basis of Accounting

The financial statements are prepared under the historical cost convention.

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.

Cost Of Exploration

All pre-licence, licence acquisition, exploration and appraisal costs are initially capitalised as intangible fixed assets in cost centres by well, field or country as appropriate pending determination of commercial reserves. Administration costs, depreciation 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.

At each balance sheet date consideration is given by the Directors as to whether the net book value of the commercial reserves is covered by the estimated future net revenue from these fields and any deficiency is written off to the profit and loss account.

Depletion and Amortisation - Discovery Fields

All expenditure carried within each field is amortised 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 on a field by field basis at the end of the period plus the production in the period. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs.

TULLOW UK GAS LIMITED

STATEMENT OF ACCOUNTING POLICIES

YEAR ENDED 31ST DECEMBER 2001

Decommissioning

Provision for decommissioning is recognised in full at the commencement of oil and gas production. The amount recognised is 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.

Foreign Currencies

Sterling is the reporting currency of the company. Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the Balance Sheet date with a corresponding credit or charge to the profit and loss account. However exchange gains and losses arising on long-term Parent Company loans are dealt with in Reserves.

Taxation

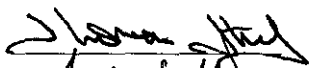
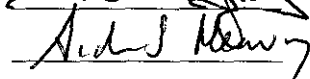
Current tax, including UK corporation tax, is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

Deferred Taxation is provided on all material timing differences to the extent that a liability is expected to arise in the foreseeable future. Provision is made at the rates which are expected to be applied when the liabilities are expected to crystallise.

TULLOW UK GAS LIMITEDBALANCE SHEET AS AT 31ST DECEMBER 2001

	<u>NOTES</u>	<u>2001</u> <u>£</u>	<u>2000</u> <u>£'000</u>
FIXED ASSETS			
Tangible	2	5,527,966	5,838,234
CURRENT ASSETS			
Debtors	3	450,602	417,538
Cash at Bank and in Hand		146,883	136,549
		597,485	554,087
CREDITORS (Amounts falling due within one year)			
Trade and Other Creditors	4	635,812	1,136,024
Bank Loans and Overdrafts	5	966,000	966,000
		1,601,812	2,102,024
NET CURRENT LIABILITIES		(984,319)	(1,547,937)
TOTAL ASSETS LESS CURRENT LIABILITIES		4,523,639	4,290,297
CREDITORS (Amounts falling due after more than one year)			
Parent Company	6	1,357,000	2,323,000
Bank Loans	5	5,227,178	3,885,241
Provision for Charges	7	91,993	91,993
		6,676,171	6,300,234
NET ASSETS		(2,152,532)	(2,009,937)
CAPITAL AND RESERVES			
Called Up Share Capital	8	3,100,000	3,100,000
Profit and Loss Account	9	(5,252,532)	(5,109,937)
SHAREHOLDERS FUNDS		(2,152,532)	(2,009,937)

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 2001**NOTE 1. PARENT COMPANY**

The company is a wholly owned subsidiary of Tullow Oil Plc which is incorporated in Ireland. The company's ultimate parent is Tullow Oil Plc incorporated in England & Wales.

NOTE 2. TANGIBLE FIXED ASSETS

	Exploration and Development Discovery Fields £
Cost	
At 31st December 2000	7,121,273
Additions	203,462
At 31st December 2001	<u>7,324,735</u>
Amortisation and Depreciation	
At 31st December 2000	1,283,039
Charged to Profit and Loss Account	513,730
At 31st December 2001	<u>1,796,769</u>
Net Book Value	
At 31st December 2001	<u>5,527,966</u>
At 31st December 2000	<u>5,838,234</u>

NOTE 3. DEBTORS

(Amounts falling due within one year)

	2001 £	2000 £
Trade Debtors	223,899	105,306
Other Debtors and Prepayments	188,577	194,540
Prepayments and Accrued Income	38,126	117,692
	<u>450,602</u>	<u>417,538</u>

TULLOW UK GAS LIMITEDNOTES ON THE ABBREVIATED ACCOUNTSYEAR ENDED 31ST DECEMBER 2001

NOTE 4. TRADE AND OTHER CREDITORS	2001	2000
(Amounts falling due within one year)	£	£
Trade Creditors	199,045	312,908
VAT	55,292	13,590
Accruals	381,475	809,526
	<u>635,812</u>	<u>1,136,024</u>

NOTE 5. BANK LOANS	2001	2000
(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	391,000	1,357,000
	<u>1,357,000</u>	<u>2,323,000</u>

The bank borrowings are secured as follows:

- (a) Pledge over the issued share capital of the company.
- (d) First floating charge over the assets of the company.
- (e) Guarantee by Tullow Oil plc.

NOTE 6. PARENT COMPANY	2001	2000
	£	£
Amount due to Tullow Oil Plc (Ireland)	<u>(5,227,178)</u>	<u>(3,885,239)</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	2001	2000
	£	£
Decommissioning Costs		
Balance at beginning of Year	91,993	91,993
Charge for Year	-	-
Balance at end of Year	<u>91,993</u>	<u>91,993</u>

At 31st December 1999 the provision for the decommissioning of the Company's natural gas facilities at the end of their economic lives was £STG91,993. The provision has been estimated using existing technology at current prices. The costs are expected to be incurred over the next 20 years.

TULLOW UK GAS LIMITED
NOTES ON THE ABBREVIATED ACCOUNTS
YEAR ENDED 31ST DECEMBER 2001

NOTE 8. CALLED UP SHARE CAPITAL

2001
£2000
£

Authorised, Allotted and Fully Paid

3,100,000 Ordinary Shares of £1 Each

3,100,0003,100,000

NOTE 9. PROFIT AND LOSS ACCOUNT

2001
£2000
£

At 1st January

(5,109,937)

(4,806,967)

Loss for Year

(214,134)

(302,970)

Exchange Movement on Parent Company Loan

71,539

-

At 31st December

(5,252,532)(5,109,937)

NOTE 10. APPROVAL OF FULL FINANCIAL STATEMENTS

The full financial statements were approved by the Directors on
 5th April 2002.