Pentex Energy PLC

Directors' report and accounts

18 month period to 31 December 1998
Registered number 1915605

Directors' report and accounts

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Company information

Registered office:	Level 5 190 - 192 Sloane Street London SW1X 9QX
Directors:	HO Cameron GR Dowland
Secretary:	A Harrison
Agent Bankers:	Bank of Scotland The Mound Edinburgh EH1 1Y2 Bank of Scotland London Chief Office 38 Threadneedle Street London EC2P 2EN
Solicitors:	Gouldens 22 Tudor Street London EC4Y 0JJ Peterkins 100 Union Street Aberdeen AB9 1QR
Auditors:	KPMG Audit Plc Saltire Court 20 Castle Terrace Edinburgh EH1 2EG

Directors' report

The directors present their report and the audited accounts for the 18 month period ended 31 December 1998.

Principal activities

The group's principal activities during the period continued to be the exploration for, and the development and production of, oil and gas. The company is a holding company.

Review of the business

There was a profit for the period after taxation amounting to £11,000 *(1997: £9,121,000)*. The directors do not recommend payment of a dividend *(1997: £11,680,000)*.

Directors and their interests

The present membership of the board is set out below. All directors served throughout the period.

A C Surtees	resigned 14 July 1998
H O Cameron	
G Lane	resigned 15 June 1999
W L S Guiness	resigned 9 September 1998
A T West	resigned 16 September 1998
G R Dowland	appointed 15 June 1999

No director had any interests in the shares of the company as at 1 July 1997 and 31 December 1998 except as stated below.

Messrs H O Cameron and G Lane had an interest in the share capital of the company by virtue of their interest in the share capital of Sibir Energy plc, the ultimate parent undertaking. The directors' interests in the share capital of Sibir Energy plc are disclosed in that company's accounts.

Payment policy and practice

It is the group's policy to follow the CBI Code of Practice for buyers in relation to the payment of its suppliers for the forthcoming year. Copies of, and further information on, the cost code can be obtained from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DV. The company itself is an investment holding company and as such it does not make purchases involving taking credit from external suppliers.

Millenium compliance

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption.

The company has addressed the impact of the Year 2000 on its business and operations by reviewing the major issues to assess exposure. Plans have been put in place to seek to ensure the elimination of these exposures prior to the Year 2000. Total estimated costs are not believed to be significant.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain, because at least some level of failure may still occur. However, the directors believe that the company will achieve an acceptable state of readiness and will provide resources to deal promptly with significant failures or issues that may arise.

Directors' report *(continued)*

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

A Harrison
Secretary

30 June 1999

Statement of directors' responsibilities

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 group and of the profit or loss 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;
- prepare the accounts 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 company and to enable them to ensure that the accounts comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Directors confirm that suitable accounting policies have been consistently applied, that reasonable and prudent judgements have been used in the preparation of the accounts, and that applicable accounting standards have been followed.

KPMG

KPMG Audit Plc

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG
United Kingdom

Report of the auditors to the members of Pentex Energy PLC

We have audited the accounts on pages 6 to 14.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of 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 the company's affairs as at 31 December 1998 and of its profit for the eighteen month period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

30 June 1999

Profit and loss account

for the18 month period ended 31 December 1998

	Note	18 month period ended 31 December 1998 £000	Year ended 30 June 1997 £000
Turnover	2	446	12,957
Administrative expenses	3	(874)	(23,067)
Operating loss		(428)	(10,110)
Interest receivable	4	250	473
Interest payable	6	(34)	(68)
Loss on ordinary activities before taxation		(212)	(9,705)
Tax on loss on ordinary activities	7	223	584
Profit/(loss) on ordinary activities after taxation		11	(9,121)
Dividends	8	-	(11,680)
Retained profit/(loss) for the period		11	(20,801)

There were no other recognised gains or losses in the period other than those shown in the profit and loss account.

The accounting policies and notes on pages 8 to 14 form part of these accounts.

Reconciliation of movement in shareholders' funds

	18 month period ended 31 December 1998 £000	Year ended 30 June 1997 £000
Total recognised loss for the period	11	(20,801)
Capital redemption reserve fund	-	3,000
New share capital subscribed less issue costs	6,856	11,852
Total movement in the period	6,867	(5,949)
Opening shareholders' funds	79,951	85,900
Closing shareholders' funds	86,818	79,951

Balance sheet
at 31 December 1998

	Note	31 December 1998			30 June1997
		£000	£000	£000	£000
Fixed assets					
Tangible assets	*9*		17		21
Investments	*10*		49,891		49,891
			49,908		49,912
Current assets					
Debtors	*11*	39,731		24,201	
Cash at bank and in hand		73		9,088	
		39,804		33,289	
Creditors: amounts falling due within one year	*12*	(2,894)		(2,395)	
Net current liabilities			36,910		30,894
Total assets less current liabilities			86,818		80,806
Provisions for liabilities and charges	*13*		-		(855)
Net assets			86,818		79,951
Capital and reserves					
Called up share capital	*14*		16,599		14,499
Share premium account	*15*		35,334		30,578
Profit and loss account	*15*		34,885		34,874
Shareholders' funds			86,818		79,951

These accounts were approved by the board of directors on 30 June 1999 and were signed on its behalf by:

H. D. Barnes

Director

Notes

(forming part of the accounts)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's accounts.

Basis of preparation

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These accounts present information about the company as an individual undertaking and not about its group. The parent undertaking in which the company and the group are consolidated is Sibir Energy Plc, which is incorporated in England and Wales.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated accounts.

As the company is a wholly owned subsidiary of Sibir Energy plc, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated accounts of Sibir Energy plc, within which this company is included, can be obtained from Level 5, 190-192 Sloane Street, London SW1X 9DX.

Oil and gas assets

The company accounts for oil and gas expenditure under the full cost method of accounting.

All lease and licence acquisition costs, geological and geophysical costs and other direct costs of exploration, appraisal and development are capitalised as tangible fixed assets in a global cost pool. The amount capitalised includes attributable interest incurred on significant developments before commencement of production and an appropriate allocation of overheads.

Costs relating to evaluated properties are depleted on a unit of production method based on commercial proven and probable reserves.

The amortisation calculation takes account of the estimated future costs of development of underdeveloped reserves, based on current price levels. Changes in reserve quantities and cost estimates are recognised prospectively.

Proceeds from the disposal of oil and gas assets accounted for in the pool are deducted from capitalised costs with no gain or loss being recognised.

Additional depletion is charged if the capitalised costs of evaluated properties exceed the estimated value of the related commercial reserves of oil and gas within the pool. The value is based on the directors' estimate at the period end of future costs and revenues after taxation attributable to such reserves.

Notes *(continued)*

1 Accounting policies *(continued)*

Site restoration costs

Where the directors consider that there is a material liability for the removal of production facilities and site restoration at the end of the producing life of a field, provision is made for the estimated cost at current price levels on a unit of production method based on commercial proven and probable reserves. Changes in reserve quantities and cost estimates are recognised prospectively.

Depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Motor vehicles	-	4 years
Equipment	-	5 to 10 years

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and are depreciated over their useful lives.

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 the balance of capital repayments outstanding.

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

Petroleum revenue tax (PRT)

PRT is provided on a unit of production basis over the life of each field to the extent that there is likely to be a liability using current oil prices and costs, after taking account of available benefits and allowances, including exploration and appraisal relief.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Notes *(continued)*

1 Accounting policies *(continued)*

Pension costs

The group contributes to a defined contribution pension scheme which is administered by Standard Life Assurance Company. Contributions are charged to the profit and loss account as they become payable.

Foreign currencies

Transactions in foreign currencies during the period are recorded in sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at the rates ruling at the balance sheet date.

Exchange differences resulting from the translation of assets and liabilities of foreign currency denominated branches into sterling at period end rates of exchange, together with those differences resulting from the restatement of profits and losses from average to period end rates, are taken directly to reserves. All other exchange differences are taken to the profit and loss account.

2 Turnover

Turnover, which is stated net of value added tax, represents management fee income and amounts invoiced to third parties, in respect of the group's deliveries of crude oil and other hydrocarbons.

3 Administrative expenses

	18 month period ended 31 December 1998 £000	Year ended 30 June 1997 £000
Auditors remuneration:		
Audit	**24**	20
Depletion/depreciation owned fixed assets	**4**	50
Staff costs	**406**	407
Hire of plant and machinery	**40**	92
Operating lease costs:		
Land and buildings	**66**	19
Other	**-**	-
(Gain)/loss on currency translation	**(78)**	770
Other operating costs	**412**	757
Loss on disposal	**-**	20,952
	874	23,067

4 Other income

	18 month period ended 31 December 1998 £000	Year ended 30 June 1997 £000
Other interest income	**250**	473
	250	473

Notes *(continued)*

5 Staff costs

	18 month period ended 31 December 1998 £000	Year ended 30 June 1997 £000
Wages and salaries	352	377
Social security costs	12	20
Other pension costs	42	9
	406	406

	Number	Number
Average staff employed in period	7	7

6 Interest payable

	18 month period ended 31 December 1998 £000	Year ended 30 June 1997 £000
On loans not wholly repayable within 5 years		
Other interest payable	34	68

7 Taxation

	18 month period ended 31 December 1998 £000	Year ended 30 June 1997 £000
Corporation tax rebate at 31%	223	584

8 Dividends

	18 month period ended 31 December 1998 £000	Year ended 30 June 1997 £000
Final	-	11,680

Notes *(continued)*

9 Tangible fixed assets

	Total £000
Cost	
At 1 July 1997	29
Additions	-
At 31 December 1998	29
Depletion/depreciation	
At 1 July 1997	8
Provided during the period	4
At 31 December 1998	12
Net book value	
At 31 December 1998	17
At 30 June 1997	21

10 Fixed asset investments

	31 December 1998 £000	30 June 1997 £000
Shares in subsidiaries	**49,891**	49,891

The subsidiary undertakings at 30 June 1998 were:

Subsidiary	Country of incorporation	Principal activity	Class of shares held	Percentage of shares held
Held by company				
Pentex Oil Plc	Scotland	Immediate holding company	Ordinary	100%
Crossroads International Limited	England	Immediate holding company	Ordinary	100%
Held by a subsidiary undertaking				
Pentex Oil (UK) Limited	Scotland	Oil and gas	Ordinary	100%
Pentex Oil & Gas Limited	England	Oil and gas	Ordinary	100%
Pentex Italia Limited	England	Oil and gas	Ordinary	100%
Pentex (Fife) Limited	Scotland	Dormant	Ordinary	100%
Dalco Petroleum (UK) Limited	England	Dormant	Ordinary	100%
Pentex Overseas Investments limited	England	Immediate holding company	Ordinary	100%

The above are all holdings of ordinary shares.

Notes *(continued)*

11 Debtors

	31 December 1998 £000	30 June 1997 £000
Amounts owed by group undertakings	**39,285**	24,201
Other debtors	**446**	-
Amounts owed by group undertakings	**39,731**	24,201

12 Creditors: amounts falling due within one year

	31 December 1998 £000	30 June 1997 £000
Trade creditors	**-**	65
Corporation tax	**-**	1,392
Proposed dividends	**-**	580
Amounts due under finance leases	**59**	358
Amounts due to group undertakings	**2,835**	-
	2,894	2,395

13 Deferred taxation

	31 December 1998 £000	30 June1997 £000
Short term timing differences	**-**	855
	-	855

14 Share capital

	31 December 1998 £000	30 June1997 £000
Authorised : 440,000,000 ordinary shares of £0.05 each	**22,000**	22,000
Allotted, issued and fully paid 331,979,591 ordinary shares of £0.05 each	**16,599**	14,499

Notes *(continued)*

15 Reserves

	Share premium £000	Profit and loss account £000
At 1 July 1997	30,578	34,874
Losses for the period	-	11
Premium on share issues, less expenses	4,756	-
At 31 December 1998	**35,334**	**34,885**

16 Ultimate parent undertaking

Sibir Energy plc, which is registered in England and Wales, is the company's ultimate parent undertaking.

The largest group in which the results of the company are consolidated is that headed by Sibir Energy plc. The consolidated accounts of this group are available from Sibir Energy plc, Level 5, 190-192 Sloane Street, London SW1X 9DX.