

PENTEX ENERGY PLC

Report and Accounts

31 December 2000



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Pentex Energy PLC

Registered No. 1915605

DIRECTORS

A Harrison
H O Cameron

SECRETARY

A Harrison

AUDITORS

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

SOLICITORS

Gouldens
10 Old Bailey
London EC2M 7NG

REGISTERED OFFICE

11 Grosvenor Crescent
London SW1X 7EE

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2000

RESULTS AND DIVIDENDS

The loss for the year amounted to £47,341,000 (1999 – loss of £265,000).

The directors do not recommend payment of a dividend.

PRINCIPAL ACTIVITY

The principal activity of the company is that of an investment holding company.

The directors plan to continue to develop the activities of the company, taking into account the general economic conditions which are likely to exist in the coming year.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year ended 31 December 2000 were as follows:

H O Cameron	
G R Dowland	(resigned 9 May 2000)
A Harrison	(appointed 8 May 2000)

The directors have no direct beneficial interest in the share capital of the company, or any of its subsidiary undertakings. Messrs H O Cameron and G R Dowland had interests in the share capital of Sibir Energy plc, the immediate parent undertaking, which are disclosed in that company's accounts. Mr A Harrison's rights to subscribe for 10p ordinary shares of Sibir Energy plc were granted to or exercised by him between 1 January 2000 and 31 December 2000 as follows:

	<i>Granted</i>	<i>Exercised</i>
Mr A Harrison	1,500,000	–

CREDITORS' PAYMENT POLICY

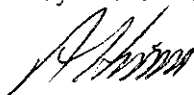
It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its individual suppliers, provided that all trading terms and conditions have been complied with.

AUDITORS

Ernst & Young have expressed their willingness to continue as auditors and were reappointed at the Annual General Meeting in accordance with Section 385 of the Companies Act 1985. At the same meeting it was also agreed that the directors are given the authority to fix the auditors' remuneration.

On 28 June 2001, Ernst & Young, the company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to reappoint Ernst & Young LLP as the company's auditor will be put to the next Board Meeting.

By order of the Board


Secretary
27 July 2001

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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 profit or loss of the company 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 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 accounts comply with the Companies Act 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.

REPORT OF THE AUDITORS
to the shareholders of Pentex Energy PLC

We have audited the accounts on pages 5 to 12, which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

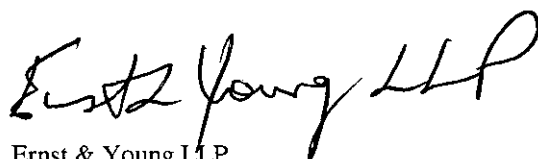
Basis of opinion

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 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 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 as at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

27 July 2001

Pentex Energy PLC

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2000

	Notes	2000 £000	1999 £000
Administrative costs		(5)	(268)
OPERATING LOSS	2	(5)	(268)
Amounts written off investments	6,10	(47,338)	—
Interest receivable		2	3
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(47,341)	(265)
Taxation	4	—	—
TRANSFER FROM RESERVES		(47,341)	(265)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2000

There are no recognised gains or losses attributable to the shareholders of the company other than the loss of £47,341,000 for the year ended 31 December 2000 (1999 – loss of £265,000).

Pentex Energy PLC

BALANCE SHEET

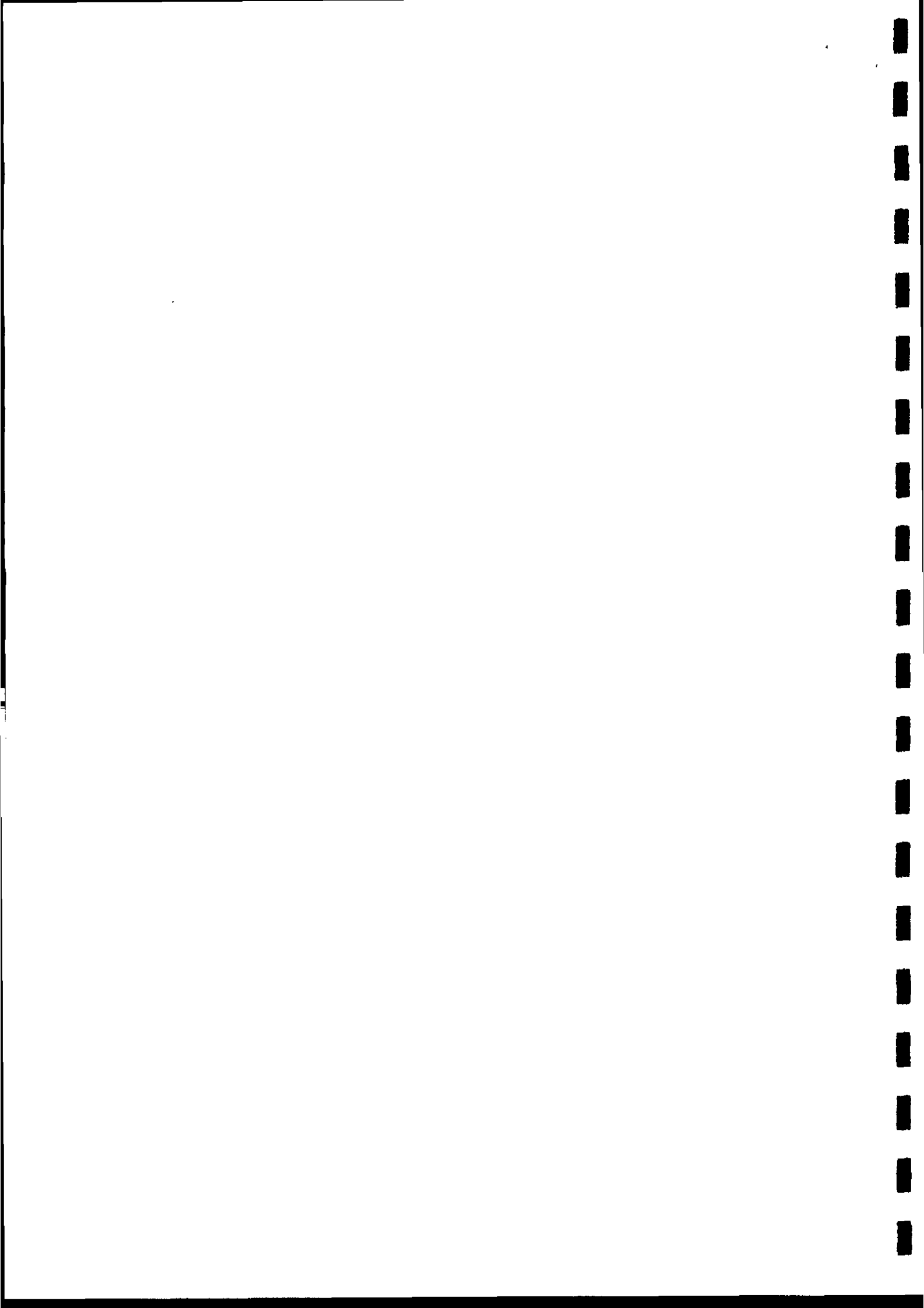
At 31 December 2000

	Notes	2000 £000	1999 £000
FIXED ASSETS			
Tangible assets	5	11	14
Investments	6	22,412	49,891
		<u>22,423</u>	<u>49,905</u>
CURRENT ASSETS			
Debtors: amounts falling due within one year	7	19,877	39,736
Cash at bank and in hand		-	61
		<u>19,877</u>	<u>38,797</u>
CREDITORS: amounts falling due within one year	8	3,088	3,149
		<u>16,789</u>	<u>36,648</u>
NET CURRENT ASSETS			
		<u>39,212</u>	<u>86,553</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>39,212</u>	<u>86,553</u>
CAPITAL AND RESERVES			
Called up share capital	9,10	3,320	16,599
Share premium account	10	-	35,334
Capital reserve	10	475	-
Profit and loss account	10	35,417	34,620
		<u>39,212</u>	<u>86,553</u>
SHAREHOLDERS' FUNDS - EQUITY INTERESTS			
		<u>39,212</u>	<u>86,553</u>



Andrew Harrison
Director

27 July 2001



NOTES TO THE ACCOUNTS

At 31 December 2000

1. ACCOUNTING POLICIES

Accounting convention

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

The company has adopted Financial Reporting Standard 15 "Tangible Fixed Assets" ("FRS 15") in these accounts.

Basis of preparation

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare and deliver group accounts. These accounts therefore 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.

As the immediate parent undertaking has published a group cash flow statement in compliance with Financial Reporting Standard 1 (Revised), no cash flow statement is presented in these accounts.

Depreciation

Tangible fixed assets are depreciated on a straight-line basis so as to write off the cost less any estimated residual value of each asset evenly over its estimated useful life as follows:

Computer equipment	–	over 4 years
Furniture and fittings	–	over 10 years

Investments

Fixed asset investments in subsidiary undertakings are included in the accounts at cost less provisions for impairment. All other fixed asset investments are stated in the accounts at cost less provisions for permanent diminution in value.

Impairment of fixed assets

The carrying values of fixed assets are reviewed for impairment in the periods when the events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is provided for in the current period profit and loss account when the carrying value of the assets exceeds their estimate recoverable amount. The estimated recoverable amount is defined as the higher of the net realisable value and the value in use. The value in use is determined by reference to estimated future discounted cashflows.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Pentex Energy PLC

NOTES TO THE ACCOUNTS

At 31 December 2000

2. OPERATING LOSS

This is stated after charging:

	2000 £000	1999 £000
Auditors' remuneration	-	(15)
Depreciation	3	3
	<u> </u>	<u> </u>

Auditors' remuneration was dealt with in the accounts of the parent undertaking. No fees were paid to the auditors for other services.

3. STAFF COSTS

	2000 £000	1999 £000
Compensation for loss of office	-	281
	<u> </u>	<u> </u>

The average number of employees during the year was:

	No.	No.
Administration	2	2
	<u> </u>	<u> </u>

4. TAXATION

	2000 £000	1999 £000
UK corporation tax	-	-
	<u> </u>	<u> </u>

Pentex Energy PLC

NOTES TO THE ACCOUNTS

At 31 December 2000

5. TANGIBLE ASSETS

	<i>Equipment, fixtures and fittings £000</i>
Cost:	
At 1 January 2000	29
Additions	—
At 31 December 2000	29
Depreciation:	
At 1 January 2000	15
Provided during the year	3
At 31 December 2000	18
Net book value:	
At 31 December 2000	11
At 31 December 1999	14

6. INVESTMENTS

The investments comprised the company's interest in shares in subsidiary undertakings as follows:

	<i>£000</i>
Cost:	
At 1 January and 31 December 2000	49,891
Amounts provided:	
At 1 January 2000	—
Capital reorganisation	(15,000)
Charge for the year	(12,479)
At 31 December 2000	(27,479)
Net book value:	
At 31 December 2000	22,412
At 1 January 2000	49,891

The details of capital reorganisation and reduction scheme are provided in note 10 to these accounts.

The directors performed an impairment review of the carrying value of the investments in subsidiary undertakings at 31 December 2000. As a result of this review an impairment loss of £12,479,000 has been recognised in the year. For the purpose of impairment review future cash flows of subsidiary undertakings have been discounted using a real discount rate of 8%.

Pentex Energy PLC

NOTES TO THE ACCOUNTS

At 31 December 2000

6. INVESTMENTS (continued)

<i>Subsidiary</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Class of shares held</i>	<i>Percentage of shares held</i>
<i>Held directly:</i>				
Pentex Oil PLC	Scotland	Investment holding company	Ordinary	100%
Crossroads International Limited	England and Wales	Investment holding company	Ordinary	100%
Gairloch Oil and Gas Investment Co. Ltd	Scotland	Investment holding company	Ordinary	100%
<i>Held indirectly:</i>				
Pentex Oil (UK) Limited	Scotland	Oil and gas exploration and production	Ordinary	100%
Pentex Oil and Gas Limited	England and Wales	Oil and gas exploration and production	Ordinary	100%
Pentex Italia Limited	England and Wales	Oil and Gas exploration and production	Ordinary	100%
Pentex (Fife) Limited	Scotland	Dormant	Ordinary	100%
Pented Overseas Investments Limited	England and Wales	Investment holding company	Ordinary	100%

7. DEBTORS: amounts falling due within one year

	<i>2000</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>
Amounts due from group undertakings	19,877	39,736

8. CREDITORS: amounts falling due within one year

	<i>2000</i>	<i>1999</i>
	<i>£000</i>	<i>£000</i>
Amount due to group undertakings	2,768	2,768
Amount due to immediate parent undertakings	320	381
	<u>3,088</u>	<u>3,149</u>

Amount due to immediate parent undertaking represents an interest free short-term loan.

NOTES TO THE ACCOUNTS

At 31 December 2000

9. SHARE CAPITAL

	2000 £000	1999 £000
Authorised:		
440,000,000 ordinary shares of £0.05 each	22,000	22,000
Sub-division into £0.01 each		
2,200,000,000 ordinary shares of £0.01 each	22,000	-
1,327,918,364 ordinary shares of £0.01 were cancelled	(13,279)	-
872,081,636 ordinary shares of £0.01 each	8,721	-
Allotted, called up and fully paid:		
331,979,591 ordinary shares of £0.05 each	16,599	-
1,327,918,364 ordinary shares of £0.01 were cancelled	(13,279)	-
331,979,591 ordinary shares of £0.01 each	3,320	-

The details of the capital reorganisation and reduction scheme are provided in note 10 to these accounts.

10. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £000	Share premium account £000	Capital reserve £000	Profit and loss account £000	Total £000
At 1 January 1999	16,599	35,334	-	34,885	86,818
Loss for the year	-	-	-	(265)	(265)
At 1 January 2000	16,599	35,334	-	34,620	86,553
Loss for the year	-	-	-	(47,341)	47,341
Capital reorganisation	(13,279)	(35,334)	475	48,138	-
At 31 December 2000	3,320	-	475	35,417	39,212

On 9 November 2000 the High Court approved a capital reorganisation and reduction scheme whereby the share premium account of the company of £35,334,000 was cancelled and the share capital of the company was reduced from £22,000,000 to £8,720,816.

The capital was reduced by sub-dividing each 5p ordinary share of the company into 5 ordinary shares of 1p each. The 331,979,591 ordinary shares of 5p each were therefore divided into 1,659,897,955 ordinary shares. The capital was then reduced by cancelling and extinguishing 1,327,918,364 ordinary shares of 1p each.

NOTES TO THE ACCOUNTS

At 31 December 2000

10. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES
(continued)

The court permitted £34,859,000 of the amount created by the cancellation of share premium to be used to create a reserve against which the company could write off the amounts due from Pentex Overseas Investment Limited and Crossroads International Limited of £19,809,000 and £50,000 respectively, and its investment in Crossroads International Limited of £15,000,000, which were impaired in the year as a result of a larger capital reorganisation within the group headed by the parent undertaking, Sibir Energy plc. These impairments have been charged to the profit and loss account in the current year, therefore the amount of £34,859,000 has been credited directly to the profit and loss reserve, as directed by the court. The remainder of the balance on the share premium account of £475,000 has been transferred to a capital reserve on cancellation.

The court permitted the balance of the amount created by the reduction of capital of £13,279,184 to be treated as a distributable reserve, and hence this amount has also been credited to the profit and loss reserve.

11. RELATED PARTIES

As the company is a wholly-owned subsidiary of Sibir Energy plc, it has taken advantage of the exemption contained within FRS 8 and has not disclosed transactions with group companies. There were no other related party transactions requiring disclosure.

12. PARENT UNDERTAKING AND CONTROLLING PARTY

At the balance sheet date the company's immediate parent undertaking was Sibir Energy plc, a company registered in England and Wales, whose group accounts the company is included in at 31 December 2000 and which was both the smallest and largest group of which the company was a member for which group accounts were prepared. Copies of the group accounts can be obtained from 11 Grosvenor Crescent, London, SW1X 7EE.

In the directors' opinion, the company's ultimate parent undertaking is Bennfield Limited, a company incorporated in the Isle of Man. Bennfield Limited is controlled by the Tchigirensky family who in the directors' opinion are the ultimate controlling party of the company.

