

## **Society of Petroleum Engineers Europe Limited**

Consolidated financial statements for the year ended 31 March 2007

Registered number 2778741

Registered charity number 1017482

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## Trustees and Officers

### **Trustees**

Simon Oddie (Chairman)

Peter Goode

David St John

Mark Rubin

Ian Phillips

Klaus Potsch

Leo Roodhart

### **Company secretary**

Lawrence Slade (Appointed 9/03/07)

### **Registered office**

3<sup>rd</sup> Floor

Portland House

4 Great Portland Street

London

W1W 8QJ

### **Auditor**

Grant Thornton UK LLP

Registered Auditors

Chartered Accountants

Churchill House

Chalvey Road East

Slough

Berkshire

SL1 2LS

### **Bankers**

Barclays Bank

Pall Mall Corporate Group

50 Pall Mall

London

SW1A 1QA

### **Solicitors**

Brown Cooper Monier-Williams

71 Lincoln's Inn Fields

London

WC2A 3JF

SOCIETY OF PETROLEUM ENGINEERS EUROPE LIMITED

## Trustees report (continued)

### **Investment Advisors**

UBS Wealth Management

1 Curzon Street

London

W1J 5UB

## Trustees report

For the year ended 31 March 2007

The trustees, who are also the directors, present their report, together with the consolidated financial statements and auditor's report for the year ended 31 March 2007

### Trustees and their interests

The trustees, who are also the directors, who served during the year were as follows

Simon Oddie (Chairman)

Peter Goode

David St John

Mark Rubin

Ian Phillips

Klaus Potsch

Leo Roodhart

One-third of directors retire by rotation and, being eligible, offer themselves for re-election. Accordingly, members will be asked to confirm the re-appointment of Leo Roodhart and Mark Rubin.

The trustees are appointed on the recommendation of the board of directors of the parent undertaking and the existing trustees and in accordance with the Companies Act 1985.

The trustees held no beneficial interests in the shares of Society of Petroleum Engineers Europe Limited, or any other company in the group, at any time during the year.

### Principal officer

The principal officer of the company and group during the year was

Director of Operations and Company Secretary-Lawrence Slade (Appointed 19/02/07)

Director of Operations and Company Secretary-Val Johnson-Jones (Resigned 01/09/06)

### Structure, Governance and Management

Society of Petroleum Engineers Europe Limited is a company limited by shares, which was incorporated on 6 January 1993 and commenced trading on 1 March 1993. It is a subsidiary undertaking of Society of Petroleum Engineers Stichting, a charitable company incorporated and operating in the Netherlands. The objects of the company are set out in its Memorandum and Articles of Association. In February 1993, the company was registered as a charity, with the purpose of aiding the dissemination of petroleum engineering knowledge through a variety of programmes including publications, specialist meetings, scholarships and internet based services.

The SPE Stichting board is comprised of the SPE International officers and board committee chairs. The Stichting board is responsible for broad financial and operational oversight for the organisation.

Each regional board, including the board of trustees of the Society of Petroleum Engineers Europe Limited is comprised of the SPE International regional directors who reside in the regions served by that respective subsidiary.

## Trustees report (continued)

and a few directors selected at-large. Having at-large directors serving on those boards gives a broad-based representation that enhances the decisions of those boards. The regional subsidiary boards have general fiduciary and operational oversight responsibility for the subsidiary operations.

In summary, the responsibilities of the various governing bodies are as follows:

- The SPE International Board is responsible for policy and program development for the Society's worldwide activities.
- The SPE Stichting board has fiduciary and operational oversight responsibility for the entire organization.
- The regional subsidiary boards have fiduciary and operational oversight responsibility for the subsidiary operations.

The SPE Executive Director manages the worldwide staff operations. Each subsidiary has at least one Staff Director who manages the regional operations. These Staff Directors report to the Executive Director. The Executive Director works closely with the Society officers and each of the governing bodies in making decisions and setting direction. Generally, the SPE International Board sets strategic direction and establishes policies after consultation with staff. Additionally, staff consult with the appropriate governing body on major operational issues, but staff have responsibility for operational decisions and execution of board-approved programs.

New trustees are recruited from the Society's membership and are identified by peer review. A trustee induction handbook is provided to new trustees. This handbook is divided into four units, designed to (1) safeguard the values and mission of the organisation, (2) determine the strategy and structure of the organisation, (3) ensure the organisation operates in a responsible and accountable manner, and (4) ensure the effective functioning of the board.

The trustees have carried out a review during the year to examine the major strategic, business and operational risks which the charity faces. Systems have been established to enable regular reports to be produced so that the necessary steps can be taken to lessen these risks.

### **Objectives and Activities**

The objectives and principal activities of Society of Petroleum Engineers Europe Limited continue to be to promote (a) the science and technology of petroleum and natural gas exploration and recovery, and (b) the oil and natural gas industry and improvements in efficiency. The charity achieves its objectives through a variety of programmes including publications, specialist meetings, scholarships and internet based services.

SPE offers information about the oil and gas industry developed for the general public. It offers to provide speakers to schools and civic groups on energy and encourages SPE members to become active in their local schools, speaking to students and teachers about the importance of the energy industry and the technologies that are used to recover oil and natural gas. SPE has compiled resources to help students learn about energy and guide teachers and parents to other useful resources. SPE also offers schools and civic organizations the opportunity to request a speaker on energy topics. SPE also maintains information on the types of careers available, the importance of petroleum engineers, scholarships, and schools that offer technical degree programs.

## Trustees report (continued)

The main objectives for the previous year, as well as the trustees' assessment of the charity's actual performance during the year against these objectives, are set out below

- To disseminate technical information through technical conferences and meetings 16 events were held in UK, Europe and Russia, attended both SPE members and non-members This included the first versions of two major new events – Russia Oil and Gas and Intelligent Energy Designed to broaden the Society's member base and to also deliver the Society's dissemination objectives in new markets and technical areas, both events were successful
- To increase and retain membership in the region the society achieved considerable membership growth, in particular in Russia and the Caspian Region, and by membership retention elsewhere, with particular emphasis on young members
- To establish a series of initiatives dedicated to recruiting the engineers of the future "Talent and Technology" magazine – was launched to great acclaim Additionally, an annual workshop and white paper were developed looking at how the global industry can assist in recruitment, particularly in Non-OECD regions
- 

On-going objectives, together with how the charity aims to achieve these objectives, are

- To sustain vital programmes for membership and increase regional activities, including the scheduling of 20 events in 2007 and continue to build on major regional events such as Russia Oil and Gas
- To develop new sections and student chapters in the region, focussing on demand in areas such as Russia and West Africa
- To work supporting student chapters, with emphasis on developing member services resourcing
- To heighten awareness amongst both membership and the wider public of the work that has been achieved in 2007 by the Public Energy Education Committee The launch of the new Energy4me.org website will greatly assist in achieving this objective
- To identify additional services to ensure that the Society continues to fulfil its mission and establish a charitable giving programme

### **Achievements and Performance**

All of SPE's initiatives and activities are directed and organised by its members, with staff support All such initiatives and activities are regularly reviewed and assessed by the membership, by use of membership and non-membership surveys In addition, rigorous Key Performance Indicators set by the SPE Board of Directors regularly review and measure performance in all areas of the Society's work, including Publications and Periodicals, Technical Meetings and Conferences, Audit and Administration, Internet-Based Services and Member Services

### **Investment policy**

The charity's policy is to invest in funds whose risk profile is considered to be low to moderate The aim is to achieve over a period of several years better returns than those achieved by funds with a similar risk profile

During the period there was a significant increase in the market value of the investment portfolio This has reflected the improvement of the markets as a whole The Trustees consider that the performance of its funds was broadly in line with other funds with a similar risk profile

### **Financial Review**

Details of the results of activity of the Society of Petroleum Engineers itself are set out in the Statement of Financial Activities

## Trustees report (continued)

The end of the year saw an excellent financial result based on strong financial management and a successful year of workshops and conferences with the average customer satisfaction index of 73 per cent (For this purpose, customer satisfaction index percentage is calculated from feedback made by attendees relating to-administration, technical content, social benefits and network opportunities received from participation, the bench mark is set by the trustees), this compares to 72 per cent in 2006. The heaviest weighted areas relate to Technical content and networking experience, both key elements of the Charities objectives. In this financial year the technical and networking key performance indicators (KPI) were 69 per cent and 70 per cent respectively, both exceeding the benchmark of 67 per cent. Costs have been well within budget and income figures exceeded in trading areas, resulting in an average workshop and conference margin of 35 per cent.

During the year the Society of Petroleum Engineers consolidated group had incoming resources of £2,228,660 and expended resources of £2,489,202. Taken together with gains on investment assets, there was a deficit for the year of £178,366. Included within the groups activities analysis of expenditure (note one) there is £300,000 sponsorship of the Distinguished lecturer program a corner stone initiative of the Societies charitable programs. This compares with the last non Offshore Europe conference year ending 31<sup>st</sup> March 2005, when incoming resources were £1,601,321 and a surplus of £7,835 was generated.

At the end of 2006 the Society of Petroleum Engineers consolidated group held net assets of £4,229,405.

Listed investments plus cash and bank deposits totalled over £4,186,887 at the end of 2007, comfortably sufficient to meet the group's obligations to creditors. Improvement in global stock markets continued in 2006/7 and led to an unrealised gain of £82,175 (2006 £379,572).

The principal source of funding during the year continues to be income from conferences.

### **Policy on Reserves**

The primary purpose of the Reserve Fund (the Fund) for the Society of Petroleum Engineers Europe (SPEU) and the aim of the Trustees' reserves policy is to make available a source of revenues to be used by SPEU or other subsidiaries of SPE Stichting to

- ensure the continuation of normal business activities should SPEU's operating revenues be insufficient to meet expenses during a period of sustained economic distress
- provide risk funds for the development of member service programs as approved by the SPE Stichting Board of Directors, and
- accommodate minor annual operating surpluses and deficits that may occur from time to time

The corpus of the SPEU Reserve Fund shall be determined by the total resources expended as reported in the SPEU annual consolidated financial statement, as approved by the SPEU Board of Directors, averaged over a two year period. In addition to the corpus described above, funds in the amount of one-half the annual total resources expended should be accumulated for use in future capital expenditures and new ventures. Any amount over the established corpus in the Reserve Fund balance can be used for any purpose consistent with the Society's charitable status and as approved by the SPEU Board of Directors.

## Trustees report (continued)

SPE International has instituted an Advantage Programme which allocated 2% of its global reserve funds towards new initiatives, including Public Energy Education, Dedicated Programmes for the Young, Free Meeting Attendance for Academics and Additional Distinguished Lecturer Visits to Local Sections

### Plans for Future Periods

The key elements of the Charity's medium to long-term strategy are

- To publish and disseminate technical information through conferences, meetings, publications and the SPE E-library and web page
- To maintain and add information to SPE's e-library and provide both public and membership access to such library
- To institute, establish and promote educational and training courses, scholarship grants, awards and prizes
- To continually evaluate the services provided to members, customers and the public at large
- To ensure the organisation structure provides the resources necessary to meet the Society's objectives

### Financial risk management objectives and policies

The trustees constantly monitor the risks and uncertainties facing the company with particular reference to the exposure on price, exchange rates, credit, liquidity and cashflow risks. Management have procedures in place whereby forward contracts may be used to lodge against foreign exchange risks and credit control procedures are tightly monitored in order to minimise liquidity and cashflow risks. They are confident that there are suitable policies in place and there are no material risks and uncertainties which have not been considered.

### Trustees Responsibilities

The Trustees are also directors of Society of Petroleum Engineers Europe Limited for the purposes of company law are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group of the incoming resources and application of resources including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the Trustees are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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 financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business



## Trustees report (continued)

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

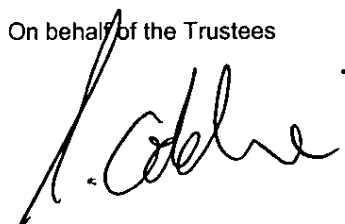
Insofar as the Trustees are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

### Auditor

Grant Thornton UK LLP offer themselves for reappointment as auditor in accordance with section 385 of the Companies Act 1985.

On behalf of the Trustees

A handwritten signature in black ink, appearing to be 'A. G. G. G.', written over a diagonal line.

Trustee

7 September 2007

## Independent auditor's report

### **REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF SOCIETY OF PETROLEUM ENGINEERS EUROPE LIMITED**

We have audited the group and parent charitable company financial statements (the "financial statements") of Society of Petroleum Engineers Europe Limited for the year ended 31 March 2007 which comprise, the consolidated statement of financial activities, the comprise and charitable company balance sheets and notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of trustees and auditor**

The responsibilities of the trustees (who are also the directors of Society of Petroleum Engineers Europe Limited for the purposes of company law) for preparing the Annual Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities in the Trustees' report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Trustees' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 trustees' remuneration and transactions with the charitable company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Trustees' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and charitable company's circumstances, consistently applied and adequately disclosed.

## Independent auditor's report (continued)

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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent charitable company's affairs as at 31 March 2007 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Trustees' Report is consistent with the financial statements for the year ended 31 March 2007

*Grant Thornton UK LLP*

GRANT THORNTON UK LLP  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS  
LONDON THAMES VALLEY OFFICE  
SLOUGH

*7 September 2007*

Consolidated statement of financial activities  
(Incorporating an income and expenditure account)  
For the year ended 31 March 2007

	Notes	2007 £	2006 £
<b>Incoming resources</b>			
Investment income		83,673	68,789
Gross incoming resources from charitable activities		2,144,987	4,761,989
Less share of joint venture's income	2	-	(3,244,488)
<b>Total incoming resources</b>		<u>2,228,660</u>	<u>1,586,290</u>
<b>Resources expended</b>			
Costs of generating funds			
Fundraising trading cost of goods sold and other costs		79,296	6,308
Investment management fee		23,803	9,066
Charitable activities	3	2,285,720	1,241,194
Governance costs	4	100,382	157,994
<b>Total resources expended</b>		<u>2,489,201</u>	<u>1,414,562</u>
<b>Net incoming resources for the year</b>		(260,541)	171,728
Share of net interest in joint ventures		-	1,536,836
Gains on investment assets		82,175	379,573
<b>Net movements in funds</b>		<u>(178,366)</u>	<u>2,088,136</u>
<b>Reconciliation of Funds</b>			
Total funds brought forward		4,406,771	2,318,635
<b>Total funds carried forward</b>		<u>4,228,405</u>	<u>4,406,771</u>

There are no recognised gains or losses other than the net incoming resources for the year

All activities are continuing activities

The accompanying accounting policies and notes form an integral part of the financial statements

Consolidated balance sheet  
for the year ended 31 March 2007

**Consolidated Balance Sheet**

	Notes	2007 £	2006 £
<b>Fixed assets</b>			
Tangible assets	8	34,837	43,083
Investments	9	3,615,751	2,145,589
		<u>3,650,588</u>	<u>2,188,672</u>
<b>Current assets</b>			
Debtors	10	645,696	1,449,151
Cash at bank and in hand		571,136	1,181,962
		<u>1,216,832</u>	<u>2,631,113</u>
<b>Creditors</b> amounts falling due within one year	11	(638,015)	(412,012)
<b>Net current assets</b>		<u>578,817</u>	<u>2,219,101</u>
<b>Total assets less current liabilities</b>		<u>4,229,405</u>	<u>4,407,771</u>
<b>Capital and funds</b>			
Called-up share capital	12	1,000	1,000
Unrestricted funds	13	4,228,405	4,406,771
<b>Total capital and funds</b>		<u>4,229,405</u>	<u>4,407,771</u>

The financial statements were approved by the board on **7.9.07** and signed on its behalf by



Trustee

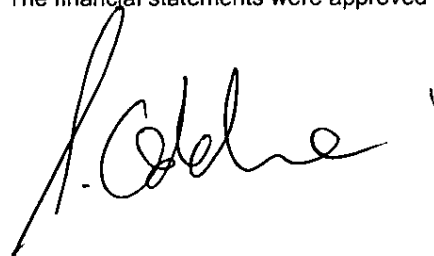
The accompanying accounting policies and notes form an integral part of the financial statements

Company balance sheet  
for the year ended 31 March 2007

**Company Balance Sheet**

	Notes	2007 £	2006 £
<b>Fixed assets</b>			
Tangible assets	8	34,837	43,083
Investments	9	3,615,755	2,145,589
		<u>3,650,592</u>	<u>2,188,672</u>
<b>Current assets</b>			
Debtors	10	538,883	1,561,918
Cash at bank and in hand		80,196	712,814
		<u>619,079</u>	<u>2,274,732</u>
<b>Creditors</b> amounts falling due within one year	11	(40,266)	(55,633)
		<u>578,813</u>	<u>2,219,099</u>
<b>Net current assets</b>			
		<u>4,229,405</u>	<u>4,407,771</u>
<b>Total assets less current liabilities</b>			
		<u>4,229,405</u>	<u>4,407,771</u>
<b>Capital and funds</b>			
Called-up equity share capital	12	1,000	1,000
Unrestricted funds	13	4,228,405	4,406,771
		<u>4,229,405</u>	<u>4,407,771</u>
<b>Total capital and funds</b>			
		<u>4,229,405</u>	<u>4,407,771</u>

The financial statements were approved by the board and signed on its behalf by



Trustee

7 September 2007

The accompanying accounting policies and notes form an integral part of the financial statements

## Notes to the financial statements

For the year ended for the year ended 31 March 2007

### 1 Accounting policies

A summary of the group's principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below

#### *a) Basis of preparation*

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with applicable United Kingdom financial reporting and accounting standards, including the Statement of Recommended Practice Accounting and Reporting by Charities issued in October 2005 (SORP)

#### *b) Basis of consolidation*

The group financial statements consolidate the accounts of Society of Petroleum Engineers Europe Limited and all its subsidiary undertakings up to 31 March 2007. In the company's accounts, investments in subsidiary undertakings are stated at cost, less amounts written off.

The group financial statements incorporate joint ventures under the equity method of accounting, supplemented by additional disclosures for joint ventures.

No statement of financial activities (i.e. income and expenditure account) is presented for Society of Petroleum Engineers Europe Limited as provided by Section 230 of the Companies Act 1985. The company's results for the year are shown in note 13.

#### *c) Fund accounting*

General funds are available for use at the discretion of the trustees in furtherance of the general objectives of the charity.

#### *d) Incoming resources*

##### *Investment income*

Investment income relates to dividends and interest realised on investments and bank interest receivable. Investment income is accounted for on the accruals basis.

##### *Charitable activities*

Incoming resources from charitable activities relates to conference income and represents amounts receivable (exclusive of VAT) from visitors to, and exhibitors at, petroleum conferences organised by the group, together with donations from sponsor companies and other contributions. Conference income is recognised at the point at which the event is held.

Notes to the financial statements  
For the year ended for the year ended 31 March 2007

**1 Accounting policies (continued)**

*e) Resources expended*

*Fundraising trading*

Fundraising trading costs relate to management fees paid during the year. These costs are accounted for on an accruals basis.

*Investment management fee*

These costs relate to fees charged by investment managers for managing the investment portfolio. These costs are accounted for on an accruals basis.

*Charitable activities*

Charitable activities comprise expenditure, including staff costs, directly attributable to the activity. Where costs cannot be directly attributed they have been allocated to activities on a basis consistent with the use of resources. These costs are accounted for on the accruals basis.

*Governance costs*

Governance costs relate to expenditure, including Board expenses, attributable to the costs of running the Board. These costs are accounted for on an accruals basis.

*f) Tangible fixed assets*

Tangible fixed assets are shown at original historical cost. Depreciation is provided on a straight line basis on all tangible fixed assets at rates designed to write off costs, less estimated residual values, over their expected useful lives, as follows:

Leasehold improvements	- 5 years
Computer equipment	- 3 years
Fixtures, fittings and equipment	-10 years

*g) Investments*

Investments are stated at market value. It is the group's policy to keep valuations up to date such that when investments are sold, there is no gain or loss arising. As a result, the Statement of Financial Activities only includes those unrealised gains and losses arising from the revaluation of the investment portfolio throughout the year. Disclosure is made in note 9 of the difference between the historical cost and the sale proceeds of the investments sold during the year.

*h) Operating lease commitments*

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

*i) Foreign currency*

In the accounts of individual undertakings, transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the income and expenditure account.



## Notes to the financial statements (continued)

The results of overseas operations are translated at the average rate of exchange during the period. Balance sheet accounts are translated at the rate ruling at the balance sheet date.

### *j) Cash flow statement*

Under the provisions of Financial Reporting Standard No. 1 'cash flow statement', the company has not prepared a cash flow statement because it is entitled to the exemptions available in Sections 246 to 249 of the Companies Act 1985 for small companies when filing accounts with the Registrar of Companies.

### *k) Pension costs*

The group provides pensions to all employees through a funded defined contribution scheme. The amount expended in the statement of financial activities is the contributions payable in the year.

### *l) Financial instruments*

#### Forward contracts

Forward exchange contracts are used to manage currency fluctuations on stock purchasing in foreign currencies by entering into a forward exchange contract to match the future foreign currency commitment when due. Foreign exchange contracts and the amounts due are valued at the time when the contract is taken out.

#### *Financial liabilities and equity instruments*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

## Notes to the financial statements (continued)

### 2 Incoming resources from charitable activities

	2007	2006
	£	£
Activity		
Conference income	<u>2,144,987</u>	<u>1,517,501</u>

All conferences held in the year took place in Europe

### 3 Net outgoing resources for the year

*Net outgoing resources for the year are stated after charging*

	2007	2006
	£	£
Staff costs (see note 5)	368,850	358,207
Depreciation	17,679	10,439
Auditors remuneration	<u>18,850</u>	<u>21,150</u>

### Resources expended in respect of charitable activities

Activity	Activities undertaken directly	Support Costs		Total	Total
		Management	Other	2007	2006
Operating costs in respect of conferences	1,411,201	387,155	136,570	1,934,926	1,241,194
Operating costs in respect of Members Programs	32,082	18,712	300,000	350,794	-
	<u>1,443,283</u>	<u>405,867</u>	<u>436,570</u>	<u>2,285,720</u>	<u>1,241,194</u>

Support costs are analysed as follows

	2007	2006
	£	£
Support costs		
Staff costs	319,210	250,091
Other operating expenses	86,657	61,169
Administration costs	<u>436,570</u>	<u>126,861</u>
	<u>842,437</u>	<u>438,121</u>

## Notes to the financial statements

For the year ended for the year ended 31 March 2007

### 4 Governance costs

Governance costs are stated in respect of

	2007 £	2006 £
External audit and legal fees	44,239	41,680
Board expenses	489	1,586
Management salaries	55,654	114,728
	<u>100,382</u>	<u>157,994</u>

### 5 Staff costs

	2007 £	2006 £
Wages and salaries	316,082	311,895
Social security costs	35,920	32,202
Other pension costs (note 14c)	16,848	14,110
	<u>368,850</u>	<u>358,207</u>

The average number of employees during the year was

	2007 Number	2006 Number
Members Program	1	-
Conference organisation	3	3
Support	3	4
Management and administration	4	4
	<u>11</u>	<u>11</u>

The number of employees earning over £60,000 during the year, excluding pension contributions, was as follows

	2007 Number	2006 Number
Income band - £70,001 - £80,000	1	-
Income band - £80,001 - £90,000	-	1
	<u>-</u>	<u>1</u>

Pension contributions to money purchase pension schemes in respect of the above employee during the year were £16,847 91 (2006 - £14,110)

## Notes to the financial statements

For the year ended for the year ended 31 March 2007

### *Trustees' remuneration*

No remuneration was paid, nor was due, to any of the trustees during the year

The trustees expenses for the year amounted to £nil (2006 £nil)

### **6 Income from joint venture**

The group is entitled to draw the whole of its share of the profits of Offshore Europe Partnership, a trading partnership

Offshore Europe Partnership holds a biennial conference for petroleum engineers. Audited accounts are prepared for the partnership in each year in which the conference takes place and thus audited accounts are only produced every two years. The last conference was held during the year ended 31 March 2006, and therefore the next audited accounts are available for the two years ended 31 March 2008

The group is entitled to receive, as part of its entitlement under the partnership agreement, an amount of £59,259 in the year ended 31 March 2007

### **7 Taxation**

Society of Petroleum Engineers Europe Limited is a registered charity and is not subject to UK corporation tax on profits from its charitable activities

## Notes to the financial statements

For the year ended for the year ended 31 March 2007

### 8 Tangible fixed assets

Group and company	Computer equipment	Fixtures, fittings and equipment	Total
	£	£	£
<b>Cost</b>			
At beginning of year	58,786	61,202	119,988
Additions	9,434	-	9,434
At end of year	68,220	61,202	129,422
<b>Depreciation</b>			
At beginning of year	56,074	20,831	76,905
Charge for the year	12,146	5,534	17,680
At end of year	68,220	26,365	94,585
<b>Net book value</b>			
At beginning of year	2,712	40,371	43,083
At end of year	-	34,837	34,837

All of the company's fixed assets are held for use on a continuing basis for the organisation of conferences

### 9 Fixed asset investments

	Group 2007	2006	Company 2007	2006
	£	£	£	£
Listed investments	3,432,353	1,636,135	3,432,353	1,636,135
Cash awaiting investment	183,397	509,452	183,400	509,452
Subsidiary undertakings	-	-	2	2
	3,615,751	2,145,587	3,615,755	2,145,589

## Notes to the financial statements

For the year ended for the year ended 31 March 2007

### 9 Fixed asset investments (continued)

#### Principal group investments

The company has two wholly-owned subsidiary undertakings at the year end SPE Trading Limited and SPE Ventures Limited, both of which are registered in England and Wales

#### Listed investments

	2007	2006
	£	£
Market value as at beginning of year	1,636,135	1,050,456
Additions	4,276,336	441,791
Disposal proceeds	(2,562,293)	(235,685)
Net investment gain	82,175	379,573
Market value at end of year	3,432,353	1,636,135
Historical cost at end of year	3,335,093	1,229,066
Unrealised Gain at end of year	97,260	407,068
Realised gain on historical cost basis	465,612	19,946

Listed investments comprise investments listed on the UK Stock Exchange

### 10 Debtors Amounts falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Trade debtors	355,584	1,190,102	3,973	3,973
Amount owed by ultimate parent undertaking	16,993	20,013	8,900	12,078
Amounts owed by subsidiary undertakings	3,564	960	484,442	1,533,899
Other debtors	11,192	16,557	8,261	2,911
Prepayments and accrued income	258,363	221,519	33,307	9,057
	645,696	1,449,151	538,883	1,561,918

Amounts due from group undertakings have been recovered in full since the balance sheet date, or are to be subject to formal repayment schedules and will be interest bearing

## Notes to the financial statements

For the year ended for the year ended 31 March 2007

### 11 Creditors amounts falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Trade Creditors	227,488	74,997	5,023	18,602
Amounts owed to group parent undertaking	88,125	112,256	2,774	4,868
Social security and other taxes	67,809	-	8,163	-
Accruals and deferred income	254,593	224,759	24,306	32,163
	<u>638,015</u>	<u>412,012</u>	<u>40,266</u>	<u>55,633</u>

### 12 Called-up equity share capital

	2007	2006
	£	£
<i>Authorised</i>		
1,000 ordinary shares of £1 each	1,000	1,000
<i>Allotted, called-up and fully-paid</i>		
1,000 ordinary shares of £1 each	1,000	1,000

### 13 Reconciliation of movements in capital and funds

	Balance April 2006	Income	Net gains /(losses) on investment	Expenditure	Balance 31 March 2007
Group	£	£	£	£	£
Called-up equity share capital	1,000	-	-	-	1,000
Unrestricted general funds	4,406,771	2,228,660	82,175	(2,489,201)	4,228,405
Total capital and funds	<u>4,407,771</u>	<u>2,228,660</u>	<u>82,175</u>	<u>(2,489,201)</u>	<u>4,229,405</u>
 <b>Company</b>	 £	 £	 £	 £	 £
Called-up equity share capital	1,000	-	-	-	1,000
Unrestricted general funds	4,406,771	715,380	82,175	(975,921)	4,228,405
Total capital and funds	<u>4,407,771</u>	<u>715,380</u>	<u>82,175</u>	<u>(975,921)</u>	<u>4,229,405</u>

### 14 Guarantees and financial commitments

#### a Capital commitments

At the end of the year there were no capital commitments (2006 - £nil)

## Notes to the financial statements

For the year ended for the year ended 31 March 2007

### 14 Guarantees and financial commitments- Continued

#### *b Lease commitments*

Annual commitments under non-cancellable operating leases are as set out below

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Operating leases, for land and buildings, which expire within two to five years	50,055	50,055	50,055	50,055

#### *c Pension arrangements*

The company provides defined contribution pension schemes for all employees

The amount charged to the statement of financial activities is the contributions payable in the year and amounted to £16,848 (2006 £14,110) There were no outstanding or prepaid contributions at 31 March 2007 (2006 - £nil)

#### *d Contingent liabilities*

As a partner in Offshore Europe Partnership, SPE Trading Limited is jointly and severally liable, without limit, for the debts of the partnership In the event that the partnership fails to pay any debt for which it has primary liability or is unable to pay amounts due, creditors may look directly to SPE Trading Limited for settlement of their debts or obligations



## Notes to the financial statements

For the year ended for the year ended 31 March 2007

### 15 Subsidiary undertakings

The results of the two wholly owned subsidiaries are

	SPE Ventures Limited £	SPE Trading Limited £
Turnover	2,083,104	54,401
Interest receivable	278	609
Costs	(1,954,826)	(32,225)
Net profit	128,556	22,785
Gift Aid payment	(128,556)	(21,216)
Tax charge	-	(1,569)
Retained funds	-	-

### 16 Ultimate parent undertaking

The company is a subsidiary undertaking of Society of Petroleum Engineers (SPE) Stichting, registered in The Netherlands

The largest and smallest group in which the results of the company are consolidated is that headed by Society of Petroleum Engineers (SPE) Stichting. The consolidated accounts of this group are available to the public and may be obtained from the company's offices at 3rd Floor, Portland House, 4 Great Portland Street, London W1W 8QJ

As a wholly owned subsidiary the company has taken advantage of the exemption conferred in Financial Reporting standard 8 "Related Party Disclosures" not to disclose transactions with other members of the group headed by the Society of Petroleum Engineers (SPE) Stichting

### 17 Post-balance sheet event

Post year end the group has created a joint venture with Spearhead Exhibitions called E&P Events LLP to hold two conferences, Intelligent Energy and Russian Oil and Gas Conference for the upstream oil and gas exploration and production industry