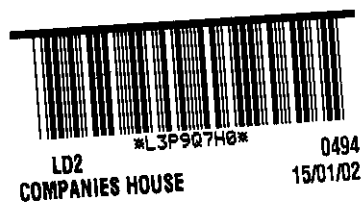


Society of Petroleum Engineers Europe Limited

Financial statements 31 March 2001
together with directors' and auditors' reports

Registered number 2778741

Registered charity number: 1017482



Directors and Officers

Directors

S Oddie (Chairman)
DK Adamson
E Deliac
AS MacKenzie
D St John

Company secretary

W Martin

Registered office

Empire House
175 Piccadilly
London W1V 9DB

Auditors

Arthur Andersen
20 Old Bailey
EC4M 7AN

Bankers

Coutts & Co
440 Strand
London WC2R 0QS

Solicitors

Monier-Williams & Boxalls
71 Lincoln's Inn Fields
London WC2A 3JF

RM. Walkden & Co Limited
14 Pensioners Court
The Charterhouse
London EC1M 6AU

Directors' and Trustees' report

For the year ended 31 March 2001

The directors, who are also the trustees, present their report, together with the consolidated financial statements and auditors' report for the year ended 31 March 2001.

Objectives and principal 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 company organises conferences, participants of which are generally employees of companies involved in the oil and gas industry. These conferences are organised by its trading subsidiaries, SPE Trading Limited and SPE Ventures Limited, as well as by the company itself.

Results and dividend

The net outgoing resources for the year amounted to £759,598 (2000 - net outgoing resources - £16,240). The trustees do not recommend the payment of a dividend (2000: £nil).

Income remitted to Society of Petroleum Engineers Europe Limited by SPE Trading Limited under Deed of Covenant in the year ended 31 March 2001 was £59,679 (2000 - £805,612).

Income remitted to Society of Petroleum Engineers Europe Limited by SPE Ventures Limited under Deed of Covenant in the year ended 31 March 2001 was £50,641 (2000 - £69,324).

The net funds generated by the charity in the year ended 31 March 2001 have been mainly applied to conference operating and administrative expenses. In addition £72,727 (2000: £74,604) was applied to sending the Journal of Petroleum Technology to SPE members by airmail and funding of £150,802 (2000: £146,410) was made to the Distinguished Lecturers.

Fixed assets

Information relating to significant changes in fixed assets is given in note 5 to the accounts.

Status

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. The objects of the company are set out in its Memorandum and Articles of Association and are as summarised above. 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 and scholarships. As such, it is not subject to United Kingdom corporation tax on profits arising from its charitable activities.

Directors' and Trustees' report (continued)

Trustees and their interests

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

S Oddie (Chairman)
D K Adamson
E Deliac
A S Mackenzie
D St John

The trustees are appointed on the recommendation of the board of directors and in accordance with the Companies Act 1985. R L Arscott, D R Keith, G M Paccaloni and M J Pink retired during the year.

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 - William Martin

Trustees' responsibilities

Company law requires the trustees, in their capacity as directors, to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the income and expenditure of the company and the group for that period. In preparing those financial statements, the trustees have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis.

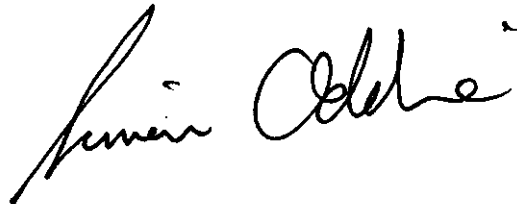
The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding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

Auditors

The trustees will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Directors' and Trustees' report (continued)

By order of the board

A handwritten signature in black ink, appearing to read 'Simon Adde', written in a cursive style.

Trustee

24 August 2001

Auditors' report

To the members of Society of Petroleum Engineers Europe Limited

We have audited the financial statements on pages 5 to 16 which have been prepared under the historical cost convention, as modified by the revaluation of listed investments, and the accounting policies set out on page 8 and 9.

Respective responsibilities of trustees and auditors

As described on pages 2 and 3, the company's directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's and 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 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 affairs of the company and of the group at 31 March 2001 and of the group's incoming resources and application of resources for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

20 Old Bailey

London EC4M 7AN

24 August 2001

Consolidated statements of financial activities

For the year ended 31 March 2001

	Notes	2001 £	2000 £
Incoming resources			
Conference income	2	383,195	377,597
Bank interest receivable		18,874	10,925
Income from associated undertaking	6	52,573	755,000
Investment income from listed investments		(630)	8,922
Total incoming resources		<u>454,012</u>	<u>1,152,444</u>
Resources expended			
Charitable expenditure			
Conference operating costs	1d	(639,205)	(667,638)
Membership distribution costs		(223,529)	(221,014)
(Profit)/loss on disposal of fixed assets		3,298	(7,597)
Management and administration expenses		(354,174)	(272,435)
Total resources expended		<u>(1,213,610)</u>	<u>(1,168,684)</u>
Net outgoing resources for the year	3	(759,598)	(16,240)
Net investment (losses)/gains	6	(225,461)	270,889
Net movement in funds		(985,059)	254,649
Unrestricted funds at the start of the year		857,646	602,997
Unrestricted funds at the end of the year		<u>(127,413)</u>	<u>857,646</u>

There are no restricted funds in either year.

There are no recognised gains or losses other than the net (outgoing)/incoming resources for the year.

Consolidated balance sheet

31 March 2001

	Notes	2001 £	2000 £
Fixed assets			
Tangible assets	5	102,960	77,571
Investments	6	1,409,452	1,635,544
		<u>1,512,412</u>	<u>1,713,115</u>
Current assets			
Debtors	7	192,270	223,732
Cash at bank and in hand		864,085	709,174
		<u>1,056,355</u>	<u>932,906</u>
Creditors: Amounts falling due within one year	8	<u>(2,085,180)</u>	<u>(1,177,375)</u>
Net current liabilities		<u>(1,028,825)</u>	<u>(244,469)</u>
Total assets less current liabilities, being net assets		<u>483,587</u>	<u>1,468,646</u>
Capital and funds			
Called-up equity share capital	9	1,000	1,000
Capital contributions	10	610,000	610,000
Unrestricted funds (including unrealised losses of £354,370 (2000 – gain of £226,436))	10	<u>(127,413)</u>	<u>857,646</u>
Total capital and funds	10	<u>483,587</u>	<u>1,468,646</u>

Company balance sheet

31 March 2001

	Notes	2001 £	2000 £
Fixed assets			
Tangible assets	5	28,478	29,341
Investments	6	891,678	1,117,770
		<u>920,156</u>	<u>1,147,111</u>
Current assets			
Debtors	7	1,159,504	1,274,303
Cash at bank and in hand		382,814	16,466
		<u>1,542,318</u>	<u>1,290,769</u>
Creditors: Amounts falling due within one year	8	<u>(2,589,906)</u>	<u>(1,540,044)</u>
Net current assets		<u>(1,047,588)</u>	<u>(249,275)</u>
Total assets less current liabilities, being net assets		<u>(127,432)</u>	<u>897,836</u>
Capital and funds			
Called-up equity share capital	9	1,000	1,000
Unrestricted funds (including unrealised losses of £354,370 (2000 – gain of £226,436))	10	<u>(128,432)</u>	<u>896,836</u>
Total capital and funds	10	<u>(127,432)</u>	<u>897,836</u>

Approved by the board and signed on its behalf by:



Trustee

24 August 2001

Notes to the financial statements

For the year ended 31 March 2001

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 accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with applicable financial reporting and accounting standards, including the Statement of Recommended Practice - Accounting by Charities.

b) Consolidated financial statements

The group accounts consolidate the accounts of Society of Petroleum Engineers Europe Limited and all its subsidiary undertakings up to 31 March 2001. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal.

In the company's accounts, investments in subsidiary undertakings are stated at cost, less amounts written off. Only dividends received and receivable and income received under Deed of Covenant are credited to the company's income and expenditure account.

No statement of financial activities (ie 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 10.

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) Resources expended

Conference operating costs 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. Staff also perform work on behalf of Society of Petroleum Engineers, Inc., the parent company (note 14). However, staff costs are not recharged to Society of Petroleum Engineers, Inc. to reflect this and have therefore been included in conference operating costs.

Notes to the financial statements (continued)

1 Accounting policies (continued)

e) *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	- 5 years
Fixtures, fittings and equipment	- 10 years

f) *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 6(b) of the difference between the historical cost and the sale proceeds of the investments sold during the year.

g) *Operating lease commitments*

Rentals paid under operating leases are charged to income on a straight line basis over the lease term, even if the payments are not made on such a basis. Further information on future commitments is given in note 11.

h) *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.

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

i) *Cash flow statement*

Under the provisions of Financial Reporting Standard No. 1, 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.

j) *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.

Notes to the financial statements (continued)

2 Incoming resources

Conference income 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.

3 Net outgoing resources for the year

a) *Net outgoing resources for the year are stated after charging:*

	2001 £	2000 £
Staff costs (see below)	308,774	284,925
Depreciation	26,219	36,551
Operating lease rentals	60,657	68,221
Auditors' remuneration	21,361	37,510

	2001 £	2000 £
b) <i>Staff costs</i>		
Wages and salaries	189,843	175,805
Social security costs	93,190	81,699
Other pension costs (note 11c)	25,741	27,421
	<u>308,774</u>	<u>284,925</u>

The average number of employees during the year was 7 (2000 - 7).

The number of employees earning over £50,000 during the year, excluding pension contributions, was as follows:

	2001 Number	2000 Number
Income band - £60,001 - £70,000	<u>1</u>	<u>1</u>

b) *Trustees' remuneration*

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

The trustees did not receive any reimbursement of expenditure during the year.

Notes to the financial statements (continued)

4 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.

SPE Trading Limited and SPE Ventures Limited are not registered charities and their profits are therefore liable to UK taxation. However, since their profits are remitted by Deed of Covenant to Society of Petroleum Engineers Europe Limited, no tax is payable.

Since no UK corporation tax is expected to be paid by the group for the foreseeable future, no deferred tax has been provided.

5 Tangible fixed assets

Group	Leasehold improvements £	Computer Equipment £	Fixtures, fittings and Equipment £	Total £
Cost				
At beginning of year	24,352	123,136	10,340	157,828
Additions	-	80,285	-	80,285
Disposals	-	(13,101)	-	(13,101)
At end of year	<u>24,352</u>	<u>190,320</u>	<u>10,340</u>	<u>225,012</u>
Depreciation				
At beginning of year	(9,604)	(65,733)	(4,920)	(80,257)
Charge for the year	-	(25,441)	(778)	(26,219)
Exchange difference	-	(28,677)	-	(28,677)
Disposals	-	13,101	-	13,101
At end of year	<u>(9,604)</u>	<u>(106,750)</u>	<u>(5,698)</u>	<u>(122,052)</u>
Net book value				
At beginning of year	<u>14,748</u>	<u>83,570</u>	<u>4,642</u>	<u>102,960</u>
At end of year	<u>14,748</u>	<u>57,403</u>	<u>5,420</u>	<u>77,571</u>

Notes to the financial statements (continued)

5 Tangible fixed assets (continued)

Company	Computer Equipment £	Fixtures, fittings and Equipment £	Total £
Cost			
At beginning of year	39,901	7,953	47,854
Additions	10,095	-	10,095
Disposals	(7,421)	-	(7,421)
At end of year	<u>42,575</u>	<u>7,953</u>	<u>50,528</u>
Depreciation			
At beginning of year	(13,928)	(4,585)	(18,513)
Charge for the year	(7,157)	(778)	(7,935)
Disposals	4,398	-	4,398
At end of year	<u>(16,687)</u>	<u>(5,363)</u>	<u>(22,050)</u>
Net book value			
At beginning of year	<u>25,888</u>	<u>2,590</u>	<u>28,478</u>
At end of year	<u>25,973</u>	<u>3,368</u>	<u>29,341</u>

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

6 Fixed asset investments

	Group		Company	
	2001 £	2000 £	2001 £	2000 £
Listed investments	510,064	707,515	510,064	707,515
Cash awaiting investment	299,388	328,029	299,388	328,029
Subsidiary undertakings	-	-	82,226	82,226
Associated undertaking	600,000	600,000	-	-
	<u>1,409,452</u>	<u>1,635,544</u>	<u>891,678</u>	<u>1,117,770</u>

a) Principal group investments

The company has three wholly-owned subsidiary undertakings, SPE Trading Limited and SPE Ventures Limited, both of which are registered in England and Wales, and SPE Asia Pacific (M) SDN BHD, which is incorporated in Malaysia.

Notes to the financial statements (continued)

6 Fixed asset investments (continued)

b) Listed investments

	2001 £	2000 £
Market value as at beginning of year	707,515	674,046
Additions	1,046,968	578,047
Disposal proceeds	(1,018,958)	(815,467)
Net investment (losses)/gains	(225,461)	270,889
Market value at end of year	510,064	707,515
Historical cost at end of year	864,434	481,079
Unrealised (loss)/gain at end of year	(354,370)	226,436
Realised gain on historical cost basis	128,908	246,429

Listed investments comprise investments listed on the UK Stock Exchange.

c) Investments in subsidiary undertakings

	Company 2001 £	2000 £
Cost and net book value		
At beginning of year and end of year	82,226	82,226

d) Investment in associated undertaking

	Group 2001 £	2000 £
Cost and net book value		
At beginning and end of year	600,000	600,000

The investment, held in the accounts of SPE Trading Limited, represents a fifty percent interest in a trading partnership, Offshore Europe Partnership (whose principal business address is Ocean House, 50 Kingston Road, New Malden, Surrey KT3 3LZ), which operates a biennial conference in Aberdeen, Scotland. The Offshore Europe Conference is attended mainly by employees of companies in the oil and gas industry.

In the directors' opinion there has been no permanent diminution in value of the investment which substantially represents the cost of the licence to continue operating the conference. This cost has been written off in the accounts of the partnership.

Notes to the financial statements (continued)

6 Fixed asset investments (continued)

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.

7 Debtors: Amounts falling due within one year

	Group		Company	
	2001	2000	2001	2000
	£	£	£	£
Trade debtors	-	4,144	-	-
Amount owed by ultimate parent undertaking	138,077	73,621	-	-
Amounts owed by subsidiary undertakings	-	-	1,141,373	1,169,303
VAT recoverable	7,080	102,341	5,783	88,563
Other debtors	12,412	7,096	12,348	1,988
Prepayments	34,701	36,530	-	14,449
	<u>192,270</u>	<u>223,732</u>	<u>1,159,504</u>	<u>1,274,303</u>

8 Creditors: amounts falling due within one year

	Group		Company	
	2001	2000	2001	2000
	£	£	£	£
Trade creditors	18,000	-	9,000	-
Amounts owed to ultimate parent undertaking	2,008,450	1,057,211	2,299,538	1,309,683
Amount owed to subsidiary undertaking	-	-	235,345	220,986
VAT payable	-	72,479	-	-
Tax creditors	2,235	3,639	-	-
Accruals and deferred income	56,495	44,046	46,023	9,375
	<u>2,085,180</u>	<u>1,177,375</u>	<u>2,589,906</u>	<u>1,540,044</u>

9 Called-up equity share capital

	2001	2000
	£	£
<i>Authorised</i>		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called-up and fully-paid</i>		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Notes to the financial statements (continued)

10 Reconciliation of movements in capital and funds

	Balance 1 April 2000 £	Income £	Income received Under Deed Of Covenant £	Gains on investment £	Expenditure £	Balance 31 March 2001 £
Group						
Called-up equity share capital	1,000	-	-	-	-	1,000
Capital contributions	610,000	-	-	-	-	610,000
Unrestricted general funds	857,646	454,012	-	(225,461)	(1,213,610)	(127,413)
Total capital and funds	1,468,646	454,012	-	(225,461)	(1,213,610)	483,587
Company	£	£	£	£	£	£
Called-up equity share capital	1,000	-	-	-	-	1,000
Unrestricted general funds	896,836	(630)	110,320	(225,461)	(909,497)	(128,432)
Total capital and funds	897,836	(630)	110,320	(225,461)	(909,497)	(127,432)

10 Reconciliation of movements in capital and funds

Capital contributions represent contributions made to the operating capital of SPE Trading Limited, by the ultimate parent company (note 12), which are not repayable and which carry no voting rights or other conditions. Capital contributions are treated as non-distributable capital reserves.

11 Guarantees and financial commitments

a) Capital commitments

At the end of the year there were no capital commitments (2000 - £Nil).

b) Lease commitments

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

	Group		Company	
	2001 £	2000 £	2001 £	2000 £
Operating leases, for land and buildings, which expire:				
within two to five years	51,050	49,837	45,131	35,588

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 £25,741 (2000 - £27,421). There were no outstanding or prepaid contributions at 31 March 2001 (2000 - £Nil).

Notes to the financial statements (continued)

12 Ultimate parent undertaking

The company is a subsidiary undertaking of Society of Petroleum Engineers, Inc., a charitable company incorporated and operating in the United States of America, from P.O. Box 833836, Richardson, Texas 75083-3836, USA.

The largest group in which the results of the company are consolidated is that headed by Society of Petroleum Engineers, Inc.. The consolidated accounts of this group are available to the public and may be obtained from the address noted above.