

# **POWERGEN NORTH SEA LIMITED**

**(formerly PowerGen (North Sea) Limited)**

## **ACCOUNTS**

**for the year ended 2 April 1995**



**Registered No: 2855151**

## POWERGEN NORTH SEA LIMITED

### Report of the directors for the year ended 2 April 1995

The directors submit the audited accounts of the Company for the financial year ended 2 April 1995. The Company changed its name to PowerGen North Sea Limited from PowerGen (North Sea) Limited by special resolution dated 25 May 1995.

#### Review of activities

The principal activities of the Company comprise the exploration for, and the development and production of, oil and gas. These activities are likely to remain the principal activities of the Company for the foreseeable future. The parent company, PowerGen plc, has declared its financial support for the Company.

On 31 May 1994, the Company acquired from a subsidiary of LASMO plc for £123 million a further 5% interest in Liverpool Bay together with a 12% interest in the Ravenspurn North Field and a 3.75% interest in the Johnston Field, both of which are in the Southern Gas Basin of the North Sea.

On 31 August 1994, the Company was awarded a 20% interest in an offshore exploration licence covering Block 21/5C located in the central North Sea area.

On 15 June 1995, the Company announced that it had agreed to acquire from Oryx UK Energy Company for \$120 million a 33.7% interest in the Audrey gas field, a 10% interest in the partly developed Galleon gas field, an interest in the Ensign gas discovery that is located in Block 48/15a, and a 33-1/3% working interest in Block 21/5a. The transaction, effective on 1 July 1995, is subject to Department of Trade and Industry and partner pre-emption rights. The acquisition will be funded by a drawdown on the loan facilities with PowerGen plc.

#### Profit and dividend

The retained profit for the year ended 2 April 1995 was £8,763,000 (1994: £1,000). The directors are not recommending a dividend.

#### Fixed assets

Changes in fixed assets during the period are shown in Note 6 on pages 10 and 11 of the accounts.

#### Directors

The directors of the Company who served during the year were Dr A Roberts (Chairman), Dr J R Morgan (Managing Director), Mr J L Rennocks and Mr P Kingston.

The directors had the following interests in the ordinary shares of PowerGen plc, the Company's ultimate holding company, at 2 April 1995:

	Beneficial Holdings in Ordinary Shares		Options for Ordinary Shares			
	3 April 1994	2 April 1995	Under option 3 April 1994	Exercised	Granted	Under option 2 April 1995
Dr J R Morgan	10,145	27,144	62,000	51,000	6,500	17,500
Mr P Kingston	-	-	-	-	-	-

## POWERGEN NORTH SEA LIMITED

### Report of the directors for the year ended 2 April 1995 (cont'd)

The interests of Dr A Roberts and J L Rennocks are stated in Note 4 to the consolidated financial statements of the directors of PowerGen plc for the year ended 2 April 1995. No director had any interest (other than as nominee on behalf of PowerGen plc) in the shares of any other member of the Group.

#### Insurance purchased for officers

During the period, the parent Company, on behalf of the Company, maintained insurance against directors' and officers' liability to the Company.

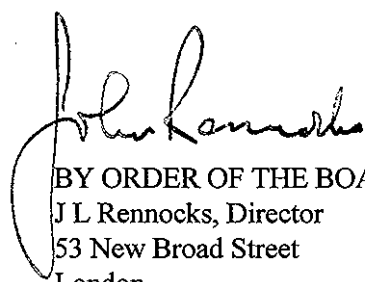
#### Auditors

The Board of Directors resolved by written resolution dated 2 February 1994 that Coopers & Lybrand of 1 Embankment Place, London WC2N 6NN, having agreed to act, be appointed auditor to the Company. On the same date, the Company passed a written resolution dispensing with the requirement to appoint auditors annually.

#### Directors' Statement of Responsibility

The directors:

- acknowledge the legal requirement for the preparation of financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit and loss for that period;
- acknowledge their responsibility for maintaining adequate accounting records, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements;
- confirm that applicable accounting standards have been followed;
- confirm that the financial statements have been prepared on a going concern basis.



BY ORDER OF THE BOARD  
J L Rennocks, Director  
53 New Broad Street  
London  
EC2M 1JJ  
7 July 1995

## **POWERGEN NORTH SEA LIMITED**

### **Report of the Auditors to the Members of PowerGen North Sea Limited**

We have audited the financial statements on pages 4 to 15.

#### **Respective responsibilities of directors and auditors**

As described on page 2, the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

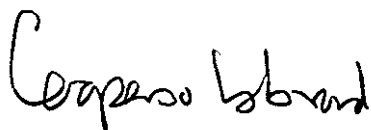
#### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company at 2 April 1995 and of its profit and total recognised gains for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Coopers & Lybrand**  
Chartered Accountants and Registered Auditors  
London  
7 July 1995

**POWERGEN NORTH SEA LIMITED**

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 2 APRIL 1995**

	Note	Year ended 2 April 1995 £'000	Period ended 3 April 1994 £'000
Turnover - continuing operations	2	13,009	-
Operating costs	3	<u>(10,903)</u>	<u>(7)</u>
<b>Profit/(loss) on ordinary activities before interest - continuing activities</b>		<b>2,106</b>	<b>(7)</b>
Net interest (payable)/receivable	4	<u>(2,121)</u>	<u>8</u>
<b>(Loss)/profit on ordinary activities before tax</b>		<b>(15)</b>	<b>1</b>
Tax on profit on ordinary activities	5	<u>8,778</u>	<u>-</u>
<b>Retained profit for period</b>	13	<b><u>8,763</u></b>	<b><u>1</u></b>

The Company has no recognised gains or losses in 1995 or 1994 other than the profit for the year and therefore no statement of total recognised gains or losses is presented. There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and the historical cost equivalents.

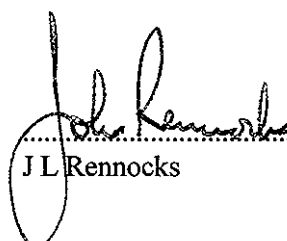
Auditors' report on page 3

**POWERGEN NORTH SEA LIMITED**

**BALANCE SHEET - AS AT 2 APRIL 1995**

	Note	2 April 1995 £'000	3 April 1994 £'000
<b>Fixed assets</b>			
Intangible fixed assets	6	1,334	1,017
Tangible fixed assets	6	222,415	56,762
		<u>223,749</u>	<u>57,779</u>
<b>Current assets</b>			
Debtors: Amounts falling due within one year	7	11,627	431
Short term deposits		-	6
		<u>11,627</u>	<u>437</u>
Creditors: Amounts falling due within one year	8	(18,502)	(6,749)
<b>Net current liabilities</b>		<u>(6,875)</u>	<u>(6,312)</u>
Total assets less current liabilities		216,874	51,467
Creditors: Amounts falling due after more than one year	9	(87,500)	-
Provisions for liabilities and charges	10	(610)	-
<b>Net assets</b>		<u>128,764</u>	<u>51,467</u>
<b>Capital and Reserves</b>			
Called up share capital	12	120,000	51,466
Profit and loss account		8,764	1
<b>Equity Shareholders' Funds</b>		<u>128,764</u>	<u>51,467</u>

The accounts on pages 4 to 15 were approved by the Board of Directors on 7 July 1995 and were signed on its behalf by:


 ..... Director  
 J L Rennocks

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# POWERGEN NORTH SEA LIMITED

## Notes to the Financial Statements for the year ended 2 April 1995

### 1 Accounting Policies

#### (a) Basis of Preparation of Accounts

The accounts are prepared under the historical cost convention and in accordance with applicable UK accounting standards and applied on a consistent basis.

#### (b) Turnover

Turnover represents the sales value of the Company's share of production during the year, exclusive of value added tax. Payments received on account relating to delivery of future production under gas sales take or pay contracts are included in deferred income and only credited to turnover when delivery of production takes place.

#### (c) Consumable stores

Consumable stores are stated at the lower of cost and net realisable value.

#### (d) Foreign currencies

Transactions in foreign currencies are translated into sterling at rates prevailing at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing at the balance sheet date. Differences on exchange are taken to the profit and loss account.

#### (e) Petroleum Revenue Tax

Petroleum Revenue Tax is provided on an arising basis on revenue after deducting all allowable costs and expenditure reliefs. Petroleum Revenue Tax is treated as a production cost and is charged or credited before arriving at operating profit.

#### (f) Corporation Tax

Deferred Corporation Tax is provided in respect of liabilities relating to timing differences between profits as computed for taxation purposes and profits as stated in the accounts, except to the extent that the liability is not expected to crystallise in the foreseeable future.

Tax losses, when surrendered to group companies, are reflected in the current year's tax charge as a credit and a cash payment is received from the group company when they receive the benefit of the losses surrendered.

#### (g) Abandonment

The estimated future cost at current prices of abandonment is amortised on a unit of production basis calculated on the commercial reserves of each field. The provision for abandonment is included in provisions for liabilities and charges.

## POWERGEN NORTH SEA LIMITED

### Notes to the Financial Statements for the year ended 2 April 1995 (cont'd)

#### (h) Commercial Reserves

Proven and probable reserves ("Commercial reserves") used in the unit of production calculations are estimated quantities of commercially producible hydrocarbons which existing geological, geophysical and engineering data show to be recoverable in future years from known reservoirs.

#### (i) Fixed Assets

##### (i) Intangible Fixed Assets

Exploration and appraisal costs are accounted for under the successful efforts method.

Costs relating to licence and data acquisition, geological and geophysical activity, exploration and appraisal drilling and other evaluation costs are initially capitalised as intangible fixed assets. When a decision is reached concerning the commercial viability of the prospect to which the expenditure relates, the expenditure is either written off or transferred to tangible fixed assets and accumulated with the associated development costs.

##### (ii) Tangible Fixed Assets

All expenditure transferred from intangible fixed assets and all development costs of specific oil and gas fields are classified as tangible fixed assets. No depletion is charged until the field commences commercial production. Depletion is calculated on a field by field basis using a unit of production method by taking the proportion of actual production for the year to the total estimated commercial reserves at the beginning of the year. The costs depleted include future development costs at current prices that are estimated to be required to produce the remaining commercial reserves from that field.

Each year the net book value of the capitalised costs carried in respect of each field is compared to the estimated future net revenues of the commercial reserves in each field. Where the directors are of the opinion that any permanent impairment of value has occurred an additional depletion charge is made.

##### (iii) Other Tangible Assets

Other tangible assets comprise mainly of office equipment which is depreciated over 3 years starting in the year following acquisition.

#### (j) Effect of Changes in Estimates

The effect of revisions of previous estimates of proven and probable oil and gas reserves and of future costs is taken up prospectively in the unit of production calculations.



## POWERGEN NORTH SEA LIMITED

### Notes to the Financial Statements for the year ended 2 April 1995 (cont'd)

#### (k) Pensions

Pension contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' remaining working lives. The regular cost is attributed to individual years using the projected unit credit method. Variations in pension costs, which are identified as a result of actuarial valuations, are amortised over the average expected remaining service lives of members.

#### (l) Cashflow Statement

The Company is a wholly owned subsidiary of PowerGen plc. The cashflows of the Company are included in the consolidated cashflow statement of PowerGen plc. Consequently, the Company is exempt under the terms of Financial Reporting Standard 1 from publishing a cashflow statement.

#### 2 Turnover

Turnover relates to continuing activities and derives principally from the sale of hydrocarbons in the United Kingdom.

#### 3 Operating Costs

(i) Operating costs relate to continuing activities and are made up as follows:

	Year ended 2 April 1995 £'000	Period ended 3 April 1994 £'000
Cost of sales	3,235	-
Depletion and depreciation	5,747	-
Provision for abandonment	610	-
Exploration costs written off	99	-
Administrative expenses	1,212	7
	<u>10,903</u>	<u>7</u>

(ii) The audit fees of the Company were met by the ultimate holding company, PowerGen plc.

# POWERGEN NORTH SEA LIMITED

## Notes to the Financial Statements for the year ended 2 April 1995 (cont'd)

- (iii) The average number of employees, including directors, during the year was 6 (1994:nil). The salaries and related costs of employees, including directors, were:

	Year ended 2 April 1995 £'000	Period ended 3 April 1994 £'000
Wages and salaries	358	-
Social security costs	30	-
Other pension costs	36	-
	<u>424</u>	<u>-</u>

- (iv) Directors' Remuneration

The total directors' remuneration for the year was as follows:

	Year ended 2 April 1995 £'000	Period ended 3 April 1994 £'000
Salary and benefits	100	-
Fees for services	60	-
Pension contributions	11	-
	<u>171</u>	<u>-</u>

The highest paid director received the following emoluments for management services:

	Year ended 2 April 1995 £'000	Period ended 3 April 1994 £'000
Salary and benefits	100	-
Pension contributions	11	-
	<u>111</u>	<u>-</u>

The Chairman received no emoluments from the Company during the year (1994: nil).

# POWERGEN NORTH SEA LIMITED

## Notes to the Financial Statements for the year ended 2 April 1995 (cont'd)

The number of directors, including the Chairman and highest paid director, whose emoluments, excluding pension contributions, fell within the following ranges, were as follows:

Range £	Year ended 2 April 1995 £'000	Period ended 3 April 1994 £'000
Nil - 5,000	2	4
55,001 - 60,000	1	-
95,001 - 100,000	1	-

### 4 Net Interest Payable

	Year ended 2 April 1995 £'000	Period ended 3 April 1994 £'000
Interest payable on loans from parent company wholly repayable within five years	(2,149)	-
Interest receivable	28	8
	<u>(2,121)</u>	<u>8</u>

### 5 Taxation

The tax credit for the period represents an amount receivable from the parent company for tax losses transferred, at a tax rate of 33%, under group relief provisions.

### 6 Fixed Assets

#### (i) Intangible Assets

	Exploration & Appraisal Expenditure £'000
Cost at 4 April 1994	1,017
Additions	416
Amounts written off	<u>(99)</u>
Cost at 2 April 1995	<u>1,334</u>

# POWERGEN NORTH SEA LIMITED

## Notes to the Financial Statements for the year ended 2 April 1995 (cont'd)

### (ii) Tangible Assets

	Development Expenditure £'000	Other £'000	Total £'000
Cost			
At 4 April 1994	56,762	-	56,762
Additions	171,326	74	171,400
<b>At 2 April 1995</b>	<b>228,088</b>	<b>74</b>	<b>228,162</b>
Depletion & Depreciation			
At 4 April 1994	-	-	-
Charge for the year	5,747	-	5,747
<b>At 2 April 1995</b>	<b>5,747</b>	<b>-</b>	<b>5,747</b>
<b>Net book value at 2 April 1995</b>	<b>222,341</b>	<b>74</b>	<b>222,415</b>
Net book value at 4 April 1994	56,762	-	56,762

### 7 Debtors: amounts falling due within one year

	2 April 1995 £'000	3 April 1994 £'000
Trade debtors	17	-
Other debtors	737	241
Amounts owed by parent company	8,778	-
Prepayments and accrued income	2,095	190
	<b>11,627</b>	<b>431</b>

The amounts owed by the parent company relate to payments due for tax losses surrendered via group relief.

**POWERGEN NORTH SEA LIMITED**

**Notes to the Financial Statements for the year ended 2 April 1995 (cont'd)**

**8 Creditors: amounts falling due within one year**

	2 April 1995 £'000	3 April 1994 £'000
Bank overdraft	55	-
Trade creditors	952	-
Accruals and other creditors	8,566	5,729
Deferred income	7,382	-
Amounts owed to parent company	1,547	1,020
	<hr/> 18,502 <hr/>	<hr/> 6,749 <hr/>

**9 Creditors: amounts falling due after more than one year**

	2 April 1995 £'000	3 April 1994 £'000
Amounts owed to parent company	87,500	-
	<hr/>	<hr/>

The amount owed to parent company is an unsecured loan repayable on 1 March 1999. Interest is payable at 1% above the Barclays Bank Base Rate.

**10 Provisions for liabilities and charges**

	£'000
As at 4 April 1994	-
Provided in the year	610
As at 2 April 1995	<hr/> 610 <hr/>

The above provision relates to future abandonment costs.

# POWERGEN NORTH SEA LIMITED

## Notes to the Financial Statements for the year ended 2 April 1995 (cont'd)

### 11 Deferred Taxation

The full potential liability for deferred corporation tax at 33 per cent is as follows:

	2 April 1995 £'000	3 April 1994 £'000
Accelerated capital allowances	9,646	-
Other timing differences	(386)	-
	<u>9,260</u>	<u>-</u>

No provision is made for deferred taxation as the Company does not anticipate that the timing difference will crystallise in the foreseeable future.

### 12 Share Capital

	2 April 1995 £'000	3 April 1994 £'000
<b>Authorised:</b>		
500,000,000 ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>
<b>Allotted, called up and fully paid:</b>		
120,000,000 ordinary shares of £1 each (1994: 51,466,000)	<u>120,000</u>	<u>51,466</u>

On 19 July 1994, 48,534,000 ordinary shares of £1 each were allotted at par, and on 19 August 1994, a further 20,000,000 ordinary shares of £1 each were allotted at par. This additional capital was raised to finance the continuing operations of the business.

# POWERGEN NORTH SEA LIMITED

## Notes to the Financial Statements for the year ended 2 April 1995 (cont'd)

### 13 Movement on Profit and Loss Account

	£'000
Profit and loss account at 3 April 1994	1
Retained profit for the year	8,763
Profit and loss account at 2 April 1995	<u>8,764</u>

### 14 Reconciliation of Movements in Shareholders' Funds

	2 April 1995 £'000	3 April 1994 £'000
Profit for the financial year	8,763	1
New shares issued	68,534	51,466
Net increase in shareholders' funds in the year	<u>77,297</u>	<u>51,467</u>
Opening shareholders' funds	51,467	-
Closing shareholders' funds	<u>128,764</u>	<u>51,467</u>

### 15 Pension Scheme Arrangements

The Company is a member of the PowerGen plc Group Scheme, and the Company's pension contributions are based on pension costs across the Group as a whole. The Group participates in the industry wide scheme, the Electricity Supply Pension Scheme (ESPS) for the majority of its employees. This scheme is of the defined benefit type, with assets invested in separate trustee administered funds.

An actuarial valuation of the ESPS is normally carried out every three years by the Scheme's actuary, who recommends the rates of contribution payable by each group participating in the scheme. In intervening years, the actuary reviews the continuing appropriateness of the rates. The next actuarial valuation of the ESPS is currently being undertaken as at 31 March 1995.

Particulars of the actuarial valuation of the Group Scheme are contained in the accounts of PowerGen plc.

## POWERGEN NORTH SEA LIMITED

### Notes to the Financial Statements for the year ended 2 April 1995 (cont'd)

#### 16 Commitments and Contingent Liabilities

The Company has no contingent liabilities other than those arising in the ordinary course of business.

Commitments for future capital expenditure at 2 April 1995 were as follows:

	£m
Contracted but not provided	17.5
Authorised but not contracted	18.3
	<hr/>
	35.8
	<hr/>

Commitments include the Company's share of the cost of the Liverpool Bay development.

#### 17 Ultimate Holding Company

The Company is a wholly owned subsidiary undertaking of PowerGen plc, a company registered in England and Wales. Copies of PowerGen plc's accounts are available from the Company Secretary at the following address:

D J Jackson  
Company Secretary  
PowerGen plc  
53 New Broad Street  
LONDON  
EC2M 1JJ



# POWERGEN NORTH SEA LIMITED

## Supplementary Information

### 1 Licences Held

Licence interest held - July 1995:

Licence	Block Number	Field	Interest %	Operator
P099	110/14a		8.90	BHP Petroleum
P380	43/26a	Ravenspurn North unit Johnston unit	12.00 3.75	BHP Petroleum BHP Petroleum
P710	110/13	Hamilton Hamilton North Douglas	8.90	BHP Petroleum
P791	110/15	Lennox	8.90	BHP Petroleum
P864	110/6		8.90	BHP Petroleum
P865	110/7c		8.90	BHP Petroleum
P882	21/5c		20.00	Conoco
Not yet known	110/11b		8.90	BHP Petroleum
Not yet known	110/16a		8.90	BHP Petroleum