

# Northern Gas Processing Limited

## FINANCIAL STATEMENTS

for the year ended

31 December 2001



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Company Registered No: 2866642

# Northern Gas Processing Limited

## DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2001.

### Principal Activities

The principal activity of the Company is the fractionation of natural gas liquids, resulting from the processing of offshore natural gas. Under the terms of a tolling contract the Company is paid a tolling fee for each therm of gas processed. The tolling fee is predominantly paid in US dollars but also has a sterling element.

Under the terms of a long-term contract signed with Enron Power Operations Limited ("EPOL") on 29 December 1993, EPOL was committed to providing the staff and resources to operate the plant and manage the routine business activities and obligations of the Company. Since the year end px (TGPP) limited has taken over this contract. The anticipated future commitments to the year 2011 of the Company associated with this contract are \$13,465,000 (2000 : \$15,111,000).

### Review of Business and Future Developments

Both the level of business and the year end financial position were broadly in line with expectations. The directors have considered the Company's forecast trading position and consider this to be satisfactory.

In November and December 2001, Enron Europe Limited and Enron Corp., commenced insolvency-related proceedings in the UK and USA respectively. This resulted in a significant counterparty withholding payment of amounts owed to the Company from that period until March 2002 when a Standstill Agreement was reached. Under the Standstill Agreement the Company and other creditors of the counterparty take a share of it's profits in exchange for not pursuing unpaid debts. The Company believes that a favourable outcome will be reached at the end of the Standstill period and consequently has not provided for the outstanding debt due.

### Results and Dividends

The directors do not recommend the payment of a dividend. After making provision for the payment of a Preference dividend of \$1,600,000 (2000 : \$1,600,000) (see note 8), the profit for the financial year of \$590,000 (2000 : \$1,099,000) has been credited to reserves.

### Directors

The persons who served as directors of the Company during the year, together with their interest in the shares of the Company, are listed below:

	Ordinary shares of \$1 each	
	At 31 December 2001	At 31 December 2000
A F Raikes (Chairman)	-	-
SPV Management Limited	100	100

SPV Management Limited held the shares under the terms of a declaration of trust for charitable beneficiaries up to the 30 December 2002.

A F Raikes and SPV Management Limited both resigned as directors on 23 April 2002.

Harrier No1 Limited and Kestrel No1 Limited were both appointed as directors on 23 April 2002.

On 30 December 2002 the shares were transferred to Osprey No 1 Limited which holds the shares under the terms of a declaration of trust for charitable beneficiaries.

# Northern Gas Processing Limited

## DIRECTORS' REPORT (continued)

### Directors' Interests

The directors who held office at 31 December 2001 have no beneficial interest in the shares of the Company.

### Taxation Status

The Company is a close company as defined by the provisions of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year.

### Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial period 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 financial statements, 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 financial statements 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 taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

Following the year end Baker Tilly were appointed as auditors. A resolution to re-appoint Baker Tilly will be proposed at the annual general meeting.

By order of the Board

P Minoprio

On behalf of Harrier No1 Limited.  
Company Secretary

[date] 12 May 2003

# Northern Gas Processing Limited

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NORTHERN GAS PROCESSING LIMITED

We have audited the financial statements on pages 5 to 18.

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 directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statements of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' 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 opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board except the scope of our work was limited as explained below. 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 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. However, the evidence available to us was limited in that the directors have been unable to produce evidence to confirm that the Standstill agreement will continue and that a successful outcome will be achieved and in consequence we are unable to carry out auditing procedures necessary to obtain adequate assurance about the company's ability to continue to trade. Any adjustments necessary should the company be unable to continue to trade would have a consequential significant effect on the profit for the year and the net assets of the company.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

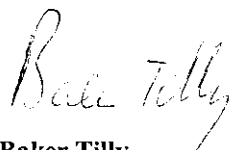
# Northern Gas Processing Limited

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NORTHERN GAS PROCESSING LIMITED

### **Opinion : disclaimer in view given by financial statements**

Because of the possible effect of the limitation in evidence available to us in respect of the company's ability to trade as a going concern and whether it is appropriate for the financial statements to be drawn up on a going concern basis, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2001 or of the profit for the year then ended. In all other respects in our opinion the financial statements have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work relating to the going concern basis we have not obtained all the information and explanations that are considered necessary for the purpose of our audit.



**Baker Tilly**  
**Chartered Accountants and Registered Auditors**  
**Newcastle upon Tyne**

**14 May 2003**

# Northern Gas Processing Limited

## PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2001

	Notes	2001 \$000	2000 \$000
Turnover	2	25,271	24,964
Cost of sales		(9,084)	(7,994)
<b>Gross profit</b>		<b>16,187</b>	<b>16,970</b>
Administrative expenses		(1,529)	(1,596)
<b>Operating profit</b>		<b>14,658</b>	<b>15,374</b>
Interest receivable and similar income	4	708	941
Interest payable and similar charges	5	(13,147)	(13,592)
<b>Profit on ordinary activities before taxation</b>	6	<b>2,219</b>	<b>2,723</b>
<b>Tax on profit on ordinary activities</b>	7	<b>---</b>	<b>---</b>
<b>Profit for the financial year</b>		<b>2,219</b>	<b>2,723</b>
Accrued dividends and other appropriations in respect of non-equity shares	8	(1,629)	(1,624)
<b>Retained profit for the financial year</b>	18	<b>590</b>	<b>1,099</b>

All activities of the company are continuing.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the period stated above, and their historical cost equivalents.

# Northern Gas Processing Limited

## BALANCE SHEET

31 December 2001

	Notes	2001 \$000	2000 \$000
<b>Fixed assets</b>			
Intangible fixed assets	9	629	1,382
Tangible fixed assets	10	130,063	134,107
		<u>130,692</u>	<u>135,489</u>
<b>Current assets</b>			
Debtors (including \$4,910,000 (2000 : \$395,000) due after one year)	11	7,162	2,624
Short term investments		14,965	13,731
Cash at bank and in hand		351	9
		<u>22,478</u>	<u>16,364</u>
<b>Creditors: amount falling due within one year</b>	12	16,199	9,487
<b>Net current assets</b>		<u>6,279</u>	<u>6,877</u>
<b>Total assets less current liabilities</b>		<u>136,971</u>	<u>142,366</u>
<b>Creditors: amount falling due after more than one year</b>	13	131,639	139,253
<b>Net assets</b>		<u><u>5,332</u></u>	<u><u>3,113</u></u>
<b>Capital and reserves</b>			
Called-up share capital	16	8,000	8,000
Profit and loss account	18	(2,668)	(4,887)
<b>Total non-equity shareholders' funds</b>	17	<u><u>5,332</u></u>	<u><u>3,113</u></u>

The financial statements on pages 6 to 18 were approved by the board of directors on 12 May 2003 and were signed on its behalf by:

  
For Harrier No1 Limited

# Northern Gas Processing Limited

## CASH FLOW STATEMENT

for the year ended 31 December 2001

	2001 \$000	2000 \$000
<b>Net cash inflow from operating activities</b>	<u>15,389</u>	<u>19,708</u>
<b>Returns on investments and servicing of finance</b>		
Interest received	748	926
Interest paid	<u>(10,280)</u>	<u>(13,163)</u>
<b>Net cash outflow from returns on investments and servicing of finance</b>	<u>(9,532)</u>	<u>(12,237)</u>
<b>Capital expenditure</b>	(256)	---
<b>Management of liquid resources</b>		
Increase in short term investments	<u>(1,234)</u>	<u>(2,793)</u>
<b>Financing</b>		
Repayment of senior debt	(4,025)	(3,450)
Repayment of subordinated debt	---	(1,230)
<b>Net cash outflow from financing</b>	<u>(4,025)</u>	<u>(4,680)</u>
<b>Increase/(decrease) in cash</b>	<u><u>342</u></u>	<u><u>(2)</u></u>



# Northern Gas Processing Limited

## CASH FLOW STATEMENT

for the year ended 31 December 2001

### Reconciliation of Operating Profit to Net Cash Inflow from Continuing Operating Activities

	2001 \$000	2000 \$000
Operating profit	14,658	15,374
Depreciation on tangible fixed assets	4,300	4,297
Amortisation and write-off on intangible fixed assets	753	123
(Increase)/decrease in prepayments and accrued income	(4,578)	34
Increase/(decrease) in trade creditors	172	(35)
Increase/(decrease) in other creditors	89	(34)
Decrease in accruals and deferred income	(5)	(51)
Net cash inflow from continuing operations	<u>15,389</u>	<u>19,708</u>

### Reconciliation of Net Cash Flow to Movement in Net Debt

	2001 \$000	2000 \$000
Increase/(decrease) in cash	342	(2)
Cash outflow from short term investments	1,234	2,793
Repayment of senior debt	4,025	3,450
Repayment of subordinated debt	---	1,230
Change in net debt resulting from cashflows	<u>5,601</u>	<u>7,471</u>

### Non-cash movements in net debt

Amortisation of issue costs	(431)	(445)
Net debt at 1 January	<u>(133,530)</u>	<u>(140,556)</u>
Net debt at 31 December	<u>(128,360)</u>	<u>(133,530)</u>

### Analysis of net debt

Cash at bank and in hand	351	9
Liquid resources	14,965	13,731
Senior secured loan notes	(99,723)	(103,595)
Subordinated secured loan notes	(43,953)	(43,675)
	<u>(128,360)</u>	<u>(133,530)</u>

# Northern Gas Processing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2001

### 1 Principal Accounting Policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

#### Going Concern

The directors have carefully considered the anticipated operating results of the company and its forecast cashflows in assessing its financial position and, as they believe that the continuing Standstill Agreement (discussed in the Directors' Report) will result in a favourable outcome, they are of the opinion that the company will be able to meet its liabilities as they fall due for the foreseeable future. They therefore consider that the going concern basis of accounting is appropriate.

#### Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention.

#### Currencies

Transactions in the financial statements are denominated in US Dollars, which in the opinion of the directors best reflects the financial transactions of this business. Transactions denominated in sterling are translated at the rate of exchange ruling on the transaction date. Assets and liabilities denominated in sterling are expressed in US Dollars at the rates of exchange ruling at the end of the financial period. Exchange differences arising on retranslation are included in the profit and loss account. The exchange rate at 31 December 2001 was £1 : \$1.451 (2000 : \$1.493).

#### Tangible and Intangible Fixed Assets

The cost of tangible and intangible fixed assets are their purchase cost, together with any incidental costs of acquisition. Interest charges relating to assets under construction are capitalised.

The costs of statutory shutdowns are capitalised and depreciated over the period until the next anticipated shutdown: statutory shutdowns are anticipated to take place every 6 years on Train I and every 3 years on Train II.

Depreciation and amortisation are calculated so as to write off the cost of tangible and intangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned, with the exception of freehold land which is not depreciated. The estimated useful lives are as follows:

	Years
Plant and equipment (other than capitalised shutdowns)	40
Intangible fixed assets	18
Capitalised shutdown	
- Train I	6
- Train II	3

# Northern Gas Processing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2001

### Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of services supplied.

### Deferred Taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

## 2 Turnover

Turnover consists entirely of sales made in the United Kingdom.

## 3 Information Relating to Management

The Company has no employees. The Directors of the Company were provided under a service contract with SPV Management Limited whilst the plant was operated under an operating and management contract with EPOL.

A corporate services agreement was entered into on 20 April 1994 between SPV Management Limited and Northern Gas Processing Limited, which was due to terminate on 15 December 2011. This agreement required SPV Management Limited to nominate two or more persons to serve in the capacity of director. A F Raikes and SPV Management Limited were its nominees. For as long as this agreement remained in force SPV Management Limited would act as Company Secretary to the Company. SPV Management Limited also held 100 ordinary shares of \$1 each under the terms of a declaration of trust up until 30 December 2002.

Since the year end the service contract was novated across to indigo trading company limited whilst Osprey No1 Limited became the new trustee of the Declaration of Trust over the shares. Also since the year end the operating and management contract has been taken over by px (TGPP) limited.

A F Raikes received no remuneration in respect of services to the Company. SPV Management Limited was entitled to receive an annual fee of \$26,000 (£17,630) (2000 : \$26,700 (£17,630)) covering the provision of management, trustee and secretarial services of which \$20,800 (£14,100) (2000 : \$21,400 (£14,100)) related to directors' fees. A F Raikes owned 90% of the issued ordinary shares of SPV Management Limited.

## 4 Interest Receivable and Similar Income

	2001 \$000	2000 \$000
Bank interest receivable	<u>708</u>	<u>941</u>

# Northern Gas Processing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2001

### 5 Interest Payable and Similar Charges

	2001 \$000	2000 \$000
Loan interest payable	12,715	13,148
Issue costs written off	432	444
	<u>13,147</u>	<u>13,592</u>

### 6 Profit on Ordinary Activities Before Taxation

Profit on ordinary activities is stated after charging:

	2001 \$000	2000 \$000
Depreciation of tangible owned fixed assets	4,300	4,297
Amortisation of intangible fixed assets	123	123
Exceptional item (see below)	630	-
Auditors' remuneration for audit	16	16

The exceptional item relates to the write off of the intangible asset for payments made to EPOL to secure the Cost Cap agreement. This is included within cost of sales.

### 7 Tax on Profit on Ordinary Activities

The charge to UK Corporation Tax at 30% (2000 : 30 %) for the period is nil (2000 : nil). The Company has substantial tax losses available for carry forward to future periods.

### 8 Dividends

	2001 \$000	2000 \$000
<b>Accrued dividends and appropriations on non-equity shares</b>		
Preference dividend of 20 cents per share (2000 : 20 cents per share)	1,600	1,600
Appropriations for issue costs	29	24
	<u>1,629</u>	<u>1,624</u>

In accordance with Financial Reporting Statement Number 4 "Capital Instruments", the cumulative class A preference share dividends have been accrued as a charge through the profit and loss account. A corresponding transfer has been made through reserves (see note 18).

# Northern Gas Processing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2001

### 9 Intangible Fixed Assets

	\$000
<b>Cost</b>	
At 1 January 2001	2,211
Write off	(1,106)
At 31 December 2001	<u>1,105</u>
<b>Aggregate Amortisation</b>	
At 1 January 2001	829
Charge for the period	123
Write off	(476)
At 31 December 2001	<u>476</u>
<b>Net book amount at 31 December 2001</b>	<u><b>629</b></u>
<b>Net book amount at 31 December 2000</b>	<u><b>1,382</b></u>

The intangible fixed asset balance relates to payments made by the Company to EPOL to secure a cost cap and an income escalation agreement. The income escalation agreement guarantees an annual increase in unit income of between 3.5% and 5.0% and also restricts annual inflation in contracted costs to between 3.5% and 5.0%. The value of the cost cap agreement was written off, as it is not anticipated that any amounts due under it from EPOL, will be recoverable.

### 10 Tangible Fixed Assets

	Freehold land \$000	Plant and equipment \$000	Total \$000
<b>Cost</b>			
At 1 January 2001	163	158,407	158,570
Additions	---	256	256
Disposal of written down asset	---	(195)	(195)
<b>At 1 January and 31 December 2001</b>	<u><b>163</b></u>	<u><b>158,468</b></u>	<u><b>158,631</b></u>
<b>Accumulated Depreciation</b>			
At 1 January 2001	---	24,463	24,463
Charge for period	---	4,300	4,300
Disposal	---	(195)	(195)
<b>At 31 December 2001</b>	<u><b>---</b></u>	<u><b>28,568</b></u>	<u><b>28,568</b></u>
<b>Net book amount at 31 December 2001</b>	<u><b>163</b></u>	<u><b>129,900</b></u>	<u><b>130,063</b></u>
<b>Net book amount at 31 December 2000</b>	<u><b>163</b></u>	<u><b>133,944</b></u>	<u><b>134,107</b></u>

Capitalised interest of \$10,970,000 is included within plant and equipment.

The freehold land is held in the name of Enron Europe Liquid Processing with a restriction that no disposition or dealing by the proprietor is to be registered without the consent of Northern Gas Processing Limited, other than under an order of the Registrar or the direction of a receiver appointed by the proprietor of the secured finance.

# Northern Gas Processing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2001

### 11 Debtors

	2001 \$000	2000 \$000
<b>Amounts falling due within one year</b>		
Accrued interest receivable	1	41
Prepayments and accrued income	2,251	2,188
	<u>2,252</u>	<u>2,229</u>
<b>Amounts falling due after more than one year</b>		
Trade debtors	4,515	---
Advance corporation tax recoverable	395	395
	<u>4,910</u>	<u>395</u>
	<u>7,162</u>	<u>2,624</u>

The trade debt due after more than one year is subject to the Standstill Agreement, whereby the Company has agreed not to take action to recover amounts owed by the counterparty prior to the start of the standstill period, in exchange for a share of the profits of the counterparty during the standstill period.

### 12 Creditors: Amounts Falling Due Within One Year

	2001 \$000	2000 \$000
7.53% Senior secured loan notes	5,175	4,025
11.07% Subordinated secured loan notes	6,862	3,992
Trade creditors	228	56
Other taxation and social security	564	475
Accruals and deferred income	3,370	939
	<u>16,199</u>	<u>9,487</u>

# Northern Gas Processing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2001

### 13 Creditors: Amounts Falling Due After More Than One Year

	2001 \$000	2000 \$000
7.53% Senior secured loan notes	95,450	100,625
Issue costs (Note 14)	(2,165)	(2,165)
Cumulative issue costs charged to profit and loss account	1,263	1,110
	<u>94,548</u>	<u>99,570</u>
11.07% Subordinated secured loan notes	31,976	34,846
Interest	6,488	6,488
	<u>38,464</u>	<u>41,334</u>
Issue costs (Note 14)	(3,621)	(3,621)
Cumulative issue costs charged to profit and loss account	2,248	1,970
	<u>37,091</u>	<u>39,683</u>
	<u><b>131,639</b></u>	<u><b>139,253</b></u>

Loan notes are repayable as follows:

- Between one and two years	9,030	8,045
- Between two and five years	38,090	32,282
- In five years or more	86,794	101,632
Total amount repayable	<u>133,914</u>	<u>141,959</u>
Less: deferred issue costs	<u>(2,275)</u>	<u>(2,706)</u>
	<u><b>131,639</b></u>	<u><b>139,253</b></u>

The \$115,000,000 7.53% senior secured loan notes were issued at par on 29 December 1993 in consideration for cash and are repayable by instalments which cease on 15 June 2011. The \$45,000,000 11.07% subordinated secured loan notes were issued at par on 19 April 1994 in consideration for cash and are repayable by instalments which cease on 15 December 2011.

The loan notes are secured by fixed and floating charges over the property and interests of the company. The senior loan notes rank for payment before the subordinated loan notes in the event of liquidation of the business.

# Northern Gas Processing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2001

### 14 Issue Costs

	7.53% senior secured loan notes (Note 13) \$000	11.07% subordinated secured loan notes (Note 13) \$000	Preference shares (Note 8) \$000	Total \$000
<b>Costs</b>				
At 1 January 2001 and 31 December 2001	<u>2,165</u>	<u>3,621</u>	<u>694</u>	<u>6,480</u>
<b>Amortisation</b>				
At 1 January 2001	1,110	1,970	104	3,184
Charge for the period	<u>153</u>	<u>278</u>	<u>29</u>	<u>460</u>
At 31 December 2001	<u>1,263</u>	<u>2,248</u>	<u>133</u>	<u>3,644</u>
<b>Deferred issue costs at 31 December 2001</b>	<u><u>902</u></u>	<u><u>1,373</u></u>	<u><u>561</u></u>	<u><u>2,836</u></u>
Deferred issue costs at 31 December 2000	<u><u>1,055</u></u>	<u><u>1,651</u></u>	<u><u>590</u></u>	<u><u>3,296</u></u>

The issue costs relating to the preference shares were written off against the profit and loss account reserves during the period ended 31 December 1994.

### 15 Deferred Taxation

No provision has been made for deferred taxation as the Company has an unrecognised deferred tax asset.



# Northern Gas Processing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2001

### 16 Called Up Share Capital

#### Ordinary Shares

	2001	2000
<b>Authorised</b>	\$	\$
100 ordinary shares of \$1 each	<u>100</u>	<u>100</u>
<b>Allotted and fully paid</b>		
100 ordinary shares of \$1 each	<u>100</u>	<u>100</u>

#### Preference A Shares

<b>Authorised</b>	\$	\$
8,000,000 \$1 cumulative 20% preference A shares	<u>8,000,000</u>	<u>8,000,000</u>
<b>Allotted and fully paid</b>		
8,000,000 \$1 cumulative 20% preference A shares	<u>8,000,000</u>	<u>8,000,000</u>

#### Preference B Shares

<b>Authorised</b>	\$	\$
1 \$1 preference non – cumulative preference B share	<u>1</u>	<u>1</u>
<b>Allotted and fully paid</b>		
1 \$1 preference non - cumulative preference B share	<u>1</u>	<u>1</u>

#### Voting Rights

The holders of the Ordinary Shares of the Company have the rights to one vote for every Ordinary Share. Holders of Preference Shares are not entitled to vote upon any resolutions other than in a number of special cases, as follows:

- if the preference dividend is not paid when due;
- if there exists a default by any party under any Operative Document;
- if the Premises are destroyed or damaged; or
- if there are fewer than 2 directors of the company.

In any of these cases, the holders of the majority of the Preference Shares are entitled to remove and appoint up to 3 directors of the Company until such time that the event leading to the granting of these special rights to the Preference Shareholders ceases to exist.

#### Redemption Rights

The Class A Preference Shares are redeemable by the Company in two equal amounts of 4,000,000 on 15 June 2011 and 15 December 2011 at par.

The shares could only have been redeemed early at the option of the shareholders, at a premium of 10 cents per share, had the acceptance of Train II not occurred before 1 February 1998.

The Class B Preference Share is redeemable by the Company on the earlier of 13 December 2018 or the date when the cumulative dividends paid on that share total \$40,000,000.

# Northern Gas Processing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2001

### Rights to Income and on Liquidation

The Class A Preference Shares have a preferential right to both income and return of capital on a winding up. This is restricted to the value of any unpaid accrued dividend and the nominal value of the shares.

The Class B Preference Share is entitled to any remaining funds after the Class A Preference Shares have been settled, to a limit whereby total payments received over the life of the instrument do not exceed \$40,000,000.

The ordinary shares receive any residual funds after both classes of preference share have been settled.

### 17 Reconciliation of Movements in Non-Equity Shareholders' Funds

	2001	2000
	\$000	\$000
Profit after taxation	2,219	2,723
Dividends and appropriations	(1,629)	(1,624)
	590	1,099
Dividends and appropriations in respect of preference shares	1,629	1,624
Net increase to non-equity shareholders' funds	2,219	2,723
Opening non-equity shareholders' funds	3,113	390
Closing non-equity shareholders' funds	<u>5,332</u>	<u>3,113</u>

The Class A preference shares are entitled to the cumulative arrears of preference dividends of \$12,416,000 (2000 : \$10,816,000). These arrears have built up over the period 29 December 1993 to 31 December 2001. The Class B preference shareholders are then entitled to any remaining balance of non-equity shareholders' funds when these arise.

### 18 Reserves

	Profit and loss account \$000
At 1 January 2001	(4,887)
Profit for the period	590
Dividends and appropriations in respect of preference shares	1,629
At 31 December 2001	<u>(2,668)</u>

# Northern Gas Processing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2001

### 19 Contingencies and Commitments

The Company has contractual commitments under a Common Facilities Contract and an Operating and Maintenance Contract.

The Company entered into a Common Facilities contract on 29 December 1993 which expires in December 2033 for the use of site common facilities. The monthly contracted amount is revised on an annual basis and the anticipated future commitments to the year 2018 of the Company resulting from this contract are \$67,133,000 (2000 : \$72,462,000).

Under the terms of a long-term operating and maintenance contract signed with EPOL on 29 December 1993, EPOL committed to providing the staff and resources to operate the plant and manage the routine business activities and obligations of the Company. This contract was taken over by px (TGPP) limited after the year end. The anticipated future commitments to the year 2011 of the Company associated with this contract are \$13,465,000 (2000 : \$15,111,000).

The Company is corresponding with the UK tax authorities regarding their query in respect of plant costs some years ago. The Company expects the matter will be satisfactorily resolved, with no additional tax payable.

### 20 Related Party Transactions

In the opinion of the directors the legal owner (immediate parent ) during the year was SPV Management Limited .

Since 30 December 2002 the legal owner (immediate parent )has been Osprey No 1 Limited, a subsidiary of indigo trading company limited however ultimate control rest with Deutsche Trustee Company Limited given their position as Security Trustees.

SPV Management Limited ,a corporate director ,was paid \$26,000 in connection with a corporate services agreement during the year.

Mr A F Raikes a director owned 90% of the issued share capital of SPV Management Limited .

### 21 Post Balance Sheet Event

Following the year end, the company entered into a Standstill Agreement with a counterparty. This involves the company and other creditors of the counterparty taking a share of the profits of the counterparty in exchange for not pursuing unpaid debts. The company believes that a favourable outcome will be reached at the end of the Standstill period.