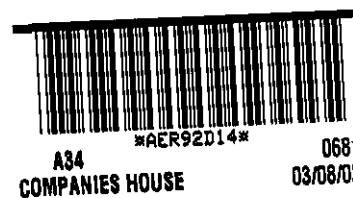


COMPANY NUMBER: 3076057

**AMERADA HESS GAS (DOMESTIC) LIMITED**

**REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 2001**



**AMERADA HESS GAS (DOMESTIC) LIMITED**

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# **AMERADA HESS GAS (DOMESTIC) LIMITED**

## **COMPANY INFORMATION**

### **Directors**

C A Harper OBE - Managing Director  
S Austin  
A J Boetius  
R P Browning  
C B Chaloner  
A Fernando  
J S Nangle  
R S C Phillips

### **Secretary**

J A B Dunlop (appointed 9 February 2001)  
C B Chaloner (resigned 9 February 2001)

### **Registered Office**

33 Grosvenor Place  
London  
SW1X 7HY

### **Bankers**

National Westminster Bank plc  
Bishopsgate Business Centre  
PO Box 34  
15 Bishopsgate  
London  
EC2P 2AP

### **Auditors**

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

### **Principal Shareholder**

Amerada Hess Limited  
33 Grosvenor Place  
London  
SW1X 7HY

# AMERADA HESS GAS (DOMESTIC) LIMITED

## REPORT OF THE DIRECTORS

The Directors submit their report and audited accounts for the year ended 31 December 2001.

### Principal Activities

The Company's principal activity is, and will continue to be, the marketing and selling of gas and electricity to domestic and small business users. On 2 March 2001, the Company purchased 100% of the share capital of Speechnet Limited, a company offering telecommunication services. The Company intends to expand in the future by retailing telecommunication services to its existing and future customer base and to continue its growth strategy.

Amerada Hess Corporation, the Company's ultimate parent company, is seeking to increase the proportion of its Exploration and Production activities in its overall energy portfolio and has announced its intention to divest itself of its United Kingdom Energy Marketing business, of which Amerada Hess Gas (Domestic) Limited is part. Consequently, the Company will be disposed of as a going concern in the immediate future.

### Results and Dividends

The results of the Company are set out in detail on page 5. The Directors are unable to recommend the payment of a dividend (2000 - nil) leaving a loss of £20,331,894 (2000 - loss £10,430,724) to be taken to reserves.

### Directors

The Directors who served during the year, unless otherwise specified, were as follows:

C A Harper OBE - Managing Director

S Austin

A J Boetius

R P Browning

C B Chaloner

A Fernando

W S H Laidlaw (resigned 30 September 2001)

J S Nangle

R S C Phillips

None of the Directors at the year end hold, or have ever held, any beneficial interests in the shares of the Company, the immediate parent company or any fellow subsidiary undertakings.

### Creditor Payment Policy and Practice

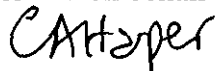
It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, providing that all trading terms and conditions have been complied with.

At 31 December 2001, the Company had an average of 30 days purchases outstanding in trade creditors (31 December 2000 - 30 days).

### Auditors

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

For and on behalf of the Board



**C A HARPER OBE**

**Managing Director**

11 February 2002

## **AMERADA HESS GAS (DOMESTIC) LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS**

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AMERADA HESS GAS  
(DOMESTIC) LIMITED**

We have audited the Company's financial statements for the year ended 31 December 2001 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 14. These financial statements have been prepared on the basis of the accounting policies set out therein.

**Respective responsibilities of Directors and auditors**

As described in the Statement of Directors' Responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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 as at 31 December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**ERNST & YOUNG LLP**

Registered Auditor

London

11 February 2002





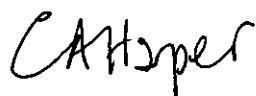
**AMERADA HESS GAS (DOMESTIC) LIMITED****Profit and Loss Account****Year ended 31 December 2001**

	<b><u>Notes</u></b>	<b><u>2001</u></b> £	<b><u>2000</u></b> £
Turnover	2	67,130,236	38,835,654
Cost of sales	3	(81,600,968)	(44,890,461)
		<hr/>	<hr/>
Gross loss		(14,470,732)	(6,054,807)
Selling and administrative expenses		(5,861,162)	(4,375,917)
		<hr/>	<hr/>
Loss on ordinary activities before tax	4	(20,331,894)	(10,430,724)
Tax on loss on ordinary activities	6	-	-
		<hr/>	<hr/>
Loss for the year	11	(20,331,894)	(10,430,724)
Accumulated deficit brought forward		(37,889,973)	(27,459,249)
		<hr/>	<hr/>
Accumulated deficit carried forward		(58,221,867)	(37,889,973)
		<hr/> <hr/>	<hr/> <hr/>

The retained losses for the years ended 31 December 2001 and 31 December 2000 comprise in each case all recognised gains and losses.

**AMERADA HESS GAS (DOMESTIC) LIMITED****Balance Sheet****At 31 December 2001**

	<b><u>Notes</u></b>	<b><u>2001</u></b> £	<b><u>2000</u></b> £
<b>FIXED ASSETS</b>			
Investments	7	3,263,124	2,000,002
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Debtors: amounts falling due			
- within one year		35,262,047	31,553,902
- after more than one year		2,654,218	-
	8	<hr/>	<hr/>
		37,916,265	31,553,902
Cash at bank and in hand		-	580,425
<b>TOTAL CURRENT ASSETS</b>		<hr/>	<hr/>
		37,916,265	32,134,327
<b>CURRENT LIABILITIES</b>			
Creditors: Amounts falling due within one year	9	(64,901,256)	(37,524,302)
<b>NET CURRENT LIABILITIES</b>		<hr/>	<hr/>
		(26,984,991)	(5,389,975)
<b>NET LIABILITIES</b>		<hr/>	<hr/>
		(23,721,867)	(3,389,973)
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	10	34,500,000	34,500,000
Profit and loss account		(58,221,867)	(37,889,973)
<b>SHAREHOLDERS' FUNDS</b>	11	<hr/>	<hr/>
		(23,721,867)	(3,389,973)



**C A HARPER OBE**  
**Managing Director**  
11 February 2002

# **AMERADA HESS GAS (DOMESTIC) LIMITED**

## **Notes to the Accounts**

**31 December 2001**

### **1 ACCOUNTING POLICIES**

(a) **Accounting Convention**

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

(b) **Pension Costs**

The cost of providing pension benefits is charged to the profit and loss account over the period benefiting from employees' services.

(c) **Basis of Preparation**

Group accounts are not submitted as the Company is exempt from the obligation to prepare group accounts under Section 228(1) of the Companies Act 1985. The results of the subsidiary undertakings are dealt with in the consolidated accounts of an affiliated undertaking, Amerada Hess NWE Holdings, a company registered in England.

(d) **Cash Flow Statement**

The ultimate parent company has published a group cash flow statement. The Company has taken advantage of the exemption under Financial Reporting Standard No.1 (Revised) and not presented a cash flow statement in these accounts.

(e) **Fixed Assets**

Apart from Investments, the Company has no fixed assets. Expenditure on information technology is charged against income as incurred.

(f) **Customer Acquisition Costs**

Customer acquisition costs which can be directly linked to an income stream from customers are deferred and taken to the Profit and Loss Account over a period of two years.

Non targeted customer acquisition costs are charged against income as incurred.

### **2 TURNOVER**

Gas and electricity consumption is measured on the basis of actual or estimated meter readings. The value of gas and electricity sold in the period therefore includes an estimate of the sales value of consumption between the date of the last meter reading and the period end. Turnover is stated net of value added tax and is all in respect of sales to customers in the United Kingdom.

### **3 COST OF SALES**

Cost of sales represents purchased gas and electricity, transportation and operating costs.

# **AMERADA HESS GAS (DOMESTIC) LIMITED**

## **Notes to the Accounts (Continued)**

**31 December 2001**

<b>4</b>	<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAX</b>	<b><u>2001</u> £</b>	<b><u>2000</u> £</b>
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This is stated after charging

In selling and administrative expenses:

Auditor's remuneration - audit services	5,278	17,600
- non audit services	13,600	-

## **5 DIRECTORS AND EMPLOYEES**

- (a) Remuneration for services performed in respect of the UK (including pension contributions) of the Directors of the Company was:

	<b><u>2001</u> £</b>	<b><u>2000</u> £</b>
Pension contributions	10,285	18,870
Other emoluments	109,195	104,838
	<u>119,480</u>	<u>123,708</u>

- (b) Remuneration for services performed (excluding pension contributions) of the highest paid Director was £38,675 (2000 - £36,925).

Retirement benefits are accruing in respect of qualifying services of five Directors (2000 - five Directors) under the immediate parent company's non-contributory, funded defined benefit plan. As at 31 December 2001, the accrued pension, on retirement, attributable to the highest paid Director amounted to £6,582 (31 December 2000 - £5,484).

There are no employees.

## **6 TAX ON LOSS ON ORDINARY ACTIVITIES**

No tax has been provided for the year (2000 - nil). There is no current plan to pay for group relief.

# **AMERADA HESS GAS (DOMESTIC) LIMITED**

## **Notes to the Accounts (Continued)**

### **31 December 2001**

7	INVESTMENTS	<u>2001</u> £	<u>2000</u> £
a)	Investments comprise:		
	Investment in subsidiaries (unlisted)	3,263,124	2,000,002

**Investment  
in subsidiaries**  
£

Analysis of movements during the year:

At 1 January 2001	2,000,002
Additional investment in subsidiaries	1,263,122
At 31 December 2001	<u>3,263,124</u>

On 2 March 2001, the Company purchased 100% of the share capital of Speechnet Limited.

b) Investments held (unlisted)

At 31 December 2001 the Company held more than 20% of the equity of the following subsidiary undertaking:

<u>Name of company held</u>	<u>Country of registration</u>	<u>Proportion of ordinary shares held</u>	<u>Nature of business</u>
Severn Trent Energy Limited	England	100%	Direct energy marketing
Speechnet Limited	England	100%	Telecommunication services
OwnLabel Energy Limited	England	100%	Direct energy marketing

# AMERADA HESS GAS (DOMESTIC) LIMITED

## Notes to the Accounts (Continued)

### 31 December 2001

<b>8 DEBTORS</b>	<b><u>2001</u></b>	<b><u>2000</u></b>
	<b>£</b>	<b>£</b>
Called-up share capital not paid	-	12,000,000
Trade debtors	9,453,880	5,762
Accrued income	19,191,703	11,966,201
Deferred customer acquisition costs	6,616,464	7,581,939
Total falling due within one year	35,262,047	31,553,902
Loan to subsidiary (note 8(a))	2,654,218	-
Total falling due after one year	2,654,218	-
	37,916,265	31,553,902

(a) Loan to subsidiary

The loan to Speechnet Limited is to fund the subsidiary's operating expenditure in the United Kingdom. No date has been set for repayment of the loan. The loan is interest free.

<b>9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	<b><u>2001</u></b>	<b><u>2000</u></b>
	<b>£</b>	<b>£</b>
Amounts owed to group undertakings	48,691,103	25,075,798
Trade creditors	442,389	2,355,064
Accruals	8,091,408	5,013,440
Payments received in advance	7,577,644	5,080,000
Bank overdraft	98,712	-
	64,901,256	37,524,302

### **10 SHARE CAPITAL**

	<b><u>Authorised</u></b>	<b><u>Allotted and called-up</u></b>	<b><u>Allotted, Called-up and fully paid</u></b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>At 31 December 2001:</b>			
Ordinary shares of £1 each	25,000,000	5,000,000	5,000,000
Redeemable shares of £1 each	44,500,000	29,500,000	29,500,000
	69,500,000	34,500,000	34,500,000
<b>At 31 December 2000:</b>			
Ordinary shares of £1 each	25,000,000	5,000,000	5,000,000
Redeemable shares of £1 each	44,500,000	29,500,000	17,500,000
	69,500,000	34,500,000	22,500,000

## AMERADA HESS GAS (DOMESTIC) LIMITED

### Notes to the Accounts (Continued)

#### 31 December 2001

#### **10 SHARE CAPITAL (Continued)**

During the year to 31 December 2000, 12,000,000 redeemable shares of £1 each, with an aggregate nominal value of £12,000,000 were issued. The shares were fully paid for cash of £12,000,000 during 2001.

The rights of the redeemable shares are equivalent to those of the ordinary shares. The redeemable shares may on one month's notice be redeemed at the election of the Company or the shareholders, at no premium.

#### **11 CAPITAL AND RESERVES**

The movements in shareholders' funds for the year were as follows:

	<u>Share Capital</u>		
	<u>Ordinary</u> £	<u>Redeemable</u> £	<u>Total</u> £
At 1 January and 31 December 2001	5,000,000	29,500,000	34,500,000
<hr/>			
	<u>Profit and Loss Account</u>		
	<u>Ordinary</u> £	<u>Redeemable</u> £	<u>Total</u> £
At 1 January 2001	(8,535,228)	(29,354,745)	(37,889,973)
Loss for the year	97,276	(20,429,170)	(20,331,894)
At 31 December 2001	(8,437,952)	(49,783,915)	(58,221,867)
<hr/>			
	<u>Total Shareholders' Funds</u>		
	<u>Ordinary</u> £	<u>Redeemable</u> £	<u>Total</u> £
At 1 January 2001	(3,535,228)	145,255	(3,389,973)
Loss for the year	97,276	(20,429,170)	(20,331,894)
At 31 December 2001	(3,437,952)	(20,283,915)	(23,721,867)
<hr/>			

## **AMERADA HESS GAS (DOMESTIC) LIMITED**

### **Notes to the Accounts (Continued)**

**31 December 2001**

#### **12 PARENT COMPANY AND ULTIMATE PARENT COMPANY**

The Company is a wholly owned subsidiary of Amerada Hess Limited, a company incorporated in England. The parent undertaking of the smallest group for which group accounts are prepared is Amerada Hess NWE Holdings, a company incorporated in England, and the parent undertaking of the largest such group is Amerada Hess Corporation, a company incorporated in the State of Delaware, United States of America.

Copies of their accounts can be obtained by application to the registered office of the Company: 33 Grosvenor Place, London SW1X 7HY.

#### **13 FINANCIAL SUPPORT**

Amerada Hess Limited has agreed to provide such finance to the Company as is necessary to enable it to meet its obligations as they fall due.

#### **14 RELATED PARTY TRANSACTIONS**

The Company has taken advantage of the exemption in paragraph 3(c) of Financial Reporting Standard No.8 from disclosing transactions with related parties that are part of the Amerada Hess NWE Holdings group.