

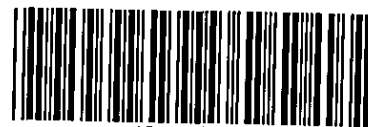
TEAKAN INVESTMENTS LIMITED

Financial Statements

For the year ended 31 December 2007

Registered in Bermuda: 34525

UNAUDITED



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Teakan Investments Limited
Teakan Investments Limited

Directors' report

The directors present their annual report together with the financial statements of Teakan Investments Limited (the company) for the year to 31 December 2007

Results and dividends

The profit for the year after taxation amounted to £2.9 million (2006: £2.4 million). The directors do not propose to declare a dividend in 2007.

Principal activity and review of the business

The principal activity of the company is to act as an investment company.

No change in the activities of the company is expected in the future.

Directors

The directors who held office during the year were as follows:

N. J. R. Walker
D. P. Mithen
J. F. Craw

Company Secretary
K. Woollery

Directors' qualifying third party indemnity provisions

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

By the order of the board



N.J.R. Walker
Director
11 April 2008

Registered Office
Canon's Court
22 Victoria Street
Hamilton
Bermuda HM 12

Teakan Investments Limited

Teakan Investments Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company. 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Teakan Investments Limited
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Profit and loss account
For the year ended 31 December 2007
(unaudited)

	<u>Note</u>	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>
Administrative expenses		<u>(17)</u>	<u>(36)</u>
Operating loss		(17)	(36)
Interest receivable and similar income	3	3,316	2,608
Interest payable and similar expense	4	<u>(20)</u>	<u>(37)</u>
Profit on ordinary activities before taxation		3,279	2,535
Taxation on profit on ordinary activities	5	<u>(394)</u>	<u>(156)</u>
Profit for the financial year		<u>2,885</u>	<u>2,379</u>

Statement of total recognised gains and losses

There are no recognised gains and losses other than the profit for the year of £2,885,000 (2006 £2,379,000)

Teakan Investments Limited

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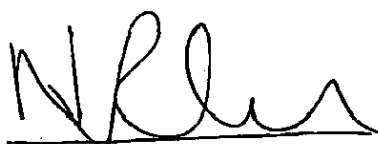
**Balance sheet as at 31 December 2007
(unaudited)**

	<u>Note</u>	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>
Fixed assets			
Investments	6	<u>331,168</u>	<u>331,168</u>
Current assets			
Debtors amounts falling due within one year	7	53,641	50,318
Current liabilities			
Creditors amounts falling due within one year	8	<u>(801)</u>	<u>(363)</u>
Net current assets		<u>52,840</u>	<u>49,955</u>
Net assets		<u>384,008</u>	<u>381,123</u>
Capital and reserves			
Called up share capital	9	370,531	370,531
Other reserves	10	(127)	(127)
Profit and loss account	10	<u>13,604</u>	<u>10,719</u>
Total shareholder's funds		<u>384,008</u>	<u>381,123</u>

The financial statements were approved by the board of directors on 11 April 2008 and were signed on its behalf by



D.P. Mithen
Director



N.J.R. Walker
Director

Teakan Investments Limited
Teakan Investments Limited

Statement of Cash Flows
For the year 31 December 2007
(unaudited)

	2007	2006
	<u>£'000</u>	<u>£'000</u>
Profit for the financial period	2,885	2,379
Changes in working capital		
Increase in debtors	(3,323)	(956)
Increase /(decrease) in creditors	<u>438</u>	<u>(1,423)</u>
Change in cash and cash flow from operating activities		
Cash, 1 January	_____	_____
Cash, 31 December	=====	=====

Teakan Investments Limited

Notes to the financial statements (unaudited)

1. Accounting Policies

(a) Accounting convention

These non consolidated financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards. In accordance with Section 228a (as amended) of The Companies Act 1985, the company is exempt from preparing group financial statements as it is the wholly owned subsidiary of a group whose consolidated accounts are prepared in a manner equivalent to consolidated accounts drawn up in accordance with the provisions of the Seventh Directive (83/349/EEC).

(b) Corporation tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

(c) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

(d) Interest

Interest on loans to group companies is credited to income as accrued, and is recorded gross of withholding tax.

(e) Investments

Investments are held at cost less provision for impairment.

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Notes to the financial statements (continued)
(unaudited)

2. Directors' remuneration

The directors of the company are also directors of the UK parent company, Talisman Energy (UK) Limited and fellow subsidiaries. The directors received total remuneration for the year of £1.0 million (2006 restated £0.9 million), all of which was paid by the UK parent company. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of the UK parent company and fellow subsidiaries.

3. Interest receivable and similar income

	2007	2006
	<u>£'000</u>	<u>£'000</u>
Interest on loan to associated company	<u>3,316</u>	<u>2,608</u>

4. Interest payable and similar expense

	2007	2006
	<u>£'000</u>	<u>£'000</u>
Intercompany interest	<u>20</u>	<u>37</u>

Teakan Investments Limited

Teakan Investments Limited

Notes to the financial statements (continued) **(unaudited)**

5 Tax on profit on ordinary activities

	2007	2006
	<u>£'000</u>	<u>£'000</u>
Analysis of the charge in the period		
Current corporation tax		
adjustments in respect of prior years	<u>394</u>	<u>156</u>
Tax on profit on ordinary activities	<u>394</u>	<u>156</u>
Company profit on ordinary activities before tax	<u>3,279</u>	<u>2,535</u>
Tax on ordinary activities at 30% (2006 30%)	983	761
Effects of		
Group relief	(983)	(761)
Adjustments in respect of prior years	<u>394</u>	<u>156</u>
	<u>394</u>	<u>156</u>

The Finance Act 2007 amended the rate of corporation tax from 30% to 28% with effect from the financial year 2008

6 Investments

	2007	2006
	<u>£'000</u>	<u>£'000</u>
Shares in associate undertakings		
Cost	<u>331,168</u>	<u>331,168</u>

Details of the investments in which the company holds more than 10% of the nominal value of any class of share capital are as follows

<u>Name of Company</u>	<u>Country of incorporation</u>	<u>Holding</u>	<u>% Voting rights and shares held</u>	<u>Nature of business</u>
Talisman Energy Resources Limited	England & Wales	Ordinary shares	30%	Investment company
Paladin Resources Limited	Scotland	Ordinary shares	100% ^{@@}	Investment company

Teakan Investments Limited

Notes to the financial statements (continued) (unaudited)

6. Investments (continued)

<u>Name of Company</u>	<u>Country of incorporation</u>	<u>Holding</u>	<u>% Voting rights and shares held</u>	<u>Nature of business</u>
Aberdeen Petroleum Limited (in liquidation)	Scotland	Ordinary shares	100%P	Investment company
Pittencreeff Resources, Inc	Nevada US	Ordinary shares	100%*	Non trading
Pittencreeff America, Inc	Nevada, US	Ordinary shares	100%**	Non trading
MacNamee Services Limited (in liquidation)	Scotland	Ordinary shares	100%P	Non trading
Owl Creek Investments Limited (in liquidation)	England & Wales	Ordinary shares	100%P	Investment company
Southport Exploration Associates, Inc	Oklahoma, US	Ordinary shares	100%~	Non trading
Talisman Oil Denmark Limited	England & Wales	Ordinary shares	100%P	Exploration, development and production of oil and gas
Talisman Oil & Gas (Australia) Pty Limited	Australia	Ordinary shares	100%P	Exploration, development and production of oil and gas
Talisman Resources (JPDA 03 01) Pty Limited	Australia	Ordinary shares	100%	Exploration, development and production of oil and gas
Talisman Resources (Bahamas) Limited	Bahamas	Ordinary shares	100%P	Exploration, development and production of oil and gas
Talisman Resources (Gabon) Limited	England & Wales	Ordinary shares	100%P	Exploration, development and production of oil and gas
Talisman Resources Norge AS	Norway	Ordinary shares	100%P	Dormant
Talisman Resources (Norway) Limited	England & Wales	Ordinary shares	100%P	Investment company

Teakan Investments Limited

Teakan Investments Limited**Notes to the financial statements (continued)
(unaudited)**

<u>Name of Company</u>	<u>Country of incorporation</u>	<u>Holding</u>	<u>% Voting rights and shares held</u>	<u>Nature of business</u>
Talisman UK (South East Sumatra) Limited	England & Wales	Ordinary shares	100%P	Exploration, development and production of oil and gas
Fortuna Resources (Sunda) Limited	British Virgin Islands	Ordinary shares	100%^	Exploration, development and production of oil and gas
Fortuna Resources (Jawa) Limited	British Virgin Islands	Ordinary shares	100%^	Dormant
Talisman Resources (North West Java) Limited	England & Wales	Ordinary shares	100%^	Exploration development and production of oil and gas
Talisman Resources (Tunisia) Limited	England & Wales	Ordinary shares	100%P	Exploration, development and production of oil and gas
Talisman Production Norge AS	Norway	Class B shares	100% (78% voting rights)+	Investment company
Talisman Energy Norge AS	Norway	Ordinary shares	20%#	Exploration, development and production of oil and gas

@ held by Talisman Energy Resources Limited

P held by Paladin Resources Limited

+ held by Aberdeen Petroleum Limited

** held by Pittencrieff Resources Inc

~ held by Owl Creek Investments Limited

+ held by Talisman Oil & Gas (Australia) Pty Limited

^ held by Talisman UK (South East Sumatra) Limited

^^ held by Fortuna Resources (Sunda) Limited

+ held by Talisman Resources (Norway) Limited

held by Talisman Production Norge AS

On 18th December 2007 subsidiary companies Aberdeen Petroleum Limited, MacNamee Services Limited and Owl Creek Investments were placed into liquidation. It is anticipated that the liquidations will be finalised during 2008. As at 31 December 2007 no value was attributed to these companies.

The liquidation of subsidiary company Resalp B V was completed during the year. The investment had been held at nil value.

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Notes to the financial statements (continued) (unaudited)

7. Debtors – amounts falling due within one year

	2007	2006
	<u>£'000</u>	<u>£'000</u>
Amounts due from associate undertaking	<u>53,641</u>	<u>50,318</u>

Amounts due from associate undertaking includes a loan of £53.5 million which is repayable on demand and bears interest at Sterling LIBOR plus 0.78%. The balance due from the associate undertaking at 31 December 2007 represents principal of £50.2 million plus accrued interest.

8. Creditors – amounts falling due within one year

	2007	2006
	<u>£'000</u>	<u>£'000</u>
Amounts due to immediate parent undertaking	378	342
Accruals	15	
Taxes payable	<u>408</u>	<u>21</u>
	<u>801</u>	<u>363</u>

9. Called up share capital

	2007	2006
	<u>£'000</u>	<u>£'000</u>
Authorised:		
1,000,000,000 common shares of CAD\$1 each	<u>495,614</u>	<u>495,614</u>
Allotted and fully paid:		
747,620,068 common shares of CAD\$1 each	<u>370,531</u>	<u>370,531</u>

Teakan Investments Limited

Teakan Investments Limited**Notes to the financial statements (continued)**
(unaudited)**10. Reconciliation of movements on shareholder's funds and reserves**

	Share capital <u>£'000</u>	Other reserves <u>£'000</u>	Profit and loss account <u>£'000</u>	Total shareholder's funds <u>£'000</u>
At 1 January 2006	370,531	(127)	8,340	378,744
Retained profit for the year			<u>2,379</u>	<u>2,379</u>
At 31 December 2006	370,531	(127)	10,719	381,123
Retained profit for the year			<u>2,885</u>	<u>2,885</u>
At 31 December 2007	<u>370,531</u>	<u>(127)</u>	<u>13,604</u>	<u>384,008</u>

11. Ultimate parent company

The company's immediate parent company is Talisman Energy (UK) Limited, a company registered in England and Wales. The company's ultimate parent company is Talisman Energy Inc, an independent Canadian public company.

The parent undertaking of the smallest group of which the company is a member and for which group financial statements are prepared is Talisman Energy Inc.

The consolidated financial statements of Talisman Energy Inc are available to the public and may be obtained from Talisman House, 163 Holburn Street, Aberdeen AB10 6BZ.