

**ENTERPRISE PETROLEUM LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2004**

**Registration Number 753093**



# ENTERPRISE PETROLEUM LIMITED

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## **ENTERPRISE PETROLEUM LIMITED**

### **DIRECTORS' REPORT**

The directors present their annual report and the audited accounts for the year ended 31 December 2004.

### **PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS**

The principal activities of the company were oil and natural gas liquid (NLG) trading operations and financial investment activities. The financing activity of the entity has also ceased with the majority of inter group financing having been refinanced within the Shell Group in 2003. The refinancing program was completed during May 2004, and as a result, the only remaining inter group balance was a deposit, which is repayable on demand of £65.2 million. A dividend was paid on 7<sup>th</sup> January 2005 for £55 million from retained earnings. The intention is for the company to be made dormant by December 31, 2005.

On 7 May 2002, Shell Resources p.l.c acquired the Enterprise Oil plc Group of which this company is a subsidiary. On 16 March 2004, in preparation for making the company dormant, the entity was transferred to Shell Overseas Holdings Ltd. The ultimate parent companies Shell Overseas Holdings Limited are Royal Dutch Petroleum Company (Royal Dutch) and The "Shell" Transport and Trading Company p.l.c. (Shell Transport) which together own, directly and indirectly, investments in numerous companies known collectively as the Royal Dutch/Shell Group.

The loss after taxation for the year amounted to £1.0 million (2003: £64.3 million profit). A dividend of £55.0 million was proposed and paid in January 2005 and is included in the financial statements for 2004 (2003: £20.0 million).

### **DIRECTORS**

The Directors of the Company, who served throughout the year and to the date of this report were:

P Davies	Appointed 12 November 2002	
A Longden	Appointed 3 November 2003	Resigned 15 March 2005
R Wiseman	Appointed 8 May 2002	

### **DIRECTORS' INTERESTS**

According to the Register recording such interests, no Director who was in office on 31 December 2004 had any such shareholdings or debenture-holding interests in the above-named undertaking or in any other undertaking requiring disclosure under the Companies Act 1985.

### **CREDITOR PAYMENT POLICY**

The Company complies with the Better Payment Practice Code, which states that responsible companies should:

- agree payment terms at the outset of a deal and adhere to them;
- explain its payment procedures to suppliers;
- not extend or alter payment terms without prior agreement;
- pay bills in accordance with any contract agreed with the supplier, or as required by law; and
- tell suppliers without delay when an invoice is contested and settle disputes quickly.

At the end of the financial year for 2004 and 2003, the amount of the operating creditors represents nil days of average purchases during the year for Enterprise Petroleum Limited.

## ENTERPRISE PETROLEUM LIMITED

### DIRECTORS' REPORT (Continued)

#### STATEMENT OF DIRECTORS' RESPONSIBILITY

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 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 are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

#### AUDITORS

The Company has passed an Elective Resolution in accordance with the Companies Act 1985 to dispense with the holding of annual general meetings, the laying of accounts and reports before general meetings and the annual reappointment of Auditors. KPMG Audit Plc, will, accordingly, continue in office as Auditors of the Company pursuant to Section 386 of the Companies Act 1985. However, pursuant to Section 253(2) of the Companies Act 1985, any Member or the Auditors of the Company may require the accounts and reports to be laid before a general meeting by depositing a notice to that effect at the registered office of the Company not later than 28 days after the despatch of the accounts and reports to Members.

By order of the Board



C. Bushay, Authorised Signatory  
for Shell Corporate Secretary Limited  
Company Secretary  
8 York Road  
LONDON SE1 7NA  
27th June 2005

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENTERPRISE PETROLEUM LIMITED

We have audited the financial statements on pages 5 to 11.

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 are responsible for preparing the directors' report and, as described on page 3, the 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 by our profession's ethical guidance.

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.

## 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 the company's affairs as at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

*29 June 2005*

8 Salisbury Square  
London  
EC4Y 8BB

**ENTERPRISE PETROLEUM LIMITED****PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 2004

	Note	2004 £m	2003 £m
NET OPERATING (LOSS)/PROFIT	2	-	(1.0)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		-	(1.0)
Interest receivable and similar income	3	4.0	95.5
Interest payable and similar charges	4	(4.1)	(2.6)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(0.1)	91.9
Tax on profit on ordinary activities	5	(0.9)	(27.6)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(1.0)	64.3
Dividend proposed		(55.0)	(20.0)
TRANSFERRED (FROM)/TO RESERVES		(56.0)	44.3

Discontinued operations: all items dealt with in arriving at the profit on ordinary activities before interest in 2003 were discontinued in March 2003 (see note 1).

**ENTERPRISE PETROLEUM LIMITED****BALANCE SHEET**

At 31 December 2004

	Note	2004 £m	2003 £m
<b>CURRENT ASSETS</b>			
Debtors less than One year	6	65.2	232.8
Cash at bank and in hand		-	0.1
		<hr/>	<hr/>
		65.2	232.9
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	7	(55.9)	(167.6)
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		9.3	65.3
		<hr/>	<hr/>
<b>NET ASSETS</b>		9.3	65.3
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	8	1.0	1.0
Profit and loss account	9	8.3	64.3
		<hr/>	<hr/>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	9	9.3	65.3
		<hr/>	<hr/>

Approved by the Board of Directors

On 27th June 2005  
and signed on its behalf byR.M. Wiseman  
Director

The notes on pages 7 to 11 form part of these accounts.

**ENTERPRISE PETROLEUM LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**1. Accounting policies**

**a) Accounting convention and compliance with Accounting Standards**

The accounts have been prepared under the historical cost convention, and, in accordance with the Companies Act 1985 and applicable Accounting Standards, in the United Kingdom and the accounting policies as described below.

The Directors plan to transfer the activity in the company to other companies within The Royal Dutch/Shell Group and the intention is to make the company dormant by December 31, 2005. All trading activity ceased during March 2003. The financing activity of the entity has ceased with the majority of inter group financing having been refinanced within the Shell Group. The refinancing program was completed during May 2004, and as a result, the only remaining inter group balance was a deposit repayable on demand of £65.2 million. A dividend relating to 2004 retained earnings was paid in January 2005 and is duly reflected in the 2004 financial statements as a current liability to its parent.

Prior year comparatives may be adjusted to be on a comparable basis to current year; any adjustments that the Directors consider significant are disclosed.

**b) Group accounts**

The immediate parent company of Enterprise Petroleum Limited, the "Company", is Shell Overseas Holding Limited a fellow subsidiary within the Royal Dutch/Shell Group.

The ultimate parent company is N.V. Koninklijke Nederlandsche Petroleum Maatschappij (Royal Dutch Petroleum Company), which is incorporated in the Netherlands. The ultimate parent company owns 60% of the share capital of The Shell Petroleum Company Limited, which is the main holding company in the UK, of which this Company is an indirect subsidiary. The remaining 40% is owned by The "Shell" Transport and Trading Company, p.l.c ("ST&T").

The accounts of the Company are incorporated in the accounts of the Royal Dutch/Shell Group of Companies, which are included in the Annual Reports of Royal Dutch Petroleum Company and ST&T.

Copies of the accounts of the Royal Dutch/Shell Group of Companies are available from:

Publications and Communications Administration  
Group External Affairs  
PXXC Division  
Shell Centre  
London  
SE1 7NA  
United Kingdom

**c) Net operating profit**

Activities ceased in 2003 where net operating profit represented the result from crude oil and NGL trading, and from currency and oil price hedging operations conducted in respect of Enterprise Oil group activities originating from the UK Continental Shelf and Norway.



**ENTERPRISE PETROLEUM LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**1. Accounting policies (continued)**

**d) Foreign currencies**

Transactions denominated in foreign currencies are translated and recorded at the relevant rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange ruling at the balance sheet date and exchange differences arising are dealt with in arriving at the result for the period.

**e) Derivative financial instruments**

The company is a party to certain derivative financial instruments primarily to manage exposures of the Enterprise Oil Group to fluctuations in foreign currency exchange rates and interest rates and to hedge some of the Enterprise Oil group's exposures to oil price volatility. Interest rate differentials under swap agreements are accounted for on an accrual basis. Unrealised gains and losses on swap agreements are deferred to match changes in the value of items being hedged. Gains and losses on transactions designated and effective as hedges of realisations for future production are deferred and recognised in the period of production concerned. During 2004 and 2003, there was no activity in swaps, futures or other derivatives.

**f) Related parties**

In accordance with the exemption allowed by paragraph 3 (c) of Financial Reporting Standard 8, no disclosure is made of transactions with other members of the Royal Dutch/Shell Group and investees of the Group qualifying as related parties.

**g) Current taxation**

The Company records a tax charge or credit in the profit and loss account calculated at the tax rate prevailing in the year for tax payable to the Inland Revenue. In the event that payment should be made at a rate different from the tax rate prevailing in the current year, adjustments would be taken up to reflect the rate differential.

**h) Deferred taxation**

The Company adopts the full provision basis for deferred tax without discounting, in accordance with FRS 19 "Deferred Tax". Provision is made for all timing differences, which have arisen but not reversed at the balance sheet date. This includes short-term timing differences, accelerated capital allowances and tax losses carried forward. Deferred tax is calculated using tax rates enacted or substantially enacted in each tax jurisdiction at the balance sheet date.

Deferred tax assets are recognised to the extent that they are regarded as recoverable and that on the basis of all available evidence it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted. Deferred tax is recognised in the profit and loss account for the period, except to the extent it is attributable to a gain or loss that is or has been recognised in the statement of total recognised gains and losses.

**ENTERPRISE PETROLEUM LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

i) **Cash flow statement**

Under Financial Reporting Standard 1 (Revised 1996), the company is exempt from the requirement to prepare a cash flow statement on the grounds that the parent undertaking includes the company in its own published consolidated accounts.

2. **Net operating profit and profit before interest**

The Company's ceased oil and NGL trading and financial investment activities in 2003.

Amounts included within net operating loss in respect of trading activities are as below:

	2004 £m	2003 £m
Sales	-	7.1
Purchases for resale	-	(5.1)
Operating costs	-	(3.0)
Amount included in net operating loss	-	(1.0)

All items dealt within arriving at the net operating profit for 2003 relate to trading activities that were discontinued in March 2003. During 2003, there was no trading in swaps, futures and other derivatives, as part of the Enterprise Oil group's hedging activities.

During 2003, turnover by origin was split 66% to the United Kingdom and 34% to Norway and turnover by area of destination was apportioned 88% to the United Kingdom and 12% to Rest of Europe.

None of the directors received any emoluments in respect of their services to the company during the year (2003: £nil). The auditor's remuneration in respect of the statutory audit was £18,650 for 2003. In previous years, the immediate parent paid the audit fees. No fees were paid to the auditor in respect of any other work (2003: £nil).

3. **Interest receivable and similar income**

	2004 £m	2003 £m
Income from current asset investments		
- other investments	-	0.7
Interest receivable from group undertakings	4.0	13.7
Foreign currency exchange gains	-	81.1
	4.0	95.5

**ENTERPRISE PETROLEUM LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**4. Interest payable and similar charges**

	<b>2004 £m</b>	<b>2003 £m</b>
Bank loans and overdrafts	-	0.3
Interest payable to group undertakings	-	2.3
Foreign currency exchange loss	4.1	-
	<u>4.1</u>	<u>2.6</u>

**5. Tax on profit on ordinary activities**

	<b>2004 £m</b>	<b>2003 £m</b>
UK Corporation tax charge at 30% (2003:30%)		
Current - tax on profit for the period	0.0	(27.6)
Adjustments in respect of prior years	(0.9)	-
	<u>(0.9)</u>	<u>(27.6)</u>
Current Tax charge	(0.9)	(27.6)
	<u>(0.9)</u>	<u>(27.6)</u>
Total Tax Charge on profit on ordinary activities	(0.9)	(27.6)

Factors affecting tax charge for period

The tax assessed for the period is based on the standard rate of corporation tax in the UK (30%)

The differences are explained below:

	<b>2004 £m</b>	<b>2003 £m</b>
(Loss)/Profit on ordinary activities before tax	<u>(0.1)</u>	<u>91.9</u>
(Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30 per cent	0.0	(27.6)
Adjustments to tax charge in respect of previous period	(0.9)	-
	<u>(0.9)</u>	<u>(27.6)</u>
Current tax (charge) for the period	(0.9)	(27.6)

It is the policy of the Company, and of other group undertakings, to record a tax charge or credit in the profit and loss account calculated at the tax rate prevailing in the year for tax payable to the Inland Revenue, or for group relief to be surrendered to or received from other group undertakings, and for which payment maybe requested. In the event that payment should be made at a rate different from the tax rate prevailing in the current year, adjustments would be taken up to reflect the rate differential.

**ENTERPRISE PETROLEUM LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**6. Debtors less than One Year**

	<b>2004 £m</b>	<b>2003 £m</b>
Trade debtors	-	2.1
Amounts owed by other group undertakings	65.2	230.7
	<u>65.2</u>	<u>232.8</u>

**7. Creditors: amounts falling due within one year**

	<b>2004 £m</b>	<b>2003 £m</b>
Amounts owed to parent undertaking	55.0	118.5
UK Corporation Tax	0.9	48.3
Accruals and deferred income	-	0.8
	<u>55.9</u>	<u>167.6</u>

**8. Called-up share capital**

	<b>2004 £m</b>	<b>2003 £m</b>
Authorised, allotted, called-up and fully paid: 1,000,000 ordinary shares of £1 each	1.0	1.0

**9. Reconciliation of movement in reserves and shareholders' funds**

	<b>Share capital £m</b>	<b>Profit and loss account £m</b>	<b>Total £m</b>
Retained (loss)/profit for the financial year	-	(1.0)	(1.0)
Dividends Proposed	-	(55.0)	(55.0)
Net increase in Shareholders Funds	-	(56.0)	(56.0)
Shareholders funds at 1 January 2004	1.0	64.3	65.3
Shareholders funds at 31 December 2004	1.0	8.3	9.3

**10. Contingencies**

There were no other significant contingent liabilities at 31 December 2004 other than those arising in the ordinary course of business in respect of the Company's trading and financing arrangements.