

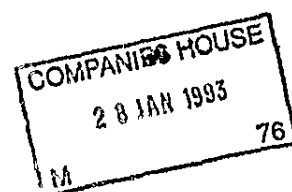
1421481

KELT U.K. LIMITED

ACCOUNTS -- 31 MARCH 1992

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

The company's registered number is 1421481.



KELT U.K. LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 1992

The directors submit their annual report on the affairs of the company together with the accounts and auditors' report for the year ended 31 March 1992.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW:

The principal activities of the company comprise oil and gas exploration and production and the provision of technical and engineering services to the energy industry.

RESULTS AND DIVIDENDS:

The results of the company for the year are set out in the profit and loss account on page 4. The directors recommend that no dividend be paid in respect of the year ended 31 March 1992 (1991 - £Nil).

Subsequent to 31 March 1992 the development of the Singleton oilfield and the Caythorpe gasfield have been completed on schedule and within budget. Both are now performing at or above expectations and together have increased net production from 400 bopd to over 800 bopd.

Present activities in the UK are somewhat delayed by the continuing postponement of a decision following the public enquiry into the North Yorkshire Power Project although commercial arrangements for the project have progressed satisfactorily.

FIXED ASSETS:

A summary of movements of fixed assets is shown in Note 8 to the accounts.

DIRECTORS AND THEIR INTERESTS:

The directors who held office during the year and subsequently were as follows-

D.M. Bizeau (resigned 6 April 1992)
R.E. Jones
P.C. Spink
J.G. Crick (resigned 7 April 1992)
A.J. Shields (resigned 23 January 1992)
J.H.E. Butterfield (resigned 6 April 1992)
B. James (appointed 15 April 1992)
R.D. Barrett (appointed 15 April 1992)

KELT U.K. LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 1992

DIRECTORS AND THEIR INTERESTS (continued)

The interests in the shares and share options of group companies of the directors who were also directors of the parent company, Kelt Energy PLC, are disclosed in the report and accounts of that company. At 31 March 1992 R.E. Jones held 150,000 (1991 - 100,000) share options granted under the Executive Share Option Scheme. 100,000 of these options have an exercise price of 37p exercisable between November 1992 and November 1999 and 50,000 have an exercise price of 11p exercisable between March 1995 and March 2002.

No other director who held office at 31 March 1992 had any interests in the shares of group companies.

AUDITORS:

The directors will place a resolution before the Annual General Meeting to reappoint Arthur Andersen (formerly Arthur Andersen & Co.) as auditors for the ensuing year.

BY ORDER OF THE BOARD,

130 Jermyn Street
London
SW1Y 4UJ


A. Eager
Secretary

26 January 1993

ARTHUR ANDERSEN

London

Auditors' report to the members of KELT U.K. LIMITED:

We have audited the accounts on pages 4 to 12 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 March 1992 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditor
1 Surrey Street
London
WC2R 2PS

26 January 1993

KELT U.K. LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 1992

	<u>Notes</u>	<u>1992</u> <u>£'000</u>	<u>1991</u> <u>£'000</u>
TURNOVER	2	11,637	18,126
Cost of sales	3	(10,991)	(17,851)
GROSS PROFIT		646	275
Administrative expenses	4	(393)	(619)
OPERATING PROFIT (LOSS)		253	(344)
Interest receivable		57	25
Interest payable	6	(1,596)	(515)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,286)	(834)
Tax on loss on ordinary activities	7	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(1,286)	(834)
ACCUMULATED DEFICIT, brought forward		(1,587)	(895)
Transfer from revaluation reserve	14	2,404	142
ACCUMULATED DEFICIT, carried forward		(469)	(1,587)

The accompanying notes are an integral part of this profit and loss account.

KELT U.K. LIMITED

BALANCE SHEET -- 31 MARCH 1992

	<u>Notes</u>	<u>1992</u> £'000	<u>1991</u> £'000
FIXED ASSETS			
Tangible assets	8	12,226	18,293
CURRENT ASSETS			
Stocks		14	346
Debtors	9	13,146	3,782
Cash at bank		6	29
		13,166	4,157
CREDITORS: Amounts falling due within one year	10	(6,965)	(7,172)
NET CURRENT ASSETS (LIABILITIES)		6,201	(3,015)
TOTAL ASSETS LESS CURRENT LIABILITIES		18,427	15,278
CREDITORS: Amounts falling due after more than one year	11	(18,424)	(14,096)
PROVISIONS FOR LIABILITIES AND CHARGES	12	(372)	(265)
NET (LIABILITIES) ASSETS		(369)	917
CAPITAL AND RESERVES			
Called-up share capital	13	100	100
Revaluation reserve	14	-	2,404
Profit and loss account		(469)	(1,587)
		(369)	917

APPROVED BY THE BOARD ON 26 January 1993

P.C. Spink - Director

The accompanying notes are an integral part of this balance sheet.

KELT U.K. LIMITED

NOTES TO ACCOUNTS -- 31 MARCH 1992

1. STATEMENT OF ACCOUNTING POLICIES:

The following principal accounting policies, which have been applied consistently throughout the year and with preceding years, were adopted in arriving at the financial information set out in these accounts.

a) Basis of accounting

The accounts have been prepared under the historical cost convention, modified to include the revaluation of fixed assets, and in accordance with applicable accounting standards.

b) Joint operations

Kelt U.K.'s oil and gas activities are conducted principally as co-licensee in joint operations with other companies.

The accounts reflect Kelt U.K.'s share of income and expenditure arising from these ventures.

c) Turnover

Turnover represents the company's invoiced sales of oil and gas, all of which arise in the United Kingdom.

d) Exploration and development costs

Capitalisation

Costs of acquisition, exploration, appraisal and development of oil and gas properties are capitalised under the principles of full cost accounting.

All costs, including geological, geophysical, engineering and general and administrative expenses directly related to these activities are capitalised in a full cost pool. Financing costs in respect of borrowings applying to these activities are capitalised. Interest costs are expensed insofar as they relate to borrowings associated with proved developed producing reserves.

Exploration and appraisal costs incurred prior to the determination of the existence or otherwise of commercial reserves are initially capitalised outside the related full cost pool, subject to there being no evidence of impairment. Such costs are transferred to the full cost pool upon declaration of commerciality or upon cessation of the related exploration programme.

Proceeds of disposal of licence interests are credited to the pool, no gain nor loss is recognised.

NOTES TO ACCOUNTS (Continued)

1. ACCOUNTING POLICIES (Continued):

d) Exploration and development costs (Continued)

Depreciation

All expenditure carried within the full cost pool is depreciated on a unit of production basis using the ratio of the production in the period to the estimated quantity of commercial reserves at the end of the period plus the production in the period. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the anticipated future field development costs at current period end unescalated prices.

Changes in cost and reserve estimates are dealt with prospectively.

Ceiling test

A ceiling test is carried out at each balance sheet date to assess whether the net book value of capitalised costs is covered by the anticipated and undiscounted future net revenues calculated at period end prices. Any deficiency arising under this comparison is provided to the extent that, in the view of the directors, it is considered to represent a permanent diminution in the value of the related assets.

e) Office equipment and motor vehicles

Depreciation on cost is provided on a straight line basis at rates between 25% and 33% per annum.

f) Foreign currency

Transactions denominated in foreign currency are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated into sterling at the rate of exchange ruling on the balance sheet date, exchange differences being reflected in the profit and loss account.

g) Deferred taxation

Deferred taxation is provided at anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is possible that a liability or asset will crystallise in the future.

Provision is made for Petroleum Revenue Tax over the expected life of each field on a unit of production basis taking account of the benefit of uplift, oil allowance, safeguard and abandonment costs and using oil prices and cost levels prevailing at the balance sheet date.

h) Abandonment provision

Estimated abandonment costs are provided field by field on a unit of production basis.

NOTES TO ACCOUNTS (Continued)

1. ACCOUNTING POLICIES (Continued):

i) Stocks

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

j) Cash flow statement

No cash flow statement has been prepared. The company's ultimate holding company, Kelt Energy PLC prepared a consolidated cash flow statement in accordance with Financial Reporting Standard No.1.

2. TURNOVER AND LOSS ON ORDINARY ACTIVITIES:

The company's turnover and loss on ordinary activities before taxation for the period were derived from oil and gas production in the United Kingdom. Turnover includes £1,576,000 (1991 - £1,547,000) in respect of brokerage sales of third party oil.

3. COST OF SALES:

	<u>1992</u> £'000	<u>1991</u> £'000
Purchases of crude oil for resale	9,622	16,285
Other operating costs	937	623
Royalties	12	14
Depletion and amortisation	313	834
Abandonment	107	95
	----- 10,991	----- 17,851

4. ADMINISTRATION EXPENSES:

	<u>1992</u> £'000	<u>1991</u> £'000
Administration expenses include-		
Depreciation	130	147
Auditors' remuneration	15	15
(Profit) loss on disposal of sundry fixed assets	-	(33)
	-----	-----

5. STAFF COSTS:

Particulars of employees, including directors, are as follows-

	<u>1992</u> £'000	<u>1991</u> £'000
Employee costs during the year amounted to-		
Wages and salaries	1,947	1,173
Social security costs	199	111
Other pension costs	152	72
	----- 2,298	----- 1,356

NOTES TO ACCOUNTS (Continued)

5. STAFF COSTS (Continued):

The average number of persons employed by the company during the year was 76 (1991 - 74).

The employee costs shown above include the following remuneration in respect of directors-

Compensation for loss of office	-	30
Emoluments, including pension contributions	291	285
	-----	-----
	291	315
	=====	=====

The directors' remuneration shown above (excluding pension contributions) included-

	<u>1992</u> £'000	<u>1991</u> £'000
Chairman	-	-
	=====	=====
Highest paid director	86	78
	=====	=====

Directors received emoluments (excluding pension contributions) in the following ranges-

	<u>Number</u>	<u>Number</u>
£ 0 - £ 5,000	3	2
£60,001 - £65,000	-	1
£70,001 - £75,000	-	2
£75,001 - £80,000	1	-
£80,001 - £85,000	1	-
£85,001 - £90,000	1	-
	=====	=====

6. INTEREST PAYABLE:

	<u>1992</u> £'000	<u>1991</u> £'000
Interest on bank overdraft	3	81
Interest on intercompany loans (Note 11)	1,936	1,973
Less amounts capitalised	(343)	(1,539)
	-----	-----
	1,596	515
	=====	=====

7. TAX ON LOSS ON ORDINARY ACTIVITIES:

There was no tax charge for the year (1991 - £Nil) as the company has unutilised tax losses carried forward.

NOTES TO ACCOUNTS (Continued)

8. TANGIBLE FIXED ASSETS:

	<u>Oil and gas properties</u> £'000	<u>Office equipment and motor vehicles</u> £'000	<u>Total</u> £'000
COST OR VALUATION-			
At 31 March 1991	23,971	827	24,798
Additions	5,040	128	5,168
Disposals	(10,792)	-	(10,792)
	-----	-----	-----
At 31 March 1992	18,219	955	19,174
	-----	-----	-----
DEPRECIATION-			
At 31 March 1991	6,065	440	6,505
Charge for the year	313	130	443
	-----	-----	-----
At 31 March 1992	6,378	570	6,948
	-----	-----	-----
NET BOOK VALUE			
At 31 March 1992	11,841	385	12,226
	=====	=====	=====
NET BOOK VALUE			
At 31 March 1991	17,906	387	18,293
	=====	=====	=====

Expenditure capitalised during the year includes interest of £343,000 (1991 - £1,539,000).

The pool of assets was revalued upon the acquisition of the company by Kelt Energy PLC in 1988 based on the acquisition cost at that time. As proceeds of subsequent disposals have now exceeded the then revalued amount, the whole of the revaluation element of the pool, and the related revaluation reserve (Note 14), have effectively been realised and, hence, eliminated.

9. DEBTORS:

Amounts falling due within one year-

	<u>1992</u> £'000	<u>1991</u> £'000
Trade debtors	1,433	3,093
Due from group undertakings	11,529	541
Other debtors	58	49
Prepayments and accrued income	126	99
	-----	-----
	13,146	3,782
	=====	=====

10. CREDITORS- AMOUNTS FALLING DUE WITHIN ONE YEAR:

	<u>1992</u> £'000	<u>1991</u> £'000
Trade creditors	1,507	507
Amounts owed to group undertakings	5,074	6,105
Taxation and social security	321	245
Accruals	263	315
	-----	-----
	6,965	7,172
	=====	=====

NOTES TO ACCOUNTS (Continued)

11. CREDITORS- AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR:

	<u>1992</u> £'000	<u>1991</u> £'000
Amounts owed to group undertakings	17,191	14,096
Other creditors	1,233	-
	-----	-----
	18,424	14,096
	=====	=====

Amounts owed to group undertakings are repayable after more than five years from the balance sheet date. Interest is charged at a rate equivalent to Lloyds Bank PLC deposit rate +1%.

Amounts owed to other creditors relate to the second and third tranche payments due to BP on the Semay A and B purchase in April 1993 and July 1994 respectively.

12. PROVISIONS FOR LIABILITIES AND CHARGES:

	<u>Abandonment costs</u> £'000
At 31 March 1991	265
Charge for the year	107

At 31 March 1992	372
	=====

The full potential liability for deferred corporation tax, calculated on the liability method at 33%, arises from-

	<u>1992</u> £'000	<u>1991</u> £'000
Accelerated capital allowances	1,690	3,693
Inter-company interest	(1,005)	(432)
Losses	(684)	(905)
	-----	-----
Full potential liability	-	2,356
	=====	=====
Of which provided for in the accounts	-	-
	=====	=====

13. CALLED-UP SHARE CAPITAL:

	<u>1992</u> £'000	<u>1991</u> £'000
Authorised, allotted, called-up and fully-paid- Ordinary shares of £1 each	100	100
	=====	=====

NOTES TO ACCOUNTS (Continued)

14. RESERVES:

	<u>Revaluation reserve</u> £'000
Beginning of the year	2,404
Transfer to profit and loss account (Note 8)	(2,404)

End of year	-
	=====

15. CAPITAL COMMITMENTS:

At 31 March 1992 the company was committed to the following expenditure (Kelt Share) on exploration and development activities-

	<u>1992</u> £'000	<u>1991</u> £'000
Contracted	2,003	2,610
Authorised but not contracted for	1,420	3,717
	-----	-----
	3,423	6,327
	=====	=====

16. ULTIMATE PARENT COMPANY:

The company's ultimate parent company is Kelt Energy PLC, registered in England and Wales. Kelt Energy PLC is the parent undertaking for the only group in which the results of Kelt U.K. Limited are consolidated. The consolidated accounts of this group are available to the public and may be obtained from 130 Jermyn Street, London SW1Y 4UJ.