

**Directors' Report and Financial
Statements**

Aran Energy plc

31 December 2001

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ARAN ENERGY plc

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2001

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ARAN ENERGY plc

COMPANY INFORMATION

Registered No. 39227

DIRECTORS

R Bjørnson (Chairman)
H Berge
P Evans
J Conroy

SECRETARY

A J Saul

AUDITORS

Ernst & Young
Chartered Accountants
Ernst & Young Building
Harcourt Centre
Harcourt Street
Dublin

REGISTERED OFFICE

6 George's Dock
IFSC
Dublin 1

Aran Energy plc

DIRECTORS' REPORT

For the year ended 31 December 2001

The directors present their report and accounts for the year ended 31 December 2001.

RESULTS AND DIVIDENDS

The profit and loss account for the year ended 31 December 2001 and the balance sheet at that date are set out on pages 7 to 8.

The directors do not propose the payment of a dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is that of a holding company. The principal place of business is Statoil House, 11a Regent Street, London SW1Y 4ST.

DIRECTORS

The directors who served during the year ended 31 December 2001 are as follows:

R Bjørnson	(Norwegian)	(Chairman)	(Appointed 21 August 2001)
G Jøssang	(Norwegian)		(Resigned 15 June 2001)
A Saul	(United Kingdom)	(Secretary)	
H Berge	(Norwegian)		
P Evans	(United Kingdom)		(Appointed 16 May 2001)
J Conroy	(Ireland)		(Appointed 11 May 2001)

DIRECTORS' INTERESTS IN SHARES

	<i>Company - Type</i>	<i>2001</i>	<i>2000</i>
R Bjørnson	Statoil ASA. -Ordinary	1,243	-
G Jøssang	Statoil ASA. -Ordinary	800	-
H Berge	Statoil ASA. -Ordinary	400	-
P Evans		-	-
J Conroy		-	-
T Saul		230	-

BOOKS OF ACCOUNTS

The directors are responsible for ensuring that proper books and accounting records, as outlined in Section 202 of the Companies Act, 1990 are kept by the company. To achieve this, the directors have appointed an experienced financial controller who reports to the board and ensures that the requirements of Section 202 of the Companies Act, 1990 are complied with.

Those books and accounting records are maintained at Statoil House, 11a Regent Street, London, SW1Y 4ST, UK

DIRECTORS' REPORT

For the year ended 31 December 2001

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Irish company law requires the directors to prepare financial statements 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 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; 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 books of account which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with the provisions of the Companies Acts, 1963 to 2001 and the European Communities (Companies: Group Accounts) Regulations, 1992. 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.

AUDITORS

The UK firm of Ernst & Young resigned as auditors and the Irish firm of Ernst & Young were appointed in their stead and will continue in office in accordance with Section 160(2) of the Companies Act, 1963.

On behalf of the directors.

Directors:

Harold Boyce *Paul Finnan*

Date:

24/10-02

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARAN ENERGY PLC

We have audited the financial statements for the year ended 31 December 2001, which comprise the Profit and Loss Account, Balance Sheet, and the related notes 1 to 10. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable Irish law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and Auditing Standards issued by the Auditing Practices Board for use in Ireland and the United Kingdom.

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 Acts. We also report to you our opinion as to: whether proper books of account have been kept by the company; whether at the balance sheet date there exists a financial situation which may require the convening of an extraordinary general meeting of the company; and whether the information given in the directors' report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the financial statements are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and transactions with the company is not given and, where practicable, include such information in our report.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARAN ENERGY
PLC
(Continued)**

Basis of audit 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.

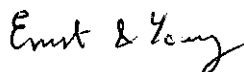
Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Acts, 1963 to 2001 and the European Communities (Companies: Group Accounts) Regulations, 1992.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion the information given in the directors' report is consistent with the financial statements.

In our opinion the balance sheet does not disclose a financial situation which, under the provisions of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the company.



Ernst & Young

Registered Auditors

Dublin

Date: *October 25, 2002*

Aran Energy plc

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2001

	2001	2000
	IR£000	<i>Restated</i> IR£000
Notes		
EXPLORATION, ADMINISTRATION AND FINANCIAL ITEMS		
Administrative expenses	(49)	(1)
Interest receivable and similar income	1	1
Exchange gains and losses	1,407	(234)
Impairment of fixed assets investments	3	(14,812)
PROFIT/(LOSS) RETAINED FOR THE YEAR	<u>1,359</u>	<u>(15,046)</u>
PROFIT/(LOSS) BROUGHT FORWARD		
As previously reported	5,854	6,088
Prior year adjustment	<u>(14,812)</u>	-
As restated	(8,958)	
PROFIT CARRIED FORWARD AT 31 DECEMBER	<u>(7,599)</u>	<u>(8,958)</u>

There are no recognised gains or losses in either year other than the profit/(loss) attributable to shareholders of the company.

Approved by the board on:

Directors

Harold Berge *Rune Sivertsen*

Date:

24/12-02

Aran Energy plc

BALANCE SHEET at 31 December 2001

	Notes	2001 IR£000	2000 Restated IR£000
FIXED ASSETS			
Financial assets	3	3,449	3,449
		<u>3,449</u>	<u>3,449</u>
CURRENT ASSETS			
Debtors	4	63,104	61,700
Cash at bank and in hand		1	-
		<u>63,105</u>	<u>61,700</u>
CREDITORS: amounts falling due within one year	5	(62)	(16)
NET CURRENT ASSETS		<u>63,043</u>	<u>61,684</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>66,492</u>	<u>65,133</u>
CAPITAL AND RESERVES			
Called up share capital	6	52,351	52,351
Share premium account	7	11,956	11,956
Profit and loss account	7	(7,599)	(8,958)
Foreign exchange reserve	7	9,784	9,784
SHAREHOLDERS' FUNDS - ALL EQUITY INTERESTS		<u>66,492</u>	<u>65,133</u>

Approved by the board on:

Directors

Harold Byrne *Rune Gjønnes*

Date:

24/10.02

Aran Energy plc

NOTES TO THE ACCOUNTS at 31 December 2001

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention.

Cash flow statement

Under the provisions of Financial Reporting Standard No. 1 (Revised 1996), the company has not prepared a cash flow statement because its ultimate parent undertaking, Statoil ASA., which is incorporated in Norway, has prepared group accounts which include the results of the company for the period and which contain a cash flow statement.

Group financial statements

These accounts present information about the company as an individual undertaking and not about its group.

The company is exempt from the obligation to draw up group financial statements under Regulation 8 of the European Communities (Companies: Group Accounts) Regulations, 1992 and details of its parent undertaking, in whose group financial statements it is included, are given in note 9.

Foreign currencies

Transactions in foreign currencies were recorded at the rate ruling on the date of the 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.

2. STATUTORY AND OTHER INFORMATION

The company had no employees during the year or the preceding year.

	<i>2001</i>	<i>2000</i>
	<i>IR£000</i>	<i>IR£000</i>
Directors' emoluments	-	-
Auditor remuneration	-	-
	<u> </u>	<u> </u>

3. PRIOR YEAR ADJUSTMENT

The prior year adjustment arises due to a fundamental error regarding the carrying value of the fixed asset investments at 31 December 2000.

At 31 December 2000 the investments were carried on the balance sheet at their historic cost of £18,261,000 when in fact a decision had already been made to write down the value of these investments to their recoverable amount of £3,449,000. The impairment arises from an internal restructuring of assets within the intermediate holding company, Statoil (UK) Limited prior to 2000.

Aran Energy plc

NOTES TO THE ACCOUNTS at 31 December 2001

The effect of the impairment of £14,812,000 on the prior year operating results was to increase the operating loss from IR£234,000 to IR£15,046,000. The effect on the balance sheet was as follows:

Balance Sheet	<i>2000</i> <i>IR£000</i>
<i>Investments</i>	
As previously reported	18,261
Prior year adjustment	<u>(14,812)</u>
As restated	<u>3,449</u>
 <i>Shareholders Funds</i>	
As previously reported	79,945
Prior year adjustment	<u>(14,812)</u>
As restated	<u>65,133</u>

4. FINANCIAL ASSETS

	<i>2001</i> <i>IR£000</i>	<i>2000</i> <i>Restated</i> <i>IR£000</i>
Shares in subsidiary undertakings, unlisted, at cost:		
Cost at 1 January	18,261	18,261
Cost at 31 December	<u>18,261</u>	<u>18,261</u>
Amounts provided at 1 January	14,812	-
Prior year adjustment (note 8)	-	14,812
Amounts provided 31 December 2000 (restated) and 2001	<u>14,812</u>	<u>14,812</u>
Net book value at 31 December	<u>3,449</u>	<u>3,449</u>

At 31 December 2001 and 2000, the company had the following wholly-owned subsidiary undertakings:

<i>Name of company</i>	<i>Holding</i>	<i>% held</i>	<i>Nature of business</i>	<i>Country of registration or incorporation</i>
Petrolex PLC	Ordinary shares	100%	Hydrocarbon exploration and production	England and Wales
Petrolex (Netherlands) BV	Ordinary shares	100%	Hydrocarbon exploration and production	Netherlands
Lassemista Company Limited	Ordinary shares	100%	Holding Company	Ireland

Aran Energy plc

NOTES TO THE ACCOUNTS at 31 December 2001

Petrolex PLC has an interest in the following wholly-owned subsidiary undertakings, of which the following have their registered offices at (except where noted) 11a Regent Street, London, SW1Y 4ST, United Kingdom,:

<i>Name of company</i>	<i>Activity</i>
Aran Energy (GB) Limited	Dormant
Petrolex (Northsea) Limited UK	Dormant
Aran Onshore Holdings (N.I.) Limited *	Dormant

* The registered office for Aran Onshore Holdings (N.I.) Limited is Elliott Duffy Garrett, Imperial House, 7 Donegal Square East, EC1A 5HD, Belfast, United Kingdom.

Lassemista Company Limited has an interest in the following wholly-owned subsidiary undertakings, all of which have their registered offices at 6 George's Dock, IFSC, Dublin 1:

<i>Name of company</i>	<i>Activity</i>
Aran Oil Limited	Holding company
Aran Onshore Limited	Dormant
Aran Onshore Holdings Limited	Dormant

At 31 December 2001 and 2000, Lassemista Company Limited had the following dormant subsidiary undertaking, which is incorporated in Ireland. That company has its registered office at 6 George's Dock, IFSC, Dublin 1:

<i>Name</i>	<i>Activity</i>	<i>Interest in ordinary share capital</i>
Aran Aker Limited	Engineering design	60%

Subsidiary undertakings were deemed to have reduced in residual value and were written-down to reflect this.

Aran Energy plc

NOTES TO THE ACCOUNTS at 31 December 2001

5. DEBTORS: amounts due after one year

	<i>2001</i> <i>IR£000</i>	<i>2000</i> <i>IR£000</i>
Amounts owed by parent undertakings	62,730	61,316
Amounts owed by subsidiary undertakings	-	10
Other debtors	374	374
	<u>63,104</u>	<u>61,700</u>

6. CREDITORS: amounts due within one year

	<i>2001</i> <i>IR£000</i>	<i>2000</i> <i>IR£000</i>
Amounts due to parent undertakings	55	6
Amounts due to subsidiary undertakings	-	10
Deferred Income	7	-
	<u>62</u>	<u>16</u>

7. CALLED UP SHARE CAPITAL

	<i>2001</i> <i>IR£000</i>	<i>2000</i> <i>IR£000</i>
Authorised: 350,000,000 ordinary shares of IR£0.20 each	70,000	70,000
Allotted, called up and fully paid: 261,753,729 ordinary shares of IR£0.20 each	<u>52,351</u>	<u>52,351</u>

NOTES TO THE ACCOUNTS
at 31 December 2001

8. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital</i>	<i>Share premium</i>	<i>Profit and loss Restated</i>	<i>Foreign exchange reserve</i>	<i>Total share- holders' funds Restated</i>
	<i>IR£000</i>	<i>IR£000</i>	<i>IR£000</i>	<i>IR£000</i>	<i>IR£000</i>
At 1 January 2000	52,351	11,956	6,088	9,784	80,179
Loss for the year	-	-	(234)	-	(234)
Prior year adjustment (note 8)			(14,812)		(14,812)
At 31 December 2000	52,351	11,956	(8,958)	9,784	65,133
Profit for the year	-	-	1,359	-	1,359
At 31 December 2001	52,351	11,956	(7,599)	9,784	66,492

9. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption supplied by Financial Reporting Standard No.8 from disclosing transactions with other group members qualifying as related parties. Consolidated financial statements in which the company is included are publicly available.

10. PARENT UNDERTAKING

The immediate controlling party and parent undertaking of the smallest group of undertakings for which group financials statements are drawn up, and of which the company is a member, is Statoil (UK) Limited a company incorporated in the United Kingdom. Copies of its financial statements are available from Statoil House, 11a Regent Street, London SW1Y 4ST, England.

The parent undertaking of the largest group of undertakings for which group financial statements are drawn up, and of which the company is a member, is Statoil ASA, incorporated in Norway. Copies of the group financial statements of Statoil ASA, are available from Statoil (U.K.) Limited at the above address.

The ultimate controlling party is the Norwegian government.