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FC 20647

**Directors' Report and Financial
Statements**

Aran Energy PLC

31 December 2003



ARAN ENERGY PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2003

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ARAN ENERGY PLC

COMPANY INFORMATION

Registered No. FC020647

DIRECTORS

E Kjos-Hanssen (Chairman)
H Berge
P Evans
J Conroy

SECRETARY

A J Saul

AUDITORS

Ernst & Young
Chartered Accountants
Ernst & Young Building
Harcourt Centre
Harcourt Street
Dublin 2

REGISTERED OFFICE

6 George's Dock
IFSC
Dublin 1

Aran Energy PLC

DIRECTORS' REPORT

For the year ended 31 December 2003

The directors have pleasure in presenting the directors' report and financial statements for the year ended 31 December 2003.

RESULTS AND DIVIDENDS

The profit and loss account for the year ended 31 December 2003 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 2003 are as follows:

E Kjos-Hanssen	(Norwegian)	(Chairman)	(Appointed 4 August 2003)
R Bjørnson	(Norwegian)		(Resigned 4 August 2003)
H Berge	(Norwegian)		
P Evans	(British)		
J Conroy	(Irish)		

DIRECTORS' AND SECRETARY'S INTERESTS IN SHARES

	<i>Company - Type</i>	<i>2003</i>	<i>2002 (At date of appointment if later)</i>
E Kjos-Hanssen	Statoil ASA. -Ordinary	165	165
H Berge	Statoil ASA. -Ordinary	440	440
A J Saul	Statoil ASA. -Ordinary	253	253

There are no other Directors' interests to disclose other than those shown above.

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

Aran Energy PLC

DIRECTORS' REPORT

For the year ended 31 December 2003

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.

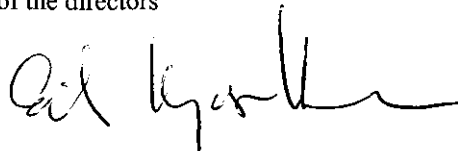
The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with the provisions of the Companies Acts, 1963 to 2003 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

Ernst & Young, Chartered Accountants, will continue in office in accordance with Section 160(2) of the Companies Act, 1963.

On behalf of the directors

Directors:



Date:

15.10.2004



16/10/2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARAN ENERGY PLC

We have audited the financial statements for the year ended 31 December 2003, 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.

This report is made solely to the company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. 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 auditors' 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' responsibilities for preparing 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 within it.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARAN ENERGY
PLC

(Continued)

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 2003 and of its loss for the year then ended and have been properly prepared in accordance with the provisions of the Companies Acts, 1963 to 2003 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 section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the company.

Ernst & Young

Ernst & Young
Registered Auditors
Dublin

Date: 22 October 2004

Aran Energy PLC

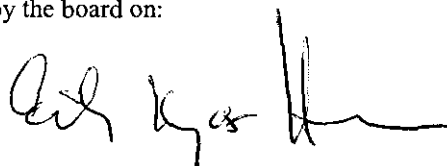
PROFIT AND LOSS ACCOUNT for the year ended 31 December 2003

	Notes	2003 EUR'000	2002 EUR'000
EXPLORATION, ADMINISTRATION AND FINANCIAL ITEMS			
Administrative expenses		52	(46)
Write down investments in subsidiaries	4	-	(4,380)
Exchange losses		(5,945)	(5,024)
LOSS FOR THE YEAR		<u>(5,893)</u>	<u>(9,450)</u>
Taxation	3	-	-
LOSS RETAINED FOR THE YEAR		<u>(5,893)</u>	<u>(9,450)</u>
LOSS BROUGHT FORWARD AT BEGINNING OF YEAR		(19,099)	(9,649)
LOSS CARRIED FORWARD AT END OF YEAR		<u><u>(24,992)</u></u>	<u><u>(19,099)</u></u>

There are no recognised gains or losses in either year other than the losses attributable to shareholders of the company.

Approved by the board on:

Directors




Date:

15.10.2004

15/10/2004

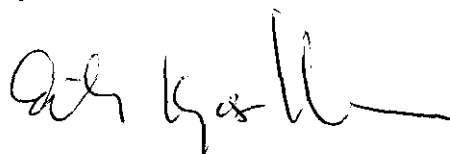
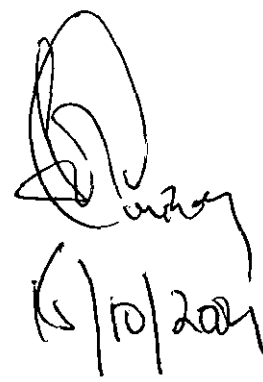
Aran Energy PLC

BALANCE SHEET at 31 December 2003

	Notes	2003 EUR'000	2002 EUR'000
FIXED ASSETS			
Financial assets	4	-	-
CURRENT ASSETS			
Debtors	5	69,140	75,023
Cash at bank and in hand		1	1
		69,141	75,024
CREDITORS: amounts falling due within one year	6	(57)	(47)
NET CURRENT ASSETS		69,084	74,977
TOTAL ASSETS LESS CURRENT LIABILITIES		69,084	74,977
CAPITAL AND RESERVES			
Called up share capital	7	66,472	66,472
Share premium account	8	15,181	15,181
Profit and loss account	8	(24,992)	(19,099)
Foreign exchange reserve	8	12,423	12,423
SHAREHOLDERS' FUNDS - ALL EQUITY INTERESTS		69,084	74,977

Approved by the board on:

Directors

15/10/2004

Date: 15.10.2004

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2003

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 are publicly available.

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 10.

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.

Aran Energy PLC

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2003

2. STATUTORY AND OTHER INFORMATION

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

	2003 EUR'000	2002 EUR'000
Directors' emoluments	-	-
Auditors' remuneration	-	-

3. TAXATION

(a) Analysis of charge in the year:

No tax charge arose in either the current or prior year as no taxable income arose.

(b) Factors affecting tax charge for the year:

The tax charge is made up as follows:

	2003 EUR'000	2002 EUR'000
Tax per profit and loss account	-	-
Factors affecting current tax charge		
Loss on ordinary activities before taxation	(5,893)	(9,450)
Loss on ordinary activities before taxation multiplied by standard rate on UK corporation tax rate of 30% (2002: 30%)	(1,768)	(2,835)
Unutilized losses	1,768	2,835
Total current tax	-	-

(c) Factors affecting future tax charge

Deferred tax losses of €2,850,000 have not been recognized as a deferred tax asset because the company is not trading and their recoverability is unlikely. The asset would be recognized in the future once suitable taxable profits are more likely than not to be available.

Aran Energy PLC

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2003

4. FINANCIAL ASSETS

	2003 EUR'000	2002 EUR'000
Shares in subsidiary undertakings, unlisted, at cost:		
Cost at 1 January	23,187	23,187
Disposals during the year	(417)	-
Cost at 31 December	22,770	23,187
Amounts provided at 1 January	23,187	18,807
Amount provided for the year	-	4,380
Disposals during the year	(417)	-
Amounts provided 31 December	22,770	23,187
Net book value at 31 December	-	-

At 31 December 2003, 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
Lassemista Company Limited*	Ordinary shares	100%	Holding Company	Ireland

* The registered office for Lassemista Company Limited is 6 George's Dock, IFSC, Dublin 1.

At 31 December 2003 and 2002, 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 of company</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.

Petrolex (Nederland) B.V was liquidated on 31 July 2003.

Aran Energy PLC

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2003

5. **DEBTORS:** amounts due after one year

	<i>2003</i>	<i>2002</i>
	<i>EUR'000</i>	<i>EUR'000</i>
Amounts owed by parent undertakings	68,851	74,619
VAT	289	404
	<u>69,140</u>	<u>75,023</u>

6. **CREDITORS:** amounts due within one year

	<i>2003</i>	<i>2002</i>
	<i>EUR'000</i>	<i>EUR'000</i>
Amounts due to parent undertakings	57	47
	<u>57</u>	<u>47</u>

7. **CALLED UP SHARE CAPITAL**

	<i>2003</i>	<i>2002</i>
	<i>EUR'000</i>	<i>EUR'000</i>
Authorised: 350,000,000 ordinary shares of €0.253947 each	88,882	88,882
	<u>88,882</u>	<u>88,882</u>
	<i>EUR'000</i>	<i>EUR'000</i>
Allotted, called up and fully paid: 261,753,729 ordinary shares of €0.253947 each	66,472	66,472
	<u>66,472</u>	<u>66,472</u>

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2003

8. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital</i>	<i>Share premium</i>	<i>Profit and loss</i>	<i>Foreign exchange reserve</i>	<i>Total share- holders' funds</i>
	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>
At 1 January 2003	66,472	15,181	(19,099)	12,423	74,977
Loss for the year	-	-	(5,893)	-	(5,893)
At 31 December 2003	<u>66,472</u>	<u>15,181</u>	<u>(24,992)</u>	<u>12,423</u>	<u>69,084</u>

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

The ultimate parent undertaking and 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.