

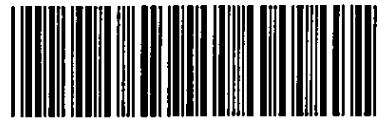
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**Directors' Report and Financial
Statements**

Aran Energy PLC

31 December 2005

WEDNESDAY



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ARAN ENERGY PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2005

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ARAN ENERGY PLC

COMPANY INFORMATION

Registered No 39227

DIRECTORS

P Evans
J Conroy
H Hatlestad

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 2005

The directors have pleasure in presenting the directors' report and financial statements for the year ended 31 December 2005

RESULTS AND DIVIDENDS

The profit and loss account for the year ended 31 December 2005 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 2005 are as follows

E Kjos-Hanssen	(Norwegian – resigned 1 January 2006)
H Berge	(Norwegian – resigned 1 January 2006)
P Evans	(British)
J Conroy	(Irish)
H Hatlestad	(Norwegian – appointed 16 May 2007)

DIRECTORS' AND SECRETARY'S INTERESTS IN SHARES

	<i>Company - Type</i>	<i>2005</i>	<i>2004</i>
		<i>No</i>	<i>No</i>
E Kjos-Hanssen	Statoil ASA -Ordinary	569	249
H Berge	Statoil ASA -Ordinary	1,118	873
P Evans	Statoil ASA -Ordinary	186	-
A J Saul	Statoil ASA -Ordinary	186	-

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

PRINCIPAL RISKS AND UNCERTAINTIES

The company is no longer trading and therefore the Directors do not consider there to be any risks at present

EMPLOYEE MATTERS

There are no employees in the Company

ENVIRONMENTAL MATTERS

The company is not involved in any activities that would negatively impact on the environment

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 2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the financial statements in accordance with applicable Irish law and Generally Accepted Accounting Practice in Ireland including the accounting standards issued by the Accounting Standard Board and promulgated by the Institute of Chartered Accountants in Ireland

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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Acts 1963 to 2005. 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

P. Martin *J. J. Street*

Date

21/05/07

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARAN ENERGY PLC

We have audited the company financial statements for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 13. These financial statements have been prepared under 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 are responsible for the preparation of the financial statements in accordance with applicable Irish law and Accounting Standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland) as 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 International Standards on Auditing (UK and Ireland).

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, 1963 to 2005. 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 other transactions is not disclosed 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARAN ENERGY PLC**BASIS OF AUDIT OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of affairs of the company as at 31 December 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2005 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
Registered Auditors
Dublin

24 May 2007

Aran Energy PLC

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2005

	Notes	2005 £'000	2004 £'000 <i>restated</i>
EXPLORATION, ADMINISTRATION AND FINANCIAL ITEMS			
Administrative expenses		(7)	(118)
Exchange (loss)/gain		(14)	20
LOSS FOR THE YEAR		<u>(21)</u>	<u>(98)</u>
Taxation	3	(285)	-
LOSS RETAINED FOR THE YEAR		<u>(306)</u>	<u>(98)</u>
LOSS BROUGHT FORWARD AT BEGINNING OF YEAR		(17,786)	(17,688)
LOSS CARRIED FORWARD AT END OF YEAR		<u><u>(18,092)</u></u>	<u><u>(17,786)</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 21/5/07

Directors

Perpetual

[Signature]

Date

21/5/07

Aran Energy PLC

BALANCE SHEET at 31 December 2005

	Notes	2005 £'000	2004 £'000 <i>restated</i>
FIXED ASSETS			
Investments	4	-	-
CURRENT ASSETS			
Debtors	5	48,826	48,840
Cash at bank and in hand		1	1
		<u>48,827</u>	<u>48,841</u>
CREDITORS amounts falling due within one year	6	(340)	(48)
		<u>48,487</u>	<u>48,793</u>
NET CURRENT ASSETS			
		<u>48,487</u>	<u>48,793</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u><u>48,487</u></u>	<u><u>48,793</u></u>
CAPITAL AND RESERVES			
Called up share capital	8	47,043	47,043
Share premium account	9	10,744	10,744
Other reserves	9	8,792	8,792
Profit and loss account	9	(18,092)	(17,786)
		<u>48,487</u>	<u>48,793</u>
SHAREHOLDER'S FUNDS - ALL EQUITY INTERESTS			
		<u><u>48,487</u></u>	<u><u>48,793</u></u>

Approved by the board on 21/5/07

Directors *Pymatras*

[Signature]

Date 21/5/07

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 11

Foreign currencies

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

Changes in accounting policies

During the year, the company has adopted the following new accounting standards

- FRS 23 - The effects of changes in foreign exchange rates
- FRS 25 - Financial instruments disclosure and presentation
- FRS 26 - Financial instruments recognition and measurement

FRS 23 - The effects of changes in foreign exchange rates

The adoption of this standard has resulted in the company making the decision to change its reporting currency from Euro to Sterling (£). As a result of adopting this accounting standard, shareholder's funds at 31 December 2004 have been restated from EUR 68,945,000 to GBP 48,793,000. The result for the year ended 31 December 2004 has been restated from a loss of EUR 139,000 to a loss of GBP 98,000

FRS 25 and FRS 26 have not resulted in the restatement of retained earnings and have had no impact on the results or net assets for the current or prior year

2. STATUTORY AND OTHER INFORMATION

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

	2005	2004
	£'000	£'000
Directors' emoluments	-	-
Auditors' remuneration	-	-
	<u> </u>	<u> </u>

Auditor's remuneration is dealt with in the accounts of the parent undertaking

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

3. TAXATION

The company is tax resident in the United Kingdom

(a) Analysis of charge in the year

	2005	2004
	£'000	£'000
Corporation tax on income for the year at 30% (2004 – 30%)	285	-

(b) Factors affecting tax charge for the year

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2004 – 30%) The differences are reconciled below

	2005	2004
	£'000	£'000
Loss on ordinary activities before tax	(21)	<i>restated</i> (98)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 30% (2004 - 30%)	(6)	(29)
Notional interest on intercompany loan	799	562
Utilisation of losses brought forward	(579)	(533)
Prior year adjustment	71	-
Total current tax	285	-

Aran Energy PLC

NOTES TO THE FINANCIAL STATEMENTS 31 December 2005

4. INVESTMENTS

	2005 £'000	2004 £'000 <i>restated</i>
Shares in subsidiary undertakings, unlisted, at cost Cost at 1 January and at 31 December	16,115	16,115
Amounts provided at 1 January and at 31 December	16,115	16,115
Net book value at 31 December	-	-

At 31 December 2005, 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>	<i>Share Capital and reserves at 31/12/2005</i>
Petrolex PLC	Ordinary shares	100%	Dormant	England and Wales	Share capital £781,200 Net assets Nil
Lassemista Company Limited	Ordinary shares	100%	Dormant	Ireland	Share capital €12,697 Net assets Nil

- The registered office for Petrolex PLC is 11a Regent Street, London, SW1Y 4ST, United Kingdom
- The registered office for Lassemista Company Limited is 6 George's Dock, IFSC, Dublin 1

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

5. DEBTORS: amounts due after one year

	2005 £'000	2004 £'000 <i>restated</i>
Amounts owed by parent undertaking	48,826	48,746
VAT	-	94
	48,826	48,840

Aran Energy PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

6 CREDITORS: amounts due within one year

	2005 £'000	2004 £'000 <i>restated</i>
Amounts due to parent undertaking	55	48
UK corporation tax	285	-
	<u>340</u>	<u>48</u>

7. FINANCIAL INSTRUMENTS

Fair values of financial assets and financial liabilities

	<i>Book value</i>		<i>Fair value</i>	
	2005 £'000	2004 £'000 <i>restated</i>	2005 £'000	2004 £'000 <i>restated</i>
<i>Financial assets</i>				
Amounts owed by parent undertaking	48,826	48,746	47,189	46,233
<i>Financial liabilities</i>				
Amounts due to parent undertaking	(55)	(48)	(53)	(46)

The fair value of assets and liabilities has been calculated by discounting the expected future cash flows at appropriate interest rates

TREASURY POLICIES

Foreign currency risk

The company has financial assets and liabilities denominated in currencies other than sterling. These balances are a very small proportion of the company's assets and liabilities and therefore the foreign currency risk is considered to be low.

Credit risk

The company's financial assets are almost exclusively due from its parent company. Therefore the risk of financial loss due to a counterparty's failure to honour its obligations is considered to be very low.

Interest rate risk

The company's financial liabilities and assets are almost exclusively due to and from its parent company with a zero interest rate. Therefore the company is not exposed to interest rate risk.

Liquidity risk

As the company has ceased trading it is unable to generate funds to pay liabilities to third parties. Its immediate parent company has agreed to pay its third party liabilities as they become due, reducing the intercompany balance between the companies.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2005

8. CALLED UP SHARE CAPITAL

	2005 £'000	2004 £'000 <i>restated</i>
Authorised 350,000,000 ordinary shares of €0 253947 each	69,184	69,184
	<u>£'000</u>	<u>£'000</u>
Allotted, called up and fully paid 261,753,729 ordinary shares of €0 253947 each	47,043	47,043
	<u>£'000</u>	<u>£'000</u>

9. RECONCILIATION OF SHAREHOLDER'S FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital £'000 restated</i>	<i>Share premium £'000 restated</i>	<i>Profit and loss £'000 restated</i>	<i>Other reserves £'000 restated</i>	<i>Total share- holder's funds £'000 restated</i>
At 1 January 2005	47,043	10,744	(17,786)	8,792	48,793
Loss for the year	-	-	(306)	-	(306)
At 31 December 2005	<u>47,043</u>	<u>10,744</u>	<u>(18,092)</u>	<u>8,792</u>	<u>48,487</u>

10. 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.

11. PARENT UNDERTAKING

The immediate controlling party and parent undertaking is Statoil (U K) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

12. FUNCTIONAL CURRENCY AND PRIOR YEAR ADJUSTMENT

During 2005, the company has adopted FRS 23 – The effects of changes in foreign exchange rates, FRS 25 – Financial instruments disclosure and presentation and FRS 26 – Financial instruments recognition and measurement

FRS 23 introduces the concept of functional currency as the currency of the primary economic environment in which the entity operates. The functional currency of the company is sterling (£) and therefore a decision was made to change the presentation currency to sterling (£). Prior year figures have been restated to reflect the currency change.

Monetary and non monetary assets at 31 December 2004 have been translated into sterling at the rate of exchange ruling at 31 December 2004.

13. FINANCIAL STATEMENTS APPROVAL

The financial statements were approved and authorised by the directors for issue on 21 May 2007