

N/mt. FC 020647

**Directors' Report and Financial
Statements**

Aran Energy PLC

31 December 2006

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ARAN ENERGY PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2006

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ARAN ENERGY PLC

COMPANY INFORMATION

Registered No 39227

FC 0206 47

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

Georges Dock House
2 Georges Dock
IFSC
Dublin 1

Aran Energy PLC

DIRECTORS' REPORT

For the year ended 31 December 2006

The directors have pleasure in presenting the directors' report and financial statements for the year ended 31 December 2006

RESULTS AND DIVIDENDS

The profit and loss account for the year ended 31 December 2006 and the balance sheet at that date are set out on pages 8 to 9

The directors do not propose the payment of a dividend

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

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

The directors intend to liquidate the company in 2008. Consequently, the financial statements have been prepared on the break up basis

DIRECTORS

The directors who served during the year ended 31 December 2006 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>Director</i>	<i>Company – Type</i>	<i>2006</i>	<i>2005</i>
P Evans	Statoil ASA – Ordinary 2.5 NOK	340	186
J Conroy	Statoil ASA – Ordinary 2.5 NOK	429	-
A J Saul	Statoil ASA – Ordinary 2.5 NOK	340	186

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

Aran Energy PLC

DIRECTORS' REPORT

For the year ended 31 December 2006

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.

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 2006. 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

23/10/07

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARAN ENERGY PLC

We have audited the financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 13. These financial statements have been prepared on the break up basis and on the basis of the accounting policies set out therein. The financial statements have been prepared on a break-up basis.

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 2006. 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.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARAN ENERGY
PLC**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 2006 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2006

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

Date 24 October 2007.

Aran Energy PLC

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2006

	<i>Notes</i>	2006 £'000	2005 £'000
ADMINISTRATIVE AND FINANCIAL ITEMS			
Administrative expenses		-	(7)
Exchange loss		(9)	(14)
Interest payable and similar charges	3	(18)	-
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(27)	(21)
Taxation	4	(720)	(285)
		<hr/>	<hr/>
LOSS RETAINED FOR THE YEAR		(747)	(306)
		<hr/> <hr/>	<hr/> <hr/>

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 23/10/07

Aran Energy PLC

BALANCE SHEET at 31 December 2006

	Notes	2006 £'000	2005 £'000
FIXED ASSETS			
Investments	5	-	-
CURRENT ASSETS			
Debtors	6	48,816	48,826
Cash at bank and in hand		1	1
		<u>48,817</u>	<u>48,827</u>
CREDITORS amounts falling due within one year	7	(1,077)	(340)
NET CURRENT ASSETS		<u>47,740</u>	<u>48,487</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>47,740</u>	<u>48,487</u>
CAPITAL AND RESERVES			
Called up share capital	9	47,043	47,043
Share premium account	10	10,744	10,744
Other reserves	10	8,792	8,792
Profit and loss account	10	(18,839)	(18,092)
SHAREHOLDER'S FUNDS – ALL EQUITY INTERESTS		<u>47,740</u>	<u>48,487</u>

Approved by the board on

Directors  

Date 23/10/07

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention

Basis of preparation

The directors intend to liquidate the company in the future. Consequently, the financial statements have been prepared on the break-up basis rather than on the going concern basis. The break-up basis adopted results in assets held by the company at the year end being recorded at their estimated realisable values and liabilities due at the year end at amounts at which they will ultimately be settled.

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 12.

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.

2. STATUTORY AND OTHER INFORMATION

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

	2006 £'000	2005 £'000
Directors' emoluments	-	-
Auditors' remuneration	-	-
	<u> </u>	<u> </u>

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

The directors received no share based payments for their services as director of the company.

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £'000	2005 £'000
Interest payable	18	-
	<u> </u>	<u> </u>

Aran Energy PLC

NOTES TO THE FINANCIAL STATEMENTS 31 December 2006

4. TAXATION

(a) Analysis of charge in the year

	2006	2005
	£'000	£'000
UK corporation tax on loss for the year at 30% (2005 – 30%)	720	285

(b) Factors affecting tax charge for the year

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2005 – 30%) The differences are reconciled below

	2006	2005
	£'000	£'000
Loss on ordinary activities before tax	(27)	(21)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 30% (2005 - 30%)	(8)	(6)
Notional interest	736	799
Utilisation of losses brought forward	-	(579)
Corporation tax (over)/under provided in previous years	(8)	71
Total current tax	720	285

Aran Energy PLC

NOTES TO THE FINANCIAL STATEMENTS 31 December 2006

5. INVESTMENTS

	2006 £'000	2005 £'000
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 2006, 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 31/12/2006</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 2 Georges Dock, IFSC, Dublin 1

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

6. DEBTORS: amounts due after one year

	2006 £'000	2005 £'000
Amounts owed by parent undertaking	48,816	48,826

7. CREDITORS: amounts due within one year

	2006 £'000	2005 £'000
Amounts due to parent undertaking	713	55
UK corporation tax	364	285
	1,077	340

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

8. FINANCIAL INSTRUMENTS

Fair values of financial assets and financial liabilities

	<i>Book value</i>		<i>Fair value</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Financial assets</i>				
Amounts owed by parent undertaking	48,816	48,826	46,053	47,189
<i>Financial liabilities</i>				
Amounts due to parent undertaking	(713)	(55)	(673)	(53)

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 has no income to pay liabilities to third parties. Any third party liabilities which become due will be paid by the company by reducing its intercompany receivable balance with its immediate parent to generate the required funds.

9. CALLED UP SHARE CAPITAL

	<i>2006</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>
Authorised		
350,000,000 ordinary shares of €0.253947 each	69,184	69,184
	<u> </u>	<u> </u>
	<i>£'000</i>	<i>£'000</i>
Allotted, called up and fully paid		
261,753,729 ordinary shares of €0.253947 each	47,043	47,043
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

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

	<i>Share capital £'000</i>	<i>Share premium £'000</i>	<i>Profit and loss £'000</i>	<i>Other reserves £'000</i>	<i>Total share- holder's funds £'000</i>
At 1 January 2006	47,043	10,744	(18,092)	8,792	48,487
Loss for the year	-	-	(747)	-	(747)
At 31 December 2006	<u>47,043</u>	<u>10,744</u>	<u>(18,839)</u>	<u>8,792</u>	<u>47,740</u>

11. 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. There were no other related party transactions.

12. 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 financial 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.

13. FINANCIAL STATEMENTS APPROVAL

The financial statements were approved and authorised by the directors for issue on **23 OCT 2007**