

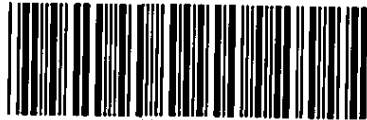
**Company Registration No. 5064884**

**Tullow Oil SNS Limited**

**Report and Financial Statements**

**31 December 2006**

**TUESDAY**



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**COMPANIES HOUSE**

# **Tullow Oil SNS Limited**

## **Report and financial statements 2006**

<b>Contents</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Statement of directors' responsibilities</b>	<b>4</b>
<b>Independent auditors' report</b>	<b>5</b>
<b>Profit and loss account</b>	<b>7</b>
<b>Balance sheet</b>	<b>8</b>
<b>Notes to the financial statements</b>	<b>9</b>

# **Tullow Oil SNS Limited**

## **Officers and professional advisors**

### **Directors**

AG Martin  
T Hickey  
P McDade  
B Williams

### **Secretary**

T Hickey

### **Registered Office**

3<sup>rd</sup> Floor, Building 11  
Chiswick Park  
566 Chiswick High Road  
London  
W4 5YS

### **Bankers**

ABN Amro Bank NV  
250 Bishops Gate  
London  
EC2M 4AA

### **Solicitors**

Dickson Minto W S  
Royal London House  
22/25 Finsbury Street  
London EC2A 1DX

### **Auditors**

Deloitte & Touche LLP  
Chartered Accountants  
London

# **Tullov Oil SNS Limited**

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

The directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the Companies Act 1985

### **Activities**

A profit after taxation of £4,592,202 was recorded for the year ended 31 December 2006 (2005 £324,957) No dividend was paid in the current year (2005 £nil)

The company ceased trading in 2005 and in 2006 was subsequently utilised as part of the financing requirements for the parent company acquisition of Hardman Resources Limited, an Australian based company The transaction became effective on 20 December 2006 and formal completion, which involved a payment of AU\$819.5 million and the issue of 65 million Tullov shares by the parent company, occurred on 10 January 2007 The costs incurred in Tullov SNS are premiums associated with putting in place the appropriate funding requirements for the cash consideration on acquisition The directors' do not currently foresee any additional future activity

### **Directors**

The directors, who served throughout the year, are as follows

AG Martin  
T Hickey  
P McDade  
B Williams

### **Financial risk management objectives and policies**

The company holds derivative financial instruments which are used to manage the group's exposure to fluctuations in movements in exchange rates

The company does not hold or issue derivative financial instruments for speculative purposes and it is the company's policy that no trading in financial instruments shall be undertaken However, as the assets which expose the group to fluctuations in movements in exchange rates are held in other group companies, all such instruments are marked to market and the profit and loss account therefore includes unrealised gains and losses in respect of these instruments

The company's principal financial assets are bank balances and amounts due from group companies The credit risk on liquid funds is limited because counterparties are banks with high credit-rating assigned by international credit-rating agencies The credit risk associated amounts due from group companies, having regard to the counterparties involved, is not believed to be significant

## **Tullow Oil SNS Limited**

### **Directors' report (continued)**

#### **Auditors**

Each of the persons who is a director at the date of approval of this report confirms that

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (2) the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

In accordance with Section 386 of the Companies Act 1985, an elective resolution has been passed to dispense with the requirement to appoint auditors on an annual basis

Approved by the Board and signed on its behalf by



AG Martin

Director

15 November 2007

## **Tullow Oil SNS Limited**

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 judgements and estimates that are reasonable and prudent,
- state whether applicable UK accounting standards have been followed, 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 accounting records which 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 Act 1985. They are also responsible for the system of internal control, safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditors' report to the members of Tullow Oil SNS Limited**

We have audited the financial statements of Tullow Oil SNS Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet and the related notes 1 to 11. 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 235 of the Companies Act 1985. 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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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 Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

### **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 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 Tullow Oil SNS Limited (continued)**

### **Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

*Deloitte & Touche LLP*

**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors  
London  
United Kingdom

15 November 2007

# Tullow Oil SNS Limited

## Profit and loss account

Year ended 31 December 2006

	Notes	2006 £	2005 £
Gross margin	11	5,889,210	-
Interest receivable and similar income		23	18,734
Interest payable and similar charges	4	(1,297,031)	(749,229)
Profit / (loss) on ordinary activities before taxation	3	4,592,202	(730,495)
Taxation on ordinary activities	5	-	1,055,452
Profit retained for the financial year	10	4,592,202	324,957

All transactions for the current year are derived from continuing activities. All transactions for the prior year are derived from discontinued activities.

The company had no gains and losses for either period other than those shown above. Accordingly there is no separate statement of total recognised gains and losses.

# Tullov Oil SNS Limited

## Balance sheet

31 December 2006

	Notes	2006 £	2005 £
<b>Current assets</b>			
Debtors	6	6,207,013	413,741
Cash at bank and in hand		526	503
		<u>6,207,539</u>	<u>414,244</u>
<b>Creditors: amounts falling due within one year</b>			
Other creditors	7	-	(86,206)
Intercompany loans	8	(1,698,347)	-
<b>Net current assets</b>		<u>4,509,192-</u>	<u>328,038</u>
<b>Creditors: amounts falling due after more than one year</b>			
Intercompany loans	8	-	(411,048)
<b>Net assets / (liabilities)</b>		<u>4,509,192</u>	<u>(83,010)</u>
<b>Capital and reserves</b>			
Called-up share capital	9	1	1
Profit and loss account	10	4,509,191	(83,011)
<b>Shareholders' funds / (deficit)</b>		<u>4,509,192</u>	<u>(83,010)</u>

These financial statements were approved and issued by the Board of Directors on 15 November 2007

Signed on behalf of the Board of Directors 15 November 2007



AG Martin

Director

# Tullow Oil SNS Limited

## Notes to the financial statements

Year ended 31 December 2006

### 1. Accounting policies

The principal accounting policies of the company, which have been applied consistently throughout the current and preceding year, are as follows

#### **Basis of preparation**

The financial statements are prepared under the historical cost convention, except for the valuation of certain derivatives, and in accordance with applicable United Kingdom accounting standards. These policies have been applied consistently throughout the current and prior year, except as described below

*FRS 25 (IAS 32) Financial Instruments Presentation and FRS 26 (IAS 39) Financial Instruments Recognition and Measurement*

FRS 25 and FRS 26 have been adopted during the year by the company. FRS 25 requires the company to provide certain disclosures in respect of its financial instruments and also governs the manner in which its financial instruments are presented. FRS 26 provides the requirements for the measurement, recognition and derecognition of financial instruments. Adoption of the standard requires the measurement of the company's financial liabilities and assets at fair value. As this is consistent with the company's policy prior to adopting these FRSs, there was no impact on the results or net assets of the company on adoption.

#### **Derivative and financial instruments**

The company holds derivative financial instruments which are used to manage and reduce the group's exposure to foreign exchange risk.

The company does not hold or issue derivative financial instruments for speculative purposes and it is the company's policy that no trading in financial instruments shall be undertaken. However, as the assets which expose the group to fluctuations in foreign exchange risk are held in other group companies, all such instruments are marked to market and the profit and loss account therefore includes unrealised gains and losses in respect of these instruments.

#### **Taxation**

Current and deferred tax, including UK corporation tax, is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is recognised on all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more or right to pay less tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted. Deferred tax is recognised on a non-discounted basis.

#### **Foreign currencies**

Sterling is the reporting currency of the company. Transactions in foreign currencies are translated at the rate of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date, with a corresponding charge or credit to the profit and loss account.

### 2. Parent company

The company's immediate and ultimate parent is Tullow Oil plc, incorporated in Great Britain and registered in England and Wales. The parent undertaking of the only group which includes the company and for which consolidated financial statements is produced is Tullow Oil plc. These consolidated financial statements can be obtained from Tullow Oil plc, 3rd Floor, Building 11, Chiswick Park, 566 Chiswick High Road, London W4 5YS. The company is a wholly owned subsidiary of Tullow Oil plc. Consequently, advantage has been taken of the exemptions under FRS 1 (Revised) and FRS 8, and therefore no separate cash flow statement for the company or disclosures of related party transactions are presented in these financial statements.

## **Tullow Oil SNS Limited**

### **Notes to the financial statements** **Year ended 31 December 2006**

#### **3. Results**

The current and preceding year fee for the audit of the company's statutory accounts of £1,500 (2005 £1,500) was borne by a fellow group company

The company had no employees for the current and preceding year None of the directors received any remuneration in respect of their services to the company (2005 none)

#### **4. Interest payable**

	2006 £	2005 £
Finance and arrangement fees	1,291,322	718,768
Interest expense	-	30,461
Interest on overdue payments	5,709	-
	<u>1,297,031</u>	<u>749,229</u>

#### **5. Taxation on ordinary activities**

The tax charge comprises

(a) Analysis of charge in the year

	2006 £	2005 £
Current tax		
Prior year adjustment	-	(1,055,452)
Total tax on ordinary activities	<u>-</u>	<u>(1,055,452)</u>

# Tullow Oil SNS Limited

## Notes to the financial statements Year ended 31 December 2006

### 5. Taxation on ordinary activities (continued)

#### (b) Factors affecting tax charge for the year

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

	2006 £	2005 £
<b>Profit / (loss) on ordinary activities before tax</b>	<b>4,592,202</b>	<b>(730,495)</b>
Tax on group profit / (loss) on ordinary activities at standard UK corporation tax rate of 30% (2005 30%)	1,377,661	219,149
Effects of		
Group relief surrendered	-	(219,149)
Transfer pricing adjustment	(25,963)	-
Prior year adjustment	-	1,055,452
Group relief claimed	(1,351,698)	-
<b>Current tax charge / (credit) for period</b>	<b>-</b>	<b>(1,055,452)</b>

#### (c) Factors that may affect the future tax charge

The UK Government announced on 21 March 2007 that it intends to decrease the rate of corporation tax in the UK from 30% to 28%, with effect from 1 April 2008. As the necessary legislation had not been substantively enacted at the balance sheet date, the impact of this decrease is not reflected in these accounts

### 6. Debtors

	2006 £	2005 £
Provision for gains on marked to market financial instruments	5,889,210	-
Amount owed by Tullow Oil UK Limited	317,803	413,741
	<b>6,207,013</b>	<b>413,741</b>

The amount due from Tullow Oil UK Limited relates to sales net of billings, accrues no interest, has no maturity date and is repayable on demand

### 7. Creditors

	2006 £	2005 £
<b>Amounts falling due within one year:</b>		
Other taxation and social security	-	86,206

# Tullov Oil SNS Limited

## Notes to the financial statements Year ended 31 December 2006

### 8. Intercompany loans

	2006 £	2005 £
<b>Amounts falling due within one year:</b>		
Amount due to Tullov Oil plc	411,048	-
Amount due to Tullov Oil SPE Limited	1,287,299	-
	<u>1,698,347</u>	<u>-</u>
<b>Amounts falling due after one year:</b>		
Amount due to Tullov Oil plc	-	411,048
	<u>-</u>	<u>411,048</u>

The amount outstanding to the Parent company and Tullov Oil SPE Limited relates respectively, to a corporate loan, and to premiums associated with the financing arrangements of the Hardman acquisition. The loans do not accrue interest, have no maturity date and are repayable on demand.

### 9. Called-up share capital

	2006 £	2005 £
<b>Authorised</b>		
100 (2005 100) ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>Allotted, called-up and fully paid</b>		
1 (2005 1) ordinary share of £1	<u>1</u>	<u>1</u>

### 10 Profit and loss account

	2006 £	2005 £
At 1 January	(83,011)	(407,968)
Profit retained for financial year	<u>4,592,202</u>	<u>324,957</u>
<b>At 31 December</b>	<u>4,509,191</u>	<u>(83,011)</u>

# Tullov Oil SNS Limited

## Notes to the financial statements

Year ended 31 December 2006

### 11. Derivative financial instruments

The company holds a number of foreign exchange derivative contracts to mitigate the group's exposure to fluctuations in the US Dollar, Australian Dollar and Sterling exchange rates

#### Fair values of derivative instruments

Fair values are determined using quoted market prices where available. To the extent that market prices are not available, fair values are estimated by reference to market-based transactions, or using standard valuation techniques for the applicable instruments and commodities involved. The fair value of derivative instruments is recorded on the Balance Sheet under debtors.

The company's derivative instrument book and fair values were as follows

	2006 £	2005 £
<b>Derivative instruments</b>		
Foreign exchange derivatives	5,889,210	-

As at 31 December 2006, none of the company's foreign exchange derivatives were designated as cashflow hedges. Consequently the changes in fair value of the instruments have been recognised immediately in the profit and loss and amount to a gain of £5.9 million, with an associated tax charge of £1.8 million which was sheltered by group relief claims.

	2006 £	2005 £
<b>Gain on hedging instruments.</b>		
Foreign exchange derivatives net	5,889,210	-

	2006 £	2005 £
<b>Income tax charge:</b>		
Foreign exchange derivatives net	(1,766,763)	-