

COMPANY NUMBER : 2630844

AMERADA HESS GAS LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1997



AMERADA HESS GAS LIMITED

CONTENTS

	<u>Page</u>
Company Information	1
Report of the Directors	2
Auditor's Report	3
Profit and Loss Account	4
Balance Sheet	5
Notes to the Accounts	6 - 10

AMERADA HESS GAS LIMITED

COMPANY INFORMATION

Directors

C A Harper - Managing Director
C B Chaloner
F R Gugen
W S H Laidlaw
R S C Phillips

Secretary

C B Chaloner

Registered Office

33 Grosvenor Place
London
SW1X 7HY

Bankers

Citibank N.A.
336 Strand
London
WC2R 1HB

Auditors

Ernst & Young
Becket House
1 Lambeth Palace Road
London
SE1 7EU

Principal Shareholder

Amerada Hess Limited
33 Grosvenor Place
London
SW1X 7HY

AMERADA HESS GAS LIMITED

REPORT OF THE DIRECTORS

The Directors submit their report and audited accounts for the year ended 31 December 1997.

Principal Activities

The Company's principal activity is, and will continue to be, the marketing and selling of gas directly to commercial end users.

On 1 September 1997, the Company and South Western Electricity Plc (SWEB) entered into an agreement regarding SWEB's gas supply business. Under this agreement SWEB sold the entire share capital of Western Gas Limited (which trades as SWEB Gas) to the Company. The agreement was effective from 1 October 1997.

Results and Dividends

The results of the Company are set out in detail on page 4. The Directors are unable to recommend the payment of a dividend (1996 - nil), leaving a loss of £9,509,595 (1996 - loss £6,598,133) to be taken to reserves.

Directors

The Directors who served during the year were as follows:

C A Harper - Managing Director
C B Chaloner
F R Gugen
W S H Laidlaw
R S C Phillips

None of the Directors at the year end hold, or have ever held, any beneficial interests in the shares of the Company, the immediate parent company or any fellow subsidiary undertakings.

Auditors

Ernst & Young have expressed their willingness to continue as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

For and on behalf of the Board



C B CHALONER
Secretary

6 May 1998

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the Directors to prepare accounts 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 accounts, 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 accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that the accounts comply with the above requirements. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. 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.

AUDITOR'S REPORT TO THE MEMBERS OF AMERADA HESS GAS LIMITED

We have audited the accounts on pages 4 to 10 which have been prepared on the basis of the accounting policies set out on page 6.

Respective responsibilities of Directors and auditors

As described above, the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

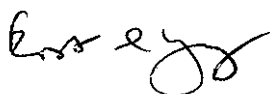
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the Company at 31 December 1997 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



ERNST & YOUNG
Chartered Accountants
Registered Auditor
London

6 May 1998

AMERADA HESS GAS LIMITED**Profit and Loss Account****Year ended 31 December 1997**

	<u>Notes</u>	<u>1997</u> £	<u>1996</u> £
Turnover	2	118,272,828	73,406,036
Cost of sales		(121,283,111)	(74,688,565)
Gross loss		(3,010,283)	(1,282,529)
Administrative expenses	3	(6,499,312)	(5,595,604)
Other operating income	4	-	280,000
Loss on ordinary activities before tax		(9,509,595)	(6,598,133)
Tax on loss on ordinary activities	6	-	-
Loss for the financial year	11	(9,509,595)	(6,598,133)
Accumulated deficit brought forward		(14,000,056)	(7,401,923)
Accumulated deficit carried forward		(23,509,651)	(14,000,056)

The retained losses for the financial years 1997 and 1996 comprise in each case all recognised gains and losses.

AMERADA HESS GAS LIMITED**Balance Sheet****At 31 December 1997**

	<u>Notes</u>	<u>1997</u> £	<u>1996</u> £
FIXED ASSETS			
Investments	7	1	-
		<hr/>	<hr/>
CURRENT ASSETS			
Debtors	8	33,914,609	21,404,132
Cash at bank and in hand		39,828	6,494
		<hr/>	<hr/>
TOTAL CURRENT ASSETS		33,954,437	21,410,626
CURRENT LIABILITIES			
Creditors: Amounts falling due within one year	9	(29,964,087)	(20,410,680)
		<hr/>	<hr/>
NET CURRENT ASSETS		3,990,350	999,946
		<hr/>	<hr/>
NET ASSETS		3,990,351	999,946
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called-up share capital	10	27,500,002	15,000,002
Profit and loss account		(23,509,651)	(14,000,056)
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS	11	3,990,351	999,946
		<hr/>	<hr/>

C A HARPER)

R S C PHILLIPS)

Directors



6 May 1998

AMERADA HESS GAS LIMITED

Notes to the Accounts

31 December 1997

1 ACCOUNTING POLICIES

(a) **Accounting Convention**

The accounts have been prepared under the historical cost convention in accordance with applicable accounting standards.

(b) **Turnover**

Turnover is stated net of value added tax. The value of gas sold during the period includes an estimate of the sales value of units supplied to customers between the date of the last meter reading and the period end. Turnover is all in respect of sales to customers in the United Kingdom.

2 TURNOVER

Gas consumption is measured on the basis of actual or estimated meter readings. The value of gas sold in the period therefore includes an estimate of the sales value of consumption between the date of the last meter reading and the period end.

3 ADMINISTRATIVE EXPENSES

Auditor's remuneration for 1997 was £77,500 (£7,500 for audit services and £70,000 for non-audit services) (1996 - £7,500 and £33,210 respectively).

4 OTHER OPERATING INCOME

	<u>1997</u>	<u>1996</u>
	£	£
Consultancy services charged to parent company	-	280,000
	<hr/>	<hr/>

AMERADA HESS GAS LIMITED

Notes to the Accounts (Continued)

31 December 1997

5 DIRECTORS AND EMPLOYEES

Remuneration for services performed in respect of the UK (including pension contributions) of the Directors of the Company was:

	<u>1997</u>	<u>1996</u>
	£	£
Pension contributions	10,800	6,752
Other emoluments	66,656	44,713
	<hr/>	<hr/>
	77,456	51,465
	<hr/>	<hr/>

Retirement benefits are accruing in respect of qualifying services of one Director under the immediate parent company's non-contributory, funded defined benefit plan. There are no employees.

6 TAX ON LOSS ON ORDINARY ACTIVITIES

No tax has been provided for the financial year 1997 (1996 - £ nil), and there is no current plan to pay for group relief surrendered.

7 INVESTMENTS	<u>1997</u>	<u>1996</u>
	£	£
a) Investments comprise:		
Investment in subsidiary	1	-
	<hr/>	<hr/>

- b) On 1 September 1997 the Company entered into an agreement with The South Western Electricity Board Limited to purchase the entire share capital of Western Gas Limited (WGL). The effective date of the agreement was 1 October 1997.

The business purpose of the acquisition of WGL is to gain access to their customer base.

AMERADA HESS GAS LIMITED

Notes to the Accounts (Continued)

31 December 1997

7 INVESTMENTS (CONTINUED)

c) Investments held

At 31 December 1997 the Company held more than 10% of the equity of the following subsidiary undertaking:

<u>Name of company held</u>	<u>Country of registration</u>	<u>Proportion of ordinary shares held</u>	<u>Nature of business</u>
Western Gas Limited	England	100%	Direct gas marketing

- d) Group accounts have not been prepared, since at 31 December 1997 the Company was itself a wholly owned subsidiary of Amerada Hess Limited, a company registered in England.

8 DEBTORS

	<u>1997</u> £	<u>1996</u> £
Trade debtors	32,113,032	21,404,132
Prepayments	1,801,577	-
	<hr/>	<hr/>
	33,914,609	21,404,132
	<hr/>	<hr/>

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1997</u> £	<u>1996</u> £
Amounts owed to parent company	10,290,116	11,537,739
Accruals	19,673,971	8,872,941
	<hr/>	<hr/>
	29,964,087	20,410,680
	<hr/>	<hr/>

AMERADA HESS GAS LIMITED

Notes to the Accounts (Continued)

31 December 1997

10 SHARE CAPITAL

	<u>Authorised</u> £	<u>Allotted, called-up and fully paid</u> £
At 31 December 1997:		
Ordinary shares of £1 each	1,000,000	2
Redeemable shares of £1 each	27,500,000	27,500,000
	<hr/>	<hr/>
	28,500,000	27,500,002
	<hr/>	<hr/>
At 31 December 1996:		
Ordinary shares of £1 each	1,000,000	2
Redeemable shares of £1 each	15,000,000	15,000,000
	<hr/>	<hr/>
	16,000,000	15,000,002
	<hr/>	<hr/>

There were no share issues in 1996. The redeemable shares may on one month's notice be redeemed at the election of the Company or the shareholder.

11 CAPITAL AND RESERVES

The movements in shareholders' funds for the year were as follows:

	<u>Share Capital</u> £	<u>Profit and Loss Account</u> £	<u>Shareholders' Funds</u> £
At 1 January 1997	15,000,002	(14,000,056)	999,946
Loss for the year	-	(9,509,595)	(9,509,595)
Other movements:			
- ordinary shares issued	12,500,000	-	12,500,000
	<hr/>	<hr/>	<hr/>
At 31 December 1997	27,500,002	(23,509,651)	3,990,351
	<hr/>	<hr/>	<hr/>

AMERADA HESS GAS LIMITED

Notes to the Accounts (Continued)

31 December 1997

12 PARENT COMPANY AND ULTIMATE PARENT COMPANY

The Company is a wholly owned subsidiary of Amerada Hess Limited, a company registered in England. This is the smallest group, of which the Company is a member, and for which group financial statements are prepared.

The Company's ultimate parent company is Amerada Hess Corporation a company incorporated in the State of Delaware, United States of America.

Copies of their accounts can be obtained by application to the registered office of the Company.

13 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in paragraph 3(c) of FRS8 (Related party disclosures) from disclosing transactions with related parties that are part of the Amerada Hess Limited group.

14 FINANCIAL COMMITMENTS

The Company has entered into gas purchase agreements whereby the Company is required to make future minimum purchases of gas at agreed prices. At the balance sheet date the Company had such commitments to purchase gas volumes at a cost of £88 million.