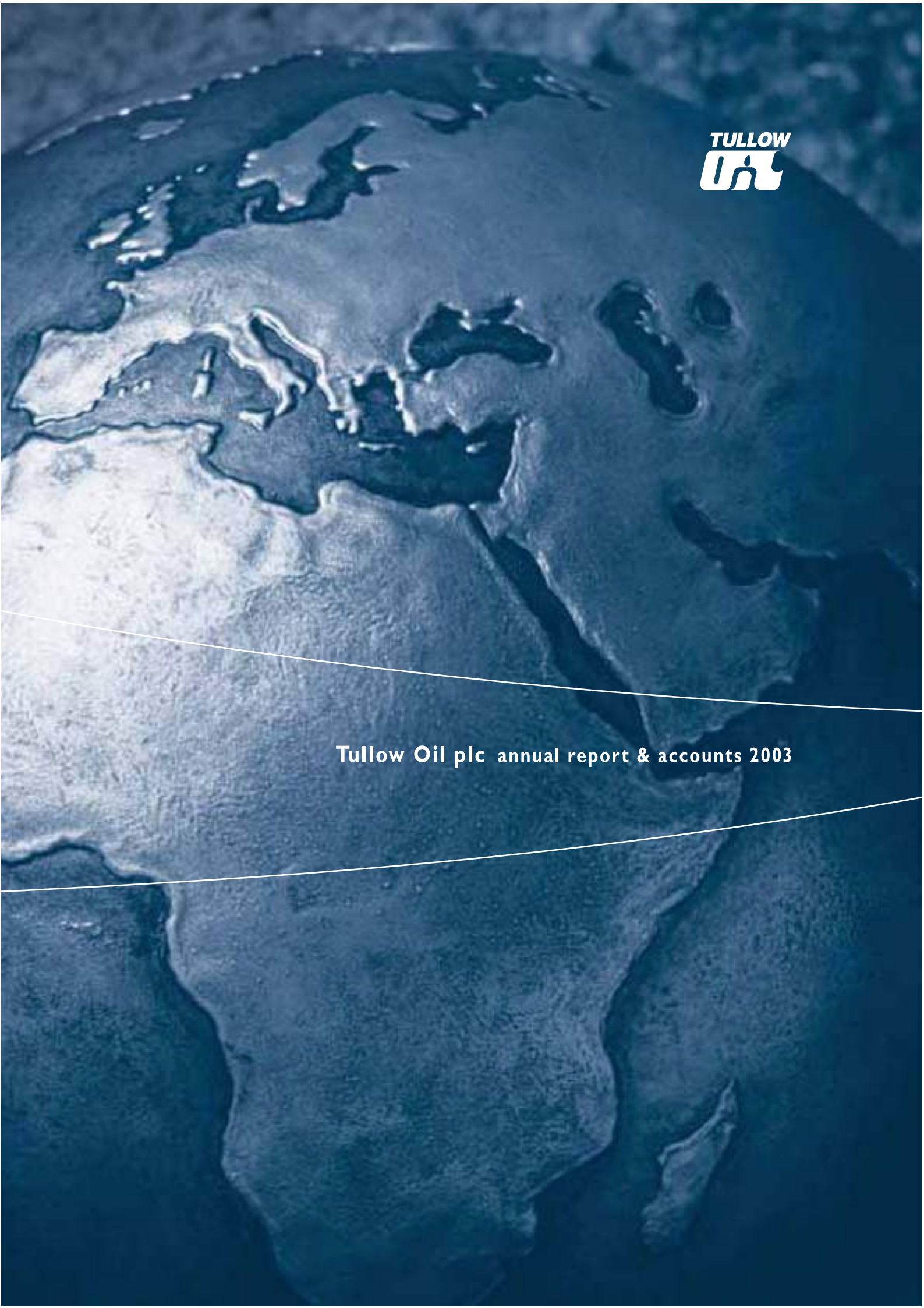


TULLOW OIL

Tullow Oil plc annual report & accounts 2003

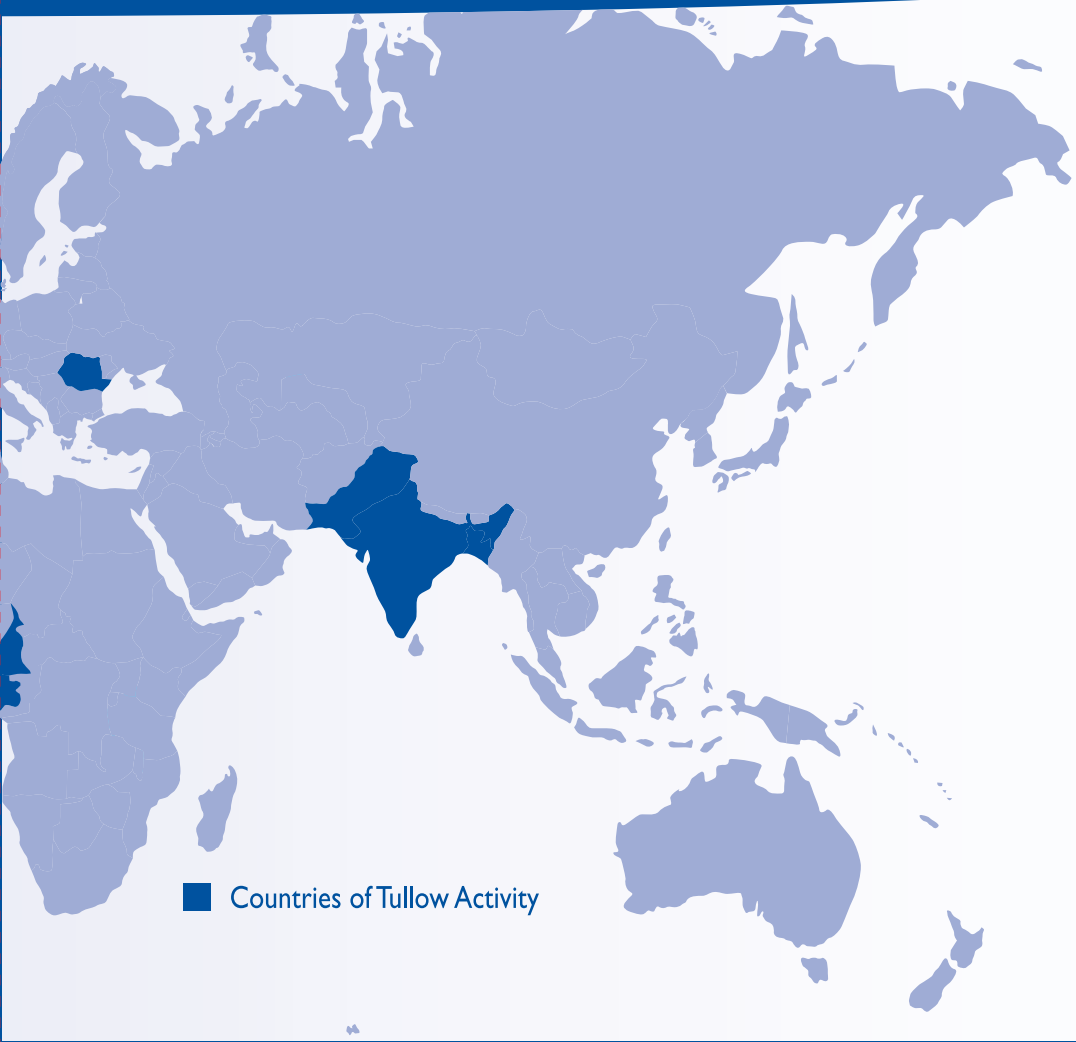
Contents

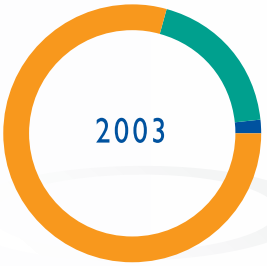
Map Key

- Oil Field
- Gas Field
- Licence Area

Glossary

£	Pound Sterling (U.K. Pound)
$	US Dollar
AGM	Annual General Meeting
°API	Degrees API, a standard measure of oil density defined by the American Petroleum Institute
bcf	Billion cubic feet
boepd	Barrels of oil equivalent per day
bopd	Barrels of oil per day
C&EMT	Crisis and Emergency Management Team
CMS	Caister Murdoch System
CMS III	A group development of five satellite fields linked to CMS
CSR	Corporate Social Responsibility
D&PL	Development and Production Lease
DTI	Department of Trade and Industry (United Kingdom)
EU	European Union
EURIBOR	Euro Interbank Offered Rate
EHS	Environment, Health and Safety
FPSO	Floating production, storage & offtake vessel
FRS	Financial Reporting Standard
GDS	Global Depositary Share
LIBOR	London Interbank Offered Rate
LNG	Liquified Natural Gas
LTI	Lost Time Incident
LTIFR	LTI Frequency Rate measured in LTIs per million worker hours
mmbbl	Million barrels
mmboe	Million barrels of oil equivalent
mmscfd	Million standard cubic feet per day
p	Penny or pence Sterling
PEL	Petroleum Exploration Licence
PRT	Petroleum Revenue Tax
PSC	Production Sharing Contract
SCT	Supplementary Corporation Tax
SNS	Southern North Sea
SORP	Statement of Recommended Practice
sq km	Square kilometres
tcf	Trillion cubic feet
TSR	Total Shareholder Return





Geographical Revenue Mix

	2003 %	2002 %
NW Europe	79.30	84.10
W Africa	19.00	12.90
S Asia	1.70	3.00

Company Profile

Tullow Oil plc is a public company engaged in oil and gas exploration, development and production. Its countries of operation are the United Kingdom, Pakistan, India, Bangladesh, Côte d'Ivoire, Cameroon, Gabon and Romania.

The Company is registered in England and Wales (registered number 3919249) and its shares are traded on the London and Irish Stock Exchanges.

Financial Highlights

Turnover

Operating Profit Before Exploration

Operating Cashflow

Earnings per Share

Chairman's Statement

During 2003, Tullow continued the company strategy of growing production in its core areas through re-investment in exploration and development activities and suitable acquisitions. We have streamlined our presence in non-core regions, selling or farming out interests in order to focus financial and management attention on the core areas of offshore UK, West Africa and parts of South Asia. This focus has been further emphasised by the Company's announcement of its intention to acquire Energy Africa Limited, whose portfolio includes producing and exploration assets offshore UK and throughout Africa.

UK Offshore

The UK Gas Market is currently going through a period of transition with declining indigenous supply struggling to keep pace with market demand and growth. This has led to generally higher pricing for uncontracted gas, particularly during periods of peak winter demand, and an increasing focus on gas imports, LNG storage and other alternatives. During 2003, Tullow attained a number of major operational and strategic milestones in the Southern North Sea (SNS), including the assumption of operatorship of the Hewett fields and the Bacton terminal. This transaction, coupled with further deals on the Thames fields, the Horne and Wren discoveries and more recently on the Orwell field, leaves Tullow ideally placed to benefit as the market continues to evolve.

West Africa

During 2003, Tullow designated West Africa as a key region for future growth. The Group's objective is to combine our commercial and technical skills to target existing smaller discoveries that can be successfully developed through the negotiation of suitable terms and the application of new technology. This is complemented by an active focus on exploration upside within the region. The Espoir project, where previously marginal assets have been enhanced through new technology and exploration success, represents a template for this strategy.

The proposed acquisition of Energy Africa Limited and Energy Africa Gabon Holdings Limited represents a quantum leap in Tullow's long term strategy for this region and, upon completion, will bring Tullow's West African production to over 30,000 boepd.

Tullow has emerged from 2003 a stronger and more focused company, and the proposed aquisition of Energy Africa Limited represents a major advance in our plans to become a sizeable independent exploration and production company.

South Asia

Tullow will drill a number of interesting prospects in South Asia during 2004. In Bangladesh we have to date drilled two wells from the committed three well programme within Block 9, while in Pakistan a 3D seismic programme is in progress on the Nawabshah licence. The gas market in South Asia continues to improve and any gas discovered should be readily marketable.

Financial

Tullow has shown consistently strong growth in turnover, operating profitability and cash flow generation in recent years and 2003 was no exception. A combination of increased UK and Côte d'Ivoire production and strong oil prices generated an 18% growth in turnover to £132.4 million and a 35% rise in operating cash flow to £85 million. This performance enabled Tullow to undertake an active reinvestment programme most notably in the UK and Côte d'Ivoire, whilst simultaneously paying down debt and initiating dividend payments. Net profits were impacted by a write-off of unsuccessful exploration costs under the Group's 'successful efforts' accounting policy.

Looking to 2004 and beyond, the proposed acquisition of Energy Africa provides a new source of production, reserves and cash flow and will allow Tullow access to an existing range of exploration and development opportunities in its UK and West Africa core areas.

Chairman's Statement continued

Corporate Activity and Corporate Governance

In recent years Tullow has devoted significant time and effort to the development of its Environmental, Health and Safety procedures. In 2003 there were significant advances in this area with the certification under the internationally recognised ISO 14001 Environmental Standard of Tullow Oil UK's activities and its operatorship of the Hewett Complex and Bacton Terminal. This achievement was the result of outstanding commitment to Health and Safety throughout the Tullow organisation and I would like to congratulate all involved.

In April 2004 John Lander and Eskandar Maleki retired from the Board. During his time with the Company John has been the guiding force in the growth and innovation of Tullow's UK business. Eskandar has been a Non-Executive Director of Tullow since 1996 and his contributions to the Board have always been incisive and valuable. I would like to thank both John and Eskandar for their contribution and commitment.

The Nominations Committee is currently in the process of selecting an experienced Non-Executive Director and hopes to make an announcement over the coming months.

Dividend

In April Tullow announced its intention to pay a dividend of 1p per share during 2003. Following approval from the Irish High Court and completion of certain accounting work, this dividend was paid in November. The level of dividend will be maintained at 1p per share in 2004. However, it remains the Company's intention to increase dividend payment levels as circumstances permit.

Corporate Transactions

On 26th March 2004 Tullow announced that it had secured an exclusive position with respect to the potential acquisition of Energy Africa Limited. In this regard a formal offer to acquire Energy Africa and a proposed Placing of new Tullow shares to raise £123.5 million before expenses has been announced. In a separate transaction, Tullow will also acquire the 50% interest in Energy Africa Gabon Holdings Limited not currently owned by Energy Africa.

The proposed transaction represents a major advance in Tullow's plans to become a sizeable independent Exploration and Production company. Energy Africa is regarded as a well-managed company with solid production and exposure to some of the most exciting exploration and development projects in West Africa. The acquisition of the additional Gabon interests increases financial and operational flexibility in a key territory.

Future Prospects

Tullow has emerged from 2003 as a stronger and more focused company, and the proposed Energy Africa acquisition will represent a significant acceleration in the Company's growth. Industry dynamics are continuing to present exciting opportunities within our core areas, while investors are once again recognising the benefits that can result from exploration success. I would like to thank our existing staff and shareholders for their commitment and look forward working with the staff and management of Energy Africa as part of the Tullow Group.

Patrick Plunkett
Chairman
4th May 2004

Board of Directors

Patrick Plunkett
Chairman †u
Aged 53

Mr Plunkett joined the Board in 1998 and was appointed Chairman in April 2000. He has over thirty years experience in the financial services sector and was a Director of the Irish Stock Exchange from 1995 to 1998. From 1990 to 1998 he managed the stockbroking and corporate finance businesses of ABN AMRO Bank in Ireland. Mr Plunkett is currently providing corporate advisory and Non Executive Director services to a number of private companies.

Aidan Heavey
Chief Executive Officer u
Aged 51

A founding Director and shareholder of the Company, Mr Heavey has played a key role in the development of Tullow from its formation in 1985 to its current international status. With an accounting background, Mr Heavey previously worked in the airline and engineering sectors.

Graham Martin
General Counsel
Aged 50

Mr Martin joined the Company as a Director in 1997 from an international law practice. Mr Martin has been principal legal adviser to Tullow since its incorporation and has many years' experience of UK and international corporate and energy transactions.

Matthew O'Donoghue
General Manager Projects
Aged 59

Mr O'Donoghue was appointed to the Board in 1998. He began his career in the oil and gas industry with Schlumberger Wireline working in Europe, Africa and the Middle East. He has more than 30 years' experience in the industry and joined Tullow in 1987 on the Senegal project. He is a core member of the team that has developed the Company's business and international operating capability.

* ***Audit Committee***
† ***Remuneration Committees***
u ***Nominations Committee***

Tom Hickey
Chief Financial Officer
Aged 35

A Chartered Accountant, Mr Hickey was appointed as a Director in 2000. He was previously an Associate Director of ABN AMRO Corporate Finance (Ireland) Ltd. In this role he advised a wide range of public and private companies in the areas of mergers and acquisitions, flotations and related transactions.

Rohan Courtney
Non-Executive Director *†u
Aged 56

Mr Courtney has been a Non-Executive Director since 1993. He was a career banker for 27 years and held senior positions in London and Hong Kong including as Chief Executive in Europe of the State Bank of New South Wales from 1982 to 1990. He is currently Chairman and Chief Executive of UC Gas Limited and a Non-Executive Director of Boisdale plc.

Clare Spottiswoode CBE
Non-Executive Director *†u
Aged 51

Ms Spottiswoode joined the Board in 2002. An economist by training, she began her career in the Treasury and more recently was Head of UK gas regulator Ofgas, a role she occupied from 1993 to 1998. Ms Spottiswoode is currently Deputy Chairman of British Energy, President of Economatters, Chairman of Busy Bees and a Non-Executive Director of Advanced Technology (UK) plc and Petroleum Geophysical Services (PGS).

Steven McTiernan
Non-Executive Director *†u
Aged 53

Mr McTiernan joined the Board in 2002. He began his career as a petroleum engineer, working with BP, Amoco and Mesa. Subsequently, he joined Chase Manhattan Bank, where he ultimately became Global Energy Executive based in New York. He has also held senior positions with NatWest Markets and CIBC World Markets. He is currently principal of Sandown Energy Consultants Limited.

Chief Executive's Report

Tullow continued to develop and evolve its strategy during 2003, focusing on building strong and secure cash flow from low risk production acreage while applying discretionary funds to exploration territories with high potential. Since year end, we have further broadened our focus and strategy via the proposed acquisition of Energy Africa Limited, which has extensive operations in West Africa and the UK. During the year Tullow completed two major developments, drilled six exploration wells and was awarded six new licences, while the Group's production increased to over 25,000 boepd.

UK OFFSHORE

Tullow's net UK gas sales averaged 120 mmscfd during 2003, an increase of 20% over the previous year. This performance was driven by the ongoing success of the CMS III project, where production commenced from the McAdam and Watt gas fields in April and November respectively. The fifth and final field in the CMS III development programme, Boulton H1, came on stream in March 2004 at a gross rate of 125 mmscfd. CMS III has been a major success for the consortium and represents a clear template for future development of smaller gas accumulations using existing infrastructure.

In October the company completed a deal with ConocoPhillips, which resulted in Tullow increasing its interest in, and assuming operatorship of, the Hewett Unit and the onshore Bacton Gas Terminal. Bacton is a strategic site for Tullow and for the UK gas market as a whole. This transaction gives Tullow the ability to take the lead in securing third party business, undertaking cost reduction initiatives and progressing potential gas storage projects in the Hewett area. In November Tullow acquired additional equity in the Thames gas fields from Eni.

While UK exploration performance was mixed in 2003, the recently announced Monroe discovery was most encouraging and Tullow intends to maintain an active exploration programme in the UK. The Company was awarded five blocks in the 21st Offshore Licensing Round. The awards comprise operatorship and interests in three Central North Sea blocks, close to existing production infrastructure, and interests in two SNS blocks - 44/19, which lies close to the Caister Murdoch infrastructure, and 49/30b, which contains an extension of the Fizzy gas discovery.

WEST AFRICA

Côte d'Ivoire

The Espoir field and the CI-26 licence area continue to add value to Tullow. In May the Company announced a

During 2003 Tullow completed two major developments, drilled six exploration wells and was awarded six new licences, while Group production increased to over 25,000 boepd. The proposed acquisition of Energy Africa will expand our core areas in West Africa and the UK and increase production to over 50,000 boepd.

significant oil discovery on the Acajou prospect, southeast of Espoir, confirming the hydrocarbon potential of the surrounding area. A further well will be drilled on the northern portion of the structure during 2004, following which development options will be assessed.

In September the drilling phase of the East Espoir Development completed, resulting in increased gross production from the Espoir complex to over 25,000 boepd.

The field co-venturers agreed the West Espoir Development plan in October 2003, and the award of contracts is imminent. When complete, this project will increase Espoir gross oil production by 10,000 bopd and bring gross gas sales to 35 mmscfd.

Gabon

In March Tullow signed a Production Sharing Contract with the Gabonese Government for the Kiarsseny Marin Area. Since the award, Tullow has brought new partners into the licence - including the Angolan national oil and gas company, Sonangol P&P, in their first international venture - and drilled its first well on the Topaze South prospect. While the result of the well was disappointing, this remains a highly prospective block with a number of material exploration plays and a further well may be considered during 2004.

The proposed acquisition of Energy Africa and related acquisition of 50% of Energy Africa Holdings Gabon strengthens Tullow's commitment to developing a long-term business in Gabon over the coming years.

Cameroon

During 2003 a detailed technical review of the existing discoveries and prospectivity of the Ngosso licence was undertaken. Delineation seismic is currently planned for 2004.

Chief Executive's Report continued

SOUTH ASIA

Pakistan

Production continued in Pakistan at a lower level due to the watering out of the Sara-1 well. Workovers during the year have restored gross production to 20 mmscfd. In the last quarter of 2003 Tullow completed a 3D seismic survey to delineate potential development and exploration well locations.

Bangladesh

Exploration activities in Bangladesh during 2003 centred on seismic interpretation and the identification and preparation of well locations within Block 9. Drilling operations commenced in December with the first well of a three well programme. This well, on the Rasulpur structure, was unsuccessful. A second well, on the Lalmai prospect, spudded in March 2004 and reached total depth on 25th April. The well encountered a number of potentially gas-bearing zones which are now being production tested.

India

Activity in India during 2003 was limited. A well on the GK-OSJ-1 licence, in respect of which Tullow had a full carry, was drilled in March. The well was unsuccessful and, following detailed analysis, the block was relinquished at year end. A further licence covering Block KG-ON-1 was also surrendered in August. Attention has now shifted to the highly prospective CB-ON-1 block, which lies directly on trend with recent significant oil discoveries.

INCREASED FOCUS ON CORE AREAS

In April Tullow sold its interest in the West Firsby oil field in Lincolnshire to Europa Oil & Gas and in October completed the $8.3 million sale of its remaining onshore UK properties to Viking Petroleum. These disposals, along with the recent farmout of part of Tullow's Romanian interests, and the Company's withdrawal from Algeria, are intended to allow the Group to focus on its core investment areas of UK Offshore, West Africa and South Asia. Our recent announcements relating to Energy Africa accentuate this focus.

Aidan Heavey
Chief Executive
4th May 2004

Senior Management

UNITED KINGDOM

Paul McDade
General Manager

Brian Williams
General Manager
Business Planning

Pete Dickerson
General Manager
Business Development

Ken Vosper
Commercial Manager

Chris Flavell
Exploration Manager

Graham Brunton
Group EHS Manager

Julian Tedder
Finance Manager

Doug Field
Engineering Manager

Alan Marshall
Regional Manager, Bacton

INTERNATIONAL

Brian O'Cathain
General Manager

Gerry Sheehan
Exploration Manager

John Welding
Drilling Manager

Tim O'Hanlon
New Business Manager

Kevin Quinn
South Asia Area Manager

Jack Scott
Engineering Manager

Bob Cramp
Finance Manager

Jacqui Gilroy
Financial Controller

Northwest Europe Review

UNITED KINGDOM

The Southern Gas Basin in the North Sea is Tullow's main area of production. The Company has interests in three gas producing areas in this basin: Hewett, Thames, and the Caister Murdoch System (CMS). During 2003 combined gas sales from these areas averaged 120 mmscfd, a 20% increase over 2002. The first full year's contribution from the CMS III development was responsible for much of the increase.

Tullow reached a number of milestones in 2003 under its strategy of consolidating and expanding the Company's acreage portfolio around its production infrastructure. Most notable was the purchase of ConocoPhillips' equity in the Hewett gas fields and the Bacton gas terminal situated on the Norfolk coast. Tullow assumed operatorship of these strategic assets and contracted day-to-day management to Petrofac, a major service company. Further consolidation took place with the purchase of additional interests in the Thames fields, the Horne discovery and adjacent exploration acreage. The Horne acquisition enabled Tullow, as operator, to plan a fast-track combined development of the Horne and Wren discoveries.

Five exploration blocks were awarded to the Company under the 21st Licensing Round in July, three of these lie in the more oil prone Central North Sea and are operated by Tullow. Following detailed analysis, the Company decided to dispose of its interest in the sub-commercial Islay discovery well and adjacent SNS acreage.

Hewett & Thames Areas

On 1st October Tullow completed the acquisition of ConocoPhillips' equity in the Hewett and Bacton assets, increasing its interest to 38.82%. The assets comprise the offshore Hewett fields and pipelines and the onshore Bacton gas terminal, which processes gas from Tullow's Hewett and Thames area fields. In conjunction with this deal, Tullow assumed operatorship of these assets and has already instigated a number of initiatives, including the implementation of extensive cost saving measures, both offshore and onshore, and the optimisation of production from the existing wells. These will continue in 2004.

2003 production from the Hewett fields was boosted by particularly strong performance during the winter months.

The Company believes there is a major business opportunity in extending the life of the Hewett and Bacton facilities by attracting third party business and, in the longer term, by offering gas storage. A number of suitable

depleted reservoirs with proximity to shore and a direct link to the national transmission system have been identified and studies are under way to determine the commercial viability of gas storage.

In March 2004 Tullow purchased ExxonMobil's equity in blocks 48/23a and 48/22a encompassing the Blythe field, bringing the Company's interest to 100% in both blocks. The field, to the northwest of Hewett, is currently undergoing further specialist seismic analysis, to establish development potential. Other discoveries in the area may provide synergies for a joint development tied back to Hewett.

The Thames and Deben fields performed well during the year. Tullow's share of production was enhanced by the contribution from its purchase of Eni's 23.33% equity in the fields. The deal was completed in late November with an economic effective date of 1st January 2002.

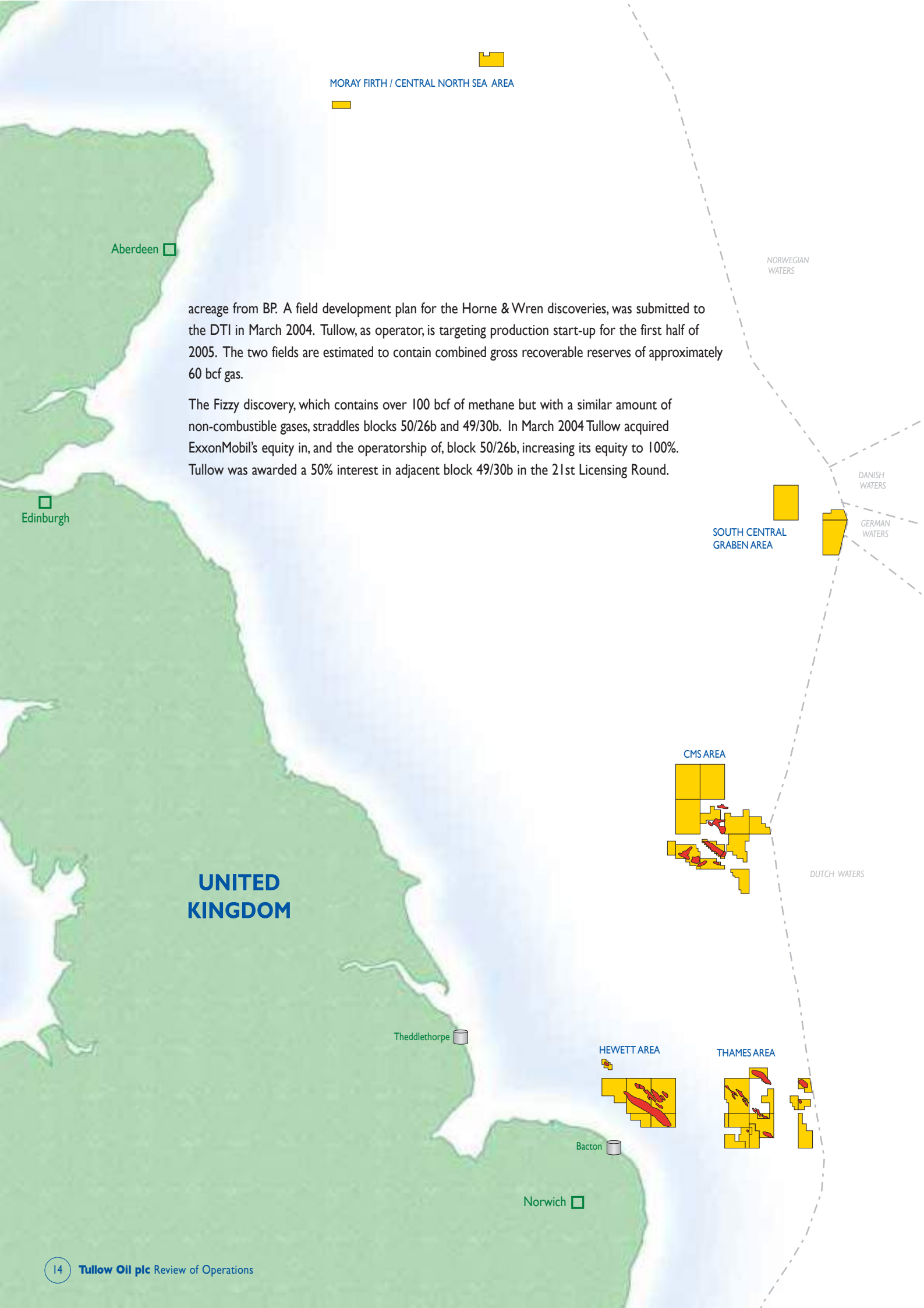
Production from the Gawain field was markedly reduced by an increasing water cut affecting all three production wells. One of the wells ceased production in mid-year. The Gawain South East exploration well, drilled in mid 2003, was plugged and abandoned as a dry hole.

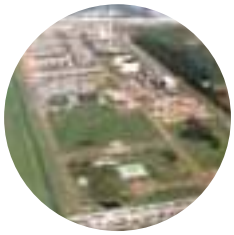
Orwell field production exceeded expectations during 2003 due to strong summer demand for gas and the ending of the gas sales agreement, allowing the field to produce at optimum capacity from 1st October. In March 2004 Tullow announced that it had agreed to purchase ChevronTexaco's 50% interest in Orwell, thereby increasing its stake to 100%.

Tullow completed two further significant deals in the Thames area involving the Horne & Wren and Fizzy discoveries. In June the Company purchased an additional equity interest in the Horne discovery and adjacent

acreage from BP. A field development plan for the Horne & Wren discoveries, was submitted to the DTI in March 2004. Tullow, as operator, is targeting production start-up for the first half of 2005. The two fields are estimated to contain combined gross recoverable reserves of approximately 60 bcf gas.

The Fizzy discovery, which contains over 100 bcf of methane but with a similar amount of non-combustible gases, straddles blocks 50/26b and 49/30b. In March 2004 Tullow acquired ExxonMobil's equity in, and the operatorship of, block 50/26b, increasing its equity to 100%. Tullow was awarded a 50% interest in adjacent block 49/30b in the 21st Licensing Round.





CMS Area

The CMS area, containing the Murdoch and Boulton fields, the recently completed CMS III development, and a large inventory of exploration licences, has been the focus of significant technical and commercial developments during 2003.

The termination of the gas sales agreements for Murdoch and Boulton enabled production from these fields to be actively managed to benefit from periods of favourable pricing.

CMS III development continued throughout the year on the McAdam, Watt and Boulton H fields, and drilling was completed in February 2004. Production from the fifth and last field, Boulton H, commenced in early March 2004. Three of the producing fields, Hawksley, McAdam and Murdoch K, performed above expectations. However, Watt field pressures declined rapidly during its first month of production and the option to re-enter this well is under review. The new CMS offshore compression train, which was inaugurated in late 2003, doubles the CMS compression capacity and resulted in a marked improvement in flow rates from all CMS area fields.

Tullow was awarded an interest in block 44/19b under the 21st Licensing Round. This block, and the seven awarded or acquired in 2002, are currently being evaluated using the latest 3D seismic data with a view to drilling a number of exploration wells in 2004 and 2005.

The initial well, the Monroe exploration well, was spudded in block 44/17b during February 2004 and was suspended as a gas discovery in April 2004. New exploratory drilling in the area combined with the Monroe and other existing discoveries are anticipated to provide for a future "CMS IV" project.

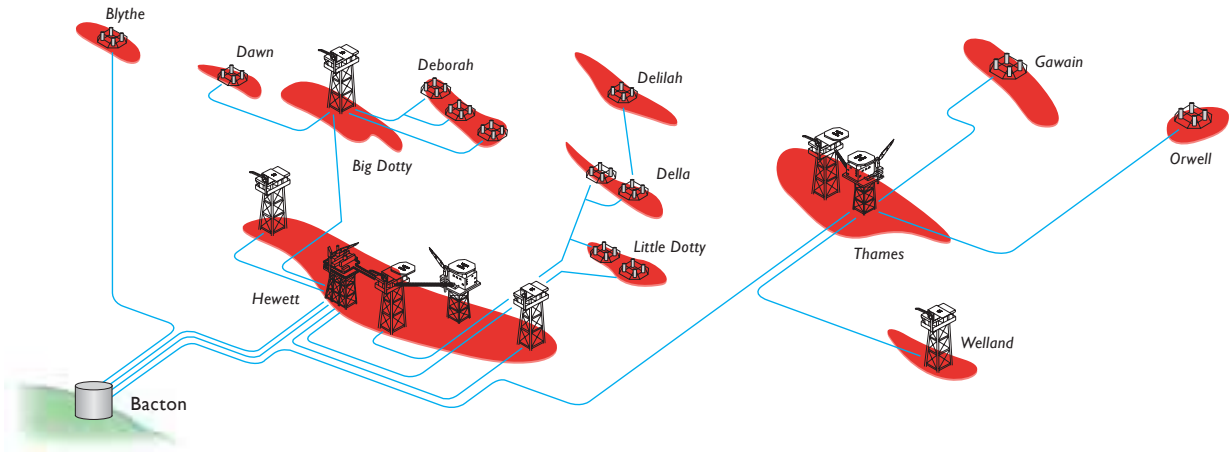
Moray Firth and Central North Sea

In early 2003 Tullow participated in the Squirrel exploration well, in Moray Firth block 20/7a, which lies close to the giant Buzzard field. The well was not successful.

In July the Company was awarded operating interests in three Central North Sea blocks, in Quadrants 38 and 39, located close to existing oil production. The work programme includes the acquisition of new seismic data and the reprocessing of existing data. The new data was acquired in the autumn and is currently being processed.

The company will continue to review opportunities to expand its North Sea portfolio through participation in licensing rounds and further asset acquisitions.

Thames Hewett Bacton Infrastructure



West Africa Review

CÔTE D'IVOIRE

Tullow has been active in Côte d'Ivoire since 1997. Licence CI-26 (Tullow 24%) is a key asset for Tullow, combining valuable oil and gas production with exciting exploration opportunities.

The Espoir field is Tullow's principal source of international production. It is located on the edge of the African continental shelf, 60km southwest of Abidjan and 19km from shore. Espoir, in which Tullow holds 21.33%, consists of two accumulations, East and West. The East reservoir produces through a wellhead tower connected to a turret-moored FPSO, with oil being exported via offtake tankers. Gas is exported by pipeline to shore and used in local power stations.

During 2003, increased oil and gas production from the Espoir field and the success of the Acajou - 1X oil discovery further enhanced the value of this acreage. 2004 promises to be another active year with the commencement of West Espoir development and a further exploration well planned, for the Acajou North prospect.

Production

Two production wells and two water injectors were drilled on East Espoir during 2003. In addition, three existing East Espoir production wells were perforated in the upper reservoir. This work marked the completion of development drilling activities on East Espoir. With all five of the Espoir producer wells on stream, production reached a peak of 26,000 boepd in the second half of 2003.

There were 12 cargo liftings from the Espoir field during 2003 and revenue benefited from strong oil prices, averaging more than $27.50 per barrel.

Development

In October, the joint venture partners agreed development plans for the West Espoir accumulation and sanctioned a budget for the fabrication of a second 12 slot tripod wellhead tower. Plans for West Espoir include the drilling of five new production wells and two water injection wells. Invitations to tender for this work were issued towards the end of 2003 and contracts will be awarded shortly.

When developed, West Espoir will increase field production by 10,000 bopd and gas sales will reach 35 mmscfd. The FPSO process capacity will be upgraded to cater for the increased levels of oil production when West Espoir comes on stream.

Exploration

In addition to strong production performance, Côte d'Ivoire also provided a significant oil discovery for Tullow in May. The Acajou-1X exploration well, located about 9 km south east of Espoir, was drilled in 3,050 ft water and tested at an average rate of 3,500 bopd. The oil is good quality at 33° API, similar to that found in the Espoir field, and its location would facilitate a subsea pipeline tieback arrangement of the existing discovery.

The success of the Acajou well underlines the considerable potential for further successful exploration in the area. Preparations are being made to drill the Acajou North exploration prospect in the second half of 2004. Should this well be successful in proving up substantial additional reserves, standalone development options will be investigated.

Tullow is also in advanced negotiations with the authorities in Côte d'Ivoire in relation to two new exploration licences.

GABON

In March, Tullow was awarded the Kiarsseny Marin licence in the prospective Northern Gabon offshore basin. The award expanded the Company's exploration portfolio in an area of significant hydrocarbon potential and complements its other West African assets in Côte d'Ivoire and Cameroon.

Tullow operates the licence with a 47.5% interest, following completion of farm-in agreements in early 2004. As a result of these agreements, Addax Petroleum has acquired a 42.5% interest. Sonangol P&P, a subsidiary of the Angolan state company, has also taken a 10% interest in the licence in its first commercial exploration venture outside Angola.

The Kiarsseny Marin licence covers 5,442 sq km. Both shallow post-salt Tertiary and Cretaceous targets and deeper pre-salt plays are present on the acreage. Extensive 2D and 3D seismic data are available for the block and three discoveries have been made in the block: Equata by Texaco in 1974; GLK (now called Topaze) by Gulf in 1977; and Iguega by Shell in 1997. These discoveries were considered marginal by previous operators under earlier, less favourable PSC terms. All three are being re-evaluated in light of the improved terms and advancements in shallow water development technology.

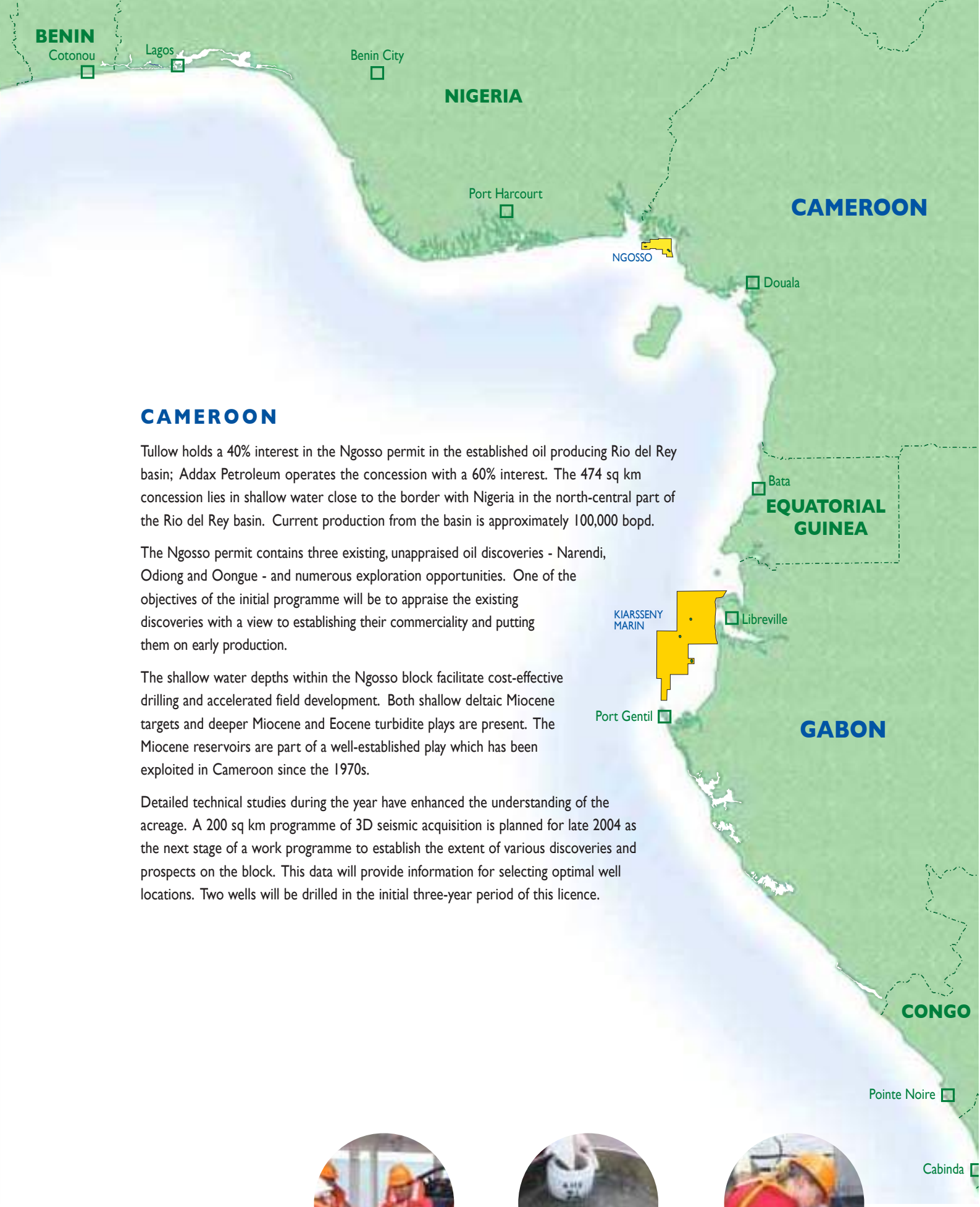
Some 25 wells have been drilled on the licence to date, many of which encountered oil and gas. Tullow moved rapidly to evaluate this large volume of data, and spudded the first of two commitment exploration wells, on the Topaze South prospect in February 2004.

Exploration & Appraisal

Tullow commenced an exploration and appraisal programme to assess the commerciality of the existing oil accumulations and other prospects on the block. Evaluation has focused on re-interpreting existing seismic and well data, revising geological models and investigating alternative development and production schemes. The initial phase of evaluation has confirmed the presence of at least four viable play types. An inventory has been compiled of leads and prospects and these are being systematically studied. Further drilling targets are expected to emerge from the analysis of this portfolio in the coming months.

In early 2004 Tullow drilled the Topaze South-1 well, but no significant quantity of recoverable oil was found and the well was plugged and abandoned.

The information from this well will be further evaluated to better understand the geology of the Topaze discovery. Studies are also ongoing over the Iguega and Equata accumulations, and possible development options are under consideration.



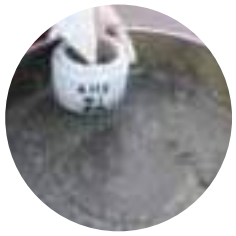
CAMEROON

Tullow holds a 40% interest in the Ngosso permit in the established oil producing Rio del Rey basin; Addax Petroleum operates the concession with a 60% interest. The 474 sq km concession lies in shallow water close to the border with Nigeria in the north-central part of the Rio del Rey basin. Current production from the basin is approximately 100,000 bopd.

The Ngosso permit contains three existing, unappraised oil discoveries - Narendi, Odiong and Oongue - and numerous exploration opportunities. One of the objectives of the initial programme will be to appraise the existing discoveries with a view to establishing their commerciality and putting them on early production.

The shallow water depths within the Ngosso block facilitate cost-effective drilling and accelerated field development. Both shallow deltaic Miocene targets and deeper Miocene and Eocene turbidite plays are present. The Miocene reservoirs are part of a well-established play which has been exploited in Cameroon since the 1970s.

Detailed technical studies during the year have enhanced the understanding of the acreage. A 200 sq km programme of 3D seismic acquisition is planned for late 2004 as the next stage of a work programme to establish the extent of various discoveries and prospects on the block. This data will provide information for selecting optimal well locations. Two wells will be drilled in the initial three-year period of this licence.



South Asia Review

PAKISTAN

Tullow has been involved in exploration and production in Pakistan since 1990 and now holds three exploration licences and four development leases.

Most of Tullow's acreage lies in the Middle Indus basin, where the Sara and Suri fields have been supplying gas to the Guddu power station for over four years. A third field, Chachar, is currently the subject of discussions with the Government of Pakistan on the unitisation of the field with an adjacent field. Development possibilities are also being considered for a fourth field, Sara West.

Tullow further expanded its portfolio in March 2003, with the signing of the New Block B exploration licence, which covers acreage surrounding Tullow's existing production leases in the Sara and Suri areas.

During the year the Company carried out geological and geophysical work on the Nawabshah and New Block B exploration licences.

Development

The Sara and Suri fields have produced gas since December 1999, averaging nearly 30 mmscfd, with facilities capable of 40 mmscfd throughput.

Following water influx to the main producing zone in the Sara-1 well, the Sara and Suri wells were worked over, restoring production to an average of 20 mmscfd. A 3D seismic survey was conducted in October and November in order to identify locations for additional development wells and further exploration targets.

In early 2002 Tullow signed a gas sales agreement to produce up to 30 mmscfd from the Chachar field for the Guddu power station. Chachar lies adjacent to the Kandhkot gas field and in mid-2003 the licensing authorities commenced a unitisation process to establish reserve and production splits between the two lease areas. Development of the field is now awaiting the outcome of this process.

Tullow is currently reviewing potential development options for the Sara West field, which tested low calorific value gas in 1996. A 20-year Development and Production Licence (D&PL) was granted over the field in 2001. The discovery of further gas reserves in New Block B would broaden the range of such development options for Sara West, by opening up the possibilities for a blended gas of increased calorific value.

Exploration

The Nawabshah licence was awarded in October 2002. Tullow reduced its equity in the block by farming out part of its interest to two new partners, Marigas and Pakistan Oilfields Limited (POL). Following extensive reprocessing of seismic data for the block in 2003, Tullow expects to complete the acquisition of a further 300 km of 2D seismic by mid 2004.

The focus of exploration in the block is on the stratigraphic play potential of the Lower Cretaceous. This has proven successful in the nearby multi-tcf Sawan and Miano fields. The discovery of several new gas and oil fields adjacent to the Nawabshah block during 2003 greatly enhanced the prospectivity of the block and an exploration well is planned.

The New Block B exploration licence was awarded to Tullow in March 2003 and covers acreage in the Sara and Suri areas. Tullow operates this 771 sq km licence with a 48.18% interest and conducted a 150 km 2D seismic survey over the block in December 2003. Interpretation is under way in advance of well planning.

A 200 sq km 3D seismic survey was conducted over the Sara and Suri leases and a prospective part of the New Block B exploration licence in late 2003. This survey is expected to define drilling locations on deeper level prospects in the Sara and Suri area and may highlight additional reserves at shallow levels and deeper Cretaceous levels.

Force Majeure has been in place over Block 28 for several years. This large block has similar anticlinal features to those producing gas in nearby fields. The acreage also has oil potential.

INDIA

Tullow has been active in India since 1998 and currently has interests in three licences in the onshore and offshore Gulf of Kutch/Cambay area of northwest India.

The Petroleum Exploration Licence (PEL) for the onshore Block CB-ON-1 was granted in September 2003 and work has now commenced on the block. This very large block of 5,875 sq km is situated within the prolific Cambay basin. CB-ON-1 is regarded as having good potential for commercial discoveries of both oil and gas, as it lies south of recently discovered sizeable fields in the Sanchor Basin. The joint venture partners plan an aggressive work programme on the block.

A 2D seismic survey on block KG-ON-1, on the eastern coast, was completed in March 2003. Following processing and interpretation of the new data, the licence partners decided to relinquish the block in August.

Well GK-22C-3 was drilled in the offshore GK-OSJ-1 block at the beginning of 2003 and was plugged and abandoned, as no moveable hydrocarbons were encountered. Tullow's costs in respect of this well were carried by its partners. Following a thorough review of the prospectivity of the block, the licence was relinquished in December. Work continues on offshore block GK-OS-5, where a well is planned. The operator of onshore block GK-ON-90/2 has requested an extension to Exploration Phase I of the licence.

BANGLADESH

Tullow has been involved in Bangladesh since 1997. It operates two licences, onshore Block 9 and Blocks 17 & 18, lying mainly offshore. Block 9 is located in a region containing significant gas fields and covers the main area of gas infrastructure and demand around Dhaka.

During the first quarter of 2003 Tullow explored extensively in Block 9, acquiring 1,000km of 2D and 455 sq km of 3D seismic data. Following interpretation of the newly acquired data, three prospects were selected for drilling.

The Rasulpur well was spudded in mid December 2003. Although good quality reservoirs were present, no moveable hydrocarbons were encountered and the well was plugged and abandoned in mid February 2004. The second well in the programme, on the Lalmai structure, was spudded in March 2004 and reached total depth in late April. The well encountered a number of potentially gas-bearing sands and a production test process is now under way. The final well in the programme, on the Bangora prospect, is expected to spud in late May.

No material additional work was carried out on Blocks 17 & 18 during 2003. Negotiations with the Government of Bangladesh for a two year extension of this PSC are nearing completion. The work programme for this extension will involve geological regional studies, including integration of the implications of recent discoveries in offshore Myanmar, immediately to the south of Block 18.

Onshore Europe and North Africa Review

ROMANIA

Tullow operates two licences in Romania, EPI-3 (Brates) and EPI-8 (Valeni de Munte). Exploration analysis carried out in 2003 highlighted a number of interesting leads and prospects in both licences. Planning and preparation are now under way to drill a multi-objective well in EPI-3, commencing in the second half of 2004. The National Agency for Mineral Resources has agreed that this well will fulfil the drilling commitment formerly associated with licence EPI-8.

A number of companies expressed interest in joining Tullow's Romanian joint ventures and a farm-out deal has recently been concluded with MND, bringing Tullow's equity in each block down to 42%.

ONSHORE UK

During 2003 Tullow completed two divestments, resulting in the Company's exit from onshore UK activities.

In April, the Company sold its 53.34% interest in the West Firsby oil field in Lincolnshire to Europa Oil and Gas for a consideration of approximately $0.7 million. Subsequent to this, in October Tullow completed the $8.3 million sale to Viking Petroleum of its 60% interest in the North Yorkshire gas fields and the operatorship, on behalf of ScottishPower, of the Knapton Power Station.

ALGERIA

Tullow obtained a 30% interest in Eni-operated exploration Block 222b in 2000. Following completion of geological and geophysical studies, an exploration well, OIT-1, was drilled in February and plugged and abandoned as a dry hole in March. The licence was subsequently relinquished in May 2003. Tullow no longer holds any interests in Algeria.

Corporate Responsibility

INTRODUCTION

In order to address all Corporate Responsibilities, clear and effective policies and consistently excellent performance are vital. Tullow is committed to operating transparently and honestly in all of its undertakings. The Company has recently approved a defined CSR policy, which is currently being implemented across all of our geographic locations.

As Tullow increases its operated activity, we remain committed to continually improving Environmental Health and Safety (EHS) performance at all levels of our global activities. In 2003 Tullow's EHS management systems were enhanced through improved behaviours and systems, which contributed towards minimising the risk of harmful effects on people and the environment.

Tullow works constructively to enhance its reputation as a responsible corporate citizen in all areas of business. Our commitment to local communities and the environment remains a priority. Over the past year, we have continued our support for children's education projects at home and abroad. We worked in co-operation with local communities in Pakistan and Bangladesh toward providing clean water and improved medical facilities for the local population and in Ireland in contributing towards an educational foundation.

ENVIRONMENTAL HEALTH AND SAFETY

Tullow continuously monitors operations to ensure that they do not result in any adverse impact on the environment. The environmental aspects of Tullow's UK operations were audited by Lloyd's Register and certification to the ISO 14001 standard was achieved in May 2003.

Our assumption of the operatorship of the Bacton and Hewett Assets in 2003 was a key development for Tullow. Major emphasis was placed on EHS management throughout the transition period. Our attention to EHS issues was supported and recognised by the UK Health and Safety Executive. Tullow Oil UK Limited has won a RoSPA Gold Award for 2004, recognising an excellent track record of health and safety performance.

Safety

Tullow's safety performance improved significantly during 2003 with the number of Lost Time Incidents (LTIs) half that for 2002. A Lost Time Incident is registered when an individual cannot start their normal duties the day after an incident. The Lost Time Incident Frequency Rate (LTIFR) continued to improve, down from 1.62 LTIs per million worker hours in 2002 to 1.09 in 2003.

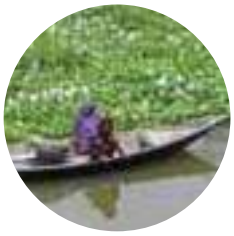
The 2003 LTIFR figure of 1.09 was achieved while carrying out seismic and drilling operations in particularly challenging and populated regions. The figure compares very favourably against the UK Offshore Operators Association LTIFR benchmark standards, which document 1.79 as the average for 2002. There is no room for complacency in our drive for zero accidents and incidents. We are encouraged by our improved safety performance and will continue to promote excellence in safety practices throughout our business.

2003 LTI Performance	2003	2002
Lost Time Incidents	4	8
Lost Time Incident Frequency Rate	1.09	1.62

Health

We are pleased to report that there were no significant health related incidents during the year. Tullow attaches great importance to ensuring safe conditions for employees and contractors working in the field in developing countries. Standards of food and water hygiene at our operated facilities are subject to regular assessment and are externally monitored.

Tullow continues to support a range of health initiatives. The largest of these has been our contribution to a polio inoculation campaign in Pakistan.



Corporate Responsibility continued

Environment

No significant environmental incidents were reported within Tullow's activities during 2003.

The key milestone in the year was the certification to the ISO14001 standard achieved by Tullow's North Sea operations in May 2003. Lloyds Register Quality Assurance (LRQA) carried out the independent assessment of all aspects of the UK business against the standard. Maintenance of these high standards was subsequently confirmed at the first surveillance visit in December.

Atmospherics

The EU Emissions Trading Scheme commences in January 2005. Under this scheme, the UK Government is introducing a process to manage and reduce the overall greenhouse gas emissions for the UK. Tullow has been active in ensuring that it is properly prepared for this new system.

Crisis and Emergency Management

Since its inception, Tullow has been developing and continuously improving systems and procedures to pro-actively manage the EHS risks in our business. In 2002 we established a central Crisis and Emergency Management Team (C&EMT). The Team covers all operations worldwide and is on 24-hour call in case of a serious incident. Procedures were expanded to include the Bacton/Hewett Assets during 2003. Each local Tullow office has emergency response procedures linked into the central C&EMT. We have invested in training and associated exercises for the C&EMT to ensure that they are expertly equipped to deal with any crisis.

CORPORATE SOCIAL RESPONSIBILITY

Tullow has been operating internationally since 1986 and has always sought to engage with local stakeholders and our staff in a transparent and responsible manner. There were no adverse community or stakeholder issues during 2003.

In recognition of the importance of CSR, we have formalised our practices into a defined CSR policy which has been approved by the Tullow Board and is in the process of being implemented in each of our operating areas. This policy establishes the key principles that Tullow endeavours to apply throughout its operations and is available in full on our website.

A commitment to participate in local projects is central to our CSR policy. We are involved in projects centred around children, health and education, which benefit local communities around our areas of operation. Our commitment to CSR is reflected in the following projects.

Education Project – Ireland

For the last three years we have contributed to an Education Foundation associated with a Community School in Tullow, Co. Carlow. The Foundation provides past pupils with financial assistance towards third level education costs such as the purchase of educational materials and living expenses.

Water provision – Pakistan

Tullow has been involved in the provision and installation of water tanks in the area around our Sara/Suri plant, as part of a Local Government water supply scheme. The scheme enabled local people to overcome problems of safe and hygienic water storage.

Polio Inoculation Campaign – Pakistan

Since 1999, Tullow has contributed to local health campaigns by providing transport and personnel to facilitate polio inoculations across communities. We also arranged for doctors to participate in these activities resulting in significant health improvements for the local people.

Constant vigilance and awareness of Corporate Responsibility issues is of serious importance in the oil and gas industry. Tullow is committed to developing and maintaining systems and procedures that allow it to effectively manage its responsibilities and limit risk in the day-to-day running of the business.

Financial Review

2003 was a year of solid financial progress for Tullow. The group reported record levels of production, turnover, operating profitability and cash flow, although net profit was adversely impacted by the write-off of costs associated with unsuccessful exploration under the group's successful efforts accounting policy and taxation. The Company declared its maiden dividend of 1p per share, which was paid in November. Significant advances were also made in relation to reducing abandonment cost estimates on UK assets, and the disposal of non-core UK onshore production interests. These events have left the group well placed to continue its progress during 2004.

Turnover

The UK Southern North Sea assets continue to represent the majority of Group turnover, accounting for some 79% of the 2003 total (2002 – 81%). Gas sales in 2003 totalled 43.8 bcf representing an average of 120 mmscfd. This was some 19% ahead of 2002, driven principally by additions to production in the Murdoch-Boulton area via the CMS III project. Tariff income also benefited from stronger production, reaching £10.8 million (2002 - £9.7 million). During 2003 Tullow terminated a number of its long-term gas sales contracts in order to better manage production during periods of peak demand and pricing. As a result of this, contracted gas fell to 20% of overall production (2002 - 60%) at an average price of 24.7p (2002 - 23.7p), with uncontracted gas representing the balance at an average price of 19.85p/therm (2002- 20.1p). While the overall gas pricing environment and outlook is currently favourable, 2003 pricing was negatively impacted by weak summer and autumn pricing.

In addition to strong performance from the SNS assets, 2003 also saw major production increases from West Africa, where the Espoir project reached full production in September 2003. Turnover from Espoir was £25.1 million (2002 - £14.5 million) from production which averaged 4,000 boepd net to Tullow. Espoir turnover was also impacted positively by the strength in global oil pricing, with the price received averaging $27.50/barrel (2002 - $26.60/barrel).

Production from the Sara and Suri fields in Pakistan was adversely impacted by the water ingress into the Sara-1 well and reduced customer demand in the last quarter. Average production for the year was 8 mmscfd net to Tullow (2002 - 10 mmscfd).

During 2003 Tullow sold its UK onshore production interests in the West Firsby oil field and the North Yorkshire gas fields.

Operating Profit

Operating Profit before Exploration Activities amounted to £47.1 million (2002 - £33.3 million) showing the benefits of increased Group production and reduced unit operating costs in both the UK and West Africa. SNS Operating Costs, which include tariff costs, totalled £34.6 million (7.9p/therm) while Depreciation and Amortisation charges for the UK assets totalled £33.7 million (7.7p/therm). These costs include transition and acquisition costs of £1.4 million associated with Tullow's acquisition of an additional interest in, and operatorship of, the Hewett Bacton complex and £0.8 million associated with termination of the Boulton gas sales contract. During 2003 Tullow also modified the basis on which Depletion and Amortisation on the SNS assets is computed to standardise the approach across the main producing hubs of Thames, Hewett and CMS. This modification, whereby individual reservoirs are now grouped into 'fields' based on common geological characteristics, resulted in a net reduction of £4.5 million in the charge for the year. The unit Depletion and Amortisation charge also benefited from reductions in abandonment cost estimates of approximately 30% on the Thames and Hewett assets. Tullow, as operator of Hewett, will continue to pursue further reductions in these costs on behalf of the joint venture.

Espoir Operating Costs, which are substantially fixed, totalled £6.2 million during 2003.

Tullow's "successful efforts" accounting policy requires that all costs associated with unsuccessful exploration are written off to the Profit and Loss Account. During 2003 Tullow participated in a number of unsuccessful wells in the UK (Gawain South East and the Squirrel wells), Algeria (Block 222b) and India (GK-OSJ-1). All costs of these wells, along with certain additional costs associated with relinquished acreage in the UK and India, have been written off in full, resulting in a total charge of £12.8 million to the Profit and Loss Account (2002 - £4.2 million).

Disposal of Non-Core assets

During 2003 Tullow undertook an active programme of rationalisation of assets and territories that are no longer central to the group. As part of this initiative, the Group withdrew from Algeria following the unsuccessful 222b exploration well. In addition the groups remaining Onshore UK interests in West Firsby and North Yorkshire were sold for a total consideration of $9.0 million (£4.3 million, after completion adjustments). Although these funds were principally reinvested in international development and exploration activities which are dollar-denominated, exchange movements between the agreement and completion dates have resulted in a loss of £0.9 million being booked to the Profit and Loss Account for 2003.

Interest Charge

The net interest charge for the period was £6.7 million, comprising £3.9 million of interest associated with Group Debt (after capitalisation of £0.9 million associated with development projects), £2.0 million of interest income, £4.6 million of non-cash costs arising from the amortisation of debt arrangement fees and the unwinding of discount on abandonment provisions and £0.2 million in respect of interest rate swaps. Of this total, £0.6 million represents additional amortisation of arrangement costs of the Group's Espoir financing facility. This facility will now be repaid on an accelerated schedule in conjunction with the arrangement of new Group facilities associated with the proposed acquisition of Energy Africa Limited and accordingly the costs are amortised on an accelerated basis.

Taxation

The tax charge of £15.7 million includes £13.6 million of current Corporation Tax and Petroleum Revenue Tax (PRT), £2.9 million of a notional tax charge representing the Côte d'Ivoire state's profit oil interest in 2003 production from the Espoir field and a net credit of £0.8 million in respect of Deferred Tax.

There has been a material increase in the Group's charge to PRT in 2003 due primarily to a full year of production from the Murdoch K field (part of CMS III development), which falls within the determination of the Murdoch field for PRT purposes. This factor, combined with reserves upgrades on Murdoch, lower available oil allowance and higher gas prices during 2003, resulted in significant increases in the Group's charge to PRT.

2003 was also the first full year in which the additional 10% Supplementary Corporation Tax on Oil and Gas profits applied. Tullow's exposure to this tax during 2003 was mitigated by the availability of 100% capital allowances on UK exploration and development costs incurred during the year. In addition, the Group also received a rebate on taxes due of £2.7 million in respect of Corporation Tax over-assessed in previous years, principally associated with the timing of 2002 profits and consequent liability to SCT.

Cash Flow

Tullow generated a total of £85.0 million (2002 - £62.9 million) in operating cash flow. This record operating cash flow allowed the Group to spend a total of £46.0 million on exploration and development activities whilst also making net repayments totalling £14.8 million under its financing facilities. During 2003, Tullow also declared and paid its first dividend and completed 3 bolt-on acquisitions to its SNS portfolio.

Development expenditure in 2003 was associated with the East Espoir and CMS III projects, which were both substantially complete at year end. The outlook for 2004 is for a lower level of development expenditure, with the Horne and Wren (UK) and West Espoir (Côte d'Ivoire) projects likely to be the main areas of focus in Tullow's current areas of activity.

Tullow participated in a total of 6 exploration wells during 2003. The key areas of exploration expenditure were in the UK where the Squirrel and Gawain South East wells were drilled, Côte d'Ivoire where Tullow participated in the Acajou discovery and South Asia where exploration work continued on Block 9 onshore Bangladesh and the Rasulpur well was spudded in December 2003.

At 31st December 2003 the Group held total cash balances of £66.7 million, of which £29.8 million was held as security for future decommissioning obligations.

Balance Sheet

Tullow fully applies the requirements of the Statement of Recommended Practice "Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities". Under its successful efforts accounting policy, the group capitalises all costs of exploration and related activities to the Intangible Fixed Assets caption of the Balance Sheet pending determination of commerciality. During 2003, costs of the Group's exploration and appraisal activities in the SNS, Côte d'Ivoire, Cameroon, Gabon, Romania, Bangladesh, Pakistan and India were capitalised as Intangible Fixed Assets.

Upon determination of commerciality, costs are transferred from Intangible to Tangible Fixed Assets. The reduction in Tangible Fixed Assets during 2003 principally arises from Depletion and Amortisation of £39.6 million offset by development expenditure totalling £32.0 million, the disposal of UK onshore assets and currency translation adjustments in respect of US Dollar denominated activities.

Liquidity and Financial Management

The Group's core financial objectives are to increase operating profitability and cash flow so as to enable active exploration and development programmes to be pursued while at the same time reducing group gearing. In addition, the Group places a high priority on retaining financial flexibility in order to enable business development opportunities to be pursued as they arise. During 2003 Tullow undertook a 5% Placing to raise £14.4 million (before expenses) to supplement an acquisition-related debt facility which was negotiated during the first quarter.

Net debt reduced by £33.0 million during 2003, as net repayments totalling £14.8 million were made, principally under Tullow's SNS related debt facility; since 31st December further repayments totalling £15.0 million have also been effected and the life of the SNS debt facility extended to reflect additions to reserves and extensions of field lives since first drawdown in 2001.

During 2003 the first phase of the Espoir development satisfied all completion tests under the related $15 million Côte d'Ivoire banking facility, which is now fully non-recourse to Tullow Oil plc. The first repayment under this facility was made in January 2004 and it is anticipated that the facility will be fully repaid in conjunction with the arrangement of a debt funding package associated with the proposed acquisition of Energy Africa Limited. The International Division's revolving $15 million Corporate Facility has recently been extended and will not be affected by the proposed arrangements.

Financial and Derivative Risk

Tullow does not assume speculative derivative or hedge positions; all group hedging and forward sales are undertaken with the sole intention of safeguarding group revenue and managing exposure to seasonal and annual resource price volatility. During 2002 and 2003 Tullow has progressively reduced the proportion of its gas that is sold under life-of-field contracts and active gas marketing and forward sales remains a high priority. The principal sales contract termination during 2003 related to the Gawain field, which supplied gas to Powergen at Bacton - this contract has effectively been replaced by a term supply agreement. In addition the Boulton life-of-field gas contract was also formally terminated in early 2003, providing the Group with exposure to prevailing market prices compared to the below market price under the life-of-field contract. The fundamentals of UK Gas pricing continue to be strong and at 31st March 2004 Tullow had achieved an average price of 24.5p/therm for uncontracted gas sold to date in 2004.

The Espoir project attained its threshold level of production during 2003. In recognition of this, Tullow has initiated a limited programme of oil price hedging covering approximately 30% of anticipated 2004 production utilising a mix of swaps and put options with an average price protected in excess of $29/barrel on hedged volumes.

Due to the natural hedge between its UK-based activities, which are denominated and funded in Sterling, and its international business, which is principally denominated and funded in US dollars, the Group does not undertake active currency hedging.

Tom Hickey
Chief Financial Officer

4th May 2004

Corporate Governance Year Ended 31st December 2003

Application of Combined Code Principles

The Directors are committed to maintaining high standards of corporate governance and this statement describes how the Company has applied the Principles of Good Governance and Code of Best Practice contained within the 1998 Combined Code on Corporate Governance ('the Combined Code') appended to the Listing Rules issued by the Financial Services Authority.

In July 2003, the Financial Reporting Council issued a revised Combined Code ('the New Code'). The New Code applies to accounting periods beginning on or after 1st November 2003 and thus formally applies to the Company for the financial year ending 31st December 2004. The Board, which is committed to the implementation of the New Code, has carried out a review of the Company's corporate governance practices. A number of the new recommendations have already been implemented and are set out below. The Company will report on its compliance with the New Code in next year's annual report.

Compliance with Combined Code provisions

The Board considers that the Company has complied with the provisions set out in Section 1 of the Combined Code throughout the financial year under review.

Board of Directors

The Board currently comprises a Non-Executive Chairman, four Executive Directors and three Non-Executive Directors. Each of the Executive Directors has extensive knowledge of the oil and gas industry. There is a clear division of responsibilities between the Chairman and the Chief Executive. Broadly, the Chairman is responsible for leading the Board and ensuring its effectiveness and the Chief Executive is responsible for the executive management and performance of the business. The Senior Independent Director is Mr R. Courtney. In this role he is available to shareholders who have concerns that cannot be resolved through discussion with the Chairman or the Executive Directors. Biographies of the Board members are set out on pages 6 and 7.

The Board considers each of the current Non-Executive Directors to be independent of management and free from any business or other relationships that could materially interfere with the exercise of their independent judgement. The Board recognises that Mr R. Courtney's independence may be called into question given that he has served on the Board since 1993. Nevertheless, the Board considers that his independence is not prejudiced or compromised as a result of this factor and that he brings a wealth of relevant experience and makes an invaluable contribution to board discussions. In recognition that the New Code requires a non-executive director who has served for more than nine years to be subject to annual re-election, Mr R. Courtney will henceforth be proposed for re-election on an annual basis. The Board also recognises that Mr E. Maleki, who served as a Director during 2003 and retired in April 2004, did not meet the independence criteria set out in the New Code as a result of his significant shareholding in the Company. The composition of the Board and its principal Committees is being reviewed in light of the provisions of the New Code and the Nominations Committee will be making recommendations to the Board in due course.

The Board meets regularly throughout the year and met seven times in 2003. All Directors were in attendance at each of those meetings other than Mr G. Martin and Ms C. Spottiswoode, who were absent from one meeting each, and Mr R. Courtney who was absent from two meetings. All necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively. All members of the Board receive appropriate ongoing training in respect of their obligations and duties as Directors and it is the Company's practice to provide induction to newly appointed directors. All Directors have access to independent professional advice, at the Company's expense, as and when required. There is a formal schedule of matters reserved for consideration by the Board which includes the Group's overall strategy, major capital expenditure projects and financial policy. Subject to those reserved matters, the Board delegates authority for the management of the business primarily to the Chief Executive and certain other matters are delegated to the principal Board Committees, namely the Audit, Remuneration and Nominations Committees, each of which are described in more detail below.

Under the New Code, the Board is required each year to carry out a formal and rigorous evaluation of its own performance and that of its Committees and individual Directors. The Board is currently considering the best means of conducting such an evaluation with a view to it being carried out during 2004.

The Articles of Association require that one third of the Directors must retire and may submit themselves for re-election at the Annual General meeting (AGM) each year, together with all new Directors appointed since the previous AGM. In addition, the Articles state that all Directors should submit themselves for re-election at least every three years.

Committees

The Board has established the following principal Committees each of which has written terms of reference setting out its authority and duties. The terms of reference of the Committees are currently being reviewed in light of the requirements of the New Code.

Audit Committee

The membership of this Committee currently comprises Mr R. Courtney (Chairman), Mr S. McTiernan and Ms C. Spottiswoode. The Board considers that each of the members has the requisite skills and attributes to enable the Committee to discharge its responsibilities. In compliance with the requirements of the New Code, Mr P. Plunkett, as the Company's Chairman, resigned from the Committee in April 2004. Mr E. Maleki ceased to be a member of the Committee upon his retirement from the Board in April 2004.

The Committee met three times during the financial year to review the interim and annual financial statements and the Group's internal controls, policies and procedures. There was full attendance by Committee members at each of those meetings. The Committee is responsible for the appointment of the external auditors, for monitoring the auditors' independence and for reviewing the scope and effectiveness of the audit. The Chief Financial Officer and a representative of the external auditors normally attend meetings. The external auditors have unrestricted access to the Chairman of the Audit Committee.

Remuneration Committee

The current members of the Remuneration Committee, which met twice during 2003, are Mr P. Plunkett (Chairman) and each of the Non-Executive Directors. Mr E. Maleki was also a member of this Committee throughout the year. There was full attendance by Committee members at each of the Committee meetings. The Committee is responsible for determining the remuneration packages of the Executive Directors and senior employees and the provision of share based incentive plans. A fuller description of this Committee's responsibilities is contained in the Directors' Remuneration Report on pages 38 to 43.

Nominations Committee

The current members of the Nominations Committee, which meets as and when required, are Mr P. Plunkett (Chairman), Mr A. Heavey, Mr R. Courtney, Mr S. McTiernan (appointed to the Committee in March 2004) and Ms C. Spottiswoode (also appointed March 2004). The Committee considers the composition of the Board and makes recommendations on the appointment of new Directors as well as making recommendations to the Board on succession planning. The Committee did not meet during 2003, as board composition during the year was considered by the Board as a whole, but has met both formally and informally in 2004.

Shareholder Relations

Communication with shareholders is given high priority and there is regular dialogue with institutional investors, as well as general presentations at the time of the release of the annual and interim results. The Group issues its results promptly to individual shareholders and also publishes them on the Company's website (www.tullowoil.com). Regular updates to record news in relation to the Company and the status of exploration and development programmes are also included on the Company's website. Shareholders and other interested parties can subscribe to receive these news updates by e-mail by sending an e-mail to request@tullowoil.com.

The Chairman is available to meet with institutional shareholders to discuss any issues and gain an understanding of any concerns in relation to the Company's governance and strategy. Non-Executive Directors have the opportunity to attend meetings with major shareholders and will attend if requested to do so.

A business presentation is provided at the AGM and afterwards individual shareholders are given the opportunity to put questions to the Chairman and the Board. In addition, the Board is committed to maintaining strong links with its Irish shareholder base and holds a business presentation in Ireland on the day following the AGM, to allow these shareholders similar access to the Board.

Internal Controls

In September 1999, the Turnbull Guidance (Internal Control: Guidance for Directors on the Combined Code) was published.

The Directors acknowledge their responsibility for the Group's and Company's systems of internal control, which are designed to safeguard the assets of the Group and to ensure the reliability of financial information for both internal use and external publication. The Group's internal control procedures include Board, technical and financial approval for all projects. All major expenditures require senior management approval at the appropriate stages of each transaction. Overall control is ensured by a regular detailed reporting system covering both technical progress of projects and the state of the Group's financial affairs. The Board has put in place procedures for identifying, evaluating and managing any significant risks that face the Group.

Any system of internal control can provide only reasonable, and not absolute, assurance that material financial irregularities will be detected or that the risk of failure to achieve business objectives is eliminated. The Directors, having reviewed the effectiveness of the system of internal financial, operational and compliance controls and risk management, consider that the system of internal control operated effectively throughout the financial year and up to the date the financial statements were signed.

In addition, the Audit Committee has reviewed the necessity for the establishment of an internal audit function but considers that, given the size of the Group, the close involvement of joint venture partners in the exploration and drilling process, the strengths of its systems and the close involvement of senior management, no requirement currently exists for the implementation of such a function.

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company and the Group as a whole have adequate resources to continue in operational existence for the forseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Directors' Report

Year Ended 31st December 2003

The Directors submit their Report together with the audited consolidated financial statements for the year ended 31st December 2003.

Business Review and Future Developments

The principal activities of the Company and its subsidiary undertakings (the 'Group') are oil and gas exploration and production and the provision of technical services to its joint venture partners. Information on the Company's principal subsidiary undertakings is contained in Note 11 to the financial statements.

A full review of the Group's activities during the year, recent events and future developments is contained in the Chairman's Statement on pages 2 to 5, the Chief Executive's Review on pages 8 to 10, the Operational Review on pages 12 to 25 and the Financial Review on pages 30 to 32.

Results and Dividends

The results of the Group for the year ended 31st December 2003 are set out in the profit and loss account on page 46. The profit on ordinary activities after taxation amounted to £10,920,541 (2002 - £12,795,601)

The Company initiated dividend payments during 2003 when an interim dividend of 1p per share was paid on 7th November 2003. The Directors intend to recommend a dividend of 1p per share which if approved at the AGM will be paid on 9th July 2004 to shareholders on the register on 21st May 2004.

Subsequent Events

Since the balance sheet date Tullow has continued to progress its exploration, development and business growth strategies.

On 26th March 2004, the Company announced that it was considering making an offer for the entire issued share capital of Energy Africa Limited, a South African based oil and gas exploration and production company whose shares are listed on the Johannesburg Stock Exchange and traded (in the form of GDSs) on the Luxembourg Stock Exchange.

In early 2004, Tullow drilled the Topaze South well in Gabon. No significant quantity of oil was found and the well was plugged and abandoned. The information from this well will be further evaluated to better understand the geology of the Topaze discovery. Tullow had a 100% carry in respect of the costs associated with the well as a result of a farm-in agreement.

In December 2003, the Rasulpur well was spudded in Block 9, Bangladesh. No significant moveable hydrocarbons were encountered and it was plugged and abandoned in mid February 2004. Costs associated with the well of £1,066,207 at 31st December 2003 are included in Intangible Exploration Assets - Costs of Exploration Pending Determination.

In April 2004, Tullow reported that the Lalmai-3 well, in Block 9, Bangladesh had encountered potentially gas-bearing sands. A production test will be undertaken to establish whether this gas is commercial.

In March 2004, Tullow announced that it has agreed to purchase ChevronTexaco's 50% interest in the Orwell field, UK SNS, thereby increasing its stake to 100%. Completion is expected during this summer with an effective date of 1st October 2003.

On 15th April 2004, the Company announced the successful completion of the Monroe well, UK SNS.

Directors

The Directors of the Company at the date of this report are listed on pages 6 and 7. All of the Directors held office throughout the year.

Mr J. Lander and Mr E. Maleki, who also held office throughout the year, retired as Directors on 16th April 2004 and 21st April 2004 respectively.

In accordance with the Company's Articles of Association, Mr A. Heavey and Mr P. Plunkett retire by rotation at this year's AGM. Being eligible, they offer themselves for re-election. In addition, and as explained in the Corporate Governance Statement on page 33, Mr R. Courtney, the Senior Independent Director, who has been a Director since 1993, will henceforth be proposed for re-election on an annual basis and a resolution for his re-election will be proposed at this year's AGM. Details of Directors' service contracts and letters of appointment are set out on page 41.

Details of the Directors' interests in the ordinary shares of the Company and in share options are set out on pages 42 and 43 in the Directors' Remuneration Report.

Substantial Shareholdings

At the date of this report the Company had been notified of the following interests of 3% or more in its issued share capital:

	Number of shares	% of issued capital
Merrill Lynch Investment Managers	53,868,333	14.25
M & G Investments	51,145,175	13.53
FMR Corp and Fidelity International Limited	43,635,362	11.55
Centrotrade Corporation*	12,647,541	3.35
Wellington Management Company	12,111,400	3.21

* Mr E Maleki (who retired as a Director on 21st April 2004) has a beneficial interest in Centrotrade Corporation.

Corporate Responsibility

The Group is fully committed to high standards of environment, health and safety management. A review is set out on pages 26 to 29.

Charitable and Political Donations

An outline of the Group's involvement in the community appears in the Corporate Responsibility review on pages 26 to 29. In line with Group policy no donations were made for political purposes.

Supplier Payment Policy

It is Company and Group policy to settle all debts with creditors on a timely basis and in accordance with the terms of credit agreed with each supplier. The Company had no trade creditors outstanding at 31st December 2003.

Auditors

On 1st August 2003, Deloitte & Touche transferred its entire business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche LLP under the provisions of section 26(5) of the Companies Act 1998.

Deloitte & Touche LLP and Robert J. Kidney & Co. have expressed their willingness to continue in office and a resolution to reappoint them as the Company's joint auditors and authorise the Directors to determine their remuneration will be proposed at the AGM.

Annual General Meeting

Your attention is drawn to the Notice of Meeting enclosed with this Annual Report which sets out the resolutions to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Tom Hickey
Company Secretary

3rd May 2004

Directors' Remuneration Report

Year Ended 31st December 2003

Introduction

This report has been prepared in accordance with the requirements of the Directors' Remuneration Report Regulations 2002, which set out requirements for the disclosure of Directors' Remuneration. The report is also prepared in accordance with the requirements of the Listing Rules of the Financial Services Authority.

The Regulations require the auditors to report to the Company's Members on the 'auditable part' of the Remuneration Report and to state whether, in their opinion, that part of the report that has been subject to audit has been properly prepared in accordance with the Companies Act 1985 (as amended by the Directors' Remuneration Report Regulations 2002). The report is therefore divided into separate sections to disclose the audited and unaudited information.

A resolution to approve the entire report will be proposed at the AGM of the Company.

Unaudited Information

Remuneration Committee – Composition

The Remuneration Committee consists solely of the Non-Executive Directors, namely Mr P. Plunkett (Chairman), Mr R. Courtney, Mr S. McTiernan and Ms C. Spottiswoode. Mr E. Maleki who was a member of the Committee throughout the year ceased membership upon his retirement as a Director on 21st April 2004.

Terms of Reference

The terms of reference of the Committee are primarily to determine the Executive Directors' remuneration packages, service agreements and employment conditions.

The Chief Executive and other relevant executives are invited to attend meetings of the Committee but do not take part in any decision affecting their own remuneration. The Committee also receives advice from the Company Secretary and the Head of Human Resources. During the year, the Committee sought the advice of New Bridge Street Consultants LLP, as independent remuneration consultants, who also provided advice to the Company in connection with the operation of its share incentive arrangements and the establishment of the Tullow Oil UK and Irish Share Incentive Plans. The Committee has since formally appointed New Bridge Street Consultants LLP as its remuneration advisers.

Remuneration Policy

The Group's policy is to maintain levels of remuneration so as to attract, motivate and retain Directors of the highest calibre who can contribute their experience and independent views to the Group's operations.

Executive Directors must be properly rewarded and motivated to perform in the best interests of shareholders. The elements of the remuneration package for Executive Directors are basic salary, annual bonus, benefits, pensions and participation in the Company's share option scheme. It is Company policy to grant options to key management to encourage identification with shareholders' interests. Consequently, a significant element of Executive Directors' remuneration is performance-linked.

The Committee takes into account the remuneration practices of other international companies of similar size and other companies operating in the FTSE Oil and Gas Sector.

Executive Directors' Remuneration

The basic salaries of the Executive Directors are reviewed annually with regard to personal performance, Company performance, changes in responsibilities and competitive market practices. Following the most recent review the basic annual salary of each Executive Director with effect from January 2004 is:

Mr A. Heavey	£351,750
Mr M. O'Donoghue	£210,000
Mr G. Martin	£231,000
Mr T. Hickey	£210,000
Mr J. Lander (retired 16th April 2004)	£183,729

Each Executive Director is entitled to participate in the Executive Annual Bonus Scheme in respect of each financial year of the Company. Under the scheme, bonuses are payable to all Executive Directors conditional on personal performance and the achievement of certain corporate targets set by the Company (related to reserve replacement and performance, benchmarked against the FTSE 250 and certain peer group companies) to be measured over the financial year. The bonus payable to an Executive Director in respect of any financial year may not ordinarily exceed 50% of the Director's basic salary at the end of such financial year (this may be increased to 100% in exceptional circumstances and at the absolute discretion of the Remuneration Committee). Due to a change in the manner by which bonuses are determined, the bonuses disclosed in the Directors' remuneration table on page 42 reflect the bonuses earned by the Executive Directors where applicable in respect of their services during both 2002 and 2003, as more particularly described in the first note to the table. Any bonuses paid are not pensionable.

The Executive Directors do not participate in the Company pension plan. Each Executive Director is entitled to receive a payment of 10% of his basic salary into his private pension scheme (with the exception of Mr J. Lander who received a 20% contribution to his pension scheme), as well as 30 days annual leave, permanent health insurance, private medical insurance and life assurance benefits. Mr A. Heavey is provided with a car, as was Mr J. Lander (up to the date of his retirement). The Group also reimburses the Executive Directors in respect of all expenses reasonably incurred by them in the proper performance of their duties.

Share Incentive Plans

The only share option scheme operated by the Company during the year was the 2000 Executive Share Option Scheme. Options have previously been granted under the 1988 Executive Share Option Scheme and the 1998 Executive Share Option Scheme (both of which are no longer operated).

Grants under the 2000 Scheme have been made to the majority of employees including the Executive Directors, during the year. Details of the options outstanding for each Executive Director are set out on page 43.

Options previously granted under the 2000 Scheme normally only become exercisable following the third anniversary of the date of grant and then only if the Company's Total Shareholder Return is greater than that of the FTSE Mid 250 index over any three year period following grant. This performance target was chosen as the Board believed that it represented the most appropriate means of aligning the interests of participants with that of shareholders by linking the reward available to the returns generated for shareholders. The Remuneration Committee plans to review the operation of the 2000 Scheme in the light of emerging trends in market and best practice particularly in relation to the structure of performance targets. The Committee obtains confirmation from its brokers as to the extent to which the performance conditions have been satisfied under the 2000 Scheme in order to provide third party verification. Options granted under the 1988 and 1998 Scheme are not subject to performance conditions.

Executive Directors may also participate in the Tullow Oil UK and Irish Share Incentive Plans, which were adopted at last year's AGM, and launched at the beginning of 2004. These are all-employee plans that have been set up in both the UK and Ireland which enable employees to make contributions out of salary up to prescribed limits each month, which are used by the Plan trustees to acquire Tullow Oil shares. The Company makes a matching contribution to the trustees to acquire a matching number of shares on a one-for-one basis.

Non-Executive Directors' Fees

The Board sets the remuneration of Non-Executive Directors and the fees paid are set on a level to attract the persons with the necessary experience and ability to make a significant contribution to the Company's activities. Each Non-Executive Director receives an annual fee plus an allowance for acting as Chairman of any committee. Each Non-Executive Director is also entitled to reimbursement of necessary travel and other expenses.

Non-Executive Directors do not participate in any operational Executive Share Option Scheme or annual bonus scheme and are not eligible to join the Company's Pension Scheme.

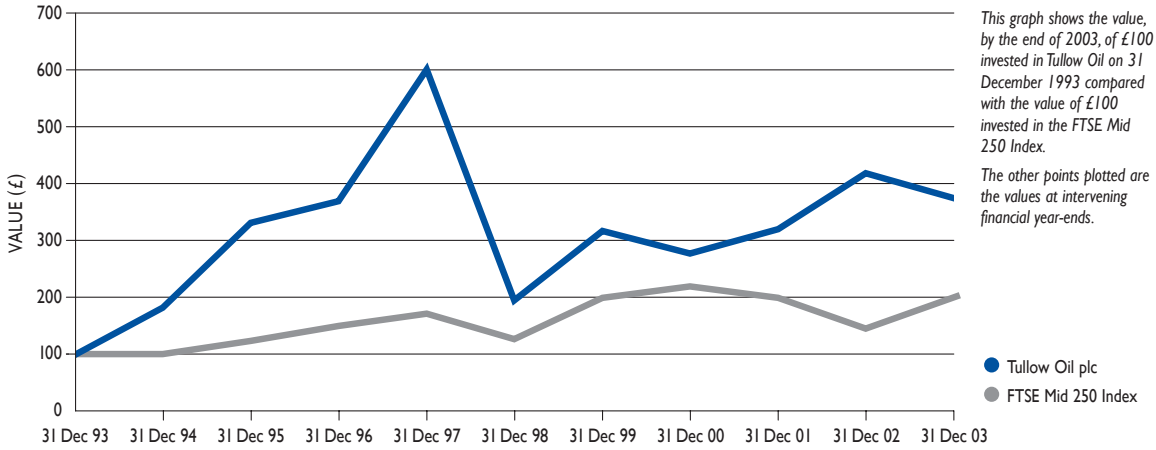
Performance Graph

The Directors Remuneration Report Regulations 2002 require the presentation of a graph of Total Shareholder Return (TSR) compared to an appropriate comparator index over a five-year or shorter period. For Tullow, TSR is primarily represented by share price performance as, up to November 2003, no dividends had been declared or paid. Tullow has been a member of the FTSE 250 Index since September 2001 and, as this index is also used as a comparator for share plans and remuneration in general, the Directors believe it represents the most appropriate benchmark.

The graphs below show Tullow's TSR over the ten year period from 1st January 1994 to 31st December 2003 and the five-year period from 1st January 1999 to 31st December 2003. In each case the relevant indices are set to 100 at the beginning of the period.

Total Shareholder Return

Source: Datastream

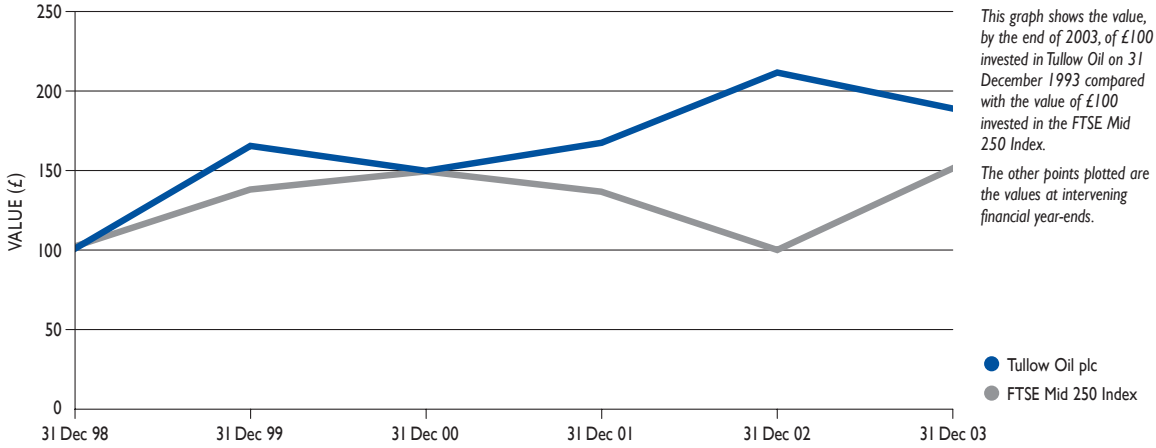


This graph shows the value, by the end of 2003, of £100 invested in Tullow Oil on 31 December 1993 compared with the value of £100 invested in the FTSE Mid 250 Index.

The other points plotted are the values at intervening financial year-ends.

Total Shareholder Return

Source: Datastream



This graph shows the value, by the end of 2003, of £100 invested in Tullow Oil on 31 December 1993 compared with the value of £100 invested in the FTSE Mid 250 Index.

The other points plotted are the values at intervening financial year-ends.

Service Contracts and Letters of Appointment

Each of the Executive Directors entered into a service agreement with the Company on 2nd September 2002. Each service agreement is on similar terms. Mr A. Heavey and Mr M. O'Donoghue also entered into a service agreement with Tullow Oil International Limited on 16th September 2002 on similar terms to their service agreements with the Company.

The terms of each of these service contracts is not fixed, although each Executive Director is required under his service agreement to retire from service upon attaining the age of 65. Each agreement is terminable by the Director on six months' notice and by the Company on twelve months' notice. There are no specific provisions under which any Executive Director is entitled to receive compensation upon the early termination of his service agreement other than in accordance with these notice periods.

Each service agreement sets out restrictions on the ability of the Director to participate in businesses competing with those of the Group or to entice or solicit away from the Group any senior employees of the Group for a period of six months after the termination of his employment.

Each of the Non-Executive Directors is engaged by the Company under the terms of a letter of appointment (dated 6th February 2002 in the case of Ms C. Spottiswoode and Mr S. McTiernan and dated 17th January 2003 in the case of Mr P. Plunkett and Mr R. Courtney). Subject to retirement, for example by rotation under the Articles of Association, the appointments are for the period to 28th February 2005 in the case of Ms C. Spottiswoode and Mr S. McTiernan and to 31st December 2005 in respect of Mr P. Plunkett and Mr R. Courtney. In each case, the appointment is renewable thereafter if agreed by the Director's and the Board. There are no notice provisions and no arrangements under which any Non-Executive Director is entitled to receive compensation upon the early termination of their appointment.

The above reflects the Committee's policy that service contracts should be structured to reflect the interests of the Company and the individuals concerned, while also reflecting market and best practice. Furthermore, it is also the Committee's policy that, in the event of early termination of a Director's service contract, the Committee will take account of the departing Director's duty to mitigate his loss when determining the amount of compensation that is paid.

Director's Loan Account

The Group has provided a loan to Mr A. Heavey, the Group's Chief Executive. This loan, which amounts to $85,000 is unsecured, non-interest bearing and repayable on demand and it has been agreed that Mr Heavey will repay the loan by 31st December 2004. Other than this there are no loans granted or guarantees provided by Tullow Oil plc or any member of the Group to any Director or for the benefit of any Director.

Material Contracts

There have been no other contracts or arrangements during the financial year in which a Director of the Company was materially interested and/or which were significant in relation to the Group's business.

External Appointments

Executive Directors are permitted to accept appointments on external boards or committees so long as these are not deemed to interfere with the business of the Group. Any fees received in respect of these appointments are retained by the individual concerned.

Audited Information

Directors' Remuneration

The remuneration of the Directors for the year ended 31st December 2003 was as follows:

	Salary/ Fees £	Bonus* £	Pension £	Taxable Benefits £	2003 Total £	2002 Total £
Executive Directors						
A. Heavey	335,000	55,248	33,500	26,251	449,999	542,927
T. Hickey	200,000	72,500	20,000	524	293,024	254,915
G. Martin	220,000	–	22,000	1,764	243,764	345,185
M. O'Donoghue	200,000	–	20,000	1,950	221,950	292,919
J. Lander**	175,980	30,000	34,020	7,570	247,570	289,045
Subtotal	1,130,980	157,748	129,520	38,059	1,456,307	1,724,991
Non-Executive Directors						
P. Plunket	75,000	–	–	–	75,000	75,000
R. Courtney	30,000	–	–	–	30,000	30,000
E. Maleki**	25,000	–	–	–	25,000	25,000
C. Spottiswoode***	25,000	–	–	–	25,000	20,833
S. McTiernan***	25,000	–	–	–	25,000	20,833
Subtotal	180,000	–	–	–	180,000	171,666
Total	1,310,980	157,748	129,520	38,059	1,636,307	1,896,657

Notes:

* Due to a change in the manner in which bonuses are determined the Remuneration Committee declared bonuses during 2003 in respect of the 2002 and 2003 financial years. The bonus figure for Mr Heavey is in respect of 2002 solely. The bonus figure for Mr Hickey consists of a bonus of £42,500 for 2002 and a bonus of £30,000 for 2003. The bonus for Mr Lander is in respect of 2003 solely.

** Mr J. Lander retired on 16th April 2004; Mr Maleki retired on 21st April 2004.

*** Mr S. McTiernan and Ms C. Spottiswoode were appointed Directors with effect from 1st March 2002 and their 2002 remuneration reflects payments from that date.

Directors' Interests in the Share Capital of the Company

The interests (all of which were beneficial) of the Directors who held office at 31st December 2003 were:

(i) Ordinary 10p Shares	Shares 31 December 2003	Shares 1 January 2003
P. Plunkett	1,529,326	1,529,326
A. Heavey	6,000,000	6,000,000
T. Hickey	60,000	20,000
E. Maleki	12,647,541	12,647,541
J. Lander	121,792	121,792
G. Martin	436,005	436,005
M. O'Donoghue	1,590,857	1,590,857
R. Courtney	-	-
C. Spottiswoode	-	-
S. McTiernan	-	-
	22,385,521	22,345,521

There has been no change in the interest of any Director between 1st January 2004 and the date of this report.

(ii) Details of Share Options

Director	Date Granted	At 01.01.03	Granted in Period	Exercised in Period	At 31.12.03	Option Price	Date Exercisable	Expiry Date
P. Plunkett	04.09.00	200,000	–	–	200,000	63p	24.08.01	04.09.10
A. Heavey	30.04.99	1,230,230	–	–	1,230,230	€0.84	30.04.02	30.04.09
	10.10.01	550,000	–	–	550,000	80p	10.10.04	10.10.11
	06.10.03	–	600,000	–	600,000	85p	06.10.06	06.10.13
		1,780,230	600,000	–	2,380,230			
T. Hickey	02.05.00	300,000	–	(40,000)	260,000	61p	02.05.03	02.05.10
	10.10.01	450,000	–	–	450,000	80p	10.10.04	10.10.11
	06.10.03	–	290,000	–	290,000	85p	06.10.06	06.10.13
		750,000	290,000	(40,000)	1,000,000			
E. Maleki	11.04.97	100,000	–	–	100,000	€1.24	11.04.00	11.04.07
	04.09.00	100,000	–	–	100,000	63p	31.12.00	04.09.10
		200,000	–	–	200,000			
J. Lander	01.03.01	500,000	–	–	500,000	63p	01.03.04	15.04.05
	10.10.01	250,000	–	–	250,000	80p	17.04.04	15.04.05
	06.10.03	–	330,000	–	330,000	85p	17.04.04	05.04.07
		750,000	330,000	–	1,080,000			
G. Martin	13.11.96	916,000	–	–	916,000	€0.91	13.11.99	13.11.06
	30.04.99	988,426	–	–	988,426	€0.84	30.04.02	30.04.09
	10.10.01	380,000	–	–	380,000	80p	10.10.04	10.10.11
	06.10.03	–	400,000	–	400,000	85p	06.10.06	06.10.13
		2,284,426	400,000	–	2,684,426			
M. O'Donoghue	11.04.96	490,360	–	–	490,360	€1.00	11.04.99	11.04.06
	05.07.96	98,072	–	–	98,072	€0.99	05.07.99	05.07.06
	30.04.99	699,958	–	–	699,958	€0.84	30.04.02	30.04.09
	10.10.01	250,000	–	–	250,000	80p	10.10.04	10.10.11
	06.10.03	–	330,000	–	330,000	85p	06.10.06	06.10.13
		1,538,390	330,000	–	1,868,390			
Total		7,503,046	1,950,000	(40,000)	9,413,046			

Notes:

a) Options shown with an exercise price denominated in Euro were granted on or before 30th April 1999 with an exercise price in IR£. On conversion of IR£ to Euro effective 1st January 2002, the exercise price for each such option was converted from IR£ into Euro by dividing the original IR£ exercise price per share by the fixed Irish Pound/Euro conversion rate. All options granted after 30th April 1999 were granted with an exercise price denominated in Stg£. Options are granted for nil consideration. Options must be exercised in the currency in which the grants were made.

b) On 6th October 2003, Mr T. Hickey acquired 40,000 shares through the exercise of share options at an exercise price of 61p per share. The market value of the shares on the date of exercise was 71p per share representing a notional gain of £4,000.

c) During 2003, the highest mid market price of the Company's shares was 99.5p and the lowest was 67.0p. The year-end price was 85.75p.

Patrick Plunkett
Chairman of the Remuneration Committee

3rd May 2004

Statement of Directors' Responsibilities

United Kingdom company law requires the Directors to prepare consolidated financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the year and of the profit or loss of the Group for that year.

In preparing the 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;
- Comply with applicable accounting standards, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board on 3rd May 2004.

Aidan Heavey
Chief Executive

Tom Hickey
Chief Financial Officer

Independent Auditors' Report

to the Members of Tullow Oil plc

We have audited the financial statements of Tullow Oil plc for the year ended 31st December 2003 which comprise the Group Profit and Loss Account, the Statement of Total Group Recognised Gains and Losses, the Reconciliation of Movements in Group Shareholders' Funds, the Balance Sheets, the Group Cash Flow Statement, the Statement of Accounting Policies and the related notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the Directors' Remuneration Report that is described as having been audited.

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

As described in the Statement of Directors' Responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the Directors' Remuneration Report. Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

Independent Auditors' Report continued

to the Members of Tullow Oil plc

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the Company and other members of the Group is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the Directors' Report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the Directors' Remuneration Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of Audit Opinion

We conducted our audit in accordance with United Kingdom 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 and the part of the Directors' Remuneration Report described as having been audited. 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 circumstances of the Company and the Group, 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 and the part of the Directors' Remuneration Report described as having been audited 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 and in the part of the Directors' Remuneration Report described as having been audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December 2003 and of the profit of the Group for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

Robert J. Kidney & Co.
Chartered Accountants and Registered Auditors
Dublin

3rd May 2004

Group Profit and Loss Account

Year ended 31st December 2003

	Notes	2003 £'000	2002 £'000
Turnover	1	**132,364**	112,624
Cost of Sales			
Operating Costs		**(42,621)**	(35,982)
Depletion and Amortisation		**(39,628)**	(39,368)
		(82,249)	(75,350)
Gross Profit		**50,115**	37,274
Administrative Expenses		**(2,727)**	(3,610)
Depreciation		**(332)**	(315)
		(3,059)	(3,925)
Operating Profit Before Exploration Activities		**47,056**	33,349
Exploration Costs Written Off	2	**(12,772)**	(4,169)
Profit on Farmout of Licence Interests		**–**	914
Operating Profit	3	**34,284**	30,094
Loss on Disposal of Producing Assets		**(952)**	–
Profit on Ordinary Activities before Interest		**33,332**	30,094
Interest Receivable and Similar Income		**2,016**	1,409
Interest Payable and Similar Charges	5	**(8,730)**	(9,044)
Profit on Ordinary Activities before Taxation		**26,618**	22,459
Taxation on Profit on Ordinary Activities	6		
Current and Deferred Petroleum Revenue Taxation		**(9,025)**	(2,696)
Current Corporation Taxation		**(9,414)**	(6,589)
Deferred Corporation Taxation		**2,742**	(378)
		(15,697)	(9,663)
Profit for the Financial Year		**10,921**	12,796
Dividends	7	**(3,782)**	–
Profit Retained for the Financial Year	21	**7,139**	12,796
Earnings per Ordinary Share	8	**Stg p**	Stg p
- Basic		**2.92**	3.56
- Diluted		**2.90**	3.51

The notes on pages 54 to 69 form part of these financial statements.

Group Statement of Total Recognised Gains and Losses

Year ended 31st December 2003

	2003 £'000	2002 £'000
Profit for the Financial Year	**10,921**	12,796
Currency Translation Adjustments	**(5,034)**	(5,122)
Total Recognised Gains and Losses for the Financial Year	**5,887**	7,674

Reconciliation of Movements in Equity Shareholders' Funds

Year ended 31st December 2003

	2003 £'000	2002 £'000
Profit Retained for the Financial Year	**7,139**	12,796
Currency Translation Adjustments	**(5,034)**	(5,122)
Equity Shares Issued	**13,516**	626
Net Increase in Equity Shareholders' Funds	**15,621**	8,300
Equity Shareholders' Funds – At 1st January	**100,300**	92,000
Equity Shareholders' Funds - At 31st December	**115,921**	100,300

Group Balance Sheet

As at 31st December 2003

	Notes	2003 £'000	2002 £'000
Fixed Assets			
Intangible Assets	9	**48,434**	34,498
Tangible Assets	10	**144,333**	161,089
Investments	11	**496**	299
		193,263	195,886
Current Assets			
Stocks		**437**	–
Debtors	12	**26,115**	24,535
Cash at Bank and in Hand	13	**66,686**	44,778
		93,238	69,313
Creditors - Amounts falling due within one year			
Bank Loans and Overdrafts	14	**(27,544)**	(27,078)
Trade and Other Creditors	15	**(33,173)**	(26,464)
		(60,717)	(53,542)
Net Current Assets		**32,521**	15,771
Total Assets Less Current Liabilities		**225,784**	211,657
Creditors - Amounts falling due after more than one year			
Bank Loans	14	**(59,458)**	(74,923)
Provisions for Liabilities and Charges			
Decommissioning Costs	17	**(47,524)**	(32,826)
Deferred Taxation	17	**(2,881)**	(3,608)
Net Assets		**115,921**	100,300
Capital and Reserves			
Called Up Equity Share Capital	18	**37,784**	35,981
Share Premium Account	18	**14,198**	2,485
Merger Reserve	19	**56,617**	69,213
Foreign Currency Translation Reserve	20	**(11,024)**	–
Profit and Loss Account	21	**18,346**	(7,379)
Equity Shareholders' Funds		**115,921**	100,300

Approved by the Board on 3rd May 2004.

Aidan Heavey
Chief Executive

Tom Hickey
Chief Financial Officer

The notes on pages 54 to 69 form part of these financial statements.

Company Balance Sheet

As at 31st December 2003

	Notes	2003 £'000	2002 £'000
Fixed Assets			
Investments	11	**38,136**	35,546
Current Assets			
Debtors	12	**17,164**	4,580
Creditors - Amounts falling due within one year			
Bank Loans and Overdrafts	14	**(2,000)**	(3,200)
Trade and Other Creditors	15	**(1,147)**	(225)
		(3,147)	(3,425)
Net Current Assets		**14,017**	1,155
Total Assets Less Current Liabilities		**52,153**	36,701
Capital and Reserves			
Called Up Equity Share Capital	18	**37,784**	35,981
Share Premium Account	18	**14,198**	2,485
Profit and Loss Account	21	**171**	(1,765)
Equity Shareholders' Funds		**52,153**	36,701

Approved by the Board on 3rd May 2004.

Aidan Heavey
Chief Executive

Tom Hickey
Chief Financial Officer

The notes on pages 54 to 69 form part of these financial statements.

Group Cash Flow Statement

Year ended 31st December 2003

	Notes	2003 £'000	2002 £'000
Net Cash Inflow from Operating Activities	26	**84,960**	62,929
Returns on Investments and Servicing of Finance	27	**(7,533)**	(4,070)
Taxation		**(12,261)**	(5,679)
Capital Expenditure and Financial Investment	28	**(42,044)**	(56,251)
Net Cash Inflow/(Outflow) before Management of Liquid Resources & Financing		**23,122**	(3,071)
Management of Liquid Resources – Term Deposits		**4,143**	(896)
Financing	29	**(6,399)**	(16,179)
Increase/(Decrease) in Cash for the Year		**20,866**	(20,146)
Reconciliation of Net Cash Flow to Movement in Net Debt			
Increase/(Decrease) in Cash for the Year		**20,866**	(20,146)
Cash Outflow/(Inflow) from Movement in Debt		**14,802**	(3,012)
Cash (Inflow)/Outflow from Management of Liquid Resources		**(4,143)**	896
Change in Net Debt resulting from Cashflows		**31,525**	(22,262)
Currency Translation Adjustment		**1,507**	694
Net Debt at 1st January		**(95,400)**	(73,832)
Net Debt at 31st December		**(62,368)**	(95,400)

Analysis of Changes in Net Debt	01.01.03 £'000	Cash Flow £'000	Exchange £'000	31.12.03 £'000
Cash at Bank and in Hand (Note 13)	3,722	21,200	(304)	24,618
Overdrafts (Note 14)	(665)	(334)	(56)	(1,055)
	3,057	20,866	(360)	23,563
Bank loans due within one year (Note 14)	(26,413)	(356)	–	(26,769)
Bank loans due after one year (Note 14)	(77,987)	15,158	1,739	(61,090)
	(104,400)	14,802	1,739	(87,859)
Term Deposits (Note 13)	5,943	(4,143)	128	1,928
Net Debt	(95,400)	31,525	1,507	(62,368)

The notes on pages 54 to 69 form part of these financial statements.

Accounting Policies

Year ended 31st December 2003

A summary of the principal Group accounting policies, all of which have been applied consistently throughout the year, is set out below.

(a) Basis of Accounting

The financial statements have been prepared under the historical cost convention and the statement of recommended practice "Accounting for Oil & Gas Exploration, Development, Production and Decommissioning Activities" and in accordance with applicable accounting standards.

(b) Basis of Consolidation

The consolidated financial statements consist of the financial statements of the Company and all its subsidiary undertakings as set out in Note 11.

Turnover and results of subsidiary undertakings are consolidated in the Group Profit and Loss Account from the dates on which control over the operating and financial decisions is obtained.

The Group is engaged in oil and gas exploration, development and production through unincorporated joint ventures. The Group accounts for its share of the results and net assets of these joint ventures. In addition, where Tullow acts as operator to the joint venture, the gross liabilities and receivables (including amounts due to or from non-operating partners) of the joint venture are included in the Group consolidated Balance Sheet.

(c) Turnover

Turnover represents the sales value, net of VAT and overriding royalties, of the Group's share of production in the year together with tariff income.

Revenues received under take-or-pay sales contracts in respect of undelivered volumes are accounted for as deferred income.

(d) Foreign Currencies

The Pound Sterling is the reporting currency of the Group. Financial statements of foreign currency denominated subsidiaries are translated into Sterling using the average rate method whereby the results of the overseas operations are translated at the average rate of exchange for the year and their balance sheets at rates of exchange ruling at the balance sheet date. Currency translation adjustments arising on the restatement of opening net assets of foreign subsidiaries, together with differences between the subsidiaries' results translated at average rates versus closing rates, are taken directly to reserves.

Transactions in foreign currencies are recorded at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated into Sterling at the exchange rate ruling at the balance sheet date, with a corresponding charge or credit to the profit and loss account. However, exchange gains and losses arising on long-term foreign currency borrowings, which are a hedge against the Group's overseas investments, are dealt with in reserves.

At year end the Sterling/Euro rate was 1.4160 (2002 - 1.5361) and the Sterling/US Dollar rate was US$1.778 (2002 – US$1.6083). The average Sterling/Euro rate was 1.4443 (2002 - 1.5917) and the Sterling/US Dollar rate was US$1.6332 (2002 – US$1.5058).

(e) Costs of Exploration and Appraisal

The Group adopts the successful efforts method of accounting for exploration and appraisal costs. All licence acquisition, exploration and appraisal costs are initially capitalised as intangible fixed assets in cost centres by well, field or exploration area, as appropriate, pending determination of commercial reserves. Directly attributable administration costs and interest payable are capitalised insofar as they relate to specific exploration and development activities.

Pre-licence costs are written off immediately. Other costs are also written off unless commercial reserves have been established or the determination process has not been completed.

Following the discovery of a commercially viable field, the attributable costs are transferred to tangible fixed assets in single field cost centres.

(f) Commercial Reserves

Commercial reserves are proven and probable oil and gas reserves, as defined in the UK Statement of Recommended Practice 'Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities'.

(g) Depletion and Amortisation – Discovery Fields

All expenditure carried within each field is amortised from the commencement of production, on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of commercial reserves at the end of the period plus the production in the period, on a field-by-field basis. A field is an area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Where there has been a change in economic conditions that indicates a possible impairment in the value of a discovery field, the recoverability of the net book value relating to that field is assessed by comparison with the estimated discounted future cash flows based on management's expectations of future oil and gas prices and future costs. Any impairment identified is charged to the Profit and Loss Account as additional depreciation, depletion and amortisation. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the Profit and Loss Account, net of any amortisation that would have been charged since the impairment.

(h) Decommissioning

Provision for decommissioning is recognised in full at the commencement of oil and natural gas production. A corresponding tangible fixed asset of an amount equivalent to the provision is also created. The amount recognised is the estimated cost of decommissioning, discounted to its net present value and is reassessed each year in accordance with local conditions and requirements. This asset is subsequently depreciated as part of the capital costs of the production and related pipeline facilities, on a unit of production basis. Changes in the estimates of commercial reserves or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to the decommissioning asset. The unwinding of the discount on the decommissioning provision is included within the interest expense.

(i) Other Tangible Fixed Assets

Other tangible fixed assets comprise leasehold improvements, leased motor vehicles and owned and leased office equipment, which are stated at cost less depreciation to date. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight line basis over its expected useful economic life of between three and five years.

(j) Finance Costs and Debt

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets.

The commencement of capitalisation begins when both finance costs and expenditures in respect of the asset are incurred and activities that are necessary to develop the asset are in progress. Capitalisation ceases when all the development is substantially complete.

Finance costs of debt are allocated to periods over the term of the related debt at a constant rate on the carrying amount. Arrangement fees and issue costs are deducted from the debt proceeds and are amortised and charged to the Profit and Loss Account as finance costs over the term of the debt.

(k) Share Issue Expenses and Share Premium Account

Costs of share issues are written off against the premium arising on the issues of share capital.

(l) Taxation

Current and deferred tax, including UK corporation tax and overseas corporation tax, are 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. Current UK Petroleum Revenue Tax (PRT) is charged as a tax expense on chargeable field profits included in the Profit and Loss Account and is deductible for UK corporation tax.

Deferred corporation tax 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 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 measured on a non-discounted basis.

Deferred PRT is charged as a tax expense so as to allocate the expected PRT cost over the remaining life of the related field on a unit of production basis using commercial reserves. The resulting asset or liability is included in the Balance Sheet under debtors or provisions as appropriate.

(m) Pensions

Contributions to the Group's defined contribution pension schemes are charged to operating profit on an accruals basis.

(n) Derivative Financial Instruments

The Group uses derivative financial instruments to reduce its exposure to fluctuations in foreign exchange rates, interest rates and movements in oil and gas prices.

Premiums paid to enter into such derivative financial instruments are charged to the profit and loss account over the period of the hedge. Payments and receipts arising under the financial instruments are recognised in the Profit and Loss Account in the same periods as the hedged transactions.

The Group does not hold or issue derivative financial instruments for speculative purposes and it is the Group's policy that no trading in financial instruments shall be undertaken.

(o) Leases

Rentals under operating leases are charged against income on a straight line basis over the term of the lease.

Notes to the Financial Statements

Year ended 31st December 2003

Note 1. Turnover

	Total £'000	Europe £'000	Africa £'000	Asia £'000
2003				
Oil and Gas Sales	**121,571**	**94,143**	**25,125**	**2,303**
Tariff Income	**10,793**	**10,793**	**–**	**–**
	132,364	**104,936**	**25,125**	**2,303**
2002				
Oil and Gas Sales	102,929	85,026	14,491	3,412
Tariff Income	9,695	9,695	–	–
	112,624	94,721	14,491	3,412

Segmental Information

An analysis of results and net assets by geographical area is not provided as, in the opinion of the Directors, the disclosure of such information would be seriously prejudicial to the interests of the Group.

The Group operates a single class of business being oil and gas exploration, production and related activities.

Note 2. Exploration Costs Written Off

	2003 £'000	2002 £'000
Intangible Fixed Assets:		
Europe	**8,477**	394
Africa	**3,628**	2,691
Asia/New Ventures	**667**	1,084
	12,772	4,169

Note 3. Operating Profit

	2003 £'000	2002 £'000
Operating Profit is stated after charging/(crediting):		
Staff Costs (see Note 4 below)	**7,963**	6,891
Depletion and Amortisation	**39,628**	39,368
Depreciation of Other Fixed Assets	**332**	315
Operating Lease Rentals for Land and Buildings	**881**	760
Other Operating Lease Rentals	**229**	339
Foreign Exchange (Gains)/Losses	**(24)**	40
Auditors' Remuneration:		
– Audit Services	**239**	195
– Non-Audit Services	**473**	185

Note 4. Staff Costs

The average monthly number of employees (including Executive Directors) employed by the Group worldwide was:

	2003	2002
Administration	**55**	52
Technical	**73**	61
Total	**128**	113

Staff Costs in respect of those employees was as follows:

	2003 £'000	2002 £'000
Salaries	**6,938**	5,995
Social Security Costs	**486**	499
Pension Costs	**539**	397
	7,963	6,891

Details of Directors' Remuneration, Directors' Transactions and Directors' Interests are set out in the part of the Directors' Remuneration Report described as having been audited and form part of these financial statements.

Note 5. Interest Payable and Similar Charges

	2003 £'000	2002 £'000
On Bank Loans and Overdrafts repayable within Five Years:		
- By Instalments	4,720	5,171
- Not by Instalments	42	40
Unwinding of Discount on Decommissioning Provision (Note 17)	2,622	2,676
Finance and Arrangement Fees	1,971	1,796
Amounts payable in respect of Interest Rate Swaps	225	295
	9,580	9,978
Less: Amounts Capitalised (Notes 9 and 10)	(850)	(934)
	8,730	9,044

Note 6. Taxation on Profit on Ordinary Activities

a) Analysis of charge in period

The tax charge comprises:	2003 £'000	2002 £'000
Current Tax		
Current Period	7,208	3,979
Adjustments in respect of Prior Years	(702)	216
UK Corporation Tax	6,506	4,195
Overseas Corporation Tax	2,908	2,394
Total Corporation Tax	9,414	6,589
Petroleum Revenue Tax (PRT)	7,096	3,282
Total Current Tax	16,510	9,871
Deferred Tax		
Origination and Reversal of Timing Differences	(2,742)	992
Effect of Increase in Tax Rate on Opening Liability	–	350
UK Corporation Tax	(2,742)	1,342
Overseas Corporation Tax	–	(964)
Total Corporation Tax	(2,742)	378
Petroleum Revenue Tax	1,929	(586)
Total Deferred Tax (see note 17)	(813)	(208)
Total Tax on Profit on Ordinary Activities	15,697	9,663

With effect from 17th April 2002, the UK upstream operations of the Group became subject to a supplementary charge to corporation tax (SCT) at a rate of 10% on taxable profits earned from upstream operations (with a disallowance for financing costs). This tax is payable in addition to mainstream UK corporation tax which is charged at a rate of 30% on UK taxable profits. In 2002, none of the Group's upstream operations had a current liability to SCT due to the availability of capital allowances.

Overseas tax includes a charge of £2.7 million in respect of Côte d'Ivoire taxation arising in respect of the Espoir field.

Note 6. Taxation on Profit on Ordinary Activities (Continued)

b) Factors affecting tax charge for period

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax (30%) plus the supplementary charge to corporation tax (10%) to the profit before tax is as follows.

The Group earns its profits primarily in the UK. Therefore the tax rates applied to profit on ordinary activities in preparing the reconciliation below is the standard rate of UK corporation tax plus the SCT. In the period 17th April to 31st December 2002, the profits of the Company subject to SCT were nil due to the availability of capital allowances. The 2002 reconciliation has therefore been made with reference to the prevailing mainstream UK corporation tax rate of 30%.

	2003 £'000	2002 £'000
Group Profit on Ordinary Activities before Tax	**26,618**	22,459
Tax on Group Profit on Ordinary Activities at a Combined Standard UK Corporation Tax Rate and SCT of 40% (2002 – 30%)	**10,647**	6,737
Effects of:		
Expenses not deductible for Tax Purposes	**3,621**	530
Tax Depreciation in Excess of Accounting Depreciation	**(1,974)**	(863)
Current PRT	**7,096**	3,282
UK Corporation Tax Deductions for Current PRT	**(2,839)**	(978)
Adjustments relating to Prior Years	**(702)**	216
Income taxed at a different rate	**661**	947
Group Current Tax Charge for the Year	**16,510**	9,871

c) Factors that may affect future tax charges

No deferred tax has been provided on unremitted earnings of overseas subsidiaries, as the Group has no plans to remit these to the UK in the foreseeable future.

Note 7. Dividends

	2003 £'000	2002 £'000
Interim – Paid Stg1p per Ordinary Share	**3,782**	–

Note 8. Earnings per Ordinary Share

The calculation of basic earnings per share is based on the profit for the year after taxation of £10,920,541 (2002 - £12,795,601) and 374,427,152 (2002 - 359,324,277) ordinary shares, being the weighted average number of shares in issue for the year.

The calculation of diluted earnings per share is based on the profit for the year after taxation as for basic earnings per share. The number of shares outstanding however, is adjusted to show the potential dilution if employee and other share options are converted into ordinary shares. The weighted average number of ordinary shares is increased by 2,071,203 (2002 - 4,881,762) in respect of the share option scheme, resulting in a diluted weighted average number of shares of 376,498,355 (2002 - 364,206,039).

Note 9. Intangible Fixed Assets

Cost of Exploration - Pending Determination

	Total £'000	Europe £'000	Africa £'000	Asia £'000
Group				
At 1st January 2003	34,498	12,113	4,781	17,604
Additions	28,687	14,309	8,841	5,537
Amounts Written Off (Note 2)	(12,772)	(8,477)	(3,628)	(667)
Currency Translation Adjustments	(1,979)	(314)	(47)	(1,618)
At 31st December 2003	48,434	17,631	9,947	20,856

Additions include interest capitalised of £142,389 (2002 - £106,170).

The deferred cost of exploration represents the cost of pre-licence, licence acquisition, seismic and appraisal activity that is capitalised pending determination of commercial success through drilling, farmout or other joint venture arrangements. If unsuccessful, the cost will be written off.

The costs at 31st December 2003, include £9,435,510 in respect of Block 28 and Sara West, Pakistan and Block 17/18, Bangladesh. These costs have been carried by the Group for in excess of the three-year determination period recommended in the SORP. The Directors consider the treatment appropriate because exploration and appraisal activities are ongoing and the determination process is not yet complete.

The Company has no intangible fixed assets.

Note 10. Tangible Fixed Assets

		2003 £'000	2002 £'000
Group			
Costs of Exploration and Development			
Discovery Fields	(a)	143,568	160,250
Other Fixed Assets	(b)	765	839
		144,333	161,089

The Company has no tangible fixed assets.

(a) Costs of Exploration and Development - Discovery Fields

	Total £'000	Europe £'000	Africa £'000	Asia £'000
Cost				
At 1st January 2003	230,284	179,317	36,073	14,894
Additions	32,044	24,299	7,297	448
Disposals	(9,247)	(9,247)	–	–
Currency Translation Adjustments	(4,859)	–	(3,439)	(1,420)
At 31st December 2003	248,222	194,369	39,931	13,922
Depletion and Amortisation				
At 1st January 2003	70,034	63,961	1,985	4,088
Charge for the Year	39,628	33,813	4,850	965
Disposals	(3,956)	(3,956)	–	–
Currency Translation Adjustments	(1,052)	–	(584)	(468)
At 31st December 2003	104,654	93,818	6,251	4,585
Net Book Value				
At 31st December 2003	143,568	100,551	33,680	9,337
At 31st December 2002	160,250	115,356	34,088	10,806

Additions include capitalised interest of £708,035 (2002 - £828,052).

Disposals during the year reflect the sale of Tullow's onshore UK assets.

Effective 1st January 2003, following a review of the basis on which the Group's oil and gas properties are allocated to 'field' cost centres, certain carrying values which were previously depreciated with reference to the production and reserves of specific reservoirs are now depreciated with reference to the aggregate production and reserves of the fields of which they are considered to form part. The Directors consider that the revised basis applies the definition of a "field' more consistently across the Group's portfolio, and better reflects the economic reality of the Group's operations. These are the first financial statements which reflect the revised basis, the effect of which in 2003 has been to decrease the depletion and amortisation charge by £4.5 million, relative to that computed for the year on the previous basis.

Note 10. Tangible Fixed Assets (Continued)

(b) Other Fixed Assets

	Group £'000
Cost	
At 1st January 2003	2,108
Additions	235
Currency Translation Adjustments	134
At 31st December 2003	2,477
Depreciation	
At 1st January 2003	1,269
Charge for the Year	332
Currency Translation Adjustments	111
At 31st December 2003	1,712
Net Book Value	
At 31st December 2003	765
At 31st December 2002	839

Other fixed assets consist of leasehold improvements, motor vehicles and office equipment.

Note 11. Investments

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Shares at Cost in Subsidiary Undertakings	–	–	37,837	35,247
Unlisted Investments	447	250	250	250
Government Gilts	49	49	49	49
	496	299	38,136	35,546

Note 11. Investments (Continued)

At 31st December 2003 the Company's principal subsidiary undertakings, all of which are included in the consolidated Group financial statements, were:

Name	%	Country of Operation	Country of Incorporation
Tullow Oil Limited	100	Ireland	Ireland
Tullow Oil UK Limited	100	United Kingdom	Scotland
Hawkeye Exploration Limited	100	United Kingdom	England & Wales
Tullow Oil SPE Limited	100	United Kingdom	England & Wales
Tullow Oil International Limited	100	Channel Islands	Jersey
Tullow Pakistan (Developments) Limited	100	Pakistan	Jersey
Tullow Bangladesh Limited	95	Bangladesh	Jersey
Tullow Egypt Operations Limited	100	Egypt	Jersey
Tullow Romania Limited	100	Romania	Jersey
Tullow Côte d'Ivoire Limited	100	Côte d'Ivoire	Jersey
Tullow India Operations Limited	90	India	Jersey
Tullow Cameroon Limited	100	Cameroon	Jersey
Tullow Algeria Limited	100	Algeria	Jersey
Tullow Gabon Operations Limited	100	Gabon	Jersey
Tullow Gabon (Kiarsseny Marin) Limited	100	Gabon	Jersey

Tullow Oil Limited was formerly Tullow Oil plc (registered in Ireland) and changed its name on 20th May 2003.

Tullow Oil Limited is the holding company of all other subsidiary undertakings, with the exception of Hawkeye Exploration Limited and Tullow Oil SPE Limited, which are directly owned by Tullow Oil plc. The principal activity of all companies relates to oil and gas exploration, development and production.

Note 12. Debtors

Amounts falling due within one year

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Trade Debtors	**14,092**	14,176	**–**	–
Other Debtors	**10,699**	8,581	**76**	–
Prepayments	**1,249**	1,596	**93**	195
VAT Recoverable	**27**	126	**2**	40
Directors Advances	**48**	56	**–**	–
Due from Subsidiary Undertakings	**–**	–	**16,993**	4,345
	26,115	24,535	**17,164**	4,580

Note 13. Cash at Bank and in Hand

	2003 £'000	2002 £'000
Immediately available, without restriction	24,618	3,722
On Fixed Term deposit		
– Decommissioning reserves	29,751	25,093
– Borrowing Base Facility	10,389	10,020
– Other Term Deposits	1,928	5,943
	66,686	44,778

Decommissioning reserves on fixed term deposits are amounts held in support of a Letter of Credit facility which relates to the Group's share of certain decommissioning costs (Note 17).

The Group is also required to hold certain amounts on deposit in connection with expected future repayments under the Borrowing Base facility (Note 16).

Note 14. Bank Loans and Overdrafts

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Amounts falling due within one year				
Overdrafts	1,055	665	–	–
Term Loans	26,489	26,413	2,000	3,200
	27,544	27,078	2,000	3,200
Amounts falling due after more than one year				
Term Loans Repayable				
– After One Year but within Two Years	35,990	40,406	–	–
– After Two Years but within Five Years	23,468	34,517	–	–
	59,458	74,923	–	–

Bank loans are stated net of unamortised arrangement fees of £1,911,573 (2002 - £3,064,438).

Bank loans, overdrafts and guarantees are secured by fixed and floating charges over all the assets of the Group. Details in respect of repayment terms and interest rates applicable to these accounts are disclosed in Note 16.

Note 15. Trade and Other Creditors

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Amounts falling due within one year				
Trade Creditors	2,860	682	–	–
Other Creditors	16,298	13,161	949	–
Deferred Income (Take or Pay)	685	1,089	–	–
Accruals	5,394	6,059	198	186
PAYE & Social Security	17	129	–	–
VAT & Other Similar Taxes	3,867	2,329	–	39
Corporation Taxes Payable	4,052	3,015	–	–
	33,173	26,464	1,147	225

Note 16. Financial Instruments

The Financial Review provides an explanation of the role that financial instruments have had during the year in creating or changing the risks the Group faces in its activities. The explanation summarises the objectives and policies for holding or issuing financial instruments and similar contracts and the strategies for achieving these objectives that have been followed during the period.

The numerical disclosures in this note deal with financial assets and liabilities as defined by FRS 13 'Derivatives and Other Financial Instruments: Disclosures'. As permitted by FRS 13, short-term debtors and creditors have been excluded from certain disclosures.

Wherever possible the Group conducts and manages its business in Sterling (UK), Euro (Ireland) and US Dollars (all other countries), the functional currencies of the industry in the areas in which it operates. Balances are held in other currencies to meet immediate operating or administrative expenses or to comply with local currency regulations. At 31st December 2003 there were no material monetary assets or liabilities of the Group that were not denominated in the functional currency of the respective subsidiaries involved, with the exception of a $15 million (£8.4 million) loan taken out in Ireland and funds in Pakistan of 35 million Rupees (£0.4 million) in respect of sales income held awaiting the necessary approval for repatriation.

The Group has no material financial assets other than short term debtors and cash and no financial liabilities other than short term creditors and bank loans and overdrafts. There are no material differences between the carrying amounts of the financial assets and short term liabilities and their fair values.

(i) Interest Rate Profile

The interest rate profile of the Group's financial assets and liabilities at 31st December 2003 was as follows:

	Stg £'000	Euro £'000	US$ £'000	Other £'000	Total £'000
Cash at Bank at Floating Interest Rate	56,951	–	5,634	–	62,585
Cash at Bank on which no Interest is Received	1,404	–	2,329	368	4,101
Fixed Rate Debt	(9,000)	–	–	–	(9,000)
Floating Rate Debt	(59,926)	(129)	(19,859)	–	(79,914)
Net (Debt)/Cash	(10,571)	(129)	(11,896)	368	(22,228)

(i) Interest Rate Profile (continued)

The profile at 31st December 2002 for comparison purposes was as follows:

	Stg £'000	Euro £'000	US$ £'000	Other £'000	Total £'000
Cash at Bank at Floating Interest Rate	40,835	–	987	–	41,822
Cash at Bank on which no Interest is Received	106	–	1,120	1,730	2,956
Fixed Rate Debt	(17,200)	(413)	(9,333)	–	(26,946)
Floating Rate Debt	(68,610)	(189)	(9,320)	–	(78,119)
Net (Debt)/Cash	(44,869)	(602)	(16,546)	1,730	(60,287)

Cash at Bank at Floating Interest Rate consisted of deposits which earn interest at rates set in advance from periods ranging from overnight to one month by reference to Sterling or US$ LIBOR.

Floating rate debt comprises bank borrowings at interest rates fixed in advance from overnight to three months at rates determined by US$ LIBOR, Sterling LIBOR or EURIBOR.

At 31st December 2002 there were committed funds under a credit facility of up to a maximum total commitment of £105 million, originally negotiated to fund the acquisition of the UK Southern Gas Basin interests. From 31st December 2002 the total commitments reduce semi-annually, with maximum total commitments being £70 million at 31st December 2003. The maximum debt availability under the credit facility is also determined semi-annually by reference to the net present value of the assets, using various technical and economic assumptions, subject to inclusion under the credit facility as well as certain other financial tests. At 31st December 2003 the maximum debt availability was £66.6 million.

This credit facility incurs a commitment fee for undrawn balances of 50 basis points and interest on outstanding debt at LIBOR plus a margin ranging from 110 basis points to 140 basis points depending on utilisation. The outstanding debt is repayable in variable amounts (determined semi-annually) over the period to 31st December 2007, or such other time as is determined by reference to the remaining reserves of the assets, whichever is earlier. There is a requirement under the facility to hedge a portion of the interest rate exposure to Sterling LIBOR.

In the above table for 2003, £9 million of the gross debt has been shown as fixed rate debt and is hedged through the application of interest rate swaps, which have the effect of limiting the interest rate exposure to LIBOR to a weighted average of 5.5% at 31st December 2003. A further £7.8 million, shown as gross variable rate debt, is hedged through the application of interest rate caps and collars, which have the effect of limiting the interest rate exposure to LIBOR to not more than the weighted average of 7.2% at 31st December 2003. The swaps, caps and collars extend over the life of the loan at varying notional principal amounts. The interest rate swaps, caps and collars do not give rise to material differences between book and fair values.

In addition at 31st December 2003 there was a fully drawn borrowing facility of $15 million (£8.4 million) to fund development costs in Côte d'Ivoire. This loan is repayable in instalments by 31st December 2006, however, based on current oil prices and production volumes, this loan is due to be repaid by 30th June 2004. The interest charge is at US$ LIBOR plus 3.5%.

(ii) Maturity of Financial Liabilities

The maturity of financial liabilities at 31st December 2003 is as follows:

	2003 £'000	2002 £'000
Within One Year	**27,824**	27,078
After One Year but within Two Years	**35,990**	41,458
After Two Years but Within Five Years	**25,100**	36,529
	88,914	105,065

Debt in the balance sheet is stated net of unamortised arrangement fees.

(iii) Fair Values of Commodity Hedges

The Group uses natural gas hedging instruments to manage exposure to volatility in commodity prices.

The fair value is the amount that could be exchanged in an arm's length transaction. Market values have been used to determine fair value and have been obtained from an independent third party. The fair value of natural gas hedging instruments is not considered to be materially different from the book values.

Note 17. Provision for Liabilities and Charges

(i) Decommissioning Costs

	2003 £'000	2002 £'000
Group		
At 1st January	32,826	37,438
New Provisions and Changes in Estimates	12,234	(7,260)
Unwinding of Discount (Note 5)	2,622	2,676
Currency Translation Adjustment	(158)	(28)
At 31st December	47,524	32,826

The new provisions relate to an increase in the provision of £5.3 million for the Thames field as a result of the increased equity participation. The changes in estimates total £6.9 million. The movement in 2002 relates to changes in estimates totalling £7.3 million.

The provision has been calculated using existing technology at current prices and discounted to the net present value. The costs are expected to be incurred between 2005 and 2021.

(ii) Deferred Taxation

	Total £'000	Corporation Tax £'000	PRT £'000
Group			
At 1st January 2003	3,608	1,876	1,732
(Credited)/Charged to Profit and Loss Account	(813)	(2,742)	1,929
Currency Translation Adjustment	86	86	–
At 31st December 2003	2,881	(780)	3,661

Deferred Corporation Tax is provided as follows:	2003 £'000	2002 £'000
Group		
Accelerated Capital Allowances	12,460	10,528
Decommissioning Charges	(10,960)	(8,216)
Other Timing Differences	(2,428)	(498)
Currency Translation Adjustment	148	62
Provision	(780)	1,876

Note 18. Called Up Equity Share Capital and Share Premium Account

	2003 £'000	2002 £'000
(a) Authorised		
1,000,000,000 Ordinary Shares of Stg10p each	**100,000**	100,000

(b) Allotted Equity Share Capital and Share Premium

	Equity Share Capital Allotted and Fully Paid		Share Premium
	Number	£'000	£'000
Ordinary Shares of Stg10p each			
At 1st January 2003	**359,819,915**	**35,981**	**2,485**
Issues during the year			
– Exercise of Share Options	**122,000**	**13**	**60**
– Placing and Open Offer	**17,900,000**	**1,790**	**11,653**
At 31st December 2003	**377,841,915**	**37,784**	**14,198**

The proceeds of all issues were used to fund the Group's ongoing activities.

(c) Share Options

Options have been granted under the following Executive Share Option Schemes to subscribe for ordinary shares of the Company as follows:

Scheme	Number of Shares under Option	Weighted Average Exercise Price (pence)	Expiry Dates
1988 Scheme	3,383,217	64.87	30/06/04 to 31/07/07
1998 Scheme	4,954,746	59.51	31/01/09 to 03/09/10
2000 Scheme	12,611,110	81.56	12/02/11 to 05/10/13
Total	**20,949,073**		

In addition to Directors' and Employees' options, the Board has also granted 205,357 options at 56p sterling and 300,000 options at 80p sterling to Duke Petroleum Consulting.

The Group does not operate an SAYE share option scheme.

Note 19. Merger Reserve

On 18th December 2000 the Company issued 352,467,012 ordinary shares in exchange for the entire share capital of Tullow Oil plc, the previous Irish registered holding company. Shareholders received one Stg10p share for each €0.13 share held. This transaction was reflected in accordance with the merger accounting provisions of FRS 6, and gave rise to a merger reserve of £69,212,694 at 31st December 2000.

The results of the new and old Groups are combined from the beginning of the financial period in which the merger occurred and assets and liabilities are combined at the amounts at which they were previously recorded.

In May 2003 Tullow Oil plc (registered in Ireland) applied and received permission from the Irish High Court to reduce the balance standing to the credit of the Share Premium Account of that company by offsetting it against the deficit on the Profit and Loss Account. An offset of €18.6 million (£12.6 million) was permitted.

Note 20. Foreign Currency Translation Reserve

	Group 2003 £'000	Group 2002 £'000
At 1st January	–	–
Transfer from Profit and Loss Account (Note 21)	(5,990)	–
Currency Translation Adjustments	(5,034)	–
At 31st December	(11,024)	–

The Group has created a Foreign Currency Translation Reserve to account separately for the Currency Translation Adjustments. Since the Company has been registered in England and Wales, such movements were debited to the Profit and Loss Account, but during 2003 these amounts have been transferred to this reserve.

Note 21. Profit and Loss Account

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
At 1st January	(7,379)	(15,053)	(1,765)	(1,116)
Profit Retained for Financial Year	7,139	12,796	1,936	(649)
Transfer from Merger Reserve (Note 19)	12,596	–	–	–
Transfer to Foreign Currency Translation Reserve (Note 20)	5,990	–	–	–
Currency Translation Adjustments	–	(5,122)	–	–
At 31st December	18,346	(7,379)	171	(1,765)

The profit and loss account of the Company has not been presented separately in these financial statements as permitted by the provisions of Section 230 of the Companies Act 1985.

Note 22. Commitments

The Directors have committed to a budget for capital expenditure for exploration and development of £23 million for 2004 (2003 - £38 million). Annual commitments under operating leases in respect of buildings amount to £880,121 and these operating leases expire in 2006. The Group, along with its partners, has entered into an operating lease in respect of a Floating Production and Storage and Offtake Vessel in Côte d'Ivoire. The Group's share of annual payments is £3,315,000 per annum. This lease expires in 2012.

Note 23. Contingent Liabilities

At 31st December 2003 there existed contingent liabilities amounting to £16 million (2002 - £19 million) in respect of performance guarantees for committed work programmes.

Note 24. Related Party Transactions

Transactions with the Directors of Tullow Oil plc are disclosed in the Directors' Remuneration Report on pages 38 to 43. There are no other related party transactions within the definitions of FRS 8 "Related Party Disclosures".

Note 25. Subsequent Events

Since the balance sheet date Tullow has continued to progress its exploration, development and business growth strategies.

On 26th March 2004 the Company announced that it was considering making an offer for the entire issued share capital of Energy Africa, a South African based oil and gas exploration and production company whose shares are listed on the Johannesburg Stock Exchange and traded (in the form of GDSs) on the Luxembourg Stock Exchange.

In early 2004 Tullow drilled the Topaze South 1 well in Gabon. No significant quantity of oil was found and the well was plugged and abandoned. The information from this well will be further evaluated to better understand the geology of the Topaze discovery. Tullow had a 100% carry in respect of the costs associated with the well as a result of a farm in agreement.

In December 2003 the Rasulpur well was spudded in Block 9, Bangladesh. No significant moveable hydrocarbons were encountered and it was plugged and abandoned in mid February 2004. Costs associated with the well of £1,066,207 at 31st December 2003 are included in intangible exploration assets – costs of exploration pending determination.

In April 2004 Tullow reported that the Lalmai-3 well, in Block 9, Bangladesh had encountered potentially gas-bearing sands. A production test will be undertaken to establish whether this gas is commercial.

In March 2004 Tullow announced that it has agreed to purchase ChevronTexaco's 50% interest in the Orwell field, UK SNS, thereby increasing its stake to 100%. Completion is expected during this summer with an effective date of 1st October 2003.

On 15th April 2004 the Company announced the successful completion of the Monroe well, UK SNS.

Note 26. Reconciliation of Operating Profit to Operating Cashflows

	2003 £'000	2002 £'000
Operating Profit for the Year	34,284	30,094
Depletion and Amortisation	39,628	39,368
Depreciation of Other Fixed Assets	332	315
Exploration Costs & Farm Out	12,772	3,255
Taxation Paid in Kind	(2,739)	(2,014)
Increase in Stocks	(437)	–
Increase in Operating Debtors	(1,992)	(1,947)
Increase/(Decrease) in Operating Creditors	3,589	(5,806)
Currency Translation Adjustment	(477)	(336)
Net Cash Inflow from Operating Activities	84,960	62,929

Note 27. Returns on Investments and Servicing of Finance

	2003 £'000	2002 £'000
Interest Received	2,016	1,621
Interest Paid	(5,767)	(4,603)
Dividend Paid	(3,782)	–
Finance Fees Paid	–	(1,088)
Net Cash Outflow from Returns on Investments and Servicing of Finance	(7,533)	(4,070)

Note 28. Capital Expenditure and Financial Investment

	2003 £'000	2002 £'000
Purchase of Tangible & Intangible Exploration Assets	(45,951)	(60,798)
Purchase of Tangible Fixed Assets – Other	(235)	(327)
Disposal of Tangible Fixed Assets	4,339	–
Farm Out of Intangible Exploration Assets	–	4,874
Purchase of Investments	(197)	–
Net Cash Outflow from Investing Activities	(42,044)	(56,251)

Note 29. Financing

	2003 £'000	2002 £'000
Issues of Ordinary Shares	14,404	626
Costs of Share Issues	(888)	–
Repayment of Loans	(17,334)	(5,222)
Drawdown of Loan	2,531	8,174
Transfer to Restricted Funds Deposit Account	(5,027)	(19,425)
Debt Arrangement Fees	(85)	(332)
	(6,399)	(16,179)

Note 30. Pension Schemes

The Group operates defined contribution pension schemes for staff and Executive Directors. The contributions are payable to external funds which are administered by independent trustees. Contributions during the year amounted to £538,764 (2002 - £396,973). At 31st December 2003, there was a liability of £34,662 (2002 – £3,150) for contributions payable included in creditors.

Licence Interests

Exploration, Development and Production Interests

UNITED KINGDOM OFFSHORE

Licence/ Unit Area	Blocks	Fields / *Discoveries*	Tullow Interest	Operator	Other Partners
CMS Area					
P449	43/25a		30.00%	GDF	EOG
P450	44/21a	Boulton B & F	9.50%	ConocoPhillips	GDF
P451	44/22a & 44/22b	Murdoch Boulton H, Watt	34.00%	ConocoPhillips	GDF
P452	44/23a (part)	Murdoch K	6.91%	ConocoPhillips	GDF
P1006	44/17b		20.00%	GDF	ConocoPhillips
P1055	44/11 & 44/12		35.00%	GDF	Caledonia
P1057	44/16		35.00%	GDF	Caledonia
P1058	44/18b & 44/23b		22.50%	ConocoPhillips	GDF
P1059	44/28a		22.50%	ConocoPhillips	GDF
P1139	44/19b		22.50%	ConocoPhillips	GDF
CMS III Unit [1]	44/17a (part), 44/17c (part) 44/21a (part), 44/22a (part) 44/22b (part), 44/22c (part) 44/23a (part)	Boulton H, Hawksley, McAdam, Murdoch K, Watt	14.10%	ConocoPhillips	GDF
Thames-Hewett Area					
P007	49/24F1 (Excl Gawain) 49/24F1 (Gawain sub-area)	 Gawain	100.00% 50.00%	Tullow ExxonMobil	
P028	48/30 & 52/05a	Hewett	35.00%	Tullow	Centrica, Eni
P037	49/28 48/28a & 48/29	Thames, Yare, Bure, Deben, Wensum Hewett	66.67% 43.33%	ExxonMobil ExxonMobil	Centrica Centrica, Eni
P039	53/04a (part)	Welland	75.00%	Tullow	Caledonia
	53/04a (part)	*Wissey*	50.00%	Tullow	Caledonia, Shell
P060	50/26a	Orwell [3]	50.00%	Tullow	ChevronTexaco
P063	54/01a		50.00%	Tullow	Intrepid, OMV
P105	49/29a (part)	Gawain	50.00%	ExxonMobil	
P112	52/04a	Hewett	38.82%	Tullow	Eni, ExxonMobil, Centrica
P133	53/03a 53/03b		22.22%	BG	Shell
P467	48/23a	*Blythe* [2]	100.00%	Tullow	
P697	48/22a	*Blythe* [2]	100.00%	Tullow	
P703	50/26b	*Fizzy*	100.00%	Tullow	
P786	53/03c 53/03d	*Horne* [2]	73.83%	Tullow	Shell
P852	53/04b 53/04bF1	*Wren* [2] *Horne* [2]	40.00% 12.00%	Shell Shell	
P1016	49/29d		50.00%	ExxonMobil	
P1149	49/30b	*Fizzy*	50.00%	Tullow	ATP
Gawain Unit [1]	49/24F1(part) 49/29a (part)	Gawain	50.00%	ExxonMobil	
Hewett Unit [1]	48/28a (part), 48/29 (part) 48/30 (part), 52/04a 52/05a	Hewett, Deborah, Delilah, Della, Little Dotty	38.82%	Tullow	Eni, ExxonMobil, Centrica
Welland Unit [1]	49/29b (part), 53/04a (part)	Welland	33.73%	ExxonMobil	Caledonia
Central North Sea/Moray Firth					
P272	20/07a		24.80%	EnCana	OMV, Bow Valley, Kerr-McGee
P1044	15/28c		15.00%	EnCana	Paladin, Montrose
P1127	38/05		35.00%	Tullow	EnCana, Edinburgh
P1152	39/02b & 39/07		30.00%	Tullow	EnCana, Edinburgh, Premier

INTERNATIONAL

Licence	Fields	Area Sq Km	Tullow Interest	Operator	Other Partners
Côte d'Ivoire					
CI-26 Exploration		574	24.00%	CNR	PETROCI
Special Area "E" Development	Espoir	Included in CI-26	21.33%	CNR	PETROCI
Gabon					
Kiarsseny Marin		5,442	47.50%	Tullow	Addax, Sonangol P&P
Cameroon					
Ngosso		474	40.00%	Addax	
Pakistan					
Block 28		6,200	95.00%	Tullow	OGDCL
Nawabshah		2,334	30.00%	Tullow	OMV, POL, Marigas
New Block B		771	48.18%	Tullow	OGDCL, POL, Attock
Sara D&PL	Sara	88	38.18%	Tullow	OGDCL, POL, Attock
Chachar D&PL	Chachar	34	75.00%	Tullow	Govt. Holdings
Suri D&PL	Suri	24	38.18%	Tullow	OGDCL, POL, Attock,
Sara West D&PL	Sara West	168	60.00%	Tullow	OGDCL
India					
AA-ONJ/2		1,595	60.00% [4]	Tullow [4]	ONGC
GK-OS-5		5,000	50.00%	Reliance	Okland
GK-ON-90/2		4,920	50.00% [5]	Reliance [5]	Okland
CB-ON-1		5,875	50.00% [5]	Reliance [5]	Okland
Bangladesh					
Blocks 17&18		13,724	80.00%	Tullow	Okland, Rexwood
Block 9		6,880	30.00%	Tullow	Niko [5], Bapex
Romania					
EPI 3 Brates		1,125	42.06%	Tullow	Oranje Nassau, Europa, MND
EPI 8 Valeni de Munte		1,036	42.06%	Tullow	Oranje Nassau, Europa, MND

1 For the UK offshore area, fields that extend across more than one licence area with differing partner interests become part of a unitised area. The interest held in the Unitised Field Area is split amongst the holders of the relevant licences according to their proportional ownership of the field. The unitised areas in which Tullow is involved are listed in addition to the nominal licence holdings.

2 A field development plan has been submitted in respect of these discoveries.

3 Tullow has an agreement with ChevronTexaco to purchase their interest in this block

4 Awaiting assignment of Tullow's entire interest to ONGC

5 Subject to Government Approval

Proven and Probable Reserves Summary

	EUROPE		AFRICA		ASIA		TOTAL		
	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	Petroleum mmboe
At 1st Jan 2003	0.06	170.68	19.35	50.45	–	138.74	19.41	359.87	79.38
Revisions	–	8.03	(0.30)	(12.36)	–	(6.80)	(0.30)	(11.13)	(2.16)
Acquisitions / (Disposals)	(0.05)	12.53	–	–	–	(0.80)	(0.05)	11.73	1.91
Production	(0.01)	(42.64)	(1.29)	(1.04)	–	(2.90)	(1.30)	(46.58)	(9.06)
At 31st Dec 2003	–	148.60	17.76	37.05	–	128.24	17.76	313.89	70.07

Five Year Financial Summary

Group Profit and Loss Account	2003 £'000	2002 £'000	2001 £'000	2000 £'000	1999 £'000
Turnover	**132,364**	112,624	76,633	7,782	5,194
Cost of Sales	**(82,249)**	(75,350)	(46,480)	(5,255)	(4,044)
Gross Profit	**50,115**	37,274	30,153	2,527	1,150
Administration & Depreciation	**(3,059)**	(3,925)	(3,859)	(1,205)	(563)
Operating Profit/(Loss) before Exploration Activites	**47,056**	33,349	26,294	1,322	587
Profit on Farm Out of Licence Interests	**–**	914	–	–	–
Exploration Costs Written Off	**(12,772)**	(4,169)	(3,945)	(687)	(12,271)
Operating Profit/(Loss)	**34,284**	30,094	22,349	635	(11,684)
Loss on Disposal of Production Assets	**(952)**	–	–	–	–
Group Re-Organisation Costs	**–**	–	–	(338)	–
Profit/(Loss) on Ordinary Activities before Interest	**33,332**	30,094	22,349	297	(11,684)
Interest Income	**2,016**	1,409	1,371	968	150
Interest Payable	**(8,730)**	(9,044)	(7,708)	(472)	(450)
Profit/(Loss) on Ordinary Activities before Taxation	**26,618**	22,459	16,012	793	(11,984)
Taxation on Profit on Ordinary Activities	**(15,697)**	(9,663)	(6,702)	–	–
Profit/(Loss) for the Financial Year	**10,921**	12,796	9,310	793	(11,984)
Dividend Paid	**(3,782)**	–	–	–	–
Profit/(Loss) Retained for the Financial Year	**7,139**	12,796	9,310	793	(11,984)
Earnings/(Loss) per Share Basic – Stg p	**2.92**	3.56	2.61	0.26	(5.00)
Diluted – Stg p	**2.90**	3.51	2.56	0.25	(4.94)
Group Balance Sheet					
Fixed Assets	**193,263**	195,886	207,659	54,848	40,663
Net Current Assets	**32,521**	15,771	8,685	34,309	7,343
Total Assets less Current Liabilities	**225,784**	211,657	216,344	89,157	48,006
Long Term Liabilities	**(109,863)**	(111,357)	(124,344)	(9,772)	(10,165)
Net Assets	**115,921**	100,300	92,000	79,385	37,841
Called Up Share Capital	**37,784**	35,981	35,847	35,247	27,517
Share Premium Account	**14,198**	2,485	1,993	-	-
Merger Reserve	**56,617**	69,213	69,213	69,213	34,612
Foreign Currency Translation Reserve	**(11,024)**	-	-	-	-
Profit and Loss Account	**18,346**	(7,379)	(15,053)	(25,075)	(24,288)
Equity Shareholders' Funds	**115,921**	100,300	92,000	79,385	37,841

Amounts previously reported in respect of the financial years 1999 & 2000 have been translated to Sterling from Euro at the respective year-end exchange rates. Amounts have also been presented in accordance with the merger accounting provisions of FRS 6.

DIRECTORS

Chairman
P. Plunkett

Non-Executive
R. Courtney
C. Spottiswoode, CBE
S. Mc Tiernan

Executive
A. Heavey (Chief Executive)
T. Hickey (Chief Financial Officer)
G. Martin (General Counsel)
M. O'Donoghue (General Manager - Projects)

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