

Financial statements

80	Statement of Directors' responsibilities	115	Independent auditors' report
81	Independent auditors' report	116	Company financial statements
82	Group financial statements	116	Company balance sheet
82	Group income statement	117	Notes to the Company financial statements
82	Group statement of recognised income and expense	118	1. Investments
83	Group balance sheet	119	2. Dividends
84	Group cash flow statement	119	3. Debtors
85	Accounting policies	119	4. Trade and other creditors
90	Notes to the Group financial statements	119	5. Bank loans
90	1. Segmental reporting	121	6. Loans from subsidiary undertakings
91	2. Total revenue	121	7. Called up equity share capital and share premium account
92	3. Operating profit	122	8. Shareholders' Funds
93	4. Staff costs	122	9. Other reserves
93	5. Finance costs	122	10. Disposal of subsidiary
94	6. Taxation on profit on ordinary activities	123	11. Share-based payments
95	7. Dividends	125	12. Related party transactions
96	8. Earnings per ordinary share	125	13. Subsequent events
96	9. Intangible exploration and evaluation assets	126	Five year financial summary
97	10. Property, plant and equipment	127	Licence interests
98	11. Investments	131	Reserves summary
99	12. Inventories		
99	13. Other current assets		
99	14. Cash and cash equivalents		
99	15. Trade and other payables		
100	16. Financial liabilities		
102	17. Financial instruments		
105	18. Assets held for sale		
105	19. Obligations under finance leases		
106	20. Provisions		
107	21. Reconciliation of changes in equity		
107	22. Called up equity share capital and share premium account		
108	23. Other reserves		
108	24. Minority interest		
109	25. Cash flows from operating activities		
109	26. Acquisition and disposal of subsidiaries and oil and gas assets		
111	27. Share-based payments		
113	28. Operating lease arrangements		
114	29. Capital commitments		
114	30. Contingent liabilities		
114	31. Related party transactions		
114	32. Subsequent events		
114	33. Pension schemes		

Financial statements

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Group

Company Law requires the Directors to prepare financial statements for each financial year. The Directors are required by the IAS Regulation to prepare the Group financial statements under International Financial Reporting Standards (IFRS) as adopted by the European Union. The Group financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. However, Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Parent Company

The Directors have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Company. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement required by DTR 4.1.12R

We confirm to the best of our knowledge:

1. the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
2. the business review, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

By order of the Board



Aidan Heavey
Chief Executive Officer
10 March 2009



Ian Springett
Chief Financial Officer
10 March 2009

Independent Auditors' Report

to the members of Tullow Oil plc

We have audited the Group financial statements of Tullow Oil plc for the year ended 31 December 2008 which comprise the Group income statement, the Group statement of recognised income and expense, the Group balance sheet, the Group cash flow statement, the accounting policies and the related notes 1 to 33. These Group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' remuneration report that is described as having been audited.

We have reported separately on the parent company financial statements of Tullow Oil plc for the year ended 31 December 2008.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' remuneration report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view, whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and whether the part of the Directors' remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the Group financial statements.

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

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the 2006 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 other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited Group financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements and the part of the Directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements and the part of the Directors' remuneration report to be 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 Group financial statements and the part of the Directors' remuneration report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the part of the Directors' remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the Group financial statements.



Deloitte LLP

Chartered Accountants and Registered Auditors
London
10 March 2009

Group income statements**Group income statement**

Year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
Sales revenue	2	691,673	639,203
Cost of sales		(366,108)	(353,695)
Gross profit		325,565	285,508
Administrative expenses		(43,051)	(31,628)
Profit/(loss) on disposal of subsidiaries	26	213,268	(597)
Profit on disposal of oil and gas assets	26	30,614	-
Exploration costs written off	9	(226,701)	(64,235)
Operating profit	3	299,695	189,048
Gain/(loss) on hedging instruments	17	42,927	(29,267)
Finance revenue	2	3,928	3,095
Finance costs	5	(47,238)	(48,673)
Profit from continuing activities before tax		299,312	114,203
Income tax expense	6	(73,069)	(61,609)
Profit for the year from continuing activities		226,243	52,594
Attributable to:			
Equity holders of the parent		223,211	50,887
Minority interest	24	3,032	1,707
		226,243	52,594
Earnings per ordinary share	8	Stg p	Stg p
Basic		30.86	7.10
Diluted		30.49	6.96

Group statement of recognised income and expense

Year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
Profit for the financial year		226,243	52,594
Currency translation adjustments	23/24	222,266	(5,321)
Hedge movement, net of deferred tax	23	160,966	(79,780)
		383,232	(85,101)
Total recognised income and expense for the year		609,475	(32,507)
Attributable to:			
Equity holders of the parent		599,631	(34,214)
Minority interest		9,844	1,707
		609,475	(32,507)

Group balance sheet

As at 31 December 2008

	Notes	2008 £'000	2007 (as restated*) £'000
ASSETS			
Non-current assets			
Intangible exploration and evaluation assets	9	1,417,777	956,580
Property, plant and equipment	10	986,374	890,416
Investments	11	447	447
Derivative financial instruments	17	29,280	-
		2,433,878	1,847,443
Current assets			
Inventories	12	37,850	24,897
Trade receivables		69,344	91,444
Other current assets	13	60,208	33,351
Cash and cash equivalents	14	311,020	82,224
Derivative financial instruments	17	19,989	-
Assets held for sale	18	-	11,843
		498,411	243,759
		2,932,289	2,091,202
LIABILITIES			
Current liabilities			
Trade and other payables	15	(330,215)	(180,626)
Other financial liabilities	16	(210,528)	(9,793)
Current tax liabilities		(105,282)	(31,457)
Derivative financial instruments	17	-	(89,509)
		(646,025)	(311,385)
Non-current liabilities			
Trade and other payables	15	(6,089)	(15,586)
Other financial liabilities	16	(489,041)	(540,272)
Deferred tax liabilities	20	(347,940)	(307,615)
Provisions	20	(134,019)	(135,139)
Derivative financial instruments	17	-	(68,535)
		(977,089)	(1,067,147)
		(1,623,114)	(1,378,532)
Total liabilities		(1,623,114)	(1,378,532)
Net assets		1,309,175	712,670
EQUITY			
Called up share capital	22	73,288	71,961
Share premium	22	160,714	128,465
Other reserves	23	582,131	210,089
Retained earnings	21	467,711	286,668
Equity attributable to equity holders of the parent		1,283,844	697,183
Minority interest	24	25,331	15,487
Total equity	21	1,309,175	712,670

* The 2007 comparatives have been restated due to an asset held for sale being reclassified during 2008 (see note 18).

Approved by the Board and authorised for issue on 10 March 2009



Aidan Heavey
Chief Executive Officer



Ian Springett
Chief Financial Officer

Group cash flow statement

Year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
Cash flows from operating activities			
Cash generated from operations	25	587,650	446,660
Income taxes paid		(76,853)	(30,030)
Net cash from operating activities		510,797	416,630
Cash flows from investing activities			
Acquisition of subsidiaries		-	(334,954)
Disposal of subsidiaries	26	207,834	(597)
Disposal of oil and gas assets		77,530	-
Purchase of intangible exploration and evaluation assets		(323,569)	(165,726)
Purchase of property, plant and equipment		(136,783)	(198,355)
Finance revenue		3,372	3,206
Net cash used in investing activities		(171,616)	(696,426)
Cash flows from financing activities			
Net proceeds from issue of share capital		8,089	2,661
Proceeds from issue of subsidiary share capital to minority interest		-	1,244
Debt arrangement fees		(5,318)	(8,431)
Repayment of bank loans		(372,583)	(29,474)
Drawdown of bank loan		312,929	379,979
Finance costs		(40,441)	(40,782)
Dividends paid	7	(43,173)	(39,406)
Purchase of treasury shares		(11,235)	(3,722)
Net cash (used in)/generated by financing activities		(151,732)	262,069
Net increase/(decrease) in cash and cash equivalents		187,449	(17,727)
Cash and cash equivalents at beginning of year		82,224	99,478
Translation difference		41,347	473
Cash and cash equivalents at end of year	14	311,020	82,224