

## Notes to the Company financial statements

Year ended 31 December 2008

### (a) Basis of accounting

The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 1985 and UK Generally Accepted Accounting Principles (UK GAAP). The following paragraphs describe the main accounting policies under UK GAAP which have been applied consistently.

In accordance with the provisions of Section 230 of the Companies Act, the profit and loss account of the Company is not presented separately. In accordance with the exemptions available under FRS 1 'Cash Flow Statements', the Company has not presented a cash flow statement as the cash flow of the Company has been included in the cash flow statement of Tullow Oil plc Group set out on page 84.

### (b) Investments

Fixed asset investments, including investments in subsidiaries, are stated at cost and reviewed for impairment if there are indications that the carrying value may not be recoverable.

### (c) Finance costs and debt

Finance costs of debt are allocated to periods over the term of the related debt at a constant rate on the carrying amount.

Interest-bearing bank loans are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

### (d) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

### (e) Foreign currencies

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

### (f) Share issue expenses and share premium account

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

### (g) Taxation

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

### (h) Share-based payments

The Company has applied the requirements of FRS 20 Share-based payments. In accordance with the transitional provisions of that standard, only those awards that were granted after 7 November 2002, and had not vested at 1 January 2005, are included.

All share-based awards of the Company are equity settled as defined by FRS 20. The fair value of these awards has been determined at the date of grant of the award allowing for the effect of any market-based performance conditions. This fair value, adjusted by the Company's estimate of the number of awards that will eventually vest as a result of non-market conditions, is expensed uniformly over the vesting period.

The fair values were calculated using a binomial option pricing model with suitable modifications to allow for employee turnover after vesting and early exercise. Where necessary this model was supplemented with a Monte Carlo model. The inputs to the models include: the share price at date of grant; exercise price; expected volatility; expected dividends; risk free rate of interest; and patterns of exercise of the plan participants.

## Note 1. Investments

	2008 €'000	2007 €'000
Shares at cost in subsidiary undertakings	950,425	950,967
Unlisted investments	447	447
	<b>950,872</b>	<b>951,414</b>

The movement in investments during the year is due to the disposal of Tullow Oil UK Limited to ENI in November 2008.

## Principal subsidiary undertakings

At 31 December 2008 the Company's principal subsidiary undertakings were:

Name	%	Country of operation	Country of registration
<b>Directly held</b>			
Tullow Oil SK Limited	100	United Kingdom	England & Wales
Tullow Oil SPE Limited	100	United Kingdom	England & Wales
Tullow Group Services Limited	100	United Kingdom	England & Wales
Tullow Oil Limited	100	Ireland	Ireland
Tullow Overseas Holdings B.V.	100	Netherlands	Netherlands
Tullow Gabon Holdings Limited	50	Gabon	Isle of Man
<b>Indirectly held</b>			
Tullow (EA) Holdings Limited	100	Isle of Man	British Virgin Islands
Tullow Oil International Limited	100	Channel Islands	Jersey
Tullow Pakistan (Developments) Limited	100	Pakistan	Jersey
Tullow Bangladesh Limited	95	Bangladesh	Jersey
Tullow Côte d'Ivoire Limited	100	Côte d'Ivoire	Jersey
Tullow Côte d'Ivoire Exploration Limited	100	Côte d'Ivoire	Jersey
Tullow India Operations Limited	100	India	Jersey
Tullow Madagascar Limited	100	Madagascar	Jersey
Tullow Ghana Limited	100	Ghana	Jersey
Tullow Angola B.V.	100	Angola	Netherlands
Tullow Congo Limited	100	Congo	Isle of Man
Tullow Equatorial Guinea Limited	100	Equatorial Guinea	Isle of Man
Tullow Kudu Limited	100	Namibia	Isle of Man
Tullow Uganda Limited	100	Uganda	Isle of Man
Tullow Gabon Holdings Limited	50	Gabon	Isle of Man
Tullow Oil Gabon SA	100	Gabon	Gabon
Tulipe Oil SA	50	Gabon	Gabon
Hardman Chinguetti Production (Pty) Limited	100	Mauritania	Australia
Hardman Petroleum (Mauritania) (Pty) Limited	100	Mauritania	Australia
Planet Oil (Mauritania) Limited	100	Mauritania	Guernsey
Tullow Uganda Operations Limited	100	Uganda	Australia
Tullow Hardman Holdings B.V.	100	Netherlands	Netherlands
Tullow South Africa (Pty) Limited	100	South Africa	South Africa

The principal activity of all companies relates to oil and gas exploration, development and production.

The Company is required to assess the carrying values of each of its investments in subsidiaries for impairment. The net assets of certain of the Company's subsidiaries are predominantly intangible exploration and evaluation (E&E) assets. Where facts and circumstances indicate that the carrying amount of an E&E asset held by a subsidiary may exceed its recoverable amount, by reference to the specific indicators of impairment of E&E assets in IFRS 6, an impairment test of the asset is performed by the subsidiary undertaking and the asset is impaired by any difference between its carrying value and its recoverable amount. The recognition of such an impairment by a subsidiary is used by the Company as the primary basis for determining whether or not there are indications that the investment in the related subsidiary may also be impaired, and thus whether an impairment test of the investment carrying value needs to be performed. The results of exploration activities are inherently uncertain, and the assessment for impairment of E&E assets by the subsidiary, and that of the related investment by the Company, is judgemental.

**Note 2. Dividends**

	2008 €'000	2007 €'000
Declared and paid during year		
Final dividend for 2007: Stg4.0p (2006: Stg3.5p) per ordinary share	28,690	25,051
Interim dividend for 2008: Stg2.0p (2007: Stg2.0p) per ordinary share	14,483	14,355
<b>Dividends paid</b>	<b>43,173</b>	39,406
Proposed for approval by shareholders at the AGM		
Final dividend for 2008: Stg4.0p (2007: Stg4.0p)	29,316	28,784

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

**Note 3. Debtors****Amounts falling due within one year**

	2008 €'000	2007 €'000
Other debtors	429	19
Prepayments	–	12
Due from subsidiary undertakings	738,692	400,825
	<b>739,121</b>	400,856

The amounts due from subsidiary undertakings include €332.9 million (2007: €388.9 million) that incurs interest at LIBOR plus 1.7%. The remaining amounts due from subsidiaries accrue no interest. All amounts are repayable on demand.

**Note 4. Trade and other creditors****Amounts falling due within one year**

	2008 €'000	2007 €'000
Other creditors	2,322	17
Accruals	1,696	6,534
VAT	279	3,691
	<b>4,297</b>	10,242

**Note 5. Bank loans**

	2008 €'000	2007 €'000
<b>Current</b>		
Short-term borrowings	210,528	–
<b>Non-current</b>		
Term loans repayable		
– After one year but within two years	393,257	281,291
– After two years but within five years	95,784	257,997
	<b>489,041</b>	539,288

Company bank loans are stated net of unamortised arrangement fees of €11,806,000 (2007: €11,367,000).

Term loans and guarantees are secured by fixed and floating charges over the oil and gas assets (note 10) of the Group.

**Note 5. Bank loans continued****Interest rate risk**

The interest rate profile of the Company's financial assets and liabilities at 31 December 2008 was as follows:

	Stg £'000	US\$ £'000	Total £'000
Cash at bank at floating interest rate	29,806	-	29,806
Amounts due from subsidiaries at LIBOR + 1.7%	494,595	-	494,595
Fixed rate debt	-	(69,066)	(69,066)
Floating rate debt	-	(642,309)	(642,309)
<b>Net cash/(debt)</b>	<b>524,401</b>	<b>(711,375)</b>	<b>(186,974)</b>

The profile at 31 December 2007 for comparison purposes was as follows:

	Stg £'000	US\$ £'000	Total £'000
Cash at bank at floating interest rate	3,764	192	3,956
Amounts due from subsidiaries at LIBOR + 1.7%	388,903	-	388,903
Fixed rate debt	(25,000)	(75,101)	(100,101)
Floating rate debt	(40,000)	(410,554)	(450,554)
<b>Net (debt)/cash</b>	<b>327,667</b>	<b>(485,463)</b>	<b>(157,796)</b>

Cash at bank at floating interest rate consisted of deposits which earn interest at rates set in advance for periods ranging from overnight to one month by reference to market rates.

Floating rate debt comprises bank borrowings at interest rates fixed in advance from overnight to three months at rates determined by US Dollar LIBOR and Sterling LIBOR. Fixed rate debt comprises bank borrowings at interest rates fixed in advance for periods greater than three months or bank borrowings where the interest rate has been fixed through interest rate hedging.

Floating rate debt comprises bank borrowings at interest rates fixed in advance from overnight to three months at rates determined by US Dollar LIBOR and Sterling LIBOR. Fixed rate debt comprises bank borrowings at interest rates fixed in advance for periods greater than three months or bank borrowings where the interest rate has been fixed through interest rate hedging. The Borrowing Base Facility incurs interest on outstanding debt at Sterling or US Dollar LIBOR plus a margin ranging from 100 basis points to 240 basis points depending on utilisation and concentration of non-OECD assets. The outstanding debt is repayable in variable amounts (determined semi-annually) over the period to 31 August 2012, or such time as is determined by reference to the remaining reserves of the assets, whichever is earlier. There is no requirement under the Borrowing Base Facility to hedge interest rate exposure to Sterling LIBOR and US Dollar LIBOR. The Borrowing Base Facility states that consideration should be given to hedging at least 30% of the interest rate exposure to fluctuations in LIBOR for Sterling and US Dollars in respect of loans under the facility, net of relevant cash balances.

The Hardman Bridge Facility is now a US\$200 million (£138.1 million) revolving facility which is repayable in full on 31 December 2009. The facility incurs interest on outstanding debt at US Dollar LIBOR plus a margin ranging from 300 basis points increasing in quarterly 25 basis point increments until expiry in December 2009. There is no requirement under the Hardman Bridge Facility to hedge interest rate exposure to US Dollar LIBOR. The Hardman Bridge Facility states that consideration should be given to hedging at least 30% of the interest rate exposure to fluctuations in LIBOR for US Dollars in respect of loans under the facility, net of relevant cash balances.

At the end of December 2008, the headroom under the facilities amounted to US\$335 million (£231.4 million); US\$235 million (£162.3 million) under the Borrowing Base and US\$100 million (£69.1 million) under the Hardman Bridge Facility. At the end of December 2007, the headroom under the two facilities was US\$457 million (£228.8 million); US\$307 million (£153.7 million) under the Borrowing Base and US\$150 million (£75.1 million) under the Hardman Bridge Facility.

The Company is exposed to floating rate interest rate risk as entities in the Group borrow funds at floating interest rates. The company hedges its floating rate interest rate exposure on an ongoing basis through the use of interest rate derivatives, namely interest rate swaps, interest rate collars and interest rate caps. All interest rate derivatives currently in place were put in place for a three-year period in May 2008 and expire in May 2011. The interest rate swap currently in place has a swap rate of 3.4375% for a current notional principal of US\$50 million (£34.5 million). The effect of the interest rate collar currently in place limits the exposure to US Dollar LIBOR at varying rates (maximum of 4.3%) over the life of the derivative for a current notional principal of US\$50 million (£34.5 million). The combined mark to market position as at the 2008 year end was £2,089,000 (2007: £104,000). The interest rate hedges are included in fixed rate debt in the 2008 and were included in the floating rate debt table in 2007 as there was non-material differences between book and fair values for the mark-to-markets on the hedges in place at the time.

### Foreign currency risk

As at 31 December 2008, the only material monetary assets or liabilities of the Company that were not denominated in the functional currency of the respective subsidiaries involved were US\$930 million (£642.3 million) cash drawings under the US\$1,350 million Borrowing Base Facility and US\$100 million (£69.1 million) cash drawings under the US\$200 million Hardman Bridge Facility. As at 31 December 2007 the only material assets or liabilities that were not denominated in the functional currency of the respective subsidiaries involved were US\$570 million (£285.4 million) cash drawings under the US\$1,350 million Borrowing Base facility and US\$400 million (£200.3 million) cash drawings under the \$550million Hardman Bridge Facility. These US Dollar cash drawings at 31 December 2008 continue to be held as a hedge against US Dollar denominated net assets in subsidiaries.

The net carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are £711.3 million (2007: £485.5 million).

### Foreign currency sensitivity analysis

The Company is mainly exposed to fluctuation in the US dollar. The Group measures its market risk exposure by running various sensitivity analyses including 20% favorable and adverse changes in the key variables. The sensitivity analyses include only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

As at 31 December 2008, a 20% increase in Sterling against the US Dollar would have resulted in a decrease in foreign currency denominated liabilities and equity of £118.6 million (2007: £44.1 million 10% increase) and a 20% decrease in Sterling against US Dollar would have resulted in an increase in foreign currency denominated liabilities and equity of £177.8 million (2007: £54.0 million 10% decrease).

### Note 6. Loans from subsidiary undertakings

Amounts falling due after more than one year

	2008 £'000	2007 £'000
Loans from subsidiary companies	127,776	227,488

The amounts due from subsidiaries do not accrue interest. All loans from subsidiary companies are not due to be repaid within five years.

### Note 7. Called up equity share capital and share premium account

(a) Authorised

	2008 £'000	2007 £'000
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 1 January 2007	651,900,298	65,190	126,075
Issues during the year			
– Exercise of share options	2,711,405	271	2,390
– Hardman acquisition	64,998,817	6,500	–
At 1 January 2008	719,610,520	71,961	128,465
Issues during the year			
– Exercise of share options	6,926,931	692	5,840
– New shares issued in respect of royalty obligation	6,352,114	635	26,409
<b>At 31 December 2008</b>	<b>732,889,565</b>	<b>73,288</b>	<b>160,714</b>

**Note 8. Shareholders' funds**

	Share capital £'000	Share premium £'000	Other reserves (note 9) £'000	Profit and loss account £'000	Total £'000
At 1 January 2007	65,190	126,075	118,359	38,999	348,623
Total recognised income and expense for the year	-	-	-	30,043	30,043
Purchase of treasury shares	-	-	(3,722)	-	(3,722)
Shares to be issued in respect of Hardman acquisition	6,500	-	229,121	-	235,621
New shares issued in respect of employee share options	271	2,390	-	-	2,661
Share-based payment charges	-	-	-	5,388	5,388
Dividends paid	-	-	-	(39,406)	(39,406)
<b>At 1 January 2008</b>	<b>71,961</b>	<b>128,465</b>	<b>343,758</b>	<b>35,024</b>	<b>579,208</b>
Total recognised income and expense for the year	-	-	-	321,919	321,919
Purchase of treasury shares	-	-	(11,235)	-	(11,235)
New shares issued in respect of employee share options	692	5,840	-	-	6,532
New shares issued in respect of royalty obligation	635	26,409	-	-	27,044
Vesting of PSP shares	-	-	6,857	(6,857)	-
Share-based payment charges	-	-	-	7,862	7,862
Dividends paid	-	-	-	(43,173)	(43,173)
<b>At 31 December 2008</b>	<b>73,288</b>	<b>160,714</b>	<b>339,380</b>	<b>314,775</b>	<b>888,157</b>

The Company has tax losses of £35 million (2007: £42 million) that are available indefinitely for offset against future non ring fence taxable profits in the Company. A deferred tax asset has not been recognised in respect of these losses as the Company does not anticipate making non ring fence profits in the foreseeable future.

**Note 9. Other reserves**

	Merger reserve £'000	Treasury shares £'000	Total £'000
At 1 January 2007	122,336	(3,977)	118,359
Purchase of treasury shares	-	(3,722)	(3,722)
Merger reserve movement	229,121	-	229,121
<b>At 1 January 2008</b>	<b>351,457</b>	<b>(7,699)</b>	<b>343,758</b>
Purchase of treasury shares	-	(11,235)	(11,235)
Vesting of PSP shares	-	6,857	6,857
<b>At 31 December 2008</b>	<b>351,457</b>	<b>(12,077)</b>	<b>339,380</b>

During 2007 the Company issued 64,998,817 ordinary shares relating to the acquisition of Hardman Resources. In accordance with the merger provisions of Section 131 of the Companies Act 1985, the Company has transferred the premium on the shares issued of £229.1 million, using the market value at the date of acquisition, to the Merger reserve.

The treasury shares reserve represents the cost of shares in Tullow Oil plc purchased in the market and held by the Tullow Oil Employee Trust to satisfy options held under the Group's share incentive plans (see note 11).

**Note 10. Disposal of subsidiary**

Tullow Oil Plc completed the sale of Tullow Oil UK Limited incorporating the 51.68% interest in the Hewett-Bacton complex to ENI in November 2008 with a profit on sale of £236,761,000.

## Note 11. Share-based payments

### 2005 Performance Share Plan (PSP)

Under the PSP, senior executives can receive conditional awards of rights over whole shares worth up to 200% of salary p.a. (300% in exceptional circumstances). The awards granted in 2008 under the PSP vest subject to a Total Shareholder Return (TSR) based performance condition under which the Company's TSR performance is measured over a fixed three-year period against both the constituents of an Index and a comparator group of oil and gas companies. For awards from March 2008 the index is the FTSE 100 index (excluding investments trusts); for awards before March 2008, the index is the FTSE 250 index (excluding investment trusts). Half of an award is tested against the Index and the other half against the comparator group. The test is over a three-year period starting on 1 January prior to grant, and an individual must normally remain in employment for three years from the date of grant for the shares to vest. No dividends are paid to participants over the vesting period. Further details in relation to the PSP award measurements are provided in the Directors' Remuneration Report.

The shares outstanding under the PSP are as follows:

	2008 PSP shares	2008 Average weighted share price at grant p	2007 PSP shares	2007 Average weighted share price at grant p
Outstanding at 1 January	4,451,474	293.25	2,903,082	251.66
Granted	1,328,692	917.58	1,548,392	371.24
Exercised during the year	(1,747,750)	187.50	–	–
Forfeited/expired during the year	(175,503)	365.75	–	–
Outstanding at 31 December	3,856,913	552.92	4,451,474	293.25

The inputs of the option valuation model were:

	2008 Average weighted share price at grant p	2007 Average weighted share price at grant p
Risk free interest rate	4.4%-4.7% pa	5.3% pa
Expected volatility	39%-41%	33%
Dividend yield	0.7%-0.8% pa	1.5% pa

The expected life is the period from the date of grant to the vesting date. Expected volatility was determined by calculating the historical volatility of the Company's share price over a period commensurate with the expected lifetime of the awards. The weighted average fair value of the awards granted in 2008 was 653.94p per award (2007: 181.57p).

The Company recognised a total expense of £1,807,000 (2007: £1,335,000) in respect of the PSP.

### 2005 Deferred Share Bonus Plan (DSBP)

Under the DSBP, the portion of any annual bonus entitlement of a senior executive nominated by the Remuneration Committee that is above 75% of base salary (60% for bonuses paid for 2007 and earlier years) is required to be deferred into shares. Shares awarded under the DSBP will normally vest following the end of the period of three financial years commencing with that in which the award is granted.

The shares outstanding under the DSBP are as follows:

	2008 DSBP shares	2008 Share price at grant	2007 DSBP shares	2007 Share price at grant
Outstanding at 1 January	184,254	375.4p	79,787	348.5p
Granted	96,166	629.5p	104,467	396.0p
Exercised during the year	(79,787)	348.5p	–	–
Outstanding at 31 December	200,633	507.9p	184,254	375.4p
The inputs of the option valuation model were:				
Dividend yield		1.0% pa		1.3% pa

The expected life is the period from the date of grant to the vesting date. The fair value of the awards granted in 2008 was 611.9p per award (2007: 381.23p).

The Company recognised a total expense of £537,000 (2007: £226,000) in respect of the DSBP.

**Note 11. Share-based payments continued****2000 Executive Share Option Scheme (ESOS)**

The only share option scheme operated by the Group during the year was the 2000 ESOS. Options granted under the 2000 ESOS normally only become exercisable following the third anniversary of the date of the grant if the performance condition has been met. The condition requires that the Company's TRS performance over a fixed three-year period must exceed the median company in the constituents of an index. For awards granted from March 2008 the index is the FTSE 100 index (excluding investments trusts); for awards before March 2008 the index is the FTSE 250 index (excluding investments trusts). 100% of the awards will vest if the Company's TSR is above the median of the respective index over the three-year period following grant. Options awarded under the 2000 ESOS before 24 May 2005 are subject to monthly re-testing on a rolling three-year basis if the TSR performance criterion is not met. Options granted on or after 24 May 2005 are not subject to monthly re-testing.

Options have previously been granted under the 1988 ESOS and the 1998 ESOS. Options granted under the 1988 ESOS and the 1998 ESOS are not subject to performance conditions. All awards under the 1988 ESOS and the 1998 ESOS were made prior to 7 November 2002 and therefore, under the FRS transitional provisions, they have not been accounted for in accordance with FRS 20 – Share-based payments.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options under the 1988 ESOS, the 1998 ESOS and the 2000 ESOS during the year.

	2008 Number	2008 WAEP p	2007 Number	2007 WAEP p
Outstanding as at 1 January	19,216,684	166.04	19,637,480	129.39
Granted during the year	2,475,251	647.28	2,358,408	396.46
Exercised during the year	(6,926,931)	91.50	(2,711,407)	98.31
Forfeited/expired during the year	(76,899)	210.37	(67,797)	317.85
Outstanding at 31 December	14,688,105	282.06	19,216,684	166.04
Exercisable at 31 December	7,971,074	121.49	11,410,205	83.83

The weighted average share price at exercise for options exercised in 2008 was 854.25p (2007: 439.32p).

Options outstanding at 31 December 2008 had exercise prices of 61p to 754.0p and remaining contractual lives of one to 10 years.

The fair values were calculated using a proprietary binomial valuation model. The principal inputs to the options valuation model were:

Risk free interest rate	2.6-4.1% pa
Expected volatility	38-48%
Dividend yield	0.9-1.3% pa
Employee turnover	From 0% – 5% pa depending on seniority
Early exercise	At rates dependent upon seniority and potential gain from exercise

Expected volatility was determined by calculating the historical volatility of the Company's share price over a period commensurate with the expected lifetime of the awards.

The fair values and expected lives of the options valued in accordance with FRS 20 were:

Award date	Weighted average exercise price p	Weighted average fair value p	Weighted average expected life from grant date years
Jan – Dec 2006	347.7	109.7	4.4
Jan – Dec 2007	396.9	123.4	4.8
Jan – Dec 2008	647.3	205.8	4.3

The Company recognised a total expense of £nil (2007: £336,000) in respect of the ESOS.

**UK & Irish Share Incentive Plans (SIPs)**

The SIPs were launched at the beginning of 2004. These are all employee plans, which have been set up in both the UK and Ireland, that enable employees to make contributions out of salary up to prescribed limits each month, which are used by the Plan trustees to acquire Tullow shares ('Partnership Shares').

The Company makes a matching contribution to the trustees to acquire a matching number of Tullow shares ('Matching Shares') on a one-for-one basis. The SIPs have a three month accumulation period.

The fair value of a Matching Share is the market value at grant adjusted for any options included. For this purpose, the grant date is the start of the accumulation period.

For the UK plan, Partnership Shares are purchased at the lower of the market values at the start of the Accumulation Period and the purchase date. For the Irish plan, shares are bought at the market price at the purchase date.

Matching shares vest three years after grant and dividends are paid to the employee during this period.

The Company recognised a total expense of £nil (2007: £nil) for the matching shares and £nil (2007: £nil) for the partnership shares.

**Note 12. Related party transactions**

Transactions with the Directors of Tullow Oil plc are disclosed in the Remuneration Report on pages 66 to 75. The Company has taken advantage of the exemptions available under FRS 8 – Related party transactions with regard to the non-disclosure of transactions with Group companies.

**Note 13. Subsequent events**

In January 2009 the Company announced the successful placing and subsequent issue of a total of 66,938,141 new ordinary shares with institutions at 600 pence per share. This represents an increase of approximately 9.1% in Tullow's existing issued share capital. These shares are credited as fully paid and rank pari passu in all respects with existing ordinary shares of 10 pence each in the capital of the Company, including the right to receive all dividends and other distributions declared, made or paid on or in respect of such shares after the date of issue.

In March 2009, the Company announced that it had finalised arrangements for US\$2 billion (£1.4 billion) of new reserve-based lending facilities.

In March 2009, the Company announced a major new discovery at Tweneboa, which continues the 100% exploration success record in Ghana.