



**Dana Petroleum plc**

### The background

Dana Petroleum plc is an independent, FTSE 250 oil and gas exploration and production company. It's principal geographic focus is on the UK, Egypt & Norway where Dana's offices are located. Each business unit is responsible for operating numerous license interests across both the exploration and production phase of the oil field lifecycle. In addition to the key areas noted it also holds license interest in countries such as the Netherlands, Morocco, Mauritania and Senegal.

### The Problem

As part of its growth strategy Dana Petroleum had completed two acquisitions in a short period of time, extending their business into Egypt and Norway. However, this success came at a cost. Michael Cameron, Finance Manager at Dana explains, "The problem that we had was that these operations had reporting and budgeting systems that were significantly different to those of our head office. While we've found that the most effective approach with these new business units is to give each local operation a degree of autonomy, this incompatibility was a serious issue that made it hard to even collect actual data, let alone report on it in a meaningful way."

Similarly, the old planning system was unable to support the new size of the company. In the past, the finance team had used a spreadsheet application to prepare their budgets and while this had been a workable solution it was now deemed to be too limited in terms of flexibility. Moreover, the planning process at Dana was not a 'simple' top-down/bottom-up iterative cycle. The nature of the oil and gas business meant that the planning methodology was focused on optimal asset deployment which in turn depended on good quality asset profile information. "Obviously in our business we cannot simply demand that an oil production facility generate more oil which means that it is vital to avoid cost-overruns where ever possible. Our approach, therefore, tends to be bottom-up oriented and data driven."

As a consequence, the budget data collection phase of the planning cycle could be a slow and laborious one, typically lasting anywhere between 4-6 weeks. "The truth is that we often struggled to get all the data collated", says Cameron. "Moreover, once we had the data in place it took days to

aggregate it, so much so that we had problems completing the process in time for our review meetings." All of these complexities meant that whilst, Dana were keen to replace their existing systems they did not want to adopt a proscriptive approach and force their local operations down the route of using a centrally imposed planning and reporting system.

### The Requirements

Cash-flow management and forecasting is a vital element of the day to day running of any business. However, the high-level of capital investment required in the oil and gas sector, coupled to long revenue lead times and oil price volatility mean that cash management is absolutely critical to companies like Dana.

Michael Cameron explains, "Two absolutely fundamental requirements for us were the ability to carry out cash-flow projections in a timely manner and the need to be able to report on the actuals and the budget in a seamless way." Moreover, the replacement system would need to provide a simple and automated way for local finance teams to extract and load actual submissions from their disparate ledger systems and then consolidate these numbers into multiple reporting currencies. Similarly, it would need to provide integrated budgeting facilities to enable rapid data collection and consolidation as well as the ability to model multiple business scenarios.

The new system would also need to replicate the complex calculations contained within the original budgeting spreadsheet system since many of the revenue and expense lines within the plan relied upon deriving values from complex global driver based calculations. Any solution would need to be able to incorporate these calculations and allow the Dana finance team to maintain them going forward.

Furthermore, the proposed system needed to produce a balance sheet that was derived from a combination of the cash-flow and income statements, preferably by enabling opening balances to flow from the closing balances and monthly movements to be fed from a mixture of income/expense lines and manual data entry. "We needed a completely integrated set of financials," says Cameron, "both for the budget and for the group reporting."

"Another vitally important requirement for our budgeting process was the management of our production and exploration assets," he continues, "We have over a hundred of these, which we plan and report on in multiple currencies

across a number of different geographical regions within a three year planning horizon and by multiple versions. We needed a tool that would not only handle the budget collection but that would allow us to report on these assets and provide a way to slice and dice them by type and geography.”

## The Solution

The finance team at Dana carried out a review of the corporate performance management (CPM) marketplace and selected Infor's BPA platform as their new budgeting and reporting tool.

“Their product appealed to us because it felt like it had been built from the ground up as a single solution. Regardless of whether you were looking at actual reports, budget data or forecast scenarios you were working within an integrated environment.

The other solutions that we evaluated always felt as though the group consolidation and budgeting functionality had been glued-together in some way,” explains Cameron. “The product was very flexible,” he continues, “plus we could see that it had potential to expand outside of the finance department to provide an analytical platform for other parts of the business.”

Once the product had been selected, Dana engaged Rinedata as their implementation partner. “We had a very tight timeline for the implementation,” says Cameron, “Our supplier suggested that given our requirements and the window for delivery, we'd be well advised to partner with Rinedata.”

The first phase of the project dealt with the group reporting requirements. Using the web based data loading capabilities of the solution, Rinedata built a number of automated feeds which allowed local operations to export actual submissions and load them into the central reporting data store. They then developed a set of common reports which sat on this database and which could be accessed over the corporate intranet.

For the business planning aspect of the new system the Rinedata team invested a great deal of time in the conceptual design and in the development of “proof of concept” models. “This was mainly due to the complexity of the requirements and the unique nature of the budget process at Dana,” explains Raj Thapar, Partner at Rinedata, “Their business is such that a simple pricing error on a barrel of oil can have a major impact on the group cash-flow projections, so we had to develop comprehensive safeguards and validation controls to avoid that happening.”

Rinedata assembled a team of consultants with a track record of implementation in the oil and gas industry. As a consequence, they were able to rapidly understand the business requirements and convert the spreadsheet logic to BPA formulae. As a result, the budgeting phase of the application was delivered in just over two months, “We were actually using the system to make business decisions pretty much just as development was finishing” adds Cameron, “Things were tight, but it's been a robust and reliable platform for us.”

## The Benefits

The solution has resolved several issues for Dana: “we are very happy with the system as a whole,” says Cameron, “looking at the actuals reporting side of things, the automation

of the loading process has removed a significant workload for the finance team as well as making the local operations more responsible for data delivery.” Similarly, the new system has increased the credibility of the reporting function, “This has removed all of the guesswork and interpretation from our group reporting process”, says Cameron. “It's made it possible for us to consolidate the numbers in 5-10 minutes once the submissions are in, that would have been impossible previously.”

Furthermore, the budgeting application has enabled the finance organisation to carry out complex asset tax analyses that would have been unfeasible with a spreadsheet based system, as Cameron explains, “To do that sort of scenario planning without the solution would have required an endless number of spreadsheets and that would have been just for the low level calculations. You would then have had to add all of the sheets up again in order to obtain the final result.”

Indeed, by utilising the web delivered, form-based approach of the product, the typical problem of randomised budget submissions has been completely avoided. The local operations own the job of filling out the data entry forms and that data is fed straight into the solution's central database, thus removing any finance related bottlenecks in the submission process. This approach has streamlined the data collection aspect of the budgeting process and reduced the overall time spent in collecting data.

“The budgeting process takes about the same time as it used to,” says Cameron, “what's changed is that we are able to model more scenarios in the allotted time. That capability has been vital especially over the last year. If you consider how the oil price has varied during that time and then take into account that it's possible to spend hundreds of millions of pounds on capital expenditure the stakes are high for us. This system has given us the confidence to know that we are making the right decisions.”

The enhanced corporate agility that the solution has delivered has had a direct impact on Dana's growth, “Not long after we had implemented the final phase of the system we decided to make another acquisition. In order to do that we needed financing and the bank requested that we put together a three year financial projection. We did that using the new system and the plan was subsequently audited by Ernst and Young. The system and the plan passed with flying colours which assisted us in securing 400 million dollars in funding,” says Cameron.

“This system has given us a real business advantage,” he concludes. “It really does what it says on the tin. Using this solution we can put forecasts together quickly, carry out sensitivity analyses and then make the right choices.”

## About Rinedata

Established in 1996, Rinedata is dedicated to providing full project life cycle services across Financial Consolidation, Budgeting, Forecasting and Business Intelligence initiatives. Since our inception we have solely focused on delivering improved performance management systems across a wide range of businesses and in a multitude of differing infrastructure landscapes. We can demonstrably help our clients unlock the value of their IT investment, no matter where they may be in their financial systems evolution.

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