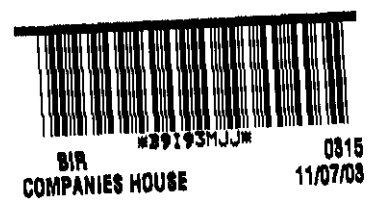


PENTEX ENERGY LIMITED
Company Number: 1915605

FINANCIAL STATEMENTS

31 DECEMBER 2002



PENTEX ENERGY LIMITED

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PENTEX ENERGY LIMITED

COMPANY INFORMATION

DIRECTORS:

J Graham
R R Jordan

SECRETARY:

J Arthurs

REGISTERED OFFICE:

The Oil Depot
Ramper Road
Gainsborough
Lincolnshire
DN12 2AY

REGISTERED NUMBER:

1915605

AUDITORS:

Mazars
The Broadway
Dudley
West Midlands
DY1 4PY

BANK:

Bank of Scotland
15 Queen Street
Nottingham
NG1 2BL

SOLICITORS:

Brodies
15 Atholl Crescent
Edinburgh
Midlothian
EH3 8HA

PENTEX ENERGY LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the financial statements for the year ended 31 December 2002.

REVIEW OF THE BUSINESS

The principal activity of the company is that of an intermediate holding company.

RESULTS AND DIVIDENDS

The loss for the year amounted to £9,589,443 (2001 loss of £3,000).

The directors do not recommend the payment of a final dividend. An interim dividend of £7,207,043 was paid during the year.

DIRECTORS

The directors set out below have held office during the whole of the period from 1 January 2002 to the date of this report unless otherwise stated.

	Ordinary shares of £0.05 each	
	2002	2001
H O Cameron (resigned 17 May 2002)	-	-
A Harrison (resigned 17 May 2002)	-	-
J Graham (appointed 17 May 2002)	-	-
R R Jordan (appointed 17 May 2002)	-	-

The directors interests in the share capital of Pentex Management Limited, the immediate parent undertaking are disclosed in that company's accounts.

RESPONSIBILITIES OF DIRECTORS

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period. In preparing those 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;
- * comply with applicable accounting standards subject to any material departures disclosed and explained in the financial statements; 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 maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PENTEX ENERGY LIMITED

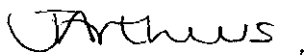
REPORT OF THE DIRECTORS (CONTINUED)

AUDITORS

On 1 September 2002 our auditors, Mazars Neville Russell, changed their name to Mazars. A resolution to reappoint Mazars as auditors will be proposed at the forthcoming annual general meeting.

BY ORDER OF THE BOARD

**Approved by the board on 11 July 2003
and signed on its behalf by**



J Arthurs
Secretary

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PENTEX ENERGY LIMITED

We have audited the financial statements of Pentex Energy Limited for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of 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 auditor's 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are 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 is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

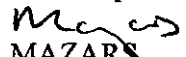
Basis of audit opinion

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. 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 company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


MAZARS
CHARTERED ACCOUNTANTS
and Registered Auditors
The Broadway
Dudley
West Midlands DY1 4PY
11 July 2003

PENTEX ENERGY LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2002**

	Notes	2002 £	2001 £
Amounts due from group undertakings written off		(9,589,443)	-
Administrative Expenses		<u>-</u>	<u>(3,000)</u>
OPERATING LOSS	2	(9,589,443)	(3,000)
Taxation	4	<u>-</u>	<u>-</u>
LOSS FOR THE YEAR		(9,589,443)	(3,000)
Dividend	5	<u>(7,207,043)</u>	<u>-</u>
RETAINED LOSS FOR THE YEAR		<u><u>(16,796,486)</u></u>	<u><u>(3,000)</u></u>

The loss for the year has been calculated on the historical cost basis.

The company has no recognised gains or losses other than the loss for the year.

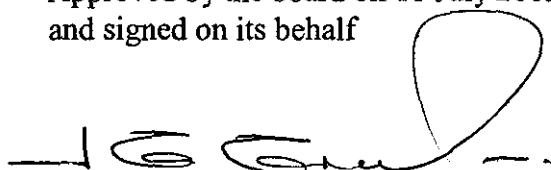
The company's turnover and expenses all relate to continuing operations.

PENTEX ENERGY LIMITED

BALANCE SHEET AT 31 DECEMBER 2002

	Notes	2002 £	2001 £
FIXED ASSETS			
Tangible assets	6	-	8,000
Investments	7	<u>22,411,674</u>	<u>22,411,674</u>
		<u>22,411,674</u>	<u>22,419,674</u>
CURRENT ASSETS			
Debtors	8	<u>-</u>	<u>19,877,403</u>
		-	19,877,403
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	<u>-</u>	<u>(3,088,917)</u>
NET CURRENT ASSETS		<u>-</u>	<u>16,788,486</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>22,411,674</u></u>	<u><u>39,208,160</u></u>
CAPITAL AND RESERVES			
Called up share capital	10	3,319,796	3,319,796
Capital reserve	11	475,000	475,000
Profit and loss account	11	<u>18,616,878</u>	<u>35,413,364</u>
SHAREHOLDERS' FUNDS - EQUITY INTERESTS		<u><u>22,411,674</u></u>	<u><u>39,208,160</u></u>

Approved by the board on 11 July 2003
and signed on its behalf



J Graham
Director

PENTEX ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards.

Accounting Convention

The financial statements are prepared under the historical cost convention.

Depreciation

Depreciation is calculated on a straight-line basis so to write off the cost less any estimated residual value of fixed assets on a straight-line basis over their estimated useful lives.

Investments

Fixed asset investments are stated at cost less provision for any permanent diminution in value.

Impairment of fixed assets

The carrying values of fixed assets are reviewed for impairment in the periods when events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is provided for in the current period profit and loss account when the carrying value of the assets exceeds their estimated recoverable amount. The estimated recoverable amount is defined as the higher of the net realisable value and the value in use. The value in use is determined by reference to estimated future discounted cashflows.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Deferred Taxation

Deferred tax is provided in respect of the tax effect of all timing differences at the tax rates of tax expected to apply when the timing difference reverse.

2 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is stated after charging:

	2002 £	2001 £
Depreciation	-	3,000

Auditors' remuneration was dealt with in the accounts of the parent undertaking.

PENTEX ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002**

		2002 Number	2001 Number
3	STAFF COSTS		
	The average number of employees during the year was:		
	Administration	<u>-</u>	<u>2</u>
		2002 £	2001 £
4	TAX ON PROFIT ON ORDINARY ACTIVITIES		
(a)	Analysis of charge in period		
	Current tax:		
	UK corporation tax on loss for the year	-	-
	Deferred tax:		
	Originating and reversal of timing differences	<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
(b)	Factors affecting tax charge for the year		
	The tax assessed on the profit/(loss) on ordinary activities for the year is disproportionate to the standard rate of taxation in the UK. The differences are explained below:		
	Loss on ordinary activities before tax	(9,589,443)	(3,000)
	Loss on ordinary activities before tax @ standard rate of corporation tax in the UK of 30% (2001 30%)	(2,876,833)	(900)
	Effects of:		
	Depreciation in excess of capital allowances	-	900
	Amounts due from group undertakings written off	<u>2,876,833</u>	<u>-</u>
	Current tax charge for year	<u>-</u>	<u>-</u>

PENTEX ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002**

	2002 £	2001 £
5 DIVIDEND		
Interim dividend of 2.17p per share	<u>7,207,043</u>	<u>-</u>
6 TANGIBLE FIXED ASSETS		
	Equipment, fixtures and fittings £	
COST		
At 1 January 2002	29,000	
Transfers to group undertaking	<u>(29,000)</u>	
At 31 December 2002	<u>-</u>	
DEPRECIATION		
At 1 January 2002	21,000	
Transfer to group undertaking	<u>(21,000)</u>	
At 31 December 2002	<u>-</u>	
NET BOOK VALUES		
At 31 December 2002	<u>-</u>	
At 31 December 2001	<u>8,000</u>	

PENTEX ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

	2002 £
7 FIXED ASSETS	
Shares in subsidiary undertakings	
COST	
At 1 January 2002 and 31 December 2002	<u>49,891,000</u>
PROVISION FOR DIMINUTION IN VALUE	
At 1 January 2002 and 31 December 2002	<u>27,479,326</u>
NET BOOK VALUE	
At 31 December 2001 and 31 December 2002	<u>22,411,674</u>

The financial statements present information about the company as an individual undertaking and do not contain consolidated financial information. The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare group accounts. The parent undertaking in which the company and the group are consolidated is Pentex Management Limited, a company registered in England and Wales.

Additional information on subsidiary undertakings.

Name	Country of incorporation	Principal activity	Class of shares held	Percentage of shares held
Held directly:				
Pentex Oil Limited	Scotland	Investment holding company	Ordinary	100%
Held indirectly:				
Pentex Oil (UK) Limited	Scotland	Oil and gas exploration & production	Ordinary	100%
Pentex Oil and Gas Limited	England & Wales	Oil and gas exploration & production	Ordinary	100%

PENTEX ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002**

	2002 £	2001 £
8 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Amounts due from group undertakings	-	19,877,403

**9 CREDITORS: AMOUNTS FALLING DUE
WITHIN ONE YEAR**

Amount due to group undertakings	-	2,769,412
Amount due to parent undertaking	-	319,505
	-	3,088,917

10 SHARE CAPITAL

Authorised:

872,081,636 ordinary shares of £0.01 each	8,720,816	8,720,816
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Allotted, issued and fully paid:

331,979,591 ordinary shares of £0.01 each	3,319,796	3,319,796
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**11 RECONCILIATION OF MOVEMENTS
IN SHAREHOLDERS' FUNDS**

	Share capital £	Capital reserve £	Profit and loss account £	Total £
At 1 January 2001	3,319,796	475,000	35,416,364	39,211,160
Loss for the year	-	-	(3,000)	(3,000)
At 1 January 2002	3,319,796	475,000	35,413,364	39,208,160
Loss for the year	-	-	(9,589,443)	(9,589,443)
Dividend	-	-	(7,207,043)	(7,207,043)
At 31 December 2002	3,319,796	475,000	18,616,878	22,411,674

PENTEX ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

12 RELATED PARTIES

As the company is a wholly owned subsidiary of Pentex Management Limited, it has taken advantage of the exemption contained within FRS 8 and has not disclosed transactions or balances with entities which form part of the group. There were no other related party transactions requiring disclosure.

13 PARENT UNDERTAKING AND CONTROLLING PARTY

The company's parent undertaking is Pentex Management Limited, a company registered in England and Wales.