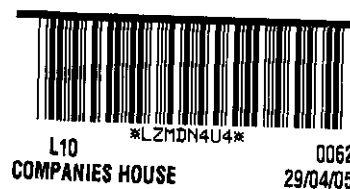


Company Registration No. 2097198 (England and Wales)

PELL FRISCHMANN ENGINEERING LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004

Berg Kaprow Lewis LLP
Chartered Accountants
London



PELL FRISCHMANN ENGINEERING LIMITED

COMPANY INFORMATION

Directors	W W Frischmann CBE S S Prabhu
Secretary	L S Roberts
Company number	2097198
Registered office	5 Manchester Square London W1M 5RE
Auditors	Berg Kaprow Lewis LLP Chartered Accountants 35 Ballards Lane London N3 1XW
Bankers	Barclays Bank plc P. O. Box 544 54 Lombard Street London EC3V 9EX HSBC Bank plc 22 Victoria Street Westminster London SW1H 0NJ

PELL FRISCHMANN ENGINEERING LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Independent auditors' report	3
Profit and loss account	4
Balance sheet	5
Notes to the financial statements	6 - 9

PELL FRISCHMANN ENGINEERING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2004

The directors present their report and financial statements for the year ended 31 March 2004.

Principal activities and review of the business

The principal activity of the company during the year was to act as consultant for the design, construction and marketing of oil and gas platforms and of subsea floating production systems.

The company is currently pursuing legal action against Bow Valley Energy Limited, a Canadian listed company, for damages and costs in respect of a service contract to exploit the Balal oil field in Iran. At this point in time the directors believe that there is a good likelihood of success from this action and that there will be a substantial recovery of damages.

The company will continue to pursue marketing and business opportunities both within the UK and in several overseas markets. The directors consider state of affairs to be satisfactory.

All members of staff employed by the group as a whole were available to any company within the group dependant upon the demand or resources of the constituent company.

Results and dividends

The results for the year are set out on page 4.

Directors

The following directors have held office since 1 April 2003:

W W Frischmann CBE
S Prabhu

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Equity interests: Ordinary shares of £ 1 each	
	31 March 2004	1 April 2003
W W Frischmann CBE	-	-
S Prabhu	-	-

None of the directors had any beneficial interests in the shares of the company.

Directors interests in ultimate parent undertaking are given in note 13 to the financial statements.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Berg Kaprow Lewis LLP be reappointed as auditors of the company will be put to the Annual General Meeting.

PELL FRISCHMANN ENGINEERING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2004

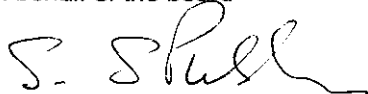
Directors' responsibilities

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 or 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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.

On behalf of the board



.....
S S Prabhu

Director

29-04-05
.....

PELL FRISCHMANN ENGINEERING LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF PELL FRISCHMANN ENGINEERING LIMITED

We have audited the financial statements of Pell Frischmann Engineering Limited on pages 4 to 9 for the year ended 31 March 2004. 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 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 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 the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the 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 misstatements 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 March 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Berg Kaprow Lewis LLP

Berg Kaprow Lewis LLP

Chartered Accountants and Registered Auditor
London

29-4-2005

PELL FRISCHMANN ENGINEERING LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2004

	Notes	2004 £	2003 £
Turnover	2	-	48,470
Cost of sales		(9,000)	(52,593)
Gross loss		(9,000)	(4,123)
Administrative expenses		(162,000)	108
Operating loss	3	(171,000)	(4,015)
Other interest receivable and similar income		41	-
Loss on ordinary activities before taxation		(170,959)	(4,015)
Tax on loss on ordinary activities	4	30,772	(1,612)
Loss on ordinary activities after taxation	9	(140,187)	(5,627)

The profit and loss account has been prepared on the basis that all operations are continuing operations.


There are no recognised gains and losses other than those passing through the profit and loss account.

PELL FRISCHMANN ENGINEERING LIMITED

BALANCE SHEET AS AT 31 MARCH 2004

	Notes	2004 £	£	2003 £	£
Current assets					
Debtors	5	76,222		56,284	
Cash at bank and in hand		5,939		7,295	
		<u>82,161</u>		<u>63,579</u>	
Creditors: amounts falling due within one year	6	(167,436)		(8,667)	
Total assets less current liabilities			<u>(85,275)</u>		<u>54,912</u>
Capital and reserves					
Called up share capital	8		10,000		10,000
Share premium account	9		237,599		237,599
Profit and loss account	9		(332,874)		(192,687)
Shareholders' funds - equity interests	10		<u>(85,275)</u>		<u>54,912</u>

The financial statements were approved by the Board on 29-04-05



S S Prabhu
Director

PELL FRISCHMANN ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group.

1.2 Turnover

Turnover represents fees receivable and reimbursables for services rendered exclusive of Value Added Tax.

1.3 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with Financial Reporting Standard 17.

1.4 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating loss

	2004	2003
	£	£
Operating loss is stated after charging:		
Auditors' remuneration	3,250	2,000

PELL FRISCHMANN ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

4	Taxation	2004 £	2003 £
	Domestic current year tax		
	U.K. corporation tax	(30,772)	1,612
	Current tax charge	<u>(30,772)</u>	<u>1,612</u>
	Factors affecting the tax charge for the year		
	Loss on ordinary activities before taxation	<u>(170,959)</u>	<u>(4,015)</u>
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2003: 19.00%)	<u>(32,482)</u>	<u>(763)</u>
	Effects of:		
	Non deductible expenses	<u>1,710</u>	<u>2,375</u>
		<u>1,710</u>	<u>2,375</u>
	Current tax charge	<u>(30,772)</u>	<u>1,612</u>
5	Debtors	2004 £	2003 £
	Amounts owed by parent and fellow subsidiary undertakings	35,450	56,284
	Corporation tax	30,772	-
	Prepayments and accrued income	10,000	-
		<u>76,222</u>	<u>56,284</u>
6	Creditors: amounts falling due within one year	2004 £	2003 £
	Amounts owed to parent and fellow subsidiary undertakings	162,186	1,765
	Corporation tax	-	1,612
	Other taxes and social security costs	-	1,040
	Accruals and deferred income	5,250	4,250
		<u>167,436</u>	<u>8,667</u>

The bank overdraft is secured by a cross guarantee and debenture in favour of Barclays Bank plc by certain undertakings within the group to secure bank borrowings of each other.

PELL FRISCHMANN ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

7 Pension costs

Defined contribution

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

	2004 £	2003 £
Contributions payable by the company for the year	-	5,830

8 Share capital

	2004 £	2003 £
Authorised		
10,000 Equity interests: Ordinary shares of £1 each	10,000	10,000
Allotted, called up and fully paid		
10,000 Equity interests: Ordinary shares of £1 each	10,000	10,000

9 Statement of movements on reserves

	Share premium account £	Profit and loss account £
Balance at 1 April 2003	237,599	(192,687)
Retained loss for the year	-	(140,187)
Balance at 31 March 2004	237,599	(332,874)

10 Reconciliation of movements in shareholders' funds

	2004 £	2003 £
Loss for the financial year	(140,187)	(5,627)
Opening shareholders' funds	54,912	60,539
Closing shareholders' funds	(85,275)	54,912

PELL FRISCHMANN ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

11 Contingent liabilities

a) The company's bankers have the right to set off cash at bank against the borrowings of certain group undertakings.

b) There are unquantified contingent liabilities in the normal course of business arising under consultancy contracts and the company is covered by professional indemnity insurance in respect of any claims.

12 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2004 Number	2003 Number
Engineering	3	4

Employment costs

	£	£
Wages and salaries	-	34,931
Social security costs	-	(668)
Other pension costs	-	5,830
	-	40,093

13 Control

The ultimate parent undertaking is Pell Frischmann Holdings Limited, a company incorporated in England and Wales. The immediate parent undertaking is Pell Frischmann Group Ltd, a company incorporated in England and Wales.

W W Frischmann and S S Prabhu were directors of both Pell Frischmann Holdings Limited and Pell Frischmann Group Ltd, and details of their interests in shares of these company are disclosed in its report and financial statements. No other directors of this company had any interests in the shares of any of the Pell Frischmann group of companies.

Copies of the group financial statements of Pell Frischmann Holdings Limited can be obtained from L S Roberts, the company secretary, at the following address -

5 Manchester Square, London W1A 1AU, Tel. 020 7486 3661.

14 Related party transactions

The company has taken advantage of the exemptions conferred by Financial Reporting Standard No 8 in respect of disclosure of transactions with other group undertakings.