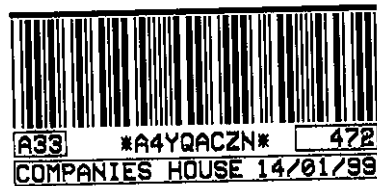


Euro Petroleum Consultants Limited

Directors' Report and Financial Statements

31st March 1998

Company Registration Number 3196027



Michael A. Watson FCMA. MM.

Accountancy Services for Business

1 Farmhouse Close, Pyrford, Woking, Surrey GU22 8LR

Euro Petroleum Consultants Limited
Company Registration Number 3196027
For the 12 month period ending 31 March 1998

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Company Information

Directors

Mr. C Chapman

Company Secretary

Mrs. D. M. P. Chapman

Registered Office

"St. Annes House"
Onslow Crescent
Woking
Surrey GU22 7AY

Accountant

Michael A. Watson FCMA. MM.
Accountancy Services for Business
1 Farmhouse Close,
Pyrford, Woking,
Surrey GU22 8LR

Bankers

Midland Bank Plc.
6 Commercial Way
Woking
Surrey GU21 1EZ

Company Number

3196027
Registered in England and Wales

Euro Petroleum Consultants Limited

Company Registration Number 3196027

Directors Report

For the 12 month period ending 31 March 1998

The directors present their annual report and Financial statements for the year ended 31 March 1998.

Review of Activity

The company was incorporated on 8 May 1996 and continued to operate satisfactorily, providing consultancy and professional services throughout the year in the International Petroleum sector.

Dividends

The directors have not declared a dividend in the year.

Tangible Fixed Assets

The tangible assets of the company are capitalised and the depreciation rates are set out in the notes to the accounts. Tools and Equipment of less than £500 in future years will be written off in the year of purchase.

Directors and their Interests

C. Chapman - Managing Director

Directors' interest in shares of the company.

31/03/1997
Ordinary
£1 Shares

C. Chapman

1

1

Contributions

The company made no contributions for charitable or political purposes during the year.

Statement of directors' responsibilities

Company law requires that 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:

- # select suitable accounting policies and then apply them consistently;
- # any judgements and estimates are reasonable and prudent;
- # that applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- # the financial statements have been prepared on a going concern basis.

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.

By order of the board of Directors.

C. Chapman
Director



Mrs. D. M. P. Chapman
Company Secretary

"St. Annes House"
Onslow Crescent
Woking
Surrey GU22 7AY

Euro Petroleum Consultants Limited

Company Registration Number 3196027

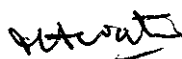
**Accountant Report to the Shareholders of Euro Petroleum Consultants Limited
For the 12 month period ending 31 March 1998**

I have prepared, on the basis of information contained in the Company's accounting records and provided by the Company's director and without carrying out an audit or examination, the accounts for the period ended 31 March 1998 set out on pages three to eight.

As describe on the Balance Sheet the company's director is responsible for the prepration of the accounts, and he believes that the company is exempt from audit.

I have not conducted an audit on the accounts in accordance with Auditing Standards or an examination in accordance with the appropriate standards for reporting accountants issued by the Auditing Practices Board and accordingly I express no opinion thereon.

Our work does not provide any assurance that the accounting records and the accounts are free from material misstatement.



Michael A. Watson FCMA
Accountancy Services for Business
1 Farmhouse Close
Pyrford, Woking,
Surrey GU22 8LR.

Euro Petroleum Consultants Limited
Company Registration Number 3196027

PROFIT and LOSS Account for the 12 month period ending 31 March 1998

	Notes	12 Months 31 March 1998	12 Months 31 March 1997
TURNOVER	2	83,284	47,837
ADMINISTRATION COSTS	4	63,388	38,170
OPERATING (LOSS)	3	<u>19,897</u>	<u>9,667</u>
Interest Receivable	5	1,345	171
Interest Payable		<u>1,345</u>	<u>171</u>
PROFIT/(LOSS) on Ordinary Activities before Taxation		<u>21,241</u>	<u>9,838</u>
Tax on Ordinary Activities	6	4,434	2,481
PROFIT ON ORDINARY Activities after Taxation		16,807	7,357
Dividends		0	0
RETAINED PROFIT/(DECICIT) carried forward		<u>16,807</u>	<u>7,357</u>
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS :			
Opening Shareholders Funds		7,359	0
Shares Issued during the period		0	2
RETAINED PROFIT/(DECICIT) for the period		16,807	7,357
CLOSING SHAREHOLDERS FUNDS		<u>24,166</u>	<u>7,359</u>

Continuing Operations

None of the company's activities were acquired or discontinued during the period.

Total Recognised Gains and Losses

The company has no recognised gains or losses other than the profit for the period, as shown above.

Euro Petroleum Consultants Limited
Company Registration Number 3196027

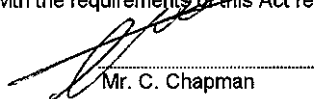
BALANCE SHEET as at 31 March 1998

	Notes	31 March 1998	31 March 1997
FIXED ASSETS			
Tangible Assets	7	11,880	14,290
 CURRENT ASSETS			
Cash & Deposits		134,334	40,204
 CURRENT LIABILITIES			
Creditors falling due within one year	9	(4,261)	(1,974)
VAT Payable		(0)	(95)
Advance Payments from Customers		(93,334)	(22,003)
Loan from C. Chapman		(20,018)	(20,582)
Net Dividend Payable to Shareholders		0	0
Corporation Tax	6	(4,434)	(2,481)
NET CURRENT ASSETS		12,286	(6,931)
 Total Net Assets		<u><u>24,166</u></u>	<u><u>7,359</u></u>
Represented by :			
 SHAREHOLDERS CAPITAL ACCOUNT			
Authorised Share Capital 100 £1 Shares	10 & 11	<u>100</u>	<u>100</u>
Issued share Capital		2	2
Shareholders Profit before Distribution		24,164	7,357
Less Dividends declared			
		<u>24,164</u>	<u>7,357</u>
Total Shareholders Capital Account		<u><u>24,166</u></u>	<u><u>7,359</u></u>
		<u><u>24,166</u></u>	<u><u>7,359</u></u>

The director is satisfied that the company was entitled to exemption under subsection (1) of section 249A of the Companies Act 1985 and that no member or members have requested an audit pursuant to subsection (2) of section 294B in relation to the accounts for the financial period.

The director acknowledges his responsibilities for:

- 1) ensuring that the company keeps accounting records which comply with section 221; and
- 2) preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial period and of its profit or loss for the financial period and of its profit or loss for the financial period in accordance with the requirements of section 226, and which otherwise comply with the requirements of this Act relating to accounts, so far as applicable to the company.


Mr. C. Chapman

Aproved on behalf
of the Board

Euro Petroleum Consultants Limited

Sources and Applications of Funds as at 31 March 1998

	Pounds Sterling
Sources of Funds	
Profit before Dividends and Tax Provision	21,241
Depreciation	3,960
Decrease in Net Assets (excluding Cash)	110,683
	<u>135,884</u>
Application of Funds	
Capital Assets	1,550
	<u>1,550</u>
Increase in Cash & Cash Deposits	<u>134,334</u>
Cash Balance per Books at 31 March 1997	
Midland Bank Current Account	9,842
Midland Premium Business account	31,158
Midland dollar account	93,334
	<u>134,334</u>

Euro Petroleum Consultants Limited

Company Registration Number 3196027

Notes to the Financial Statements

For the 12 month period ending 31 March 1998

1. ACCOUNTING POLICIES

1.1 Accounting conventions

The financial statements are prepared under the historical cost convention.

1.2 Foreign currency

All assets and liabilities dominated in foreign currencies are translated to sterling at the rates ruling on the Balance sheet date. Gains and losses arising on the translation are dealt with in the profit and loss account.

1.3 Turnover

This represents the invoiced amounts of services provided, net of any valued added tax.

1.4 Depreciation of tangible assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Office Equipment and Fittings	25%
Motor vehicles	25%

The reducing balance method is used.

2. TURNOVER

The turnover and pre-tax profit/(loss) are wholly attributable to the Company's main activity. The turnover arises mainly in the former Soviet Union.

3. OPERATING PROFIT

This is stated after charging (crediting)	1998	1997
Staff costs	23,288	12,944
Accounting Costs	575	640
Depreciation	3,960	4,764

4. EMPLOYEE INFORMATION

4.1 Staff costs

Staff wages and Salaries	18,000	9,750
Social security costs	1,502	638
Staff benefits	3,786	2,556
	<u>23,288</u>	<u>12,944</u>

4.2 Average number of employees

	<u>2</u>	<u>2</u>
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5. INTEREST RECEIVABLE

Bank interest	1,345	171
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6. TAXATION

The tax charge on the Profit on ordinary activities for the period was as follows:

UK Corporation tax at 23%	4,434	2,481
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Euro Petroleum Consultants Limited

Company Registration Number 3196027

**Notes to the Financial Statements continued
For the 12 month period ending 31 March 1998****7. TANGIBLE FIXED ASSETS**

	Equipment & Fittings	Motor Vehicle	Total
Cost			
At 31 March 1997	5,054	14,000	19,054
Additions	1,550		1,550
At 31 March 1998	<u>6,604</u>	<u>14,000</u>	<u>20,604</u>
Depreciation			
At 31 March 1997	1,264	3,500	4,764
Additions	1,335	2,625	3,960
At 31 March 1998	<u>2,599</u>	<u>6,125</u>	<u>8,724</u>
Net Book value	<u>4,005</u>	<u>7,875</u>	<u>11,880</u>

8. DEBTORS

	1998	1997
Trade Debtors	0	0

9. CREDITORS

	1998	1997
Trade Creditors	0	-
VAT Payable	0	95
Accruals	4,261	1,974
Advanced fee from Customer	93,334	22,003
Director's current account	20,018	20,582
	<u>117,614</u>	<u>44,654</u>

10. SHARE CAPITAL

	Authorised	Allotted, Issued and Fully paid
Ordinary shares of £1 each	<u>£100</u>	<u>£2</u>

11. SHAREHOLDERS FUNDS

	1998	1997
Share Capital issued	2	2
Retained Profits	7,357	0
Profit for the period ending 31 March 1998	16,807	7,357
	<u>24,166</u>	<u>7,359</u>

12. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**12.1 CAPITAL COMMITMENTS**

The aggregate amount of contracted capital expenditure not provided was £Nil

12.2 CONTINGENT LIABILITIES

There were no contingent liabilities