

Company Registration No. 3838151 (England and Wales)

LAMBERT ENERGY ADVISORY LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003



LAMBERT ENERGY ADVISORY LIMITED

COMPANY INFORMATION

| | |
|--------------------------|--|
| Directors | P S Lambert J R West Lord James Hugh Rockley T I Sandvold |
| Secretary | C J Hue Williams |
| Company number | 3838151 |
| Registered office | 43 Upper Grosvenor Street London W1X 9PG |
| Auditors | The Gallagher Partnership LLP 69/85 Tabernacle Street London EC2A 4RR |
| Business address | 43 Upper Grosvenor Street London W1X 9PG |
| Solicitors | Freshfields Bruckhaus Deringer 65 Fleet Street London EC4Y 1HS |

LAMBERT ENERGY ADVISORY LIMITED

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LAMBERT ENERGY ADVISORY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003

The directors present their report and financial statements for the year ended 31 December 2003.

Principal activities and review of the business

The principal activity of the company is the provision of corporate finance advice to the energy industry. The company is regulated by the Financial Services Authority.

Results and dividends

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

Directors

The following directors have held office since 1 January 2003:

P S Lambert
J R West
Lord James Hugh Rockley
T I Sandvold

Directors' interests

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

| | Ordinary shares of 1p each | |
|-------------------------|----------------------------|----------------|
| | 31 December 2003 | 1 January 2003 |
| P S Lambert | 75,001 | 75,001 |
| J R West | - | - |
| Lord James Hugh Rockley | - | - |
| T I Sandvold | - | - |

Mr Lambert is a trustee of Lambert Family Trust, which beneficially owns 15,000 ordinary shares of 1p each. Lord James Hugh Rockley was granted an option on the 28 January 2000 to purchase 2,040 ordinary shares of 1p each at an exercise price of 1p.

Auditors

The Gallagher Partnership LLP were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

LAMBERT ENERGY ADVISORY LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

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.

By order of the board



C J Hue Williams

Secretary

3 March 2004

LAMBERT ENERGY ADVISORY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LAMBERT ENERGY ADVISORY LIMITED

We have audited the financial statements of LAMBERT ENERGY ADVISORY LIMITED on pages 4 to 13 for the year ended 31 December 2003. 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.

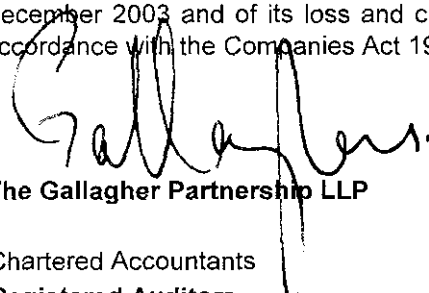
Basis of audit opinion

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 December 2003 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



The Gallagher Partnership LLP

Chartered Accountants
Registered Auditors

3 March 2004

69/85 Tabernacle Street
London
EC2A 4RR

LAMBERT ENERGY ADVISORY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

| | Notes | 2003 £ | 2002 £ |
|---|-----------|-----------------|---------------|
| Turnover | 2 | 2,517,640 | 1,885,403 |
| Administrative expenses | | (2,590,910) | (1,854,605) |
| Operating (loss)/profit | 3 | (73,270) | 30,798 |
| Other interest receivable and similar income | | 23,914 | 20,330 |
| (Loss)/profit on ordinary activities before taxation | | (49,356) | 51,128 |
| Tax on (loss)/profit on ordinary activities | 4 | 7,047 | (11,319) |
| (Loss)/profit on ordinary activities after taxation | 11 | (42,309) | 39,809 |

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.

LAMBERT ENERGY ADVISORY LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2003

| | Notes | 2003 £ | £ | 2002 £ | £ |
|---|-------|--------------------|----------------|--------------------|----------------|
| Fixed assets | | | | | |
| Tangible assets | 5 | | 6,032 | | 5,409 |
| Current assets | | | | | |
| Debtors | 6 | 363,710 | | 393,748 | |
| Cash at bank and in hand | | 1,592,581 | | 1,227,945 | |
| | | <u>1,956,291</u> | | <u>1,621,693</u> | |
| Creditors: amounts falling due within one year | 7 | <u>(1,587,494)</u> | | <u>(1,209,114)</u> | |
| Net current assets | | | 368,797 | | 412,579 |
| Total assets less current liabilities | | | 374,829 | | 417,988 |
| Provisions for liabilities and charges | 8 | | 850 | | - |
| | | | <u>375,679</u> | | <u>417,988</u> |
| Capital and reserves | | | | | |
| Called up share capital | 10 | | 1,000 | | 1,000 |
| Share premium account | 11 | | 99,900 | | 99,900 |
| Profit and loss account | 11 | | 274,779 | | 317,088 |
| Shareholders' funds - equity interests | 12 | | <u>375,679</u> | | <u>417,988</u> |

The financial statements were approved by the Board on 3 March 2004

P S Lambert
Director



LAMBERT ENERGY ADVISORY LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

| | 2003 £ | 2002 £ |
|---|-----------|-----------|
| Net cash inflow from operating activities | 355,985 | 822,538 |
| Returns on investments and servicing of finance | | |
| Interest received | 23,914 | 20,330 |
| Net cash inflow for returns on investments and servicing of finance | 23,914 | 20,330 |
| Taxation | (11,364) | (25,304) |
| Capital expenditure | | |
| Payments to acquire tangible assets | (3,899) | (5,975) |
| Net cash outflow for capital expenditure | (3,899) | (5,975) |
| Net cash inflow before management of liquid resources and financing | 364,636 | 811,589 |
| Increase in cash in the year | 364,636 | 811,589 |

LAMBERT ENERGY ADVISORY LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

| 1 | Reconciliation of operating (loss)/profit to net cash inflow from operating activities | 2003 | 2002 |
|---|--|----------------|----------------|
| | | £ | £ |
| | Operating (loss)/profit | (73,270) | 30,798 |
| | Depreciation of tangible assets | 3,276 | 2,128 |
| | Decrease/(increase) in debtors | 36,234 | (336,358) |
| | Increase in creditors within one year | 389,745 | 1,125,970 |
| | Net cash inflow from operating activities | 355,985 | 822,538 |

| 2 | Analysis of net funds | 1 January 2003 | Cash flow | Other non-cash changes | 31 December 2003 |
|---|--------------------------|------------------|----------------|------------------------|------------------|
| | | £ | £ | £ | £ |
| | Net cash: | | | | |
| | Cash at bank and in hand | 1,227,945 | 364,636 | - | 1,592,581 |
| | Net funds | 1,227,945 | 364,636 | - | 1,592,581 |

| 3 | Reconciliation of net cash flow to movement in net funds | 2003 | 2002 |
|---|--|------------------|------------------|
| | | £ | £ |
| | Increase in cash in the year | 364,636 | 811,589 |
| | Movement in net funds in the year | 364,636 | 811,589 |
| | Opening net funds | 1,227,945 | 416,356 |
| | Closing net funds | 1,592,581 | 1,227,945 |

LAMBERT ENERGY ADVISORY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

1 Accounting policies

A summary of principal accounting policies, all of which have been applied consistently throughout the year and the preceding period, is set out below.

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents amounts receivable for services net of VAT.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

| | |
|--------------------------------|--------------|
| Fixtures, fittings & equipment | Over 3 years |
|--------------------------------|--------------|

1.5 Pensions

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

1.6 Taxation

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19 - Deferred tax. 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. The deferred tax balance has not been discounted.

1.7 Foreign currency translation

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

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)/profit

| | 2003 | 2002 |
|---|-------|-------|
| | £ | £ |
| Operating (loss)/profit is stated after charging: | | |
| Depreciation of tangible assets | 3,276 | 2,128 |
| Loss on foreign exchange transactions | 372 | - |
| Auditors' remuneration | 3,735 | 4,510 |

LAMBERT ENERGY ADVISORY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

| 4 Taxation | 2003 £ | 2002 £ |
|---|-----------|-----------|
| Domestic current year tax | | |
| U.K. corporation tax | (6,197) | 11,365 |
| Adjustment for prior years | - | (46) |
| | <hr/> | <hr/> |
| Current tax charge | (6,197) | 11,319 |
| Deferred tax | | |
| Deferred tax charge/credit current year | (850) | - |
| | <hr/> | <hr/> |
| | (7,047) | 11,319 |
| | <hr/> | <hr/> |
| Factors affecting the tax charge for the year | | |
| (Loss)/profit on ordinary activities before taxation | (49,356) | 51,128 |
| | <hr/> | <hr/> |
| (Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2002: 19.00%) | (9,378) | 9,714 |
| | <hr/> | <hr/> |
| Effects of: | | |
| Non deductible expenses | 3,399 | 2,150 |
| Depreciation add back | 623 | 404 |
| Capital allowances | (841) | (1,050) |
| Other tax adjustments | - | 101 |
| | <hr/> | <hr/> |
| | 3,181 | 1,605 |
| | <hr/> | <hr/> |
| Current tax charge | (6,197) | 11,319 |
| | <hr/> | <hr/> |

LAMBERT ENERGY ADVISORY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

5 Tangible fixed assets

| | Fixtures, fittings & equipment £ |
|-----------------------|---|
| Cost | |
| At 1 January 2003 | 9,148 |
| Additions | 3,899 |
| | <hr/> |
| At 31 December 2003 | 13,047 |
| | <hr/> |
| Depreciation | |
| At 1 January 2003 | 3,739 |
| Charge for the year | 3,276 |
| | <hr/> |
| At 31 December 2003 | 7,015 |
| | <hr/> |
| Net book value | |
| At 31 December 2003 | 6,032 |
| | <hr/> |
| At 31 December 2002 | 5,409 |
| | <hr/> |

6 Debtors

| | 2003 £ | 2002 £ |
|---------------------------------|-----------|-----------|
| Trade debtors | 357,256 | 387,392 |
| Corporation tax | 6,196 | - |
| Other debtors | 258 | 6,356 |
| Deferred tax asset (see note 8) | 850 | - |
| | <hr/> | <hr/> |
| | 364,560 | 393,748 |
| | <hr/> | <hr/> |

7 Creditors: amounts falling due within one year

| | 2003 £ | 2002 £ |
|---------------------------------------|-----------|-----------|
| Corporation tax | - | 11,365 |
| Other taxes and social security costs | 79,095 | 56,807 |
| Directors' current accounts | - | 89 |
| Accruals and deferred income | 1,508,399 | 1,140,853 |
| | <hr/> | <hr/> |
| | 1,587,494 | 1,209,114 |
| | <hr/> | <hr/> |

LAMBERT ENERGY ADVISORY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

8 Provisions for liabilities and charges

The deferred tax asset (included in the debtors, note 6) is made up as follows:

| | 2003 £ |
|-------------------------|-----------|
| Profit and loss account | (850) |

| | 2003 £ | 2002 £ |
|--------------------------------|-----------|-----------|
| Accelerated capital allowances | (850) | - |

9 Pension costs

Defined contribution

| | 2003 £ | 2002 £ |
|---|-----------|-----------|
| Contributions payable by the company for the year | 32,124 | 7,500 |

10 Share capital

Authorised

| | 2003 £ | 2002 £ |
|--|-----------|-----------|
| 100,000,000 Ordinary shares of 1p each | 1,000,000 | 1,000,000 |

Allotted, called up and fully paid

| | 2003 £ | 2002 £ |
|------------------------------------|-----------|-----------|
| 100,000 Ordinary shares of 1p each | 1,000 | 1,000 |

11 Statement of movements on reserves

| | Share premium account £ | Profit and loss account £ |
|-----------------------------|----------------------------------|------------------------------------|
| Balance at 1 January 2003 | 99,900 | 317,088 |
| Retained loss for the year | - | (42,309) |
| Balance at 31 December 2003 | 99,900 | 274,779 |

LAMBERT ENERGY ADVISORY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

| 12 Reconciliation of movements in shareholders' funds | 2003 £ | 2002 £ |
|---|-----------|-----------|
| (Loss)/Profit for the financial year | (42,309) | 39,809 |
| Opening shareholders' funds | 417,988 | 378,179 |
| Closing shareholders' funds | 375,679 | 417,988 |

| 13 Directors' emoluments | 2003 £ | 2002 £ |
|---|-----------|-----------|
| Emoluments for qualifying services | 769,751 | 1,005,860 |
| Emoluments disclosed above include the following amounts paid to the highest paid director: | | |
| Emoluments for qualifying services | 724,751 | 945,360 |
| Company pension contributions to money purchase schemes | 15,994 | - |

14 Employees

Number of employees

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

| | 2003 Number | 2002 Number |
|-----------------------------|----------------|----------------|
| Operations & administration | 6 | 6 |

Employment costs

| | £ | £ |
|-----------------------|-----------|-----------|
| Wages and salaries | 1,802,251 | 1,369,166 |
| Social security costs | 223,098 | 156,657 |
| Other pension costs | 32,124 | 7,500 |
| | 2,057,473 | 1,533,323 |

15 Control

The ultimate controlling party is Mr P Lambert, an executive director.

LAMBERT ENERGY ADVISORY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

16 Related party transactions

During the year the company paid £70,000 (2002- £59,000) to The Petroleum Finance Company Ltd., a 9.999% shareholder of the company and £101,334 to Sandvold Energy AS, a company registered in Norway and controlled by Tore Sandvold. These transactions were at arms length relating to costs of general consultancy services provided to the company.