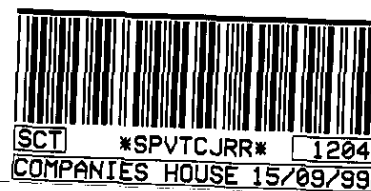


**The Centre for Marine and Petroleum
Technology (Limited by Guarantee)**

Annual report and financial statements

31 December 1998

Registered number 171891



Annual report and financial statements

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Council & Directors
(and date of appointment)

Rear Admiral RC Lane-Nott CB	Resigned 30 June 1999
Dr PH Jungels CBE (Chairman)	Resigned 24 August 1999
Prof JS Archer	Resigned 19 August 1999
Mr D Baillie	Resigned 3 April 1998
Mr JAR Chisholm	Resigned 17 August 1999
Mr CD Friedlander	Resigned 29 January 1999
Ms P Horsfall	Resigned 30 June 1998
Mr RJ Marsh	Resigned 18 August 1999
Mr MF Millwood Hargrave	Resigned 23 August 1999
Mr P Murray	Resigned 16 August 1999
Mr DF Stover	Resigned 6 July 1999
Mr KH Taylor	Resigned 24 August 1999
Mr WA Wakeham	Resigned 18 August 1999
Mr RG Smith	Appointed 3 April 1998; resigned 19 August 1999
Mr AM Jones	Appointed 3 April 1998; resigned 20 August 1999
Mr JAE Hughes	Appointed 3 April 1998; resigned 24 August 1999
Dr JH Barwis	Appointed 13 October 1998
Dr MJP Welland	Appointed 13 October 1998; resigned 24 August 1999
Mr E Endersen	Appointed 24 August 1999
Mr C Fowler	Appointed 24 August 1999
Mr LJ Thomas	Appointed 24 August 1999
Mr ML Verm	Appointed 24 August 1999
Mr I Bilsland	Appointed 30 June 1999

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1998.

Principal activity

CMPT's core business is to broker innovative technology and collaborative research for the enhancement of its Subscribers' competitiveness.

Business review

The Company's policy has been to seek future finance and support from its Subscribers and other interested parties in order to continue to develop the Brokerage and the delivery of products and services that add value to its Subscribers. The Company has been engaged in the following:

- 1) The development and operation of a technology brokerage service designed to connect the needs of the oil and gas industry with innovative solutions.
- 2) The development and management of research programmes in six technology theme areas: environmental impact reduction; deep water drilling cost reduction; total elimination of surface facilities; very small marginal field *puddle* production; deeper/higher resolution imaging of rock and fluids in the sub surface; and super smart production systems. In addition CMPT continued to support inherited projects from both PSTI and MTD.
- 3) The development of the CMPT Virtual Trading Floor TM to provide Direct Access to the Brokers by telephone/fax/letter/in person and Online Access via a new Internet site to facilitate the use of the new CMPT Knowledge Base working towards the aim of becoming the Research Knowledge Organisation for the Oil and Gas Industry.
- 4) Other income from contracts with AMJIG, the EU (OPET) the sale of publications and some smaller items of specific work for various Oil Companies.

Much has been achieved in the first 2 years, but the Company continues to be restricted by the fundamental problem that the subscription level does not cover the overhead. Contract income was insufficient to meet the shortfall.

Directors and directors' interests

The directors of the Company during the year ended 31 December 1998 are listed on page 1. The Company has no share capital or debentures.

Directors' report (*continued*)

Millennium compliance

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption.

The company has addressed the impact of the Year 2000 on its business and operations by reviewing the major issues to assess exposure. Plans have been put in place to seek to ensure the elimination of these exposures prior to the Year 2000. Total estimated costs of these plans are not believed to be significant.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain, because at least some level of failure may still occur. However, the directors believe that the company will achieve an acceptable state of readiness and will provide resources to deal promptly with significant failures or issues that might arise.

By order of the Board



Paul & Williamsons
Secretaries

Aberdeen
10 September 1999

Statement of 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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



37 Albyn Place
Aberdeen
AB10 1JB
United Kingdom

Report of the auditors to the members of The Centre for Marine and Petroleum Technology (Limited by Guarantee)

We have audited the financial statements on pages 6 to 12.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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.

Management representations

In forming our opinion, we relied on the representations of the directors and other independent information relating both to the members and third party support as described in note 1 of the accounts. In view of the significance of this matter we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

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 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

10 September 1999

Income and expenditure account
for the year ended 31 December 1998

	<i>Note</i>	Year to 31.12.98 £	30.1.97 to 31.12.97 £
Income		5,309,951	2,050,728
Expenditure		(5,997,292)	(2,135,924)
Operating deficit	3	(687,341)	(85,196)
Interest receivable and similar income		84,623	63,673
Interest payable and similar charges	6	(5,284)	(55,440)
Excess of expenditure over income		(608,002)	(76,963)


All figures relate to continuing operations.

There are no recognised gains or losses other than the loss for the financial year.

Balance sheet
at 31 December 1998

	<i>Note</i>	1998 £	1997 £
Fixed assets			
Tangible assets	8	51,654	60,399
Current assets			
Debtors	9	1,625,627	1,168,435
Cash at bank and in hand		439,703	1,113,880
		2,065,330	2,282,315
Creditors: amounts falling due within one year	10	(2,701,490)	(2,319,218)
Net current liabilities		(636,160)	(36,903)
Net (liabilities) assets		(584,506)	23,496
Reserves			
Income and expenditure account net (deficit) surplus	11	(584,506)	23,496

These financial statements were approved by the board of directors on *30 August* 1999 and were signed on its behalf by:


 Ian Bilsland
 Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. These statements have been presented on a going concern basis which assumes that the members will pay subscriptions and make additional contributions, which are sufficient to enable the company to meet its financial obligations as they fall due. In addition, it is assumed that further financial support will be obtained from the Department of Trade & Industry.

Income

Income represents the amounts (excluding value added tax) derived from the provision of services to subscribers and other third parties.

The company is exempt from the requirement of Financial Reporting Standard No. 1 to prepare a cash flow statement as it is entitled to the filing exemptions as a small company under Section 246 of the Companies Act 1985 when filing accounts with the Registrar of Companies.

Fixed assets and depreciation

Depreciation is provided to write off the cost of tangible fixed assets by equal instalments over their estimated useful lives as follows:

Furniture and office equipment	-	over 5 years
Computer equipment	-	over 3 years

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the income and expenditure account.

Research costs

The value of research work undertaken is charged to income and expenditure on the basis of work done as determined by the estimated stage of completion of each project.

Operating leases

Operating lease rentals are charged to the income and expenditure account on a straight line basis over the period of the lease.

Taxation

The charge for taxation is based on the surplus for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Notes *(continued)*

2 Status of the company

The Centre for Marine and Petroleum Technology is a company limited by guarantee and has no share capital. The liability of the members is limited to £1 each.

3 Operating deficit

The deficit for the year is stated after charging:

	Year to 31.12.98 £	30.1.97 to 31.12.97 £
Depreciation	48,050	39,554
Auditors' remuneration		
Audit work	17,000	15,000
Non-audit work	6,000	10,000
	<u> </u>	<u> </u>

4 Remuneration of directors

	Year to 31.12.98 £	30.1.97 to 31.12.97 £
Directors' emoluments	90,000	75,000
	<u> </u>	<u> </u>

Notes *(continued)*

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was 28 (30.1.97 to 31.12.97: 30).

The aggregate payroll costs of these persons were as follows:

	Year to 31.12.98 £	30.1.97 to 31.12.97 £
Wages and salaries	875,594	624,341
Social security costs	59,933	60,999
Other pension costs	281	16,324
	<u>935,808</u>	<u>701,664</u>

6 Interest payable and similar charges

	Year to 31.12.98 £	30.1.97 to 31.12.97 £
Interest payable	651	-
Net exchange loss on foreign currency deposits	4,633	55,440
	<u>5,284</u>	<u>55,440</u>

7 Taxation

No tax charge arises for the year because the company has made a loss for tax purposes. Tax losses are available to carry forward and relieve against future profits.

Notes (continued)

8 Tangible fixed assets

	Furniture and office equipment £	Computer equipment £	Total £
<i>Cost</i>			
At beginning of year	261,061	389,094	650,155
Additions	425	38,880	39,305
Disposals	(183,494)	(288,714)	(472,208)
	<hr/>	<hr/>	<hr/>
At end of year	77,992	139,260	217,252
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At beginning of year	254,686	335,070	589,756
Charge for the year	3,174	44,876	48,050
On disposals	(183,494)	(288,714)	(472,208)
	<hr/>	<hr/>	<hr/>
At end of year	74,366	91,232	165,598
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 1998	3,626	48,028	51,654
	<hr/>	<hr/>	<hr/>
At 31 December 1997	6,375	54,024	60,399
	<hr/>	<hr/>	<hr/>

9 Debtors

	1998 £	1997 £
Trade debtors	1,114,976	980,632
Other debtors	241,419	6,099
Prepayments and accrued income	269,232	181,704
	<hr/>	<hr/>
	1,625,627	1,168,435
	<hr/>	<hr/>

Notes (continued)

10 Creditors: amounts falling due within one year

	1998 £	1997 £
Trade creditors	806,138	315,167
Other creditors including taxation and social security	159,420	36,988
Accruals and deferred income	1,604,079	1,868,963
Provision for losses	131,853	98,100
	<u>2,701,490</u>	<u>2,319,218</u>

Included in the figure for accruals and deferred income is the sum of £30,000 (1997: £75,000) which relates to subscriptions billed in advance at the request of members.

11 Income and expenditure account

	1998 £
At beginning of year	23,496
Excess of expenditure over income	(608,002)
	<u> </u>
At end of year	(584,506)

12 Commitments

Average annual commitments are as follows in respect of operating leases over properties which expire:

	1998 £	1997 £
Between two and five years	127,852	49,620
After five years	-	119,390
	<u> </u>	<u> </u>
Total	127,852	169,010