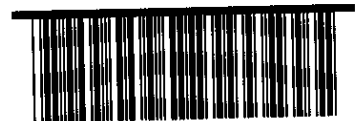


BLUE SKIES ENERGY

RESOURCES LIMITED

FINANCIAL ACCOUNTS FOR THE YEAR

1st JUNE 2002 TO 31st MAY 2003



SCT SK2GP018 0354
COMPANIES HOUSE 03/09/03

REGISTERED NUMBER : SC 166127

BLUE SKIES ENERGY RESOURCES LTD.

YEAR ENDED 31st MAY 2003

DIRECTOR

A.J. McHardy

COMPANY SECRETARY

Mrs. E.A. McHardy

REGISTERED OFFICE

58 Abbotswell Drive,
Aberdeen,
AB12 5QN.

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The following does not form part of the Statutory Accounts :

- | | |
|----|----------------------------------|
| 9. | Detailed Profit and Loss Account |
|----|----------------------------------|

BLUE SKIES ENERGY RESOURCES LTD.REPORT OF THE DIRECTORFOR THE YEAR ENDED 31st MAY 2003

The Director presents the Annual Report of the affairs of the Company, together with the Accounts for the above year.

PRINCIPAL ACTIVITY

The Company's principal activity during the year remained the provision of drilling engineering consultancy services to the onshore and offshore oil industry.

No goods were exported from the United Kingdom during the year.

DIRECTOR

The Director during the year under review who was beneficially interested in the shares in the Company at the beginning and end of the year was :-

	Ordinary Shares of £ 1 each	
	31st May 2003	1st June 2002
A.J. McHardy	2	2

POLITICAL OR CHARITABLE DONATIONS

No political or charitable donations were made during the year.

The Director has taken advantage, in the preparation of the above report, of the exemptions applicable to small Companies conferred by Schedule 8 Part 2 of the Companies Act 1985.

SIGNED ON BEHALF OF THE BOARD

15th August 2003

Date.....Director.....
A.J. McHardy

BLUE SKIES ENERGY RESOURCES LTD.PROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31st MAY 2003

	Notes	2003	2002
	-----	-----	-----
		£	£
		-	-
TURNOVER		80,207	142,785
Administrative expenses		44,231	41,563
		-----	-----
OPERATING PROFIT	2	35,976	101,222
Interest Receivable	3	1,463	213
		-----	-----
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		37,439	101,435
Tax on profit on ordinary activities	4	6,700	20,128
		-----	-----
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		30,739	81,307
Dividends	5	-	-
		-----	-----
RETAINED PROFIT FOR THE YEAR		30,739	81,307
Retained Profit brought forward		133,289	51,982
		-----	-----
Retained Profit carried forward		£ 164,028	£ 133,289
		=====	=====

All amounts relate to continuing activities.

The Company realised no gains or losses other than the profit for the year.

The notes set out on pages 4 to 8 form an integral part of these Accounts.

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BLUE SKIES ENERGY RESOURCES LTD.BALANCE SHEET - 31st MAY 2003

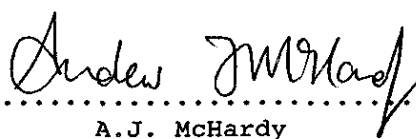
	Notes	2003	2002
	-----	-----	-----
		£	£
FIXED ASSETS		-	-
Tangible assets	8	1,096	1,289
CURRENT ASSETS			
Debtors	9	4,896	14,947
Cash at bank and in hand		167,879	149,017
		-----	-----
		172,775	163,964
CREDITORS		-----	-----
Amounts falling due within one year	10	9,841	31,962
		-----	-----
NET CURRENT ASSETS		162,934	132,002
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		£ 164,030	£ 133,291
		=====	=====
CAPITAL AND RESERVES			
Called-up Share Capital	11	2	2
Profit and Loss Account	13	164,028	133,289
		-----	-----
		£ 164,030	£ 133,291
		=====	=====

The Director has taken advantage, in the preparation of these financial statements, of the total exemption conferred by section 249A(1) Companies Act 1985. No notice of requirement for audit has been deposited by any member under section 249B(2) Companies Act 1985 in relation to the Company's Accounts for the year ended 31st May 2003. The Director acknowledges his responsibilities for both ensuring that the Company keeps accounting records which comply with section 221 Companies Act 1985 and for preparing Accounts which give a true and fair view of the state of affairs of the Company as at 31st May 2003 and of its profit for the year then ended in accordance with the requirements of section 226 Companies Act 1985, and which otherwise comply with the requirements of the Act relating to Accounts, so far as applicable to the Company. The Director has taken advantage, in the preparation of these financial statements, of the exemptions conferred by section 246 Companies Act 1985 on the basis that the Company qualifies as a small Company.

Approved on behalf of the Company :

15th August 2003

Date.....Director.....


A.J. McHardy

The notes set out on pages 4 to 8 form an integral part of these Accounts.

BLUE SKIES ENERGY RESOURCES LTD.NOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31st MAY 20031. ACCOUNTING POLICIESa) Basis of accounting

These Accounts have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

b) Cash flow statement

The Company has taken advantage of the exemption, conferred by Financial Reporting Standard 1, from presenting a cash flow statement as it qualifies as a small Company.

c) Turnover

Turnover represents sales to external customers at invoiced amount less value added tax.

d) Depreciation

Depreciation is calculated to write off the cost or valuation, less estimated residual values, of tangible fixed assets over their estimated useful lives to the business. The annual depreciation rate and method is as follows :-

Equipment	15% Reducing balance
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e) Deferred taxation

Provision is made for deferred taxation except where, in the opinion of the Director, it is not likely to become payable in the foreseeable future.

2. OPERATING PROFIT

Operating profit is stated after charging :-	2003	2002
	----	----
	£	£
Administrative expenses including :-	-	-
Depreciation	193	228
Director's Remuneration	34,000	35,268
	=====	=====

BLUE SKIES ENERGY RESOURCES LTD.NOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31st MAY 20033. INTEREST RECEIVABLE

	2003	2002
	----	----
	£	£
	-	-
Deposit Account Interest	1,405	213
Other Interest Receivable	58	-
	-----	----
	£ 1,463	£ 213
	=====	=====

4. TAXATION

	2003	2002
	----	----
	£	£
	-	-
U.K. Corporation Tax at 20% on the profit adjusted for tax purposes	-	16,905
U.K. Corporation Tax at 19% on the profit adjusted for tax purposes	7,260	3,223
Marginal small Companies' relief	(560)	-
	-----	-----
	£ 6,700	£ 20,128
	=====	=====

5. DIVIDENDS

	2003	2002
	----	----
	£ -	£ -
	=	=
Ordinary Shares - no dividends paid (2002 - no dividends paid)		

6. DIRECTOR'S EMOLUMENTS

	2003	2002
	----	----
Management Remuneration	£ 34,000	£ 35,268
	=====	=====

During the year the Director loaned funds to the Company and the balance owing to the Director at 31st May 2003 was £ 841.

BLUE SKIES ENERGY RESOURCES LTD.NOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31st MAY 20037. STAFF

	2003	2002
	----	----
	£	£
Aggregate amounts paid in respect of :-	-	-
Salaries and Wages	-	-
Social Security Costs	-	-
Other Pension Costs	-	-
	-	-
	£ -	£ -
	=	=

The average number of persons employed during the year (including the Director) by the Company was 1.

8. TANGIBLE FIXED ASSETS

	Equipment

COST	
As at 1st June 2002	
and	
As at 31st May 2003	2,161

DEPRECIATION	
As at 1st June 2002	872
Charge in year	193

As at 31st May 2003	1,065

NET BOOK VALUE	
As at 31st May 2003	£ 1,096
	=====
As at 31st May 2002	£ 1,289
	=====

BLUE SKIES ENERGY RESOURCES LTD.NOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31st MAY 20039. DEBTORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003	2002
	----	----
	£	£
	-	-
Trade Debtors	4,583	14,660
Prepayments	263	263
Accrued Income	50	24
	-----	-----
	£ 4,896	£ 14,947
	=====	=====

10. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003	2002
	----	----
	£	£
	-	-
U.K. Corporation Tax	6,700	20,128
Value Added Tax	1,394	9,286
Other Taxes and Social Security	444	1,023
Other Creditors	462	464
Director's Current Account	841	1,061
	-----	-----
	£ 9,841	£ 31,962
	=====	=====

11. SHARE CAPITAL

	2003	2002
	----	----
Authorised Share Capital -		
Ordinary Shares of £ 1 each	£ 1,000	£ 1,000
	=====	=====
Issued and Fully Paid Share Capital -		
Ordinary Shares of £ 1 each	£ 2	£ 2
	=	=

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BLUE SKIES ENERGY RESOURCES LTD.NOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31st MAY 200312. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003	2002
	----	----
	£	£
	-	-
Profit for the year	30,739	81,307
Dividends	-	-
	-----	-----
Net addition to shareholders' funds	30,739	81,307
Opening shareholders' funds	133,291	51,984
	-----	-----
Closing shareholders' funds	£ 164,030	£ 133,291
	=====	=====

13. RESERVES

	Profit and Loss Account

	£
	-
As at 31st May 2002	133,289
Profit for the year	30,739

As at 31st May 2003	£ 164,028
	=====

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BLUE SKIES ENERGY RESOURCES LTD.DETAILED PROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31st MAY 2003

	2003	2002
	-----	-----
	£	£
	-	-
Turnover	80,207	142,785
Other Income : Deposit Account Interest	1,405	213
: Corporation Tax repayment supplement	58	-
	-----	-----
	81,670	142,998
Administrative expenses		
Travel and Subsistence	2,075	229
Heating and Lighting	240	120
Telephone	1,180	(355)
Printing, Postage, Stationery and Advertising	163	412
Insurance	403	245
Subscriptions	-	70
Accountancy	1,530	1,530
Bank Charges	93	77
Sundries	15	15
Entertaining	824	75
Depreciation of Equipment	193	228
Director's Remuneration :		
- A.J. McHardy	34,000	35,268
- National Insurance Contributions	3,515	3,649
	-----	-----
Total administrative expenses	44,231	41,563
	-----	-----
Net Profit before taxation	£ 37,439	£ 101,435
	=====	=====