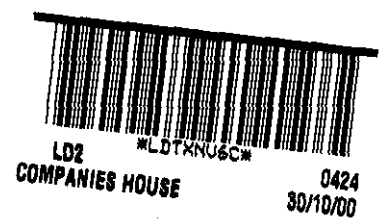


PETROSWEDE UK LIMITED

Directors' report and accounts

31 December 1999

Registered number 1191501



Petroswede UK Limited

Directors' report and financial statements

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Petroswede UK Limited

Directors' report

The directors present their annual report and the audited accounts for the year ended 31 December 1999.

Ownership of the parent company

The company is 100 percent owned by Svenska Petroleum Exploration AB. Svenska Petroleum Exploration AB is 100 percent owned by Corall Petroleum Holdings AB.

Corall Petroleum Holdings AB, Svenska Petroleum Exploration AB, and Preem Petroleum AB are incorporated in Sweden.

Principal activities and main events

The company did not trade during the year.

Directors and directors' interests

The directors who served during the year were:

M Schmeitzner
B Grossi
J Hagen
S-E Zachrisson

None of the directors held any beneficial interest in shares of the company or ultimate parent company during the year.

Group accounts

A copy of the group accounts is available from the parent company; Svenska Petroleum Exploration AB, Sandhamnsgatan 51, P.O. Box 27823, S-11593 Stockholm, Sweden.

Auditors

In accordance with S385 of the companies act 1985, a resolution for the re-appointment of KPMG as auditors of the company, is to be proposed at the forthcoming Annual General Meeting.

By order of the board


Mike Schmeitzner
Director

Date: 26/10/00...

Statement of directors' responsibility

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 maintaining 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.

Petroswede U.K. Limited

Report of the auditors to the members of Petroswede U.K. Limited

We have audited the financial statements on pages 4 to 5.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. 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.

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.

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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG,
KPMG
Chartered Accountants
Registered Auditors

Date *26 October 2000*

Petroswede UK Limited

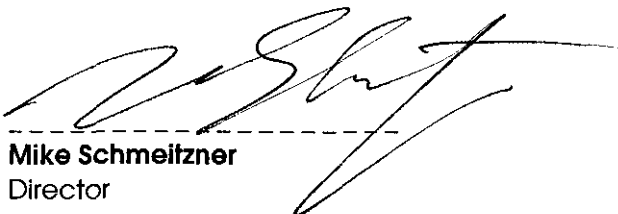
**Balance sheet
as at 31 December 1999**

	Note	1999 £	1998 £
Current assets:			
Debtors: Amount owed by group undertaking		<u>3</u>	<u>3</u>
Capital and reserves:			
Called up share capital	3	<u>3</u>	<u>3</u>

The following notes on page 5 form an integral part of these accounts.

These accounts were approved by the board of directors on
and were signed on its behalf by:

26 October 2000



Mike Schmeitzner
Director

Petroswede UK Limited

Notes

1 Accounting policies

Accounting standards and convention

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

2 Profit and loss account

The company did not trade during the year, has received no income and incurred no expenditure, and consequently has made neither a profit nor a loss for the year.

3 Share capital	1999	1998
	£	£
<i>Authorised share capital:</i>		
Ordinary shares of £1 each	<u>100</u>	<u>100</u>
<i>Share capital allotted, called up and fully paid:</i>		
Ordinary shares of £ 1 each	<u>3</u>	<u>3</u>

4 Result for the year

No emoluments were paid to directors by the company during the year (1998 £nil)

The auditors' remuneration is borne by the parent company.

5 Ultimate parent company

The company's ultimate parent company is Corral Petroleum Holdings AB, incorporated in Sweden with registration number 556477-1284.